



ANNUAL REPORT  
**2016**

THE ASAHI SHINKIN BANK

# Five-Year Summary

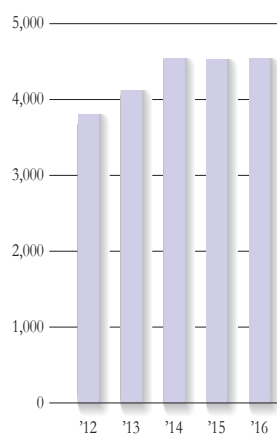
Years ended March 31,	Millions of Yen				
	2016	2015	2014	2013	2012
Total Income .....	¥ 33,733	¥ 32,562	¥ 33,466	¥ 33,581	¥ 33,891
Income Before Extraordinary Income and Taxes .....	6,216	6,614	6,941	6,203	6,002
Net Income .....	4,537	4,528	4,544	4,123	3,806
Paid-in Capital .....	21,187	21,416	21,617	21,801	22,048
Total Number of Units of Members' Equity (Units) .....	423	428	432	436	440
Equity .....	76,591	78,740	70,687	67,582	59,591
Total Assets .....	1,867,006	1,905,744	1,881,966	1,824,996	1,792,254
Deposits .....	1,767,279	1,792,172	1,777,850	1,718,991	1,692,300
Loans and Bills Discounted .....	945,134	910,437	894,218	893,469	909,387
Securities .....	306,761	334,401	337,261	321,492	321,248
Non-consolidated Capital Adequacy Ratio (%) .....	9.27	9.61	9.97	10.10	9.86
Cash Dividends .....	635	642	864	1,090	882
Number of Employees .....	1,444	1,513	1,549	1,571	1,608

Note1: The guidelines established by the Minister of the Financial Services Agency (2006 FSA Notice No. 21) based on Article 14-2 of the Banking Act of Japan, on which Article 89-1 of the Shinkin Bank Act is based, in order to judge a *shinkin* bank's capital adequacy in light of its risk-weighted assets were revised on March 8, 2013, and the notice following the revision (Basel III) became applicable from March 31, 2014. Accordingly, the non-consolidated capital adequacy ratio up to 2013 is calculated in accordance with the former notice and that for 2014 onward is calculated in accordance with the new notice. The Bank adopts the domestic standard.

Note2: As a result of the review of the variables for the non-consolidated capital adequacy ratio for fiscal 2011, it was found that the Bank recorded an amount of on-balance risk assets that was ¥805 million less than it should have been. Reflecting this finding, the value of the non-consolidated capital adequacy ratio for fiscal 2012 was corrected to a value 0.01 percentage points lower than the value previously reported.

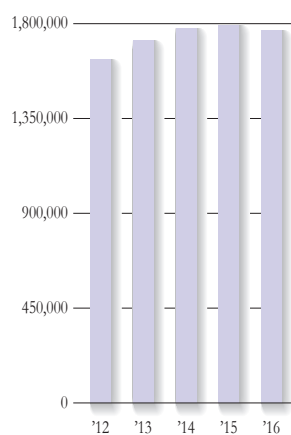
## Net Income

(Millions of Yen)



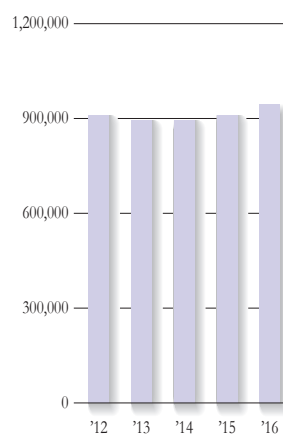
## Deposits

(Millions of Yen)



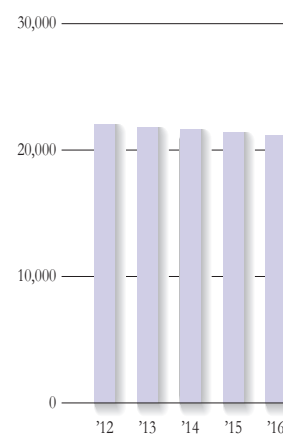
## Loans and Bills Discounted

(Millions of Yen)



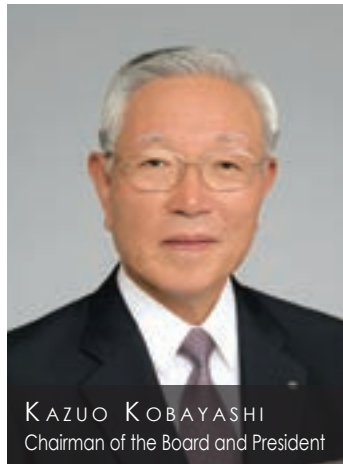
## Paid-in Capital

(Millions of Yen)



Fractions less than a unit are rounded down in this report.

# Message from the Management



## **Striving to Be the Indispensable and Most Trustworthy Financial Institution in Our Community**

Founded in 1923 and subsequently reshaped by several mergers, the Asahi Shinkin Bank is now the fourth-largest *shinkin* bank in Tokyo and the fifteenth-largest in Japan in terms of deposits. Our business territory extends from eastern Tokyo, centering on Taito Ward with its large concentration of small and medium-sized companies, to Edogawa Ward, western Chiba Prefecture and eastern Saitama Prefecture featuring areas of mixed commercial and residential use as well as densely populated residential districts.

In fiscal 2015, the year ended March 31, 2016, the Bank continued promoting community-based financial services. We strove to offer financial services of outstanding usefulness to our customers by meticulously attuning them to customer needs. To help small and medium-sized companies improve management and turn around their businesses, we promoted loans emphasizing feasibility. As a result, the Bank recorded a strong performance in terms of loans and profitability.

Looking to the future, with a five- to ten-year horizon, we are fully aware of the importance of eradicating the traditional approach that simply pursues “quantity” and of establishing a sustainable business model emphasizing “quality,” such as efficiency and profitability. We will continue our efforts to vitalize the local economy in a spirit of co-existence and co-prosperity with the community we serve. In these endeavors, we will be grateful for your continued support and cooperation.

July 2016

A handwritten signature in black ink that reads "K. Kobayashi". The signature is written in a cursive, flowing style.

*Kazuo Kobayashi*  
Chairman of the Board and President



## Overview of *Shinkin* Banks and their Role in the Community

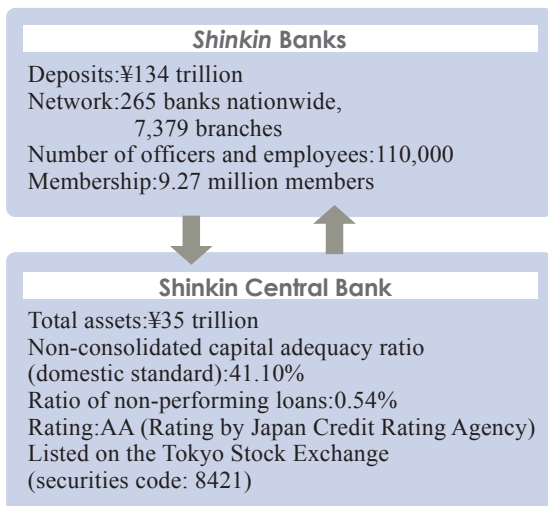
*Shinkin* banks are cooperative regional financial institutions whose members are small and medium-sized businesses and local residents.

The business of *shinkin* banks is not very different from that of other commercial banks, but *shinkin* banks are distinguished from other banks in terms of their organizational structure, the communities they serve and their customers. Whereas banks are incorporated, *shinkin* banks are cooperatives with memberships composed of local residents and those who work or have an office in the area. Corporate members are limited to companies with a maximum of 300 employees and capitalization of up to ¥900 million.

While *shinkin* banks accept deposits in the same way as ordinary banks, their loans are, in principle, restricted to contributing members only and loans to a single borrower must not exceed 25% of the bank's own capital. As financial institutions with close ties to their home territories, *shinkin* banks use locally raised funds exclusively for local development. They thus contribute to the healthy growth of local enterprises, a better quality of life for the area's residents, and the overall development of the local community.

The Shinkin Central Bank (SCB) is the central bank for *shinkin* banks. The role of the SCB is to support the development of the *shinkin* bank sector by broadening the operational functions and enhancing the credit standing of *shinkin* banks, and thus contribute to the prosperity of Japan. The Bank is strengthening collaboration with the SCB in terms of operations.

### Shinkin Banks and the Shinkin Central Bank



(As of March 31, 2016)

## Asahi Shinkin Bank's Support of Small and Medium-sized Businesses in the Community

### Support for Startup Companies and Entry to New Business Fields

The Bank's sales and marketing policy emphasizes face-to-face encounters between our sales representatives, each of whom is responsible for a particular neighborhood, and existing or prospective customers. Through these community-based efforts, in fiscal 2015 the Bank provided startup financing amounting to ¥4.1 billion to 216 entrepreneurs eligible for Tokyo Metropolitan Government's startup loan program for small and medium-sized enterprises.

### Measures for Improving Management of Small and Medium-sized Companies and Vitalizing the Community

The Bank's Management Support Center, which specializes in helping customers improve their management and revitalize their businesses, offers advice to customers and helps them formulate management improvement plans to deal with the challenges they face.

### Collaboration with External Expert Organizations

The Bank is collaborating with external expert organizations to help small and medium-sized companies resolve their issues. Based on a partnership agreement with Taito Ward, the Bank dispatches the Bank's employee who received specialized education as a business advisor and provides management support to small and medium-sized companies within Taito Ward concerning their management strategies, expansion of sales channels, etc. In fiscal 2015, the Bank newly entered into a partnership with Tokyo Small and Medium Enterprise Management Consultant Association.

**Asahi Shinkin Bank's Corporate Philosophy**

All of us at the Asahi Shinkin Bank think and act cheerfully and positively to contribute to development of the local community and our customers' happiness.

**Other Initiatives**

**Asahi Small and Medium-sized Business Management Information Center (ACC)**

We are convinced that the Bank’s fundamental mission is to foster the small and medium-sized businesses in the community that underpin the local economy. Based on this conviction, to support the endeavors of small and medium-sized companies in human resources development and networking among customers, the Bank established the Asahi Small and Medium-sized Business Management Information Center (ACC) in 1996. ACC develops human resources, offers grants, and promotes fruitful exchanges between companies in different industries. (See Page 4 for more about ACC.)

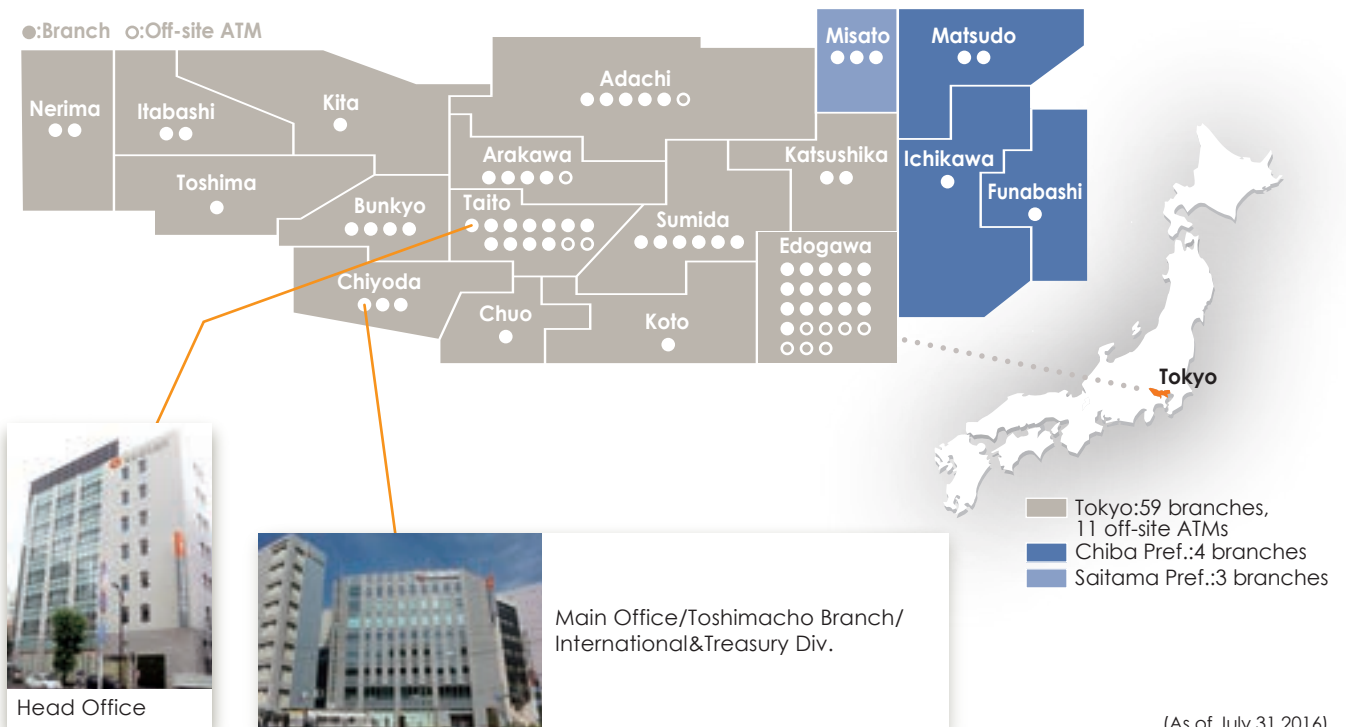
**Asahi Business Matching Project—Power to Connect and Power to Build**

Launched in September 2013 to assist local small and medium-sized enterprises, the Asahi Business Matching Project—Power to Connect and Power to Build supports business matching both via the website and at a business fair. In addition to the holding of an annual business fair, the Bank offers 24/7 services on the website so that enterprises can search for candidate business partners and set up meetings.

Asahi Business Matching 2015 Business Fair where small and medium-sized companies meet major buyers was held on October 21, 2015 at Ueno Seiyoken and 407 meetings were held with vigorous business talks.

**Extensive Network of 66 Branches and 11 Off-site ATMs**

In view of our customer base, we consider it our mission to respond proactively to the funding needs of the small and medium-sized businesses and individuals sustaining the local economy at the grassroots. The Bank’s 66 branches, which include five sub-branches, and 11 off-site ATMs are located in Taito Ward and 13 other wards in Tokyo and also in Chiba Prefecture and Saitama Prefecture. To bring our area management even closer to the community, our operating area is divided into smaller zones, each with a dedicated sales representative. The Bank’s 415 sales representatives emphasize face-to-face, household-based marketing—one of the Bank’s specialties, endeavoring to market excellent proposals and offer optimum solutions in a timely manner.



### Domestic Operations

The Bank offers a wide range of deposit products to meet various savings needs, including foreign currency time deposits with special interest rates and online time deposits. For personal customers, in addition to deposit products, the Bank offers a range of investment products, such as investment trusts, personal pension insurance and Japanese government bonds.

Among the Bank's loan products for personal customers are the *Eco Life Ace Home Loan* for customers purchasing residential property with superior environmental performance, the *Childcare Support Ace Home Loan* for customers who have children younger than 18 years of age or are expecting a child, and the *Asahi Education Card Loan* for educational expenses.

The Personal Loan Plaza in the head office building is open on weekday evenings and Saturdays, in addition to during the daytime on weekdays, so that customers who are unable to visit the Bank during regular opening hours can use the service. At our Pension Advisory Center within the Ichinoe Station Branch, customers can consult dedicated advisors about any matters relating to pensions.

For small and medium-sized businesses, the Bank offers a wide range of loan products tailored to their funding needs, whether for business development or to ensure stable cash flows.

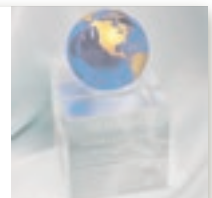
As well as visits to customers by our sales representatives who have excellent problem-solving skills, we also offer various

Internet services, such as *Asahi Business Web* and *Asahi Foreign Exchange Web*. At the Customer Support Center, we offer practical advice on tax and financial affairs, information technology, pensions and lifetime financial planning as well as holding various seminars to support corporate customers' sales and marketing activities. (See Pages 2-3 for the Bank's support for businesses.)

The Asahi Small and Medium-sized Business Management Information Center (ACC) supports small and medium-sized companies in the following three areas.

- 1) Holding of seminars and courses on business information and know-how that help executives, managers and employees of small and medium-sized companies keep abreast of developments and enhance their capabilities
- 2) Granting of credit guarantee subsidies to small and medium-sized companies pursuing R&D of innovative products and technologies, cultivating promising new fields, focusing on environmental engineering, or engaged in any other innovative, growth-oriented endeavors
- 3) Operation of an inter-industry exchange forum and publication of ACC Information, a newsletter full of useful information for small and medium-sized companies, with the aim of helping them discover hidden value through inter-industry exchanges.

In November 2015, the Bank received the 2015 J.P. Morgan Elite Quality Recognition Award from J.P. Morgan Chase Bank, N. A. commending the excellent performance of the Bank's funds transfer operations. This was the fifth consecutive year for the Bank to be commended. Indeed, we were the only Japanese bank to receive the elite quality award in the past two years.



## International Operations

Our business territory is home to companies in many industries, including manufacturers and distributors of apparel, leather goods and footwear, jewelry, computer parts and peripherals, medical equipment and toys, as well as food processing and distribution companies. Amid recent structural changes in Japan's economy and the growing importance of international business, many of our customers are becoming more involved in foreign trade.

We offer a wide range of financial services for companies engaged in international business, including advice on investment strategy and business development, integrated import and export support from opening of business relations to bill settlement, services covering trade finance, forward exchange contracts, and coupon swaps.

We are striving to further enhance convenience for our customers by offering Internet banking services for overseas remittances, import letters of credit, etc. We are also working to offer a wider range of services attuned to their needs.

At the end of March 2016, the Bank had a network of overseas correspondent banks totaling 563 branches of 88 banks (of which three are Japanese banks) in 42 countries. Centering on imports, trade-related foreign exchange transactions handled by the Bank in fiscal 2015 amounted to US\$901 million.

We aim to continue serving far into the future as an indispensable partner of companies pursuing business overseas.

## Overseas Correspondent Network



(As of March 31, 2016)

## Becoming the Most Trustworthy Community Bank

Customer deposits should be used to bring new vitality into the community—this is the basic stance of Asahi Shinkin Bank, a financial institution that puts local ties first.

To date, the Bank has developed together with small and medium-sized companies and people in the local community based on a spirit of helping one another as a cooperative financial institution. With the aim of becoming the indispensable and most trustworthy community bank, we have embraced new challenges in our drive to bring new vitality into our community. We have reinforced our business by stepping up support for corporate revival and management improvement, while offering increased support to companies involved in innovative businesses and those active in environmental protection. As we emphasize the cultivation of closer links with our customers, we are helping to bring new vitality into the community through provision of financial services that deliver customer satisfaction and also by doing our part as a member of the community in the cultural, environmental and educational spheres.



Asahi Shinkin Bank's Posters

## Asahi CSR Initiative

With the emergence of corporate social responsibility (CSR) as a subject of great and growing importance, it is essential for companies to fulfill their responsibilities not only to shareholders and business partners, but also to employees, consumers, local communities, and all other stakeholders. The Asahi Shinkin Bank, a customer-oriented bank devoted to the development of its customers and the community it serves, has a long-standing commitment to the fulfillment of CSR. The Bank has been implementing the Asahi CSR Initiative since fiscal 2007 based on a thorough review of its previous CSR activities, including environmental protection, resource saving, energy saving, recycling, and corporate citizenship.

## Corporate Citizenship Activities

### Implementation of the Ecocap Movement

The Ecocap Movement is an initiative to collect and recycle PET bottle caps, which are usually disposed of as waste, and to use the proceeds to provide vaccines for children in developing countries. With help from people in the community, we had collected 110 million caps by the end of March 2016. Sorting of caps collected at branches in Edogawa Ward is contracted to a voluntary organization working to create employment for people with disabilities. In this way, we also support people with disabilities in the community.



### Traffic safety campaign

To promote traffic safety in the community, the Bank extends cooperation to the traffic safety campaign held each spring and autumn. During the campaign



period, the Bank's employees at all branches serve as wardens at nearby crossings. In fiscal 2015, a total of 1,331 employees of the Bank participated in the campaign.



### Blood donation campaign

The Bank held a blood donation campaign three times during fiscal 2015 in which 214 employees took part.



### Donations to public interest corporations

In accordance with the purpose of *Gift*, an installment savings product with a preferential interest rate offered by the Bank in 2011 for a limited time, the Bank made the fourth round of donations during the period from April 2015 to March 2016. We donated a total of ¥3.6 million to eight organizations.



### Asahi Fureai Concert

Asahi Fureai Concert launched in December 2013 is a concert event organized by Asahi Shinkin Bank featuring members of the Tokyo Metropolitan Symphony Orchestra. In fiscal 2015, eight concerts were held at elementary schools, mostly in Edogawa Ward. Some 2,600 children enjoyed the live performances.



### Environmental Protection Initiatives

• The Bank offers a range of loan products to support customers' environmental protection initiatives, including loans for capital investment, provision of loan guarantees under the government loan-guarantee system, and housing loan products.

• As part of efforts to mitigate global warming, the Bank uses a carbon-offset scheme and Forest Stewardship Council (FSC) certified paper for calendars, leaflets and other printed materials that the Bank produces.

### Support for People with Disabilities and the Elderly

#### ATMs for the visually impaired

All branches have ATMs with braille and audible instructions so that the visually impaired can use ATMs at ease.



#### AED

All branches are equipped with automated external defibrillators (AEDs) at ATM corners in readiness for emergencies such as cardiopulmonary arrest.

#### Braille blocks

Braille blocks leading from outside to inside a branch and to the ATMs are installed at 59 branches and for two off-site ATMs.

#### Slopes for wheelchair users

Slopes are installed at branches with steps at the entrance for barrier-free access. Certain branches have simple, detachable slopes.

#### Other initiatives

The Bank's policy is to make its branches barrier-free and accessible. When opening new branches, barrier-free toilets with features such as safety rails and baby-seats are installed and armchairs and low desks are introduced for ease of use.

## **Thorough Risk Management System**

The Bank has established the basic policy for management of risks, put in place a risk management system and determined management procedures so as to implement appropriate risk management. The Bank has classified risks into three categories and established risk committees corresponding to them. The activities of the risk committees are governed by the Comprehensive Risk Management Committee.

Also, the Bank has established a code of conduct with which all officers and employees are required to comply in order to inculcate corporate ethics and legal compliance throughout the Bank.

Personal information concerning our customers constitutes a vital asset. To ensure appropriate protection and use of personal information, the Bank applies strict control in accordance with its Basic Policy Concerning Protection of Information Assets (Security Policy) to achieve continuing improvement.

## **Major Risks and Risk Management Policies**

### **Market Risk**

Market risk comprises interest rate risk, price fluctuation risk, and exchange risk. Market risk is the possibility of losses from fluctuations in market interest rates, stock prices and foreign exchange markets that cause changes in the value of the Bank's assets and liabilities (including off-balance sheet items) and changes in profits generated by assets and liabilities.

The Bank's Asset and Liability Management (ALM) Committee is responsible for management of market risk.

### **Liquidity Risk**

Liquidity risk is the possibility of losses resulting from an unexpected outflow of funds or any other situation that necessitates fund procurement at

interest rates markedly higher than usual rates or transactions at markedly more disadvantageous terms than usual terms.

The Bank emphasizes liquidity and soundness of market-based funding and has put in place a system to ensure stable cash flow with a sufficient reserve. Moreover, the Bank has formulated a contingency plan to deal with the demand for funds in the event of an unexpected crisis swiftly and appropriately. Thus, the Bank has sufficient systems for management of liquidity risk.

### **Credit Risk**

Credit risk is the possibility of losses from bankruptcies, deterioration in the financial conditions, etc. of borrowers. The Bank has put in place a risk management system in accordance with the Credit Risk Management Rules.

In addition to the deliberation and assessment by the Credit Risk Management Committee and the ALM Committee, the Board of Directors, the Board of Managing Directors, and the Management Committee deliberate on credit risk management, as necessary, to deal with credit risk in an appropriate manner.

### **Operational Risk**

Operational risk is a risk associated with execution of routine operations and every effort is made to avert such risk.

Having established an organizational structure and a system to deal with operational risk in accordance with the Operations Risk Management Policy and the Systems Risk Management Policy, the Bank analyzes and assesses data gathered periodically in order to mitigate risk and to minimize the impact in the event that such risk materializes.

In order to respond to the increasing threat of cyber-attacks, the Bank has established the

Computer Security Incident Response Team (CSIRT) and is well prepared.

In addition to the periodic deliberation and assessment by the Operations and Systems Risk Committee, the Reputation and Legal Risk Committee, and the Comprehensive Risk Management Committee, the Board of Directors, the Board of Managing Directors, and the Management Committee deliberate on operational risk management, as necessary, to deal with operational risk in an appropriate manner.

### Compliance Structure

As well as strictly complying with various laws and regulations and other rules, companies are required to adhere to social ethics when engaging in transactions. In accordance with its goal of becoming the most trustworthy financial institution in the community, the entire workforce is united in a determination to inculcate corporate ethics and legal compliance throughout the Bank.

The Bank has put in place a compliance structure. The Management Legal Affairs Division supervises compliance issues and compliance officers are appointed at all departments, branches, and affiliated companies.

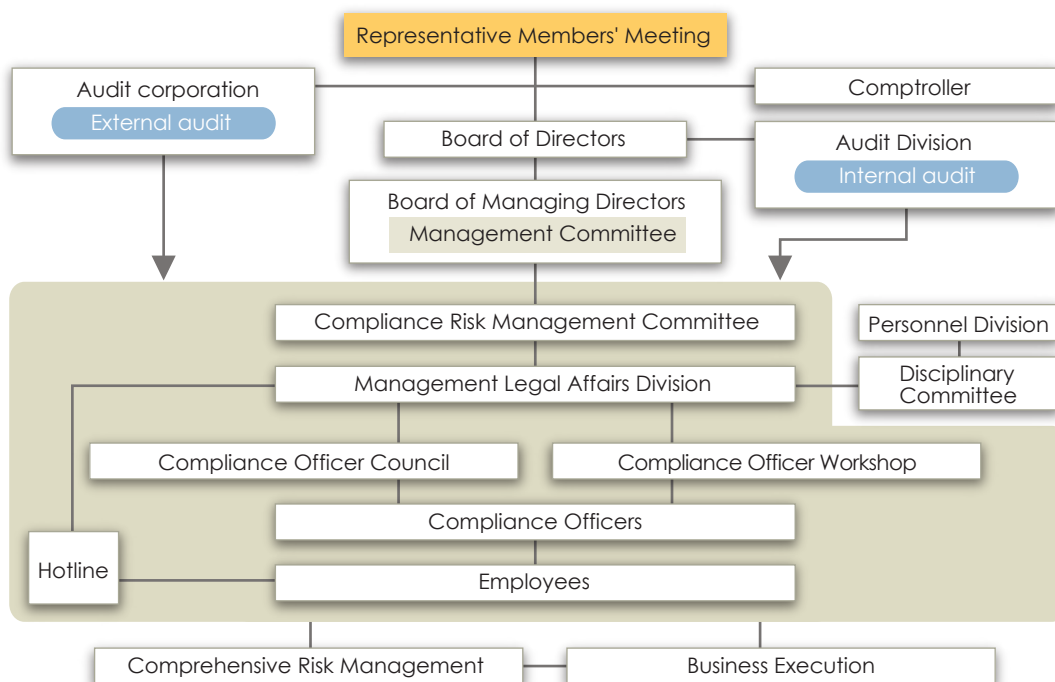
### Against Antisocial Forces

Adhering to the Guidelines for Companies to Prevent Damage by Antisocial Forces, the Bank remains committed to ensuring that no relationship whatsoever exists between the Bank and antisocial forces.

### Basic Policies on Antisocial Forces

1. Deal with antisocial forces as an organization.
2. Coordinate with external specialized agencies.
3. Cut off all relations with any antisocial force, including any transactions.
4. In emergencies, use civil and criminal legal responses.
5. Prohibit financing, inappropriate or abnormal transactions, and offering of benefits.

## Compliance Structure

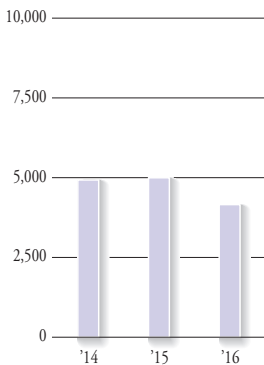


(As of March 31, 2016)

# Financial Review

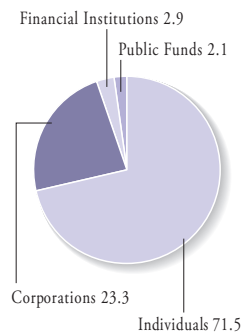
## Operating Income

(Millions of Yen)



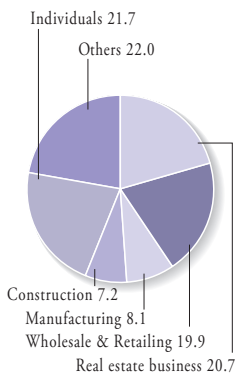
## Deposits by Category of Depositors

(%)



## Loans by Category of Borrowers

(%)



## Economic & Financial Environment

During the early part of the fiscal year ended March 31, 2016 (fiscal 2015), the Japanese economy showed a virtuous cycle from income to spending in both the household and corporate sectors, partly owing to the impact of Abenomics. From the middle of the year onward, the Japanese economy experienced weakness in certain areas owing to the slowing of China's economy and those of other emerging-market countries and weak crude oil prices. However, the real Japanese economy remained on a moderate recovery track overall despite faltering in certain sectors.

Turning to the financial sector in Japan, the stock market softened as investors tended to avoid risk in view of weak crude oil prices and mounting uncertainty centering on China. The Nikkei average fell to ¥16,758 at the end of fiscal 2015, a decrease of ¥2,448 compared with the previous fiscal year-end. Following the introduction of the negative interest rate policy by the Bank of Japan in January 2016 while maintaining quantitative and qualitative easing, long-term interest rates (yields of 10-year Japanese government bonds) went below 0%, as low as -0.1% temporarily, and ended at -0.05% at the end of fiscal 2015.

In these financial and economic circumstances, the Bank continued promoting community-based financial services. We strove to offer financial services of outstanding usefulness to our customers by meticulously attuning them to customer needs. To help small and medium-sized companies improve management and turn around their businesses, we promoted loans emphasizing feasibility. In addition, we held a business fair where small and medium-sized companies meet major buyers and have opportunities to expand their sales channels. We also operate a website for business matching that offers 24/7 services for searching for potential business partners and setting up meetings, and provide various other support services in cooperation with external expert organizations.

Amid inexorable population aging and a persisting low birth rate, Japan's population is expected to decline. In these circumstances, as well as providing loans for working capital and for capital investment to contribute to growth of small and medium-sized companies, with a view to securing the earnings structure the Bank promoted loans for asset investment and strove to cultivate promising medium-sized companies as new customers under the leadership of the Corporate Business Division. We also vigorously promoted housing loans and consumer loans.

As a result, loans outstanding at the end of fiscal 2015 were higher than the figure at the end of the previous fiscal year, for the second consecutive year. The protracted downward trend of loans outstanding ended and the target of the new three-year plan, that is, loans outstanding amounting to ¥950 billion, is now within reach.

With regard to front-office operations, we sought to enhance operational efficiency through centralized processing utilizing the new Front-office Solutions System and improve productivity through workforce reduction and reallocation. At the same time, we also endeavored to enhance customer satisfaction by enriching customer services.

## Results of Operations

Results of the Bank's operations in fiscal 2015 are described below.

### Deposits

Personal deposits by pensioners were stable as a result of the Bank's initiatives to increase pension accounts. In addition, time deposits were also stable as a result of the launch of prize-money-attached time deposits and lottery-attached time deposits. However, partly due to a decrease in deposits related to local governments toward the end of the year, the balance of total deposits decreased ¥24.8 billion compared with the figure at the previous fiscal year-end to ¥1,767.2 billion at the end of fiscal 2015.

### Loans

As a result of an increase in the handling of loans for asset investment and housing loans for personal customers, loans outstanding at the end of fiscal 2015 were ¥945.1 billion, ¥34.6 billion higher than the figure at end of the previous fiscal year.

### Profitability

Proceeds from interest on loans decreased, reflecting a decline in the yield on loans in line with intensifying interest rate competition, while the yield on deposits

remained high. However, amid the weakening of stock and bond markets, the market portfolio management operations secured proceeds from fund management. As a result, income before extraordinary income and taxes decreased ¥0.3 billion from the previous year to ¥6.2 billion, and net income was unchanged at ¥4.5 billion.

### Financial soundness

The Bank's capital adequacy ratio decreased 0.34 percentage points from the previous year-end to 9.27% at the end of March 2016. This decrease was attributable to adjustments relating to the phase-in application of the transitional measure for the regulatory framework for banks (Basel III) and an increase in risk assets in line with the increase of loans. The ratio of non-performing loans decreased 0.83 percentage points to 5.91%. These indicators attest to the ongoing enhancement of the Bank's financial soundness and the Bank recognizes that its fundamentals continue to be robust.

### Performance Indicators

#### Capital Adequacy Ratio and Members' Equity

The Bank's capital adequacy ratio was 9.27% at the end of March 2016, which greatly exceeds the 4% minimum requirement stipulated in the guidelines of the Financial Services Agency for banks operating domestically, attesting to the Bank's robust fundamentals.

#### Non-performing Loans

In fiscal 2015, non-performing loans outstanding based on the Financial Reconstruction Act decreased ¥5.6 billion compared with the figure at the end of the previous year. The ratio of non-performing loans was 5.91%, down 0.83 percentage points.

As of March 31, 2016, 91.12% of the non-performing loans held by the Bank were covered by mortgage collateral or high-quality guarantees and a reserve for possible loan losses. The Bank maintained a high coverage ratio.

\* The total amount of receivables is the amount of receivables subject to disclosure pursuant to the Financial Reconstruction Act and is different from loans outstanding.

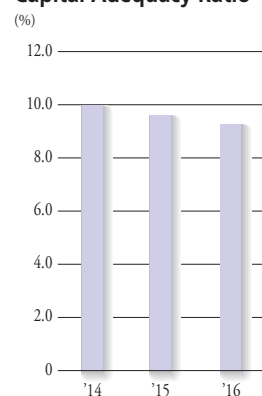
### Issues to be Tackled

To strengthen the fundamentals and bolster the relationships with customers in the community, the Bank will make a concerted effort to tackle the following management issues:

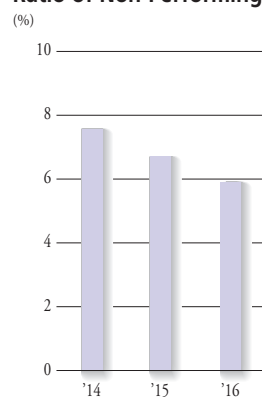
- Recognizing our mission as a financial institution supplying funds for small and medium-sized companies, we strive to facilitate financing for such companies. Moreover, we will promote loans based on assessment of feasibility, including future prospects, technological capabilities and growth potential, without being overly dependent on collateral or guarantees. Furthermore, we will offer diverse services for enterprises in order to support their efforts to improve management and expand sales channels.
- For regional revitalization and community growth and development, we will implement various measures to support customers in response to requests of national and local government while reinforcing initiatives to promote problem-solving sales through greater cooperation with external expert organizations. In this way, we will endeavor to offer financial services of outstanding usefulness to our customers.
- In accordance with the Act on Overcoming Population Decline and Vitalizing Local Economies, the Bank will vigorously collaborate with local governments upon request and participate in promotion of comprehensive strategies.
- We will accord greater emphasis to protection of customers throughout our operations. As well as strengthening measures to prevent financial crimes and to ensure that no relationship whatsoever exists between the Bank and antisocial forces, we will systematically reinforce control systems and structures.

Looking to the future, with a five- to ten-year horizon, we are fully aware of the importance of eradicating the conventional approach that simply pursues "quantity" and of establishing a sustainable business model emphasizing "quality," such as efficiency and profitability. We will continue our efforts to vitalize the local economy in a spirit of co-existence and co-prosperity with the community we serve. In these endeavors, we will be grateful for your continued support and cooperation.

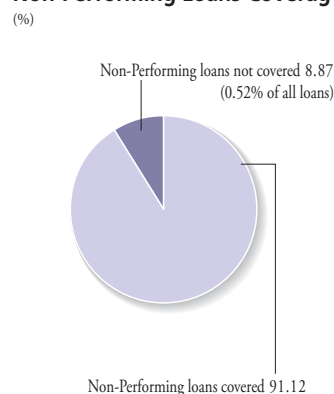
#### Capital Adequacy Ratio



#### Ratio of Non-Performing Loans



#### Non-Performing Loans Coverage



# Balance Sheets

As of March 31,	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2016	2015	2016
<b>ASSETS</b>			
Cash .....	¥ 27,417	¥ 29,331	\$ 243,298
Due from Banks .....	505,654	549,568	4,487,126
Money Held in Trust .....	16,795	23,564	149,041
Trading Securities .....	7	6	62
Securities (Note 3) .....	306,761	334,401	2,722,168
Loans and Bills Discounted (Note 4) .....	945,134	910,437	8,387,026
Foreign Exchange (Note 6) .....	10,376	5,453	92,083
Other Assets .....	13,232	10,239	117,424
Tangible Fixed Assets .....	35,531	35,054	315,302
Intangible Fixed Assets .....	2,653	2,862	23,546
Deferred Tax Assets .....	2,170	—	19,263
Customers' Liabilities for Acceptances and Guarantees .....	5,058	8,104	44,888
Reserve for Possible Loan Losses .....	(3,786)	(3,279)	(33,600)
<b>Total Assets</b> .....	<b>¥1,867,006</b>	<b>¥1,905,744</b>	<b>\$16,567,632</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits (Note 7) .....	¥1,767,279	¥1,792,172	\$15,682,667
Borrowed Money .....	—	100	—
Call Money .....	23	34	207
Foreign Exchange (Note 6) .....	33	64	298
Other Liabilities .....	9,486	14,582	84,178
Reserve for Employee Bonuses .....	547	571	4,856
Reserve for Retirement Allowances .....	7,277	10,217	64,584
Reserve for Retirement Benefits for Directors .....	185	243	1,648
Reserve for Loss from Refund of Sleeping Accounts .....	265	269	2,359
Reserve for Contingent Loss .....	256	276	2,278
Provision for Loss on Litigation .....	—	276	—
Deferred Tax Liabilities .....	—	92	—
Acceptances and Guarantees .....	5,058	8,104	44,888
<b>Total Liabilities</b> .....	<b>1,790,415</b>	<b>1,827,004</b>	<b>15,887,967</b>
<b>Equity:</b>			
Paid-in Capital .....	21,187	21,416	188,015
Additional Paid-in Capital .....	2,162	2,162	19,192
Legal Reserve .....	49,151	45,255	436,164
<b>Total Members' Equity</b> .....	<b>72,501</b>	<b>68,835</b>	<b>643,373</b>
Unrealized Gain on Available-for-Sale Securities .....	4,089	9,904	36,292
<b>Total Valuation and Translation Adjustments</b> .....	<b>4,089</b>	<b>9,904</b>	<b>36,292</b>
<b>Total Equity</b> .....	<b>76,591</b>	<b>78,740</b>	<b>679,665</b>
<b>Total Liabilities and Equity</b> .....	<b>¥1,867,006</b>	<b>¥1,905,744</b>	<b>\$16,567,632</b>

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

# Statements of Income and Retained Earnings

Years ended March 31,	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2016	2015	2016
<b>Income:</b>			
Interest and Dividends on:			
Loans and Discounts .....	¥17,680	¥18,273	\$156,897
Securities .....	6,091	5,458	54,052
Others .....	212	190	1,881
Fees and Commissions:			
Fees and Commissions on Domestic and Foreign Exchange .....	1,647	1,705	14,618
Others .....	2,320	2,031	20,594
Other Operating Income:			
Gains on Foreign Exchange Transactions .....	—	203	—
Gain on Trading Account Securities Transactions .....	0	0	0
Gains on Sales of Bonds .....	351	1,218	3,119
Gains on Redemption of Bonds .....	253	17	2,249
Others .....	114	90	1,017
Other Income:			
Reversal of Allowance for Loan Losses .....	—	303	—
Collection of Written-off Claims .....	556	439	4,936
Gains on Sales of Stocks and Other Securities .....	3,870	1,021	34,347
Gains on Money Held in Trust .....	49	1,092	443
Others .....	584	515	5,187
<b>Total Ordinary Income</b> .....	<b>33,733</b>	<b>32,562</b>	<b>299,345</b>
Extraordinary Income (Note 8) .....	—	77	—
<b>Total Income</b> .....	<b>33,733</b>	<b>32,639</b>	<b>299,345</b>
<b>Expenses:</b>			
Interest Expenses:			
Deposits .....	1,840	2,039	16,330
Borrowings and Rediscounts .....	0	0	0
Others .....	26	4	237
Fees and Commissions .....	1,421	1,378	12,618
Other Operating Expenses:			
Losses on Foreign Exchange Transactions .....	707	—	6,276
Losses on Sales of Bonds .....	232	432	2,060
Losses on Devaluation of Bonds .....	2	—	21
Others .....	38	41	342
General and Administrative Expenses .....	19,700	20,417	174,818
Other Expenses .....	3,547	1,632	31,475
<b>Total Ordinary Expenses</b> .....	<b>27,516</b>	<b>25,947</b>	<b>244,182</b>
Extraordinary Losses (Note 9) .....	307	385	2,732
<b>Total Expenses</b> .....	<b>27,824</b>	<b>26,333</b>	<b>246,914</b>
<b>Income before Income Taxes</b> .....	<b>5,908</b>	<b>6,306</b>	<b>52,430</b>
<b>Current</b> .....	<b>1,383</b>	<b>1,556</b>	<b>12,275</b>
<b>Deferred</b> .....	<b>(12)</b>	<b>221</b>	<b>(112)</b>
<b>Net Income</b> .....	<b>4,537</b>	<b>4,528</b>	<b>40,268</b>
<b>Retained Earnings (Balance at the Beginning of the Year)</b> .....	<b>1,433</b>	<b>2,199</b>	<b>12,720</b>
Cumulative Effect of accounting changes .....	—	(691)	—
Restated Retained Earnings (Balance at the Beginning of the Year) .....	—	1,507	—
<b>Balance at the End of the Year</b> (Note 10) .....	<b>¥ 5,971</b>	<b>¥ 6,035</b>	<b>\$ 52,989</b>

# Notes to Financial Statements

## 1. Yen Amounts

All yen figures are rounded down to the nearest one million yen.

Accordingly, breakdown figures may not add up to sums.

## 2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying financial statements are included solely for convenience and should not be construed as

representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥112.69 to US\$1, prevailing on March 31, 2016, has been used for conversion into U.S. dollar amounts in the financial statements.

## 3. Securities

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
National Government Bonds.....	¥ 48,718	¥ 82,710	\$ 432,327
Local Government Bonds.....	1,049	1,055	9,310
Corporate Bonds.....	55,571	55,459	493,139
Stocks.....	13,655	24,231	121,177
Other Securities.....	187,765	170,943	1,666,214
<b>Total</b> .....	<b>¥306,761</b>	<b>¥334,401</b>	<b>\$2,722,168</b>

## 4. Loans and Bills Discounted

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Bills Discounted .....	¥ 28,124	¥ 30,080	\$ 249,571
Loans on Bills.....	25,572	26,884	226,928
Loans on Deeds.....	873,544	843,015	7,751,751
Overdrafts .....	17,892	10,456	158,774
<b>Total</b> .....	<b>¥945,134</b>	<b>¥910,437</b>	<b>\$8,387,026</b>

## 5. Disclosure pursuant to the Financial Reconstruction Act

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Non-Performing Loans			
Bankrupt or De facto Bankrupt .....	¥ 6,494	¥ 7,432	\$ 57,627
Doubtful .....	46,006	48,865	408,261
Special Attention .....	3,803	5,704	33,752
Subtotal .....	56,304	62,002	499,641
Normal .....	895,071	857,768	7,942,775
<b>Total</b> .....	<b>¥951,375</b>	<b>¥919,771</b>	<b>\$8,442,416</b>

## 6. Foreign Exchange

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
<b>(Assets)</b>			
Due from Foreign Banks .....	¥ 9,972	¥5,000	\$88,497
Foreign Currency Bills Bought .....	44	33	393
Foreign Currency Bills Receivable.....	359	419	3,193
<b>Total</b> .....	<b>¥10,376</b>	<b>¥5,453</b>	<b>\$92,083</b>
<b>(Liabilities)</b>			
Foreign Currency Bills Sold.....	¥ 32	¥ 51	\$ 284
Accrued Foreign Exchange .....	1	12	13
<b>Total</b> .....	<b>¥ 33</b>	<b>¥ 64</b>	<b>\$ 298</b>



## 7. Deposits

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current Deposits .....	¥ 49,802	¥ 52,616	\$ 441,944
Ordinary Deposits .....	526,514	490,736	4,672,237
Savings Deposits.....	36,037	38,115	319,792
Deposits at Notice .....	4,408	4,919	39,122
Time Deposits.....	1,055,301	1,107,422	9,364,643
Installment Savings.....	78,290	83,007	694,739
Other Deposits.....	16,924	15,355	150,188
<b>Total</b> .....	<b>¥1,767,279</b>	<b>¥1,792,172</b>	<b>\$15,682,667</b>

## 8. Extraordinary Income

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gain on Disposal of Fixed Assets .....	—	¥77	—
<b>Total</b> .....	<b>—</b>	<b>¥77</b>	<b>—</b>

## 9. Extraordinary Losses

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Losses on Sales of Equipment .....	¥170	¥155	\$1,514
Losses on Impairment of Fixed Assets.....	137	230	1,217
<b>Total</b> .....	<b>¥307</b>	<b>¥385</b>	<b>\$2,732</b>

## 10. Subsequent Event

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at the End of the Year .....	¥5,971	¥6,035	\$52,989
Appropriations:			
Transfer to Legal Reserve .....	460	460	4,081
Cash Dividends .....	635	642	5,640
Payout Ratio .....	3% per year	3% per year	3% per year
Transfer to Voluntary Reserves .....	2,400	3,500	21,297
<b>Total Appropriations</b> .....	<b>3,495</b>	<b>4,602</b>	<b>31,019</b>
Retained Earnings (Balance at the End of the Year) .....	<b>¥2,475</b>	<b>¥1,433</b>	<b>\$21,969</b>

# Auditor's Report

In accordance with the provisions of Article 38-2, Paragraph 3 of the Shinkin Bank Act, KPMG AZSA LLC audited the balance sheets of the Bank as of March 31, 2016 and 2015, and the related statements of income and statements of retained earnings for the two years ended March 31, 2016 and 2015 and provided the Bank with an auditor's report stating an unqualified opinion.

# Board of Directors and Auditors

(As of July 31, 2016)

**Chairman of the Board and President**

Kazuo Kobayashi

**Executive Vice President**

Hiroshi Hashimoto

**Senior Managing Director**

Takahiro Nakamura

**Managing Directors**

Toshiyuki Misawa

Yoshihiko Maeda

Masaaki Hirokawa \*1

**Standing Directors**

Kazuhiro Kojima

Teruhisa Okamoto \*1

Hideo Masuuchi

Hideo Takai

Yasuhiro Ito

**Non-Standing Senior Advisor to the Board**

Kunitake Moriwaki \*1

**Non-Standing Managing Director**

Keizo Yamaguchi \*1

Masahiko Sakata

**Standing Auditor**

Shigeyuki Mori

**Non-Standing Auditors**

Kiyoshi Sakamoto \*2

Susumu Kobayashi

Kensuke Mori

**Executive Officers**

Toshikazu Nagakura

Hidenori Aihoshi

Yoshiaki Tsurumaki

Shigeo Yamamoto

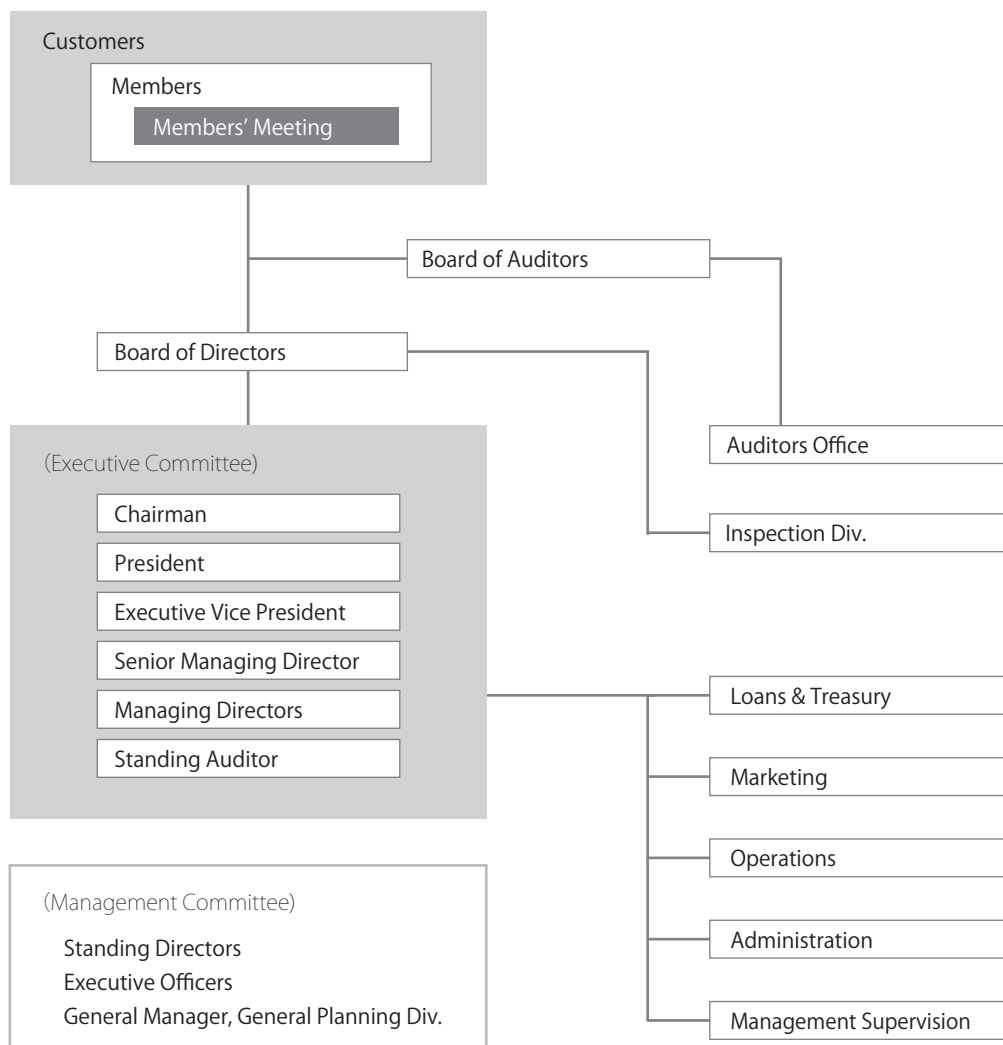
Norikazu Okano

Notes

1. Outside directors in accordance with the *shinkin* bank industry's agreement on measures to enhance functions of the board of directors.
2. Outside auditor as provided for in Article 32, Paragraph 5 of the Shinkin Bank Act.

# Organization Chart

(As of July 31, 2016)



# Directory

## **BANK DATA**

(As of March 31, 2016)

### **Main Office**

1-2, Higashi-Kanda 2-chome,  
Chiyoda-ku, Tokyo 101-0031  
Telephone: 03-3862-0321

### **Established**

August 3, 1923

### **Number of Employees**

1,444

### **Membership**

115,429

### **Number of Branches**

(including 5 Sub-Branches)  
66

### **Number of ATM Terminals**

(off-site ATMs)  
11

## **SERVICE NETWORK**

(As of July 31, 2016)

### **International and Treasury Division**

6-12, Iwamoto-cho 3-chome, Chiyoda-ku  
Telephone: 03-3862-0393

### **Foreign Exchange Offices**

#### **Head Office**

8-2, Taito 2-chome, Taito-ku, Tokyo 110-0016  
Telephone: 03-3833-0251

#### **Toshimacho Branch**

1-2, Higashi-Kanda 2-chome, Chiyoda-ku, Tokyo 101-0031  
Telephone: 03-3862-0311

#### **Nishimachi Branch**

2-1, Higashi-Ueno 1-chome, Taito-ku, Tokyo 110-0015  
Telephone: 03-3833-9241

#### **Kotobuki Branch**

10-13, Kotobuki 2-chome, Taito-ku, Tokyo 111-0042  
Telephone: 03-3844-3166

#### **Asakusa Branch**

49-12, Asakusa 4-chome, Taito-ku, Tokyo 111-0032  
Telephone: 03-3876-0701

#### **Yushima Branch**

1-5, Yushima 2-chome, Bunkyo-ku, Tokyo 113-0034  
Telephone: 03-3814-5261

#### **Asakusabashi Branch**

17-7, Asakusabashi 3-chome, Taito-ku, Tokyo 111-0053  
Telephone: 03-3864-5011

#### **Nihonbashi Branch**

7F Nihon Building annex 2-18, Nihonbashi-Kayaba-cho 1-chome,  
Chuo-ku, Tokyo 103-0025  
Telephone: 03-3663-0650

#### **Kandaogawamachi Branch**

1, Kanda-Ogawamachi 3-chome, Chiyoda-ku, Tokyo 101-0052  
Telephone: 03-3292-5301

In addition to the 9 foreign exchange offices mentioned above, we have 12 foreign exchange sub-offices.



## **THE ASAHI SHINKIN BANK**

2-1-2, Higashi-kanda, Chiyoda-ku,  
Tokyo 101-0031  
TEL:03-3862-0321 FAX:03-5687-6867  
SWIFT:ASKBJPJT  
<http://www.asahi-shinkin.co.jp/>

