



ANNUAL REPORT 2018

THE ASAHI SHINKIN BANK

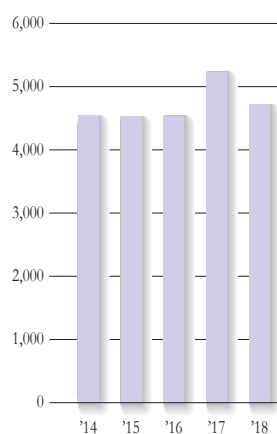


Five-Year Summary

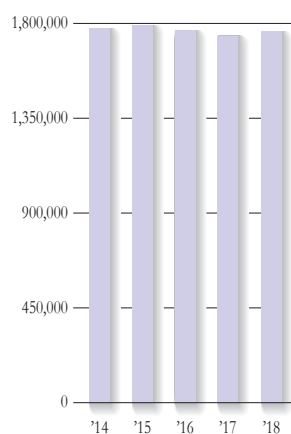
Years ended March 31,	Millions of Yen				
	2018	2017	2016	2015	2014
Total Income	¥ 30,371	¥ 30,337	¥ 33,733	¥ 32,562	¥ 33,466
Total ordinary income after total ordinary expenses	6,399	6,279	6,216	6,614	6,941
Net Income	4,716	5,233	4,537	4,528	4,544
Paid-in Capital	20,731	20,952	21,187	21,416	21,617
Total Number of Units of Members' Equity (Units)	414	419	423	428	432
Equity	81,412	79,815	76,591	78,740	70,687
Total Assets	1,870,001	1,849,956	1,867,006	1,905,744	1,881,966
Deposits	1,761,684	1,741,546	1,767,279	1,792,172	1,777,850
Loans and Bills Discounted	1,027,303	983,982	945,134	910,437	894,218
Securities	301,990	278,996	306,761	334,401	337,261
Non-consolidated Capital Adequacy Ratio (%)	9.05	9.20	9.27	9.61	9.97
Cash Dividends	518	628	635	642	864
Number of Employees	1,376	1,395	1,444	1,513	1,549

Note: The non-consolidated capital adequacy ratio is calculated based on 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. The Bank adopts the domestic standard.

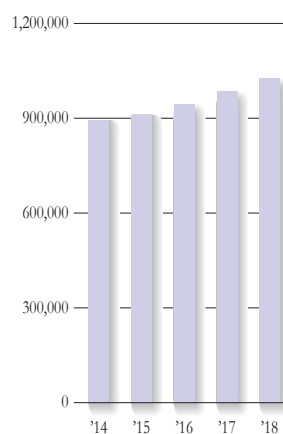
Net Income
(Millions of Yen)



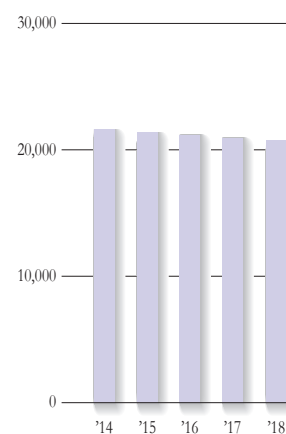
Deposits
(Millions of Yen)



Loans and Bills Discounted
(Millions of Yen)



Paid-in Capital
(Millions of Yen)



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

BANK DATA

(As of March 31, 2018)

Main Office

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

Established

August 3, 1923

Number of Employees

1,376

Membership

114,093

Number of Branches (including 5 Sub-Branches/1 online branch)
66

Number of ATM Terminals (off-site ATMs)

12

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 seventh-largest *shinkin* bank in Tokyo and the eighteenth-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.

During fiscal 2017, the year ended March 31, 2018, in accordance with the philosophy of *shinkin* banks, the Bank further promoted community-based relationship banking. To support the growth and development of small and medium-sized companies, while providing loans based on criteria emphasizing business potential, we endeavored to offer a wider range of solutions that help resolve customers' issues, including a business fair where small and medium-sized companies meet major buyers and other efforts to support the expansion of sales channels, the offering of startup support, and assistance with business succession measures. In terms of sales, the Bank opened the Tokyo Shitamachi Net Branch, an online branch dedicated to direct banking, as a new channel, and Hamamatsucho Sales Office of the Corporate Sales Department.

Regarding operating results, loans outstanding at the end of fiscal 2017 were ¥43.3 billion higher than the figure at the end of fiscal 2016 owing to increases in loans for both corporate customers and personal customers. Deposits at the end of fiscal 2017 were ¥20.1 billion higher than the figure at the end of fiscal 2016 mainly because of the promotion of pension transactions. Overall, the Bank recorded favorable operating results.

Looking to the Bank's centenary, which is five years away, and the years further ahead, we will continue our efforts to vitalize the local economy through the pursuit of co-existence and co-prosperity with the community and aim to become a truly indispensable financial institution for the community.



July 2018

H. Hashimoto

*Hiroshi Hashimoto
President*

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

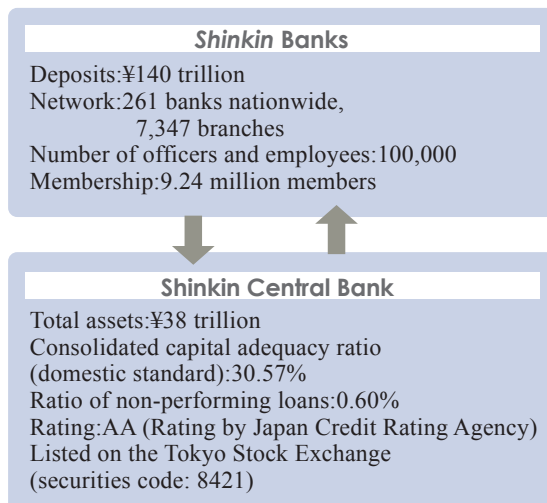
Shinkin banks are cooperative regional financial institutions whose members are small and medium-sized businesses and local residents.

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, 2018)

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 2017 the Bank provided startup financing amounting to ¥17.5 billion to 1,493 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 Business Support Group of the Customer Support Department, 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.

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.

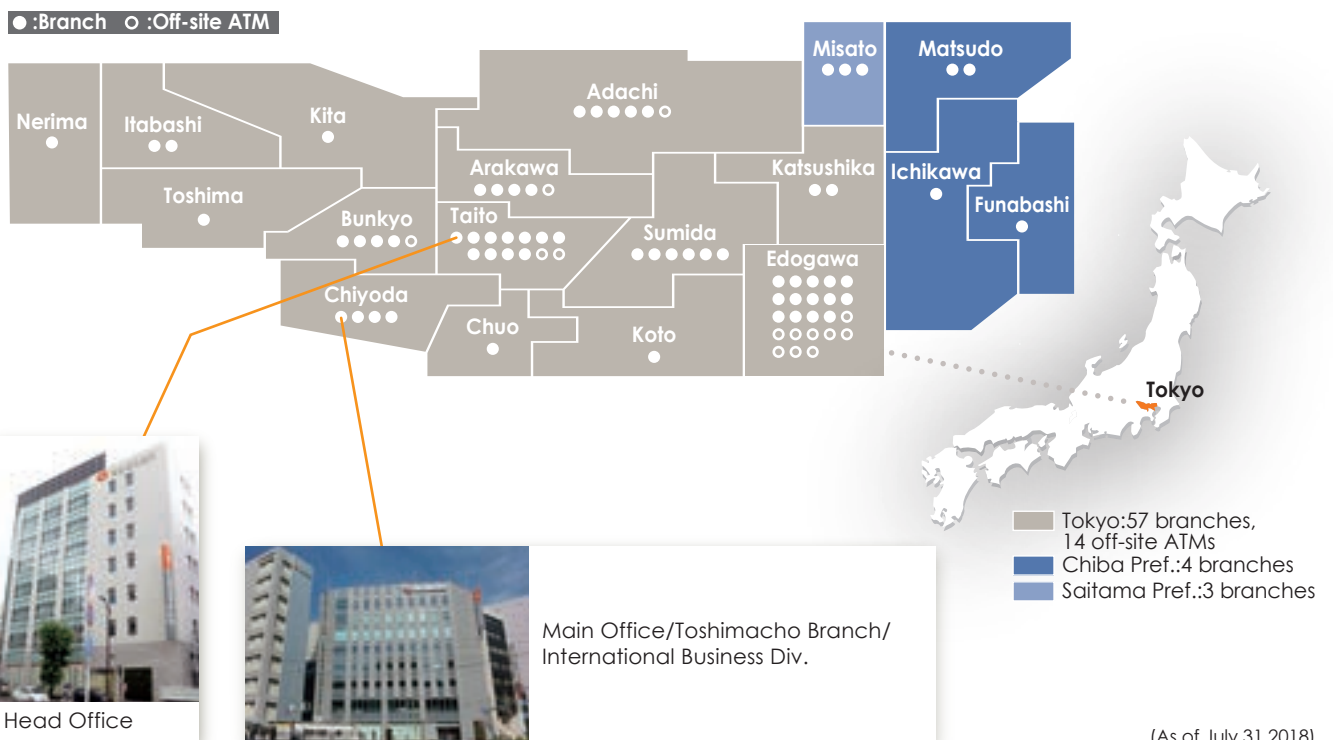
Asahi Business Matching Project—Power to Connect and Power to Build

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 2018 Business Fair where small and medium-sized companies meet major buyers was held on March 8, 2018 at Ueno Seiyoken and 304 meetings were held with vigorous business talks.

Extensive Network of 64 Branches and 14 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. At the end of July 2018, the Bank had a network of 64 branches, which include five sub-branches and one online branch, and 14 off-site ATMs, 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 400 strong 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.



Customer-Oriented Financial Services to Enhance the Community's Prosperity

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.

The Bank offers an extensive range of loan products for personal customers, including a housing loan product for customers purchasing residential property with superior environmental performance, a housing loan product offering a preferential interest rate for customers who have children younger than 18 years of age or are expecting a child, educational loans, and car loans.

For greater customer convenience, at the Personal Loan Plaza opened in 2014 we offer advice on loan products until 18:30 on weekdays and until 15:00 on Saturdays. Moreover, in fiscal 2017, we opened a new loan plaza, Personal Loan Plaza Ichinoe, within our Pension Advisory Center. Customers who are unable to visit the Bank during regular opening hours can visit the Plaza after they finish work on weekdays.

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.

At the Customer Support Department, our expert staff offer practical advice on cultivation of sales channels, overseas business development, business succession and M&A, IT utilization, human resources development, and lifetime financial planning. We also hold various seminars to support corporate customers' sales and marketing activities. (See Pages 2-3 for the Bank's support for businesses.)

In March 2018, in cooperation with the Organization for Promoting Urban Development, the Bank established the Ya-Ne-Sen Community Development Fund to support projects for refurbishment of traditional wooded houses and for conservation of historic quarters of Yanaka, Nezu, Sendagi, and their adjacent areas in Taito and Bunkyo Wards, the Bank's heartland, thus contributing to the vitalization of the community.



In July 2018, the Bank received the 2018 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 eighth consecutive year for the Bank to be commended. Indeed, we were the only Japanese bank to receive the elite quality award.



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 2018, the Bank had a network of overseas correspondent banks totaling 508 branches of 76 banks (of which three are Japanese banks) in 36 countries. Centering on imports, trade-related foreign exchange transactions handled by the Bank in fiscal 2017 amounted to US\$1,011 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, 2018)

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 Poster

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 140 million caps by the end of March 2018. 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 2017, a total of 1,304 employees of the Bank participated in the campaign.

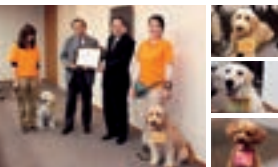
Blood donation campaign

The Bank held a blood donation campaign three times during fiscal 2017 in which 202 employees took part.



Donations to public interest corporations

As part of its CSR initiatives, since 2007 the Bank has been making donations to organizations with a public service ethos. In 2017, the Bank made a donation to the Japan Rescue Association, a non-governmental organization engaged in the training and deployment of disaster search dogs and therapy dogs. We also co-sponsor the *Young Seats* of the Tokyo Metropolitan Symphony Orchestra, an initiative to invite 500 children each year to attend the orchestra's concerts free of charge. Children who are in the fourth year or above in elementary school, junior high school students, and high school students are eligible to apply for the *Young Seats*.



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 56 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

We provide "service care supporter" training to our staff to help them deal appropriately and considerately with people with disabilities and elderly people who visit our branches. We are also promoting introduction of tablets to simplify transaction procedures at branches and eliminate the need for filling in forms and affixing a seal.

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.

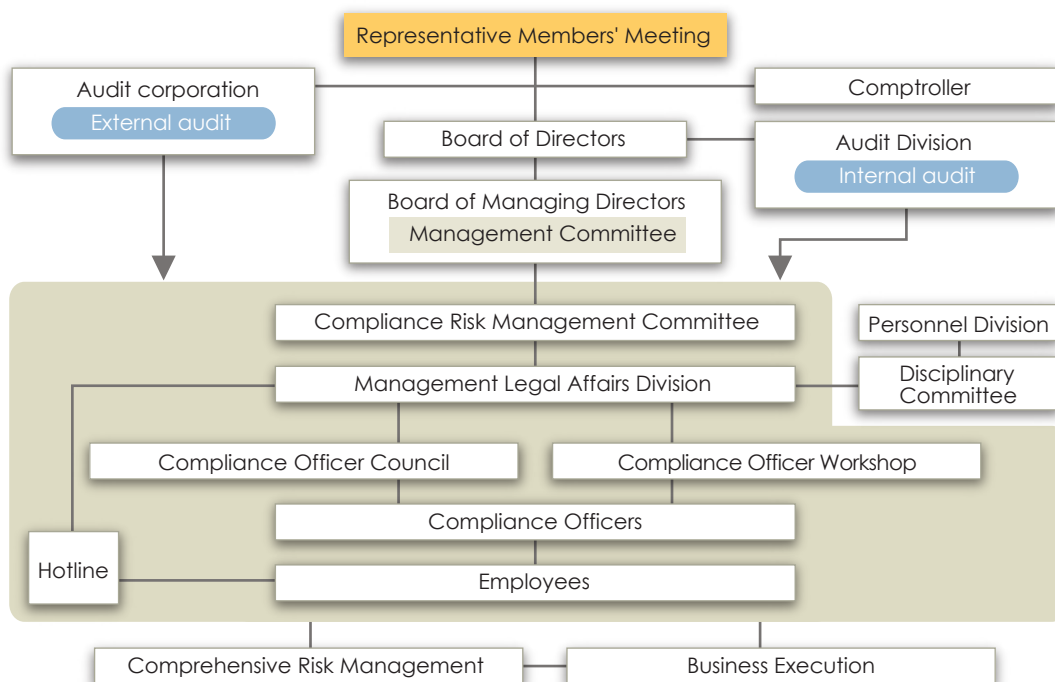
Against Antisocial Forces

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

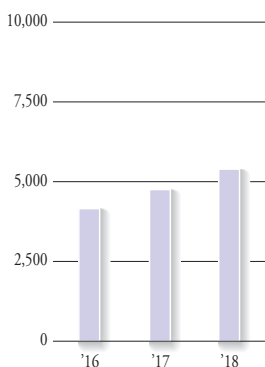


(As of March 31, 2018)

Financial Review

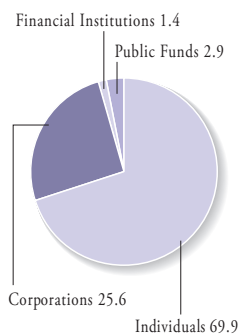
Operating Income

(Millions of Yen)



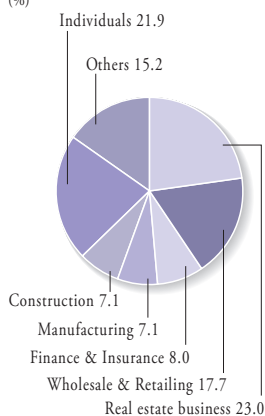
Deposits by Category of Depositors

(%)



Loans by Category of Borrowers

(%)



Business Policy for Fiscal 2017

In order “to contribute to development of the local community and our customers’ happiness” as stated in the Bank’s Corporate Philosophy, the Bank has been working to fulfill its mission as a truly indispensable financial institution for the community by enriching its financial intermediary functions.

Under the four key policies of the long-term business plan, (1) reinforce sales capabilities and enhance productivity, (2) strengthen relationship banking, (3) achieve a more stable earnings base, and (4) promote human resources development and work style reform, the Bank’s officers and employees worked as one to address the following key issues:

- 1) Promotion of measures to increase loans to strengthen profitability
- 2) Promotion of new branch openings and enrichment of sales-front operations to strengthen sales capabilities
- 3) Promotion of business process reengineering to enhance productivity and operational efficiency
- 4) Reinforcement of initiatives to implement “evaluation of business potential” and “startup support loans” to strengthen relationship banking
- 5) Ongoing promotion of the “structural reform project” to achieve a more stable earnings base
- 6) Promotion of diversity and workstyle reform
- 7) Securing of greater management soundness by strengthening various risk management systems

Economic & Financial Environment

During fiscal 2017, the Japanese economy was generally on a moderate recovery track, with the employment and income environment improving against the backdrop of improved corporate earnings and persisting labor shortages, reflecting various growth strategies led by the Japanese government.

Turning to the financial sector in Japan, the stock market was generally on an upward trend, despite growing tension concerning North Korea, and the Nikkei average reached the ¥24,000 range in January 2018. Although the Nikkei average subsequently experienced a sharp decline owing to an increase in the long-term interest rate of U.S. treasury bonds and the Trump administration’s protectionist trade policy, it rose to ¥21,454 at the end of fiscal 2016, an increase of ¥2,545 compared with the previous fiscal year-end. Long-term interest rates (yields of 10-year Japanese government bonds), which remained below 0.1% under the Bank of Japan’s yield curve control policy, were 0.04% at the end of fiscal 2017.

Results of Operations

Results of the Bank’s operations in fiscal 2017 are described below.

Deposits

Savings deposits increased ¥24.0 billion compared with the figure at the previous fiscal year-end as a result of the Bank’s initiatives to increase pension accounts. The balance of total deposits increased ¥20.1 billion compared with the figure at the previous fiscal year-end to ¥1,761.6 billion at the end of fiscal 2017.

Loans

As a result of an increase in the handling of loans for asset investment and loans for medium-sized companies, loans outstanding at the end of fiscal 2017 were ¥1,027.3 billion, ¥43.3 billion higher than the figure at end of the previous fiscal year.

Profitability

Because of the stabilization of market interest rates at a low level and intensifying interest rate competition, income from interest on loans decreased ¥0.47 billion from the previous fiscal year to ¥15.0 billion, interest paid on deposits decreased ¥0.29 billion to ¥0.47 billion, and the profit margin between deposits and loans was ¥0.18 billion lower than the figure for the previous fiscal year. Income from fees and commissions decreased because of a decrease in bank charges. As a result, net income decreased ¥0.5 billion from the previous fiscal year to ¥4.7 billion.

Financial soundness

The Bank's capital adequacy ratio decreased 0.15 percentage points from the previous fiscal year-end to 9.05% at the end of March 2018. Despite an increase in members' equity because of an increase in retained earnings, this was exceeded by the impact of the phase-in application of the transitional measure for the international regulatory framework for banks (Basel III) and an increase in risk assets in line with the increase of loans, causing the decrease in capital adequacy ratio. The ratio of non-performing loans decreased 0.79 percentage points to 4.27%. 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 9.05% at the end of March 2018, 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 2017, non-performing loans outstanding based on the Financial Reconstruction Act decreased ¥5.9 billion compared with the figure at the end of the previous year. The ratio of non-performing loans was 4.27%, down 0.79 percentage points.

As of March 31, 2018, 92.76% 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

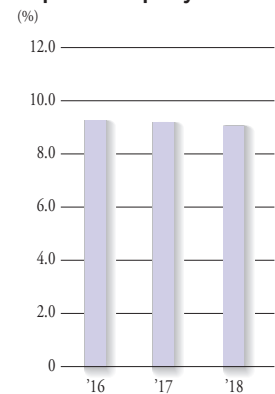
The Bank will make a concerted effort to tackle the following management issues in order to further strengthen management fundamentals and to strengthen relationships with customers in the community.

- Recognizing our mission as a financial institution supplying funds for small and medium-sized companies, we will promote loans without being overly dependent on collateral or guarantees by further deepening our understanding of feasibility in terms of the content, characteristics and future prospects of our customers' businesses. Furthermore, we will endeavor to offer solutions useful for our customers in their efforts to resolve various management issues, including improvement of management, expansion of sales channels, and business succession, with a view to becoming a main bank advancing together with customers.
- For regional revitalization and community growth and development, we will implement various measures 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 order to strengthen the management fundamentals of the Bank, we will implement measures to increase loans so as to improve earnings of the core business while systematically working to streamline operations and raise productivity per employee.
- We will accord greater emphasis to protection of customers and fiduciary duty and strive for customer-centric 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.

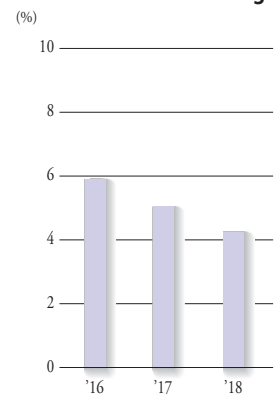
Looking to the Bank's centenary in 2023 in five years' time and the years further ahead, we are fully aware of the importance of pursuing new initiatives and establishing a sustainable business model. Based on the recognition that co-existence and co-prosperity with the community we serve are the most important considerations however changeable the times may be, we will continue our efforts to vitalize the local economy and aim to become a truly indispensable financial institution for the community.

In these endeavors, we will be grateful for your continued support and cooperation.

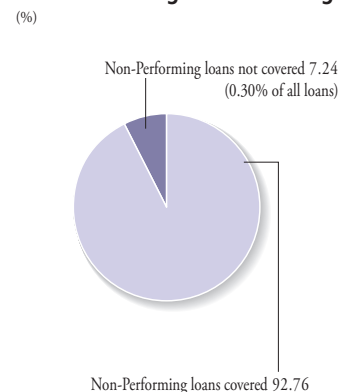
Capital Adequacy Ratio



Ratio of Non-Performing Loans



Non-Performing Loans Coverage



[Calculation Method of Capital Adequacy Ratio (%)]

$$\frac{\text{Members' equity}}{\text{Total amount of risk assets, etc.}} \times 100$$

Balance Sheets

As of March 31,	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2018	2017	2018
ASSETS			
Cash	¥ 34,039	¥ 31,390	\$ 320,307
Due from Banks	425,687	480,378	4,005,712
Money Held in Trust	17,651	17,645	166,097
Trading Securities	0	5	0
Securities (Note 3)	301,990	278,996	2,841,724
Loans and Bills Discounted (Note 4)	1,027,303	983,982	9,666,917
Foreign Exchange (Note 6)	5,354	5,090	50,388
Other Assets	17,770	12,293	167,221
Tangible Fixed Assets	34,622	35,693	325,793
Intangible Fixed Assets	2,000	2,162	18,826
Deferred Tax Assets	3,520	2,530	33,124
Customers' Liabilities for Acceptances and Guarantees	2,780	2,914	26,168
Reserve for Possible Loan Losses	(2,718)	(3,126)	(25,577)
Total Assets	¥1,870,001	¥1,849,956	\$17,596,704
LIABILITIES AND EQUITY			
Liabilities:			
Deposits (Note 7)	¥1,761,684	¥1,741,546	\$16,577,441
Call Money	5,422	10,022	51,023
Payables under securities lending transactions	3,766	—	35,446
Foreign Exchange (Note 6)	68	55	643
Other Liabilities	9,372	7,079	88,192
Reserve for Employee Bonuses	537	547	5,060
Reserve for Retirement Allowances	4,105	7,145	38,628
Reserve for Retirement Benefits for Directors	250	224	2,358
Reserve for Loss from Refund of Sleeping Accounts	331	334	3,117
Reserve for Contingent Loss	269	269	2,532
Acceptances and Guarantees	2,780	2,914	26,168
Total Liabilities	1,788,589	1,770,141	16,830,613
Equity:			
Paid-in Capital	20,731	20,952	195,087
Additional Paid-in Capital	2,162	2,162	20,352
Legal Reserve	57,836	53,748	544,242
Unappropriated equity	(2)	—	(23)
Total Members' Equity	80,728	76,864	759,658
Unrealized Gain on Available-for-Sale Securities	683	2,951	6,433
Total Valuation and Translation Adjustments	683	2,951	6,433
Total Equity	81,412	79,815	766,091
Total Liabilities and Equity	¥1,870,001	¥1,849,956	\$17,596,704

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)
	2018	2017	2018
Income:			
Interest and Dividends on:			
Loans and Discounts	¥15,962	¥16,551	\$150,210
Securities	6,894	5,775	64,880
Others	203	188	1,919
Fees and Commissions:			
Fees and Commissions on Domestic and Foreign Exchange	1,538	1,582	14,473
Others	2,290	2,377	21,551
Other Operating Income:			
Gain on Trading Account Securities Transactions	—	—	—
Gains on Sales of Bonds	726	909	6,834
Gains on Redemption of Bonds	—	73	—
Others	236	153	2,225
Other Income:			
Reversal of Allowance for Loan Losses	301	526	2,839
Collection of Written-off Claims	376	838	3,544
Gains on Sales of Stocks and Other Securities	898	408	8,453
Gains on Money Held in Trust	448	485	4,221
Others	492	466	4,638
Total Ordinary Income	30,371	30,337	285,793
Extraordinary Income (Note 8)	53	702	506
Total Income	30,425	31,039	286,299
Expenses:			
Interest Expenses:			
Deposits	840	496	4,672
Borrowings and Rediscounts	5	0	54
Others	4	4	42
Fees and Commissions	1,519	1,488	14,298
Other Operating Expenses:			
Losses on Foreign Exchange Transactions	2,166	1,570	20,389
Losses on Trading Account Securities Transactions	0	0	0
Losses on Sales of Bonds	66	58	629
Losses on Devaluation of Bonds	—	—	—
Expenses on Derivatives other than for Trading or Hedging	15	12	149
Others	32	29	309
General and Administrative Expenses	18,218	18,932	171,437
Other Expenses	1,443	1,119	13,585
Total Ordinary Expenses	23,971	24,057	225,570
Extraordinary Losses (Note 9)	12	243	116
Total Expenses	23,983	24,301	225,686
Income before Income Taxes	6,441	6,738	60,612
Current	1,837	1,424	17,289
Deferred	(112)	80	(1,056)
Net Income	4,716	5,233	44,379
Retained Earnings (Balance at the Beginning of the Year)	2,450	2,475	23,058
Balance at the End of the Year (Note 10)	¥ 7,166	¥ 7,708	\$ 67,438

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 ¥106.27 to US\$1, prevailing on March 31, 2018, 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
	2018	2017	2018
National Government Bonds.....	¥ 17,269	¥ 27,184	\$ 162,510
Local Government Bonds.....	1,023	1,037	9,630
Corporate Bonds.....	38,719	43,558	364,350
Stocks.....	21,696	21,561	204,167
Other Securities.....	223,280	185,654	2,101,066
Total	¥301,990	¥278,996	\$2,841,724

4. Loans and Bills Discounted

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Bills Discounted	¥ 26,578	¥ 25,028	\$ 250,101
Loans on Bills.....	24,361	26,523	229,240
Loans on Deeds.....	948,638	911,019	8,926,684
Overdrafts	27,724	21,411	260,890
Total	¥1,027,303	¥983,982	\$9,666,917

5. Disclosure pursuant to the Financial Reconstruction Act

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Non-Performing Loans			
Bankrupt or De facto Bankrupt	¥ 4,777	¥ 5,473	\$ 44,959
Doubtful	37,117	41,758	349,274
Special Attention	2,143	2,795	20,165
Subtotal	44,038	50,026	414,399
Normal	987,258	937,917	9,290,092
Total	¥1,031,296	¥987,944	\$9,704,492

6. Foreign Exchange

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
(Assets)			
Due from Foreign Banks	¥5,029	¥4,740	\$47,327
Foreign Currency Bills Bought	24	40	233
Foreign Currency Bills Receivable.....	300	309	2,828
Total	¥5,354	¥5,090	\$50,388
(Liabilities)			
Foreign Currency Bills Sold.....	¥ 68	¥ 55	\$ 642
Accrued Foreign Exchange	0	—	1
Total	¥ 68	¥ 55	\$ 643

7. Deposits

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current Deposits	¥ 61,732	¥ 62,901	\$ 580,907
Ordinary Deposits	616,885	592,823	3,849,039
Savings Deposits.....	35,710	36,975	222,811
Deposits at Notice	4,465	5,416	27,860
Time Deposits.....	982,312	979,013	6,129,112
Installment Savings.....	47,895	51,496	298,843
Other Deposits.....	12,682	12,919	79,131
Total	¥1,761,684	¥1,741,546	\$10,991,980

8. Extraordinary Income

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gain on Disposal of Fixed Assets	¥53	¥702	\$506
Total	¥53	¥702	\$506

9. Extraordinary Losses

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Losses on Sales of Equipment	¥12	¥211	\$116
Losses on Impairment of Fixed Assets.....	—	32	—
Total	¥12	¥243	\$116

10. Subsequent Event

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at the End of the Year	¥7,166	¥7,708	\$67,438
Appropriations:			
Transfer to Legal Reserve	480	530	4,516
Cash Dividends	518	628	4,876
Payout Ratio	2.5% per year	3% per year	2.5% per year
Transfer to Voluntary Reserves	3,000	4,100	28,229
Total Appropriations	3,998	5,258	37,622
Retained Earnings (Balance at the End of the Year)	¥3,168	¥2,450	\$29,815

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, 2018 and 2017, and the related statements of income and statements of retained earnings for the two years ended March 31, 2018 and 2017 and provided the Bank with an auditor's report stating an unqualified opinion.

Board of Directors and Auditors

(As of July 31, 2018)

Chairman of the Board

Kazuo Kobayashi

President

Hiroshi Hashimoto

Senior Managing Directors

Takahiro Nakamura

Toshiyuki Misawa

Managing Directors

Yoshihiko Maeda

Masaaki Hirokawa *1

Hideo Takai

Standing Directors

Kazuhiro Kojima

Teruhisa Okamoto *1

Hideo Masuuchi

Yasuhiro Ito

Hiroshi Iikura

Masashi Kobayashi

Non-Standing Senior Advisor to the Board

Kunitake Moriwaki *1

Non-Standing Managing Director

Keizo Yamaguchi *1

Standing Auditor

Shigeo Yamamoto

Non-Standing Auditors

Kiyoshi Sakamoto *2

Susumu Kobayashi

Kensuke Mori

Executive Officers

Norikazu Okano

Kouji Iwata

Yasutaka Yoshigiwa

Atsushi Matsuyama

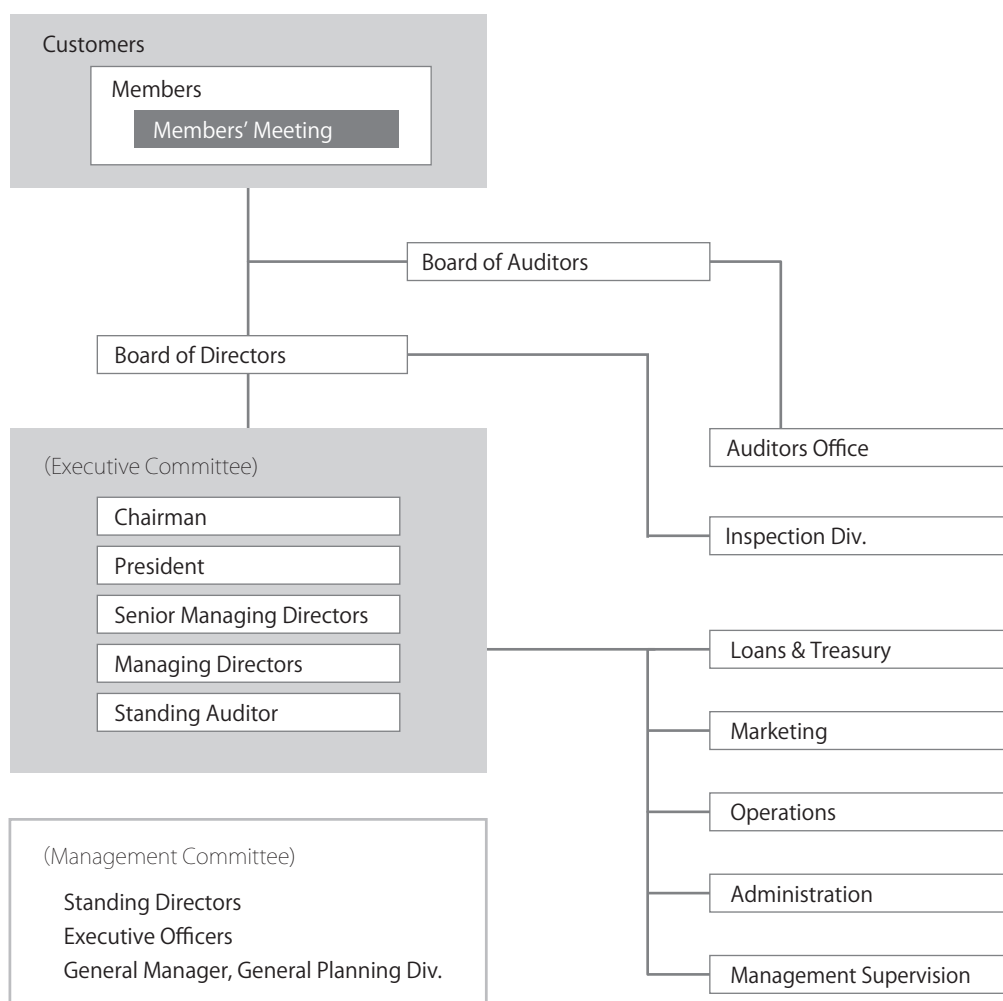
Syuichi Ito

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, 2018)



Directory

SERVICE NETWORK

(As of July 31, 2018)

International Business Division

3-6-12, Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032

Telephone: 03-3862-0393

Foreign Exchange Offices

Head Office

2-8-2, Taito, Taito-ku, Tokyo 110-0016

Telephone: 03-3833-0251

Toshimacho Branch

2-1-2, Higashi-Kanda, Chiyoda-ku, Tokyo 101-0031

Telephone: 03-3862-0311

Nishimachi Branch

1-2-1, Higashi-Ueno, Taito-ku, Tokyo 110-0015

Telephone: 03-3833-9241

Kotobuki Branch

2-10-13, Kotobuki, Taito-ku, Tokyo 111-0042

Telephone: 03-3844-3166

Asakusa Branch

4-49-12, Asakusa, Taito-ku, Tokyo 111-0032

Telephone: 03-3876-0701

Yushima Branch

2-1-5, Yushima, Bunkyo-ku, Tokyo 113-0034

Telephone: 03-3814-5261

Asakusabashi Branch

3-17-7, Asakusabashi, Taito-ku, Tokyo 111-0053

Telephone: 03-3864-5011

Nihonbashi Branch

7F Nihon Building annex 1-2-18, Nihonbashi-Kayaba-cho, Chuo-ku, Tokyo 103-0025

Telephone: 03-3663-0650

Kandaogawamachi Branch

3-1, Kanda-Ogawamachi, 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

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