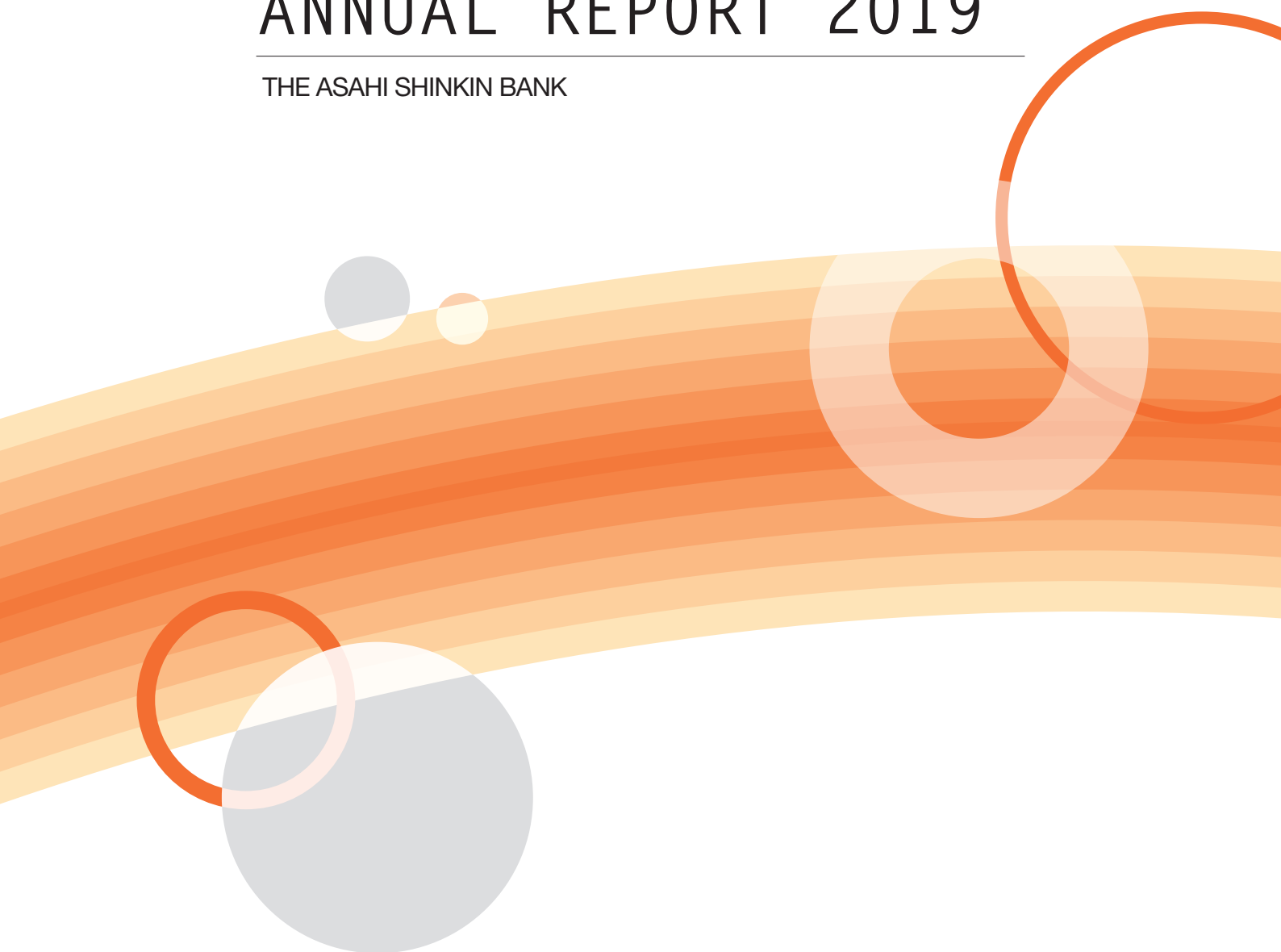




# ANNUAL REPORT 2019

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THE ASAHI SHINKIN BANK

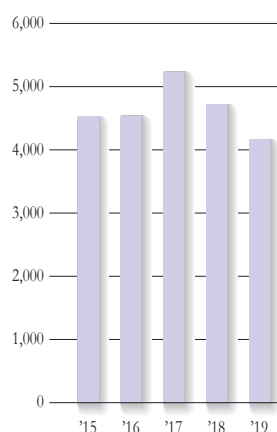


# Five-Year Summary

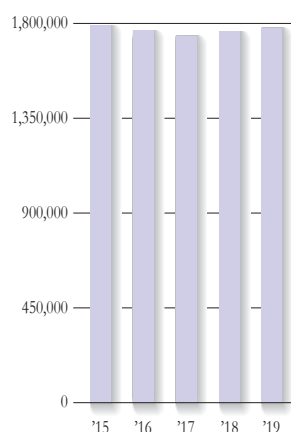
Years ended March 31,	Millions of Yen				
	2019	2018	2017	2016	2015
Total Income .....	¥ 31,785	¥ 30,371	¥ 30,337	¥ 33,733	¥ 32,562
Total ordinary income after total ordinary expenses .....	5,409	6,399	6,279	6,216	6,614
Net Income .....	4,161	4,716	5,233	4,537	4,528
Paid-in Capital .....	20,520	20,731	20,952	21,187	21,416
Total Number of Units of Members' Equity (Units) .....	410	414	419	423	428
Equity .....	87,053	81,412	79,815	76,591	78,740
Total Assets .....	1,916,450	1,870,001	1,849,956	1,867,006	1,905,744
Deposits .....	1,779,080	1,761,684	1,741,546	1,767,279	1,792,172
Loans and Bills Discounted .....	1,078,748	1,027,303	983,982	945,134	910,437
Securities .....	313,640	301,990	278,996	306,761	334,401
Non-consolidated Capital Adequacy Ratio (%) .....	8.83	9.05	9.20	9.27	9.61
Cash Dividends .....	512	518	628	635	642
Number of Employees .....	1,361	1,376	1,395	1,444	1,513

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.

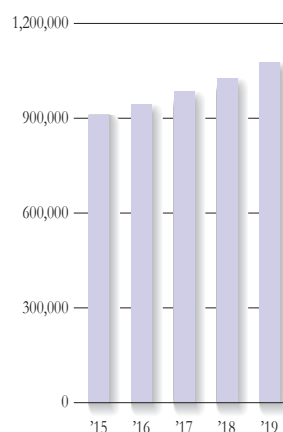
**Net Income**  
(Millions of Yen)



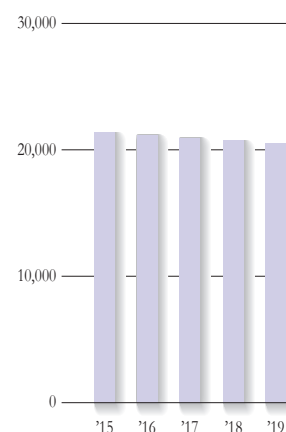
**Deposits**  
(Millions of Yen)



**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, 2019)

### Main Office

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

### Established

August 3, 1923

### Number of Employees

1,361

### Membership

113,131

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

64

### Number of ATM Terminals (off-site ATMs)

14

# 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 twentieth-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 2018, the year ended March 31, 2019, in accordance with the philosophy of *shinkin* banks, the Bank worked to further promote community-based relationship banking. To help small and medium-sized companies, which are our customers, improve their management and revitalize their businesses as well as to support their growth, we provided loans based on criteria emphasizing business potential. Moreover, we held a business fair where small and medium-sized companies meet major buyers and a medical-engineering collaboration exhibition. In addition, we offered various support services and held seminars in cooperation with external expert organizations. Furthermore, we further deepened relationships with local administrations and the local economy through the opening of *Sogyojuku* (startup cram school) in cooperation with municipalities and the conclusion of agreements on mutual cooperation in the event of disasters as well as agreements on the development of nursery schools.

Regarding operating results, loans outstanding at the end of fiscal 2018 were ¥51.4 billion higher than the figure at the end of fiscal 2017 mainly owing to promotion of loans with guarantees and an increase in loans for medium-sized companies, etc. Deposits at the end of fiscal 2018 were ¥17.3 billion higher than the figure at the end of fiscal 2017. Overall, the Bank maintained favorable operating results.

Looking to the Bank's centenary, which is four 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 2019

*H. Hashimoto*

Hiroshi Hashimoto  
President

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

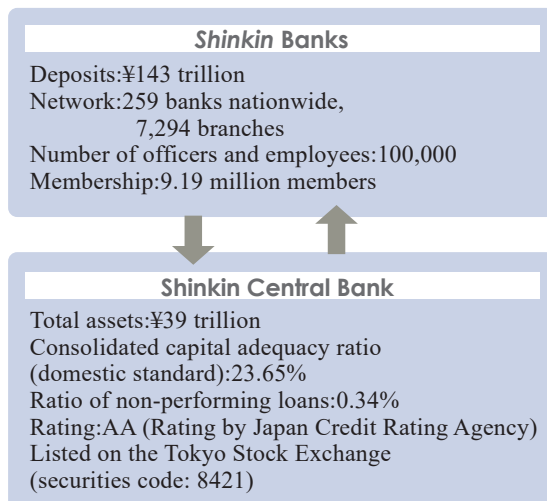
*Shinkin* banks are cooperative regional financial institutions whose members are small and medium-sized businesses and local residents.

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, 2019)

### 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 2018 the Bank provided startup financing amounting to ¥16.4 billion to 848 entrepreneurs.

In November 2018, in cooperation with startup support projects of municipalities, the Bank launched *Asahi Sogyojuku* (startup cram school) in Taito Ward and Edogawa Ward, a program of four lectures for people intending to start businesses or who started businesses within the past five years. Participants attending the entire program are eligible for reduced registration license tax when establishing a company in these two wards and for preferential treatment by credit guarantee associations for startup-related guarantees.

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

The Customer Support Department specialized 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

#### 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.

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 2018, the Bank formed a partnership with Daini Tokyo Bar Association.

#### 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

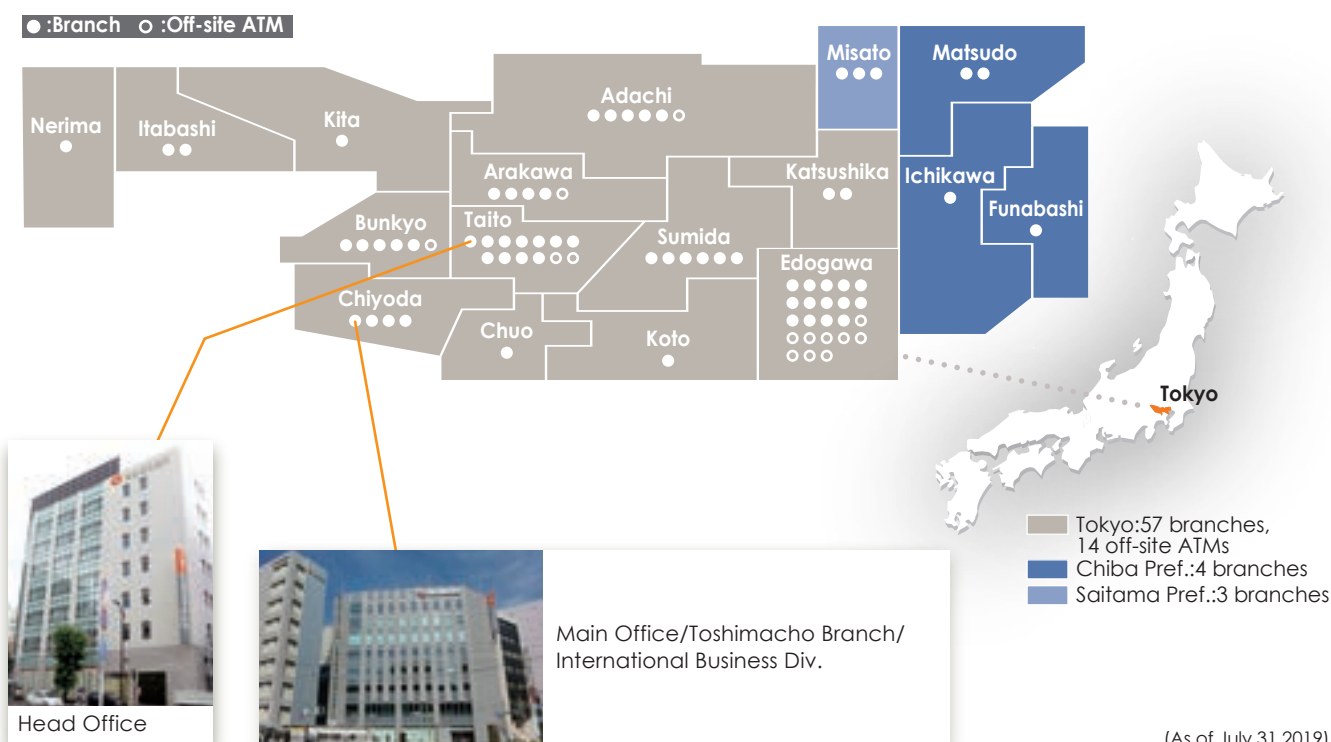
The Asahi Business Matching Project—Power to Connect and Power to Build helps companies connect and create new business opportunities. The project provides both face-to-face and non-face-to-face support to small and

medium-sized companies in the community via the dedicated website and at a business fair.

In March 2019, Asahi Business Matching 2019 Business Fair was held at Ueno Seiyoken where 137 customers met 40 major buyers and 307 meetings were held. Business discussions were vigorous.

### 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 2019, 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 12 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 approximately 400 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.



(As of July 31, 2019)

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

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## 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. At the Personal Loan Plaza we offer advice on loan products until 18:30 on weekdays so that customers who are unable to visit the Bank during regular opening hours can visit the Plaza after they finish work on weekdays.

In fiscal 2018, the Bank's smartphone app had a major update and now app users can also manage balances and statements of their other bank accounts, e-money, etc. and use cashless payment when shopping. We are offering a wide array of advanced functions in response to the trend toward a cashless society.

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 3-4 for the Bank's support for businesses.)

## 2019 Elite Quality Recognition Award

In September 2019, the Bank received the 2019 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 ninth 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 2019, the Bank had a network of overseas correspondent banks totaling 127 banks (of which three are Japanese banks) in 210 locations across 36 countries. Centering on imports, trade-related foreign exchange transactions handled by the Bank in fiscal 2018 amounted to US\$1,006 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, 2019)



### 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

### 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 150 million caps by the end of March 2019. 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 2018, a total of 1,088 employees of the Bank participated in the campaign.

#### Blood donation campaign

The Bank held a blood donation campaign three times during fiscal 2018 in which 223 employees took part.



#### Donations to public interest corporations

In 2018, the Bank donated ¥1.2 million to the SAVE the PANDA Fund operated by the Tokyo Zoological Park Society. In accordance with the purpose of the *Asahi Panda Time Deposit* sold in 2017 for a limited time, an amount equivalent to 0.01% of the total contracted value as of March 31, 2018 was donated. 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*.



### For children in the community

- The Bank cooperates with local elementary schools and junior high schools and accepts their students for learning through experience at workplaces. The objective is to cultivate the students' social skills and communication capabilities as well as helping them determine a career path while deepening their awareness of what work entails and its importance.
- Asahi Fureai Concert is a concert event organized by the Asahi Shinkin Bank featuring members of the Tokyo Metropolitan Symphony Orchestra. In fiscal 2018, a concert was held at the Ichinoe Daini Primary School of Edogawa Ward. Some 600 children enjoyed the live performances.
- In November 2018, we held a Kids Flea Market to offer elementary school children an opportunity to learn about the usage of money and the importance of physical assets through the experience of buying and selling without the help of their parents.

### Cooperation with municipalities

- The Bank has made the idle space of its Higashiogu Branch available to Arakawa Ward for use as a nursery facility in order to help resolve the issue of long waiting lists for nursery schools. The facility is scheduled to open in April 2020.
- To accommodate people stranded in the event of a disaster, the Bank cooperates with Taito Ward and Bunkyo Ward and will make available three branches and two branches to these wards, respectively.

### 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 55 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.

#### Staff training for dealing with elderly people and people with disabilities

We provide "service care supporter" and "dementia 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.

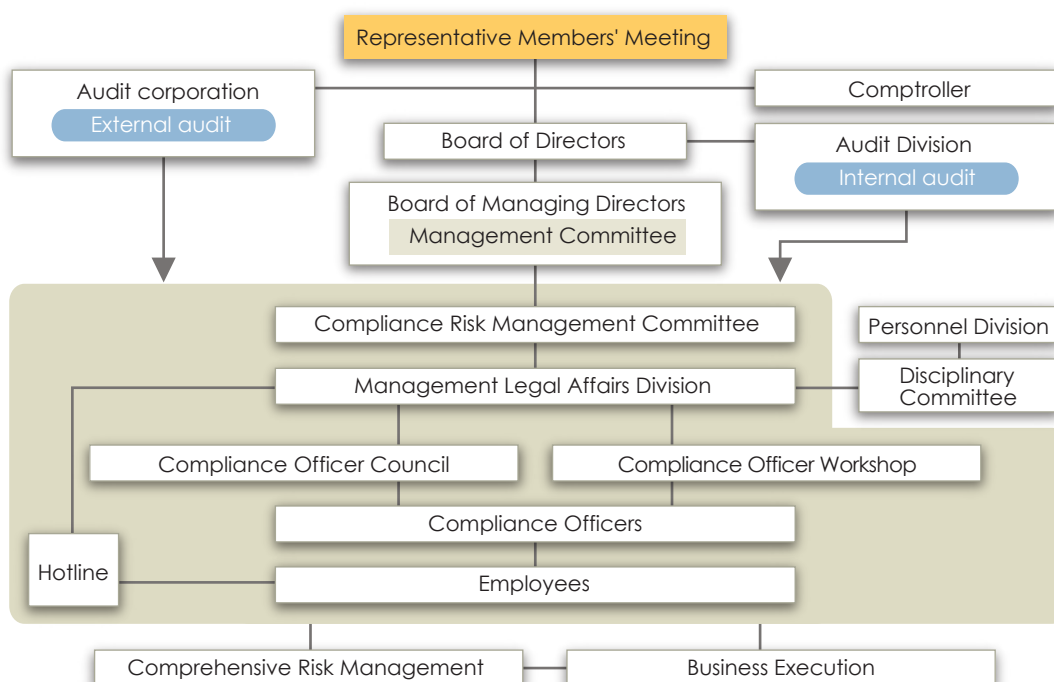
## Against Antisocial Forces

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.

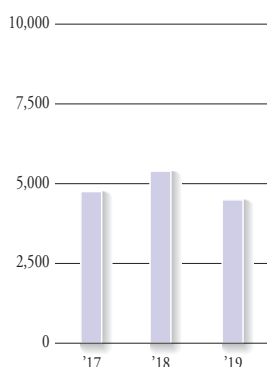
## Compliance Structure



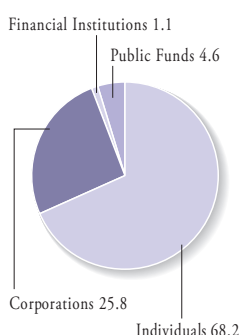
(As of March 31, 2019)

# Financial Review

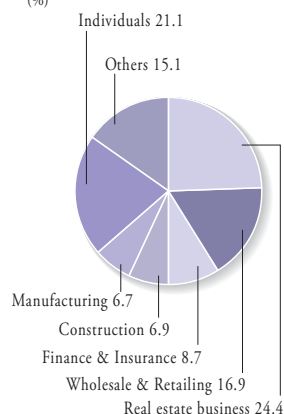
## Operating Income (Millions of Yen)



## Deposits by Category of Depositors (%)



## Loans by Category of Borrowers (%)



## Business Policy for Fiscal 2018

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 relationships, (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 business process reengineering to enhance productivity and operational efficiency
- 3) Reinforcement of initiatives to implement “enhancement of solutions useful for customers” and “startup support loans” to strengthen relationships
- 4) Promotion of diversity and workstyle reform
- 5) Organizational reinforcement of anti-money laundering and counter financing of terrorism (AML/CFT)
- 6) Securing of greater management soundness by strengthening various risk management systems

## Economic & Financial Environment

During fiscal 2018, the Japanese economy remained on a moderate recovery track overall despite temporary fluctuations centering on personal consumption and exports due to the international situation, such as U.S.-China trade friction, and frequent natural disasters during the summer in Japan.

Turning to the financial sector in Japan, the stock market was turbulent. Although, reflecting the easing of tension concerning North Korea, the Nikkei average reached its highest level since the collapse of the bubble economy, it subsequently declined over ¥5,000 owing to an increase in the interest rate of U.S. treasury bonds. The Nikkei average was ¥21,205 at the end of fiscal 2018, a decrease of ¥249 compared with the previous fiscal year-end. Long-term interest rates (yields of 10-year Japanese government bonds) remained around 0%, reflecting the Bank of Japan’s protracted ultra-easy monetary policy, and were 0.095% at the end of fiscal 2018.

On the other hand, companies’ demand for funds remained lackluster while at the same time the downward trend of lending interest rates shows no sign of halting, mainly owing to intensifying competition among financial institutions.

## Results of Operations

Results of the Bank’s operations in fiscal 2018 are described below.

### Deposits

Owing to the Bank’s initiatives to increase liquid deposits, the balance of total deposits increased ¥17.3 billion compared with the figure at the previous fiscal year-end to ¥1,779.0 billion at the end of fiscal 2018.

### Loans

As a result of an increase in the handling of loans for medium-sized companies and loans for asset investment, loans outstanding at the end of fiscal 2018 were ¥1,078.7 billion, ¥51.4 billion higher than the figure at end of the previous fiscal year.

### Profitability

Despite a decrease in loan yields, income from interest on loans increased because of an increase in the quantity. Reflecting a decrease in interest paid on deposits, the profit margin between deposits and loans was ¥0.2 billion higher than the figure for the previous year. However, as a result of an increase in foreign currency procurement costs because of rising U.S. interest rates, net income decreased ¥0.5 billion from the previous fiscal year to ¥4.1 billion.

## Financial soundness

The Bank's capital adequacy ratio decreased 0.22 percentage points from the previous fiscal year-end to 8.83% at the end of March 2019. Despite an increase in retained earnings, this decrease reflected an increase in risk assets in line with the increase of loans and the impact of the stringent application of the formula following the expiry of the transitional measure for the international regulatory framework for banks (Basel III). The ratio of non-performing loans decreased 0.57 percentage points to 3.70%. 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 8.83% at the end of March 2019, 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 2018, non-performing loans outstanding based on the Financial Reconstruction Act decreased ¥3.9 billion compared with the figure at the end of the previous year. The ratio of non-performing loans was 3.70%.

As of March 31, 2019, 95.47% 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

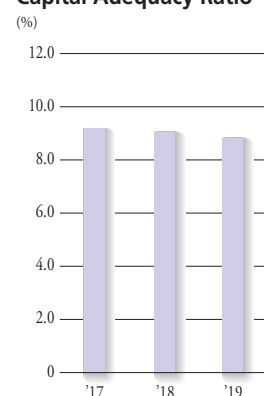
The Bank will make a concerted effort to tackle the following management issues in order to further strengthen management fundamentals and to strengthen relationships with customers in the community.

- Recognizing our mission as a financial institution supplying funds for small and medium-sized companies, we will promote loans suitable for customers flexibly 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 further strengthening anti-money laundering and counter financing of terrorism (AML/CFT), we will systematically reinforce control systems and structures.

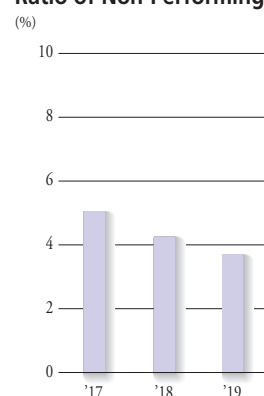
Looking to the Bank's centenary in 2023 in four years' time and the years further ahead, we are fully aware of the importance of pursuing new initiatives and establishing a sustainable business model. As the business environment is expected to remain challenging, we will continue striving to strengthen the management constitution by making all-out efforts to reduce expenses while emphasizing efficient staff assignment through utilization of IT and FinTech. 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.

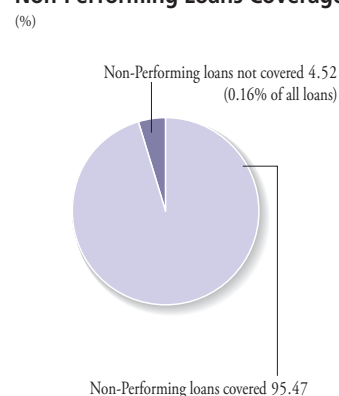
### Capital Adequacy Ratio



### 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)
	2019	2018	2019
<b>ASSETS</b>			
Cash .....	¥ 28,300	¥ 34,039	\$ 254,938
Due from Banks .....	411,417	425,687	3,706,127
Money Held in Trust .....	17,360	17,651	156,384
Securities (Note 3) .....	313,640	301,990	2,825,332
Loans and Bills Discounted (Note 4) .....	1,078,748	1,027,303	9,717,583
Foreign Exchange (Note 6) .....	17,078	5,354	153,845
Other Assets .....	12,568	17,770	113,222
Tangible Fixed Assets .....	33,567	34,622	302,384
Intangible Fixed Assets .....	2,087	2,000	18,804
Deferred Tax Assets .....	2,644	3,520	23,820
Customers' Liabilities for Acceptances and Guarantees .....	2,316	2,780	20,869
Reserve for Possible Loan Losses .....	(3,280)	(2,718)	(29,549)
<b>Total Assets</b> .....	<b>¥ 1,916,450</b>	<b>¥1,870,001</b>	<b>\$ 17,263,763</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits (Note 7) .....	¥1,779,080	¥1,761,684	\$16,026,312
Call Money .....	22,022	5,422	198,381
Payables under securities lending transactions .....	11,395	3,766	102,650
Foreign Exchange (Note 6) .....	74	68	672
Other Liabilities .....	8,746	9,372	78,790
Reserve for Employee Bonuses .....	524	537	4,729
Reserve for Retirement Allowances .....	3,627	4,105	32,678
Reserve for Retirement Benefits for Directors .....	285	250	2,570
Reserve for Loss from Refund of Sleeping Accounts .....	1,061	331	9,564
Reserve for Contingent Loss .....	260	269	2,350
Acceptances and Guarantees .....	2,316	2,780	20,869
<b>Total Liabilities</b> .....	<b>1,829,396</b>	<b>1,788,589</b>	<b>16,479,568</b>
<b>Equity:</b>			
Paid-in Capital .....	20,520	20,731	184,850
Additional Paid-in Capital .....	2,162	2,162	19,483
Legal Reserve .....	61,479	57,836	553,822
Unappropriated equity .....	0	(2)	(8)
<b>Total Members' Equity</b> .....	<b>84,161</b>	<b>80,728</b>	<b>758,147</b>
Unrealized Gain on Available-for-Sale Securities .....	2,891	683	26,047
<b>Total Valuation and Translation Adjustments</b> .....	<b>2,891</b>	<b>683</b>	<b>26,047</b>
<b>Total Equity</b> .....	<b>87,053</b>	<b>81,412</b>	<b>784,194</b>
<b>Total Liabilities and Equity</b> .....	<b>¥ 1,916,450</b>	<b>¥1,870,001</b>	<b>\$ 17,263,763</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)
	2019	2018	2019
<b>Income:</b>			
Interest and Dividends on:			
Loans and Discounts .....	¥ 15,719	¥15,962	\$ 141,600
Securities .....	7,901	6,894	71,178
Others .....	203	203	1,835
Fees and Commissions:			
Fees and Commissions on Domestic and Foreign Exchange .....	1,508	1,538	13,585
Others .....	2,362	2,290	21,283
Other Operating Income:			
Gains on Sales of Bonds .....	104	726	938
Others .....	330	236	2,980
Other Income:			
Reversal of Allowance for Loan Losses .....	—	301	—
Collection of Written-off Claims .....	330	376	2,977
Gains on Sales of Stocks and Other Securities .....	1,537	898	13,848
Gains on Money Held in Trust .....	171	448	1,545
Others .....	1,615	492	14,555
<b>Total Ordinary Income</b> .....	<b>31,785</b>	<b>30,371</b>	<b>286,329</b>
Extraordinary Income (Note 8) .....	461	53	4,154
<b>Total Income</b> .....	<b>32,246</b>	<b>30,425</b>	<b>290,484</b>
<b>Expenses:</b>			
Interest Expenses:			
Deposits .....	288	840	2,600
Borrowings and Rediscounts .....	407	5	3,672
Others .....	4	4	40
Fees and Commissions .....	1,523	1,519	13,722
Other Operating Expenses:			
Losses on Foreign Exchange Transactions .....	3,270	2,166	29,457
Losses on Trading Account Securities Transactions .....	—	0	—
Losses on Sales of Bonds .....	293	66	2,648
Expenses on Derivatives other than for Trading or Hedging .....	14	15	131
Others .....	22	32	200
General and Administrative Expenses .....	17,986	18,218	162,029
Other Expenses .....	2,563	1,443	23,096
<b>Total Ordinary Expenses</b> .....	<b>26,376</b>	<b>23,971</b>	<b>237,601</b>
Extraordinary Losses (Note 9) .....	51	12	459
<b>Total Expenses</b> .....	<b>26,427</b>	<b>23,983</b>	<b>238,060</b>
<b>Income before Income Taxes</b> .....	<b>5,819</b>	<b>6,441</b>	<b>52,423</b>
<b>Current</b> .....	<b>1,636</b>	<b>1,837</b>	<b>14,744</b>
<b>Deferred</b> .....	<b>21</b>	<b>(112)</b>	<b>193</b>
<b>Net Income</b> .....	<b>4,161</b>	<b>4,716</b>	<b>37,486</b>
<b>Retained Earnings (Balance at the Beginning of the Year)</b> .....	<b>3,168</b>	<b>2,450</b>	<b>28,542</b>
<b>Balance at the End of the Year (Note 10)</b> .....	<b>¥ 7,329</b>	<b>¥ 7,166</b>	<b>\$ 66,028</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 ¥111.01 to US\$1, prevailing on March 29, 2019, 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
	2019	2018	2019
National Government Bonds.....	¥ 17,572	¥ 17,269	\$ 158,293
Local Government Bonds.....	1,010	1,023	9,099
Corporate Bonds.....	45,149	38,719	406,714
Stocks.....	21,566	21,696	194,279
Other Securities.....	228,341	223,280	2,056,945
<b>Total</b> .....	<b>¥313,640</b>	<b>¥301,990</b>	<b>\$2,825,332</b>

## 4. Loans and Bills Discounted

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Bills Discounted .....	¥ 25,723	¥ 26,578	\$ 231,722
Loans on Bills.....	28,271	24,361	254,672
Loans on Deeds.....	987,775	948,638	8,898,075
Overdrafts .....	36,978	27,724	333,112
<b>Total</b> .....	<b>¥1,078,748</b>	<b>¥1,027,303</b>	<b>\$9,717,583</b>

## 5. Disclosure pursuant to the Financial Reconstruction Act

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-Performing Loans			
Bankrupt or De facto Bankrupt .....	¥ 4,435	¥ 4,777	\$ 39,951
Doubtful .....	34,011	37,117	306,383
Special Attention .....	1,622	2,143	14,618
Subtotal .....	40,069	44,038	360,953
Normal .....	1,042,202	987,258	9,388,367
<b>Total</b> .....	<b>¥1,082,272</b>	<b>¥1,031,296</b>	<b>\$9,749,321</b>

## 6. Foreign Exchange

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
<b>(Assets)</b>			
Due from Foreign Banks .....	¥16,772	¥5,029	\$151,091
Foreign Currency Bills Bought .....	22	24	205
Foreign Currency Bills Receivable.....	282	300	2,547
<b>Total</b> .....	<b>¥17,078</b>	<b>¥5,354</b>	<b>\$153,845</b>
<b>(Liabilities)</b>			
Foreign Currency Bills Sold.....	¥ 19	¥ 68	\$ 179
Accrued Foreign Exchange .....	54	0	493
<b>Total</b> .....	<b>¥ 74</b>	<b>¥ 68</b>	<b>\$ 672</b>

## 7. Deposits

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current Deposits .....	¥ 60,142	¥ 61,732	\$ 541,777
Ordinary Deposits .....	659,550	616,885	5,941,360
Savings Deposits.....	34,485	35,710	310,653
Deposits at Notice .....	4,560	4,465	41,081
Time Deposits.....	963,523	982,312	8,679,606
Installment Savings.....	44,631	47,895	402,046
Other Deposits.....	12,187	12,682	109,787
<b>Total .....</b>	<b>¥1,779,080</b>	<b>¥1,761,684</b>	<b>\$16,026,312</b>

## 8. Extraordinary Income

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gain on Disposal of Fixed Assets .....	¥461	¥53	\$4,154
<b>Total .....</b>	<b>¥461</b>	<b>¥53</b>	<b>\$4,154</b>

## 9. Extraordinary Losses

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Losses on Sales of Equipment .....	¥51	¥12	\$459
<b>Total .....</b>	<b>¥51</b>	<b>¥12</b>	<b>\$459</b>

## 10. Subsequent Event

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at the End of the Year .....	¥7,329	¥7,166	\$66,028
Appropriations:			
Transfer to Legal Reserve .....	450	480	4,053
Cash Dividends .....	512	518	4,621
Payout Ratio .....	2.5% per year	2.5% per year	2.5% per year
Transfer to Voluntary Reserves .....	3,000	3,000	27,024
<b>Total Appropriations .....</b>	<b>3,962</b>	<b>3,998</b>	<b>35,699</b>
Retained Earnings (Balance at the End of the Year) .....	<b>¥3,366</b>	<b>¥3,168</b>	<b>\$30,329</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, 2019 and 2018, and the related statements of income and statements of retained earnings for the two years ended March 31, 2019 and 2018 and provided the Bank with an auditor's report stating an unqualified opinion.

# Board of Directors and Auditors

(As of July 31, 2019)

**Chairman of the Board**

Kazuo Kobayashi

**President**

Hiroshi Hashimoto

**Vice President**

Takahiro Nakamura

**Senior Managing Directors**

Toshiyuki Misawa

Yoshihiko Maeda

**Managing Directors**

Masaaki Hirokawa \*1

Hideo Takai

Yasuhiro Ito

**Standing Directors**

Hideo Masuuchi

Hiroshi Iikura

Masashi Kobayashi

Kouji Iwata

Yasutaka Yoshigiwa

**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

Atsushi Matsuyama

Syuichi Ito

Makoto Tomiyama

Nobuhiro Takeo

Yasunari Onda

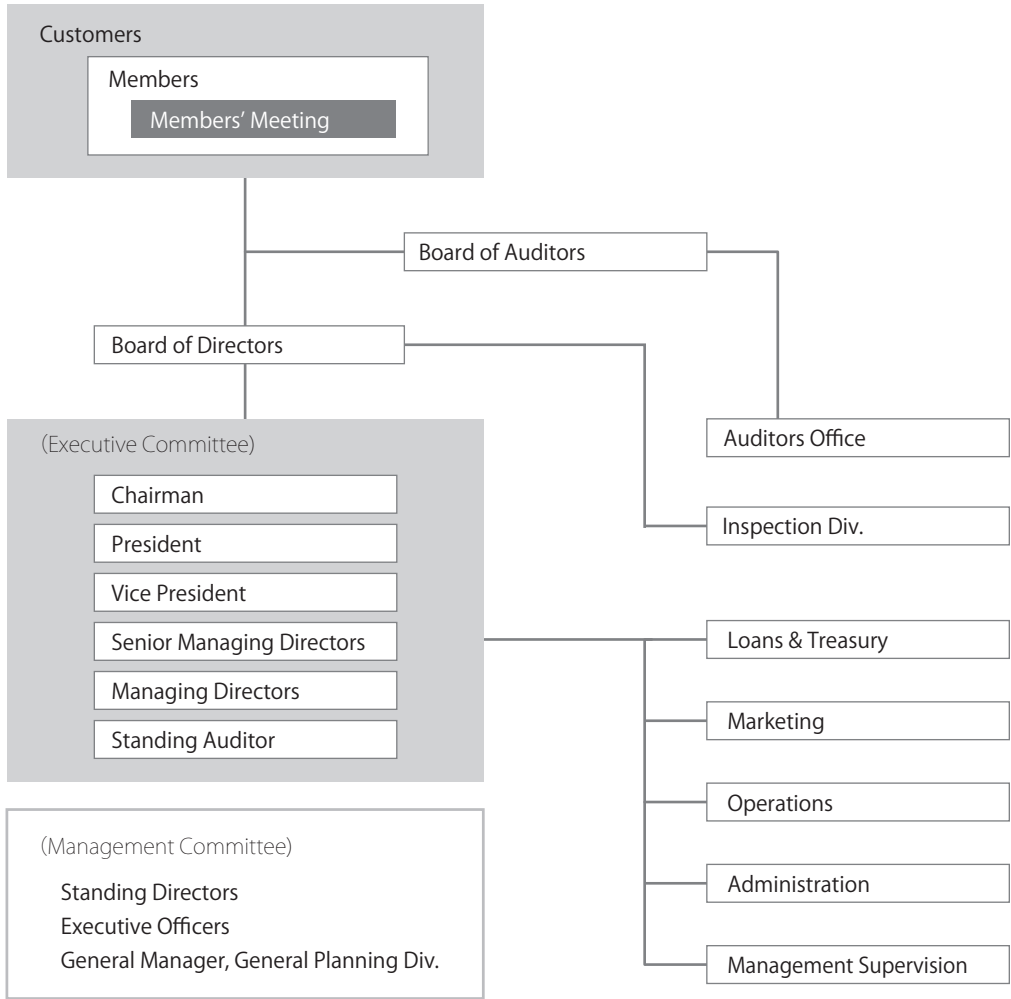
Yukio Oikawa

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, 2019)



# Directory

## SERVICE NETWORK

(As of July 31, 2019)

### 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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