



# ANNUAL REPORT 2020

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THE ASAHI SHINKIN BANK

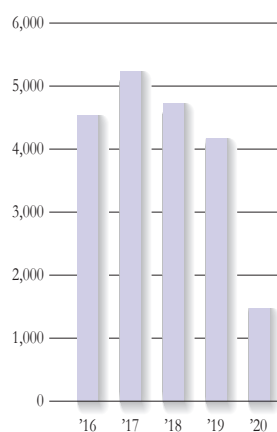


# Five-Year Summary

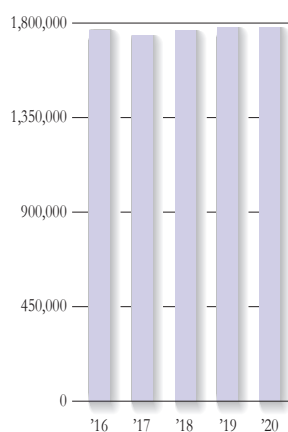
Years ended March 31,	Millions of Yen				
	2020	2019	2018	2017	2016
Total Income .....	¥ 30,674	¥ 31,785	¥ 30,371	¥ 30,337	¥ 33,733
Total ordinary income after total ordinary expenses .....	1,867	5,409	6,399	6,279	6,216
Net Income .....	1,476	4,161	4,716	5,233	4,537
Paid-in Capital .....	20,247	20,520	20,731	20,952	21,187
Total Number of Units of Members' Equity (Units) .....	404	410	414	419	423
Equity .....	82,701	87,053	81,412	79,815	76,591
Total Assets .....	1,901,689	1,916,450	1,870,001	1,849,956	1,867,006
Deposits .....	1,778,977	1,779,080	1,761,684	1,741,546	1,767,279
Loans and Bills Discounted .....	1,138,896	1,078,748	1,027,303	983,982	945,134
Securities .....	253,735	313,640	301,990	278,996	306,761
Non-consolidated Capital Adequacy Ratio (%) .....	8.65	8.83	9.05	9.20	9.27
Cash Dividends .....	506	512	518	628	635
Number of Employees .....	1,389	1,361	1,376	1,395	1,444

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.

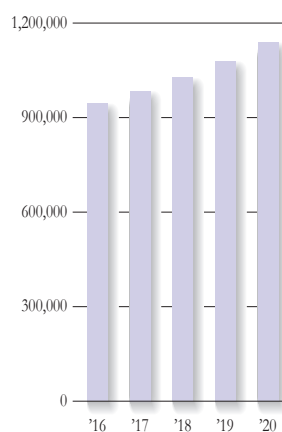
**Net Income**  
(Millions of Yen)



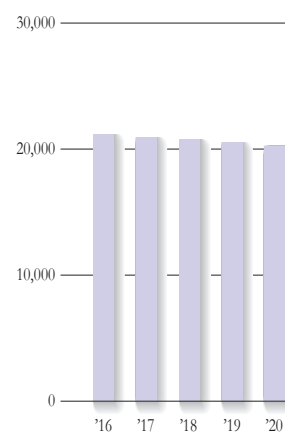
**Deposits**  
(Millions of Yen)



**Loans and Bills Discounted**  
(Millions of Yen)



**Paid-in Capital**  
(Millions of Yen)



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

# 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 2019, the year ended March 31, 2020, 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. In addition, we offered various support services and held seminars in cooperation with external expert organizations. Also, as the impact of the spread of the novel coronavirus disease (COVID-19) began to manifest in the local economy, the Bank accelerated its efforts to develop a structure for offering advice and providing financial support to customers so as to fulfil its role as a regional financial institution.

Regarding operating results, while deposits at the end of fiscal 2019 were at the same level as the end of fiscal 2018, loans outstanding were ¥60.1 billion higher than the figure at the end of fiscal 2018 owing to an increase in loans to customers. In terms of earnings, the Bank separately recorded ¥4.3 billion in provisions for the effects of the COVID-19 crisis. Although income fell as a result, we believe that we are now more financially equipped for the next fiscal year and beyond.

We are convinced that our biggest challenge and mission going forward is to work with our customers to overcome the crisis faced by the community and local economy as a result of the spread of COVID-19.

Looking to the Bank's centenary, which is three 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 2020

*H. Hashimoto*

Hiroshi Hashimoto  
President



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

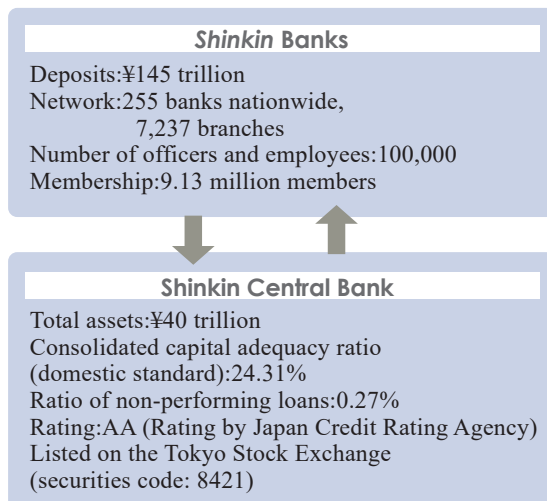
*Shinkin* banks are cooperative regional financial institutions whose members are small and medium-sized businesses and local residents.

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, 2020)

### 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, in an effort to help create jobs in the community and invigorate local businesses, supports those who are launching new businesses or starting companies. We offer information tailored to the needs of our customers, propose startup subsidy programs, and provide financing support. In fiscal 2019, the Bank provided startup financing amounting to ¥21.4 billion to 828 entrepreneurs.

As in the previous year, in fiscal 2019, the Bank hosted *Asahi Sogyojuku* (startup cram school), a program of four lectures, in cooperation with startup support projects of Taito Ward and Edogawa Ward. The 36 participants who attended 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.

#### Support for sales channel expansion

Since 2013, the Bank has been providing both face-to-face and non-face-to-face support via business fairs and the dedicated website to small and medium-sized companies in the community seeking to expand their sales channels. In fiscal 2019, we held Medical Round Project, an exhibition to support new entrants into the medical equipment industry, jointly with Tokyo Medical and Dental University. We also supported the overseas expansion of local companies. In cooperation with Taito Ward, 14 of our customers participated in an international exhibition held in Bangkok, Thailand.

#### 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.

Provision of advice on strengthening fundamentals, business succession, etc.

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. In addition, financial planners and other dedicated staff are ready to offer individual advice on a wide variety of issues related to customers' assets and business operations. For highly technical matters, we cooperate with external expert organizations to help find solutions for small and medium-sized companies.

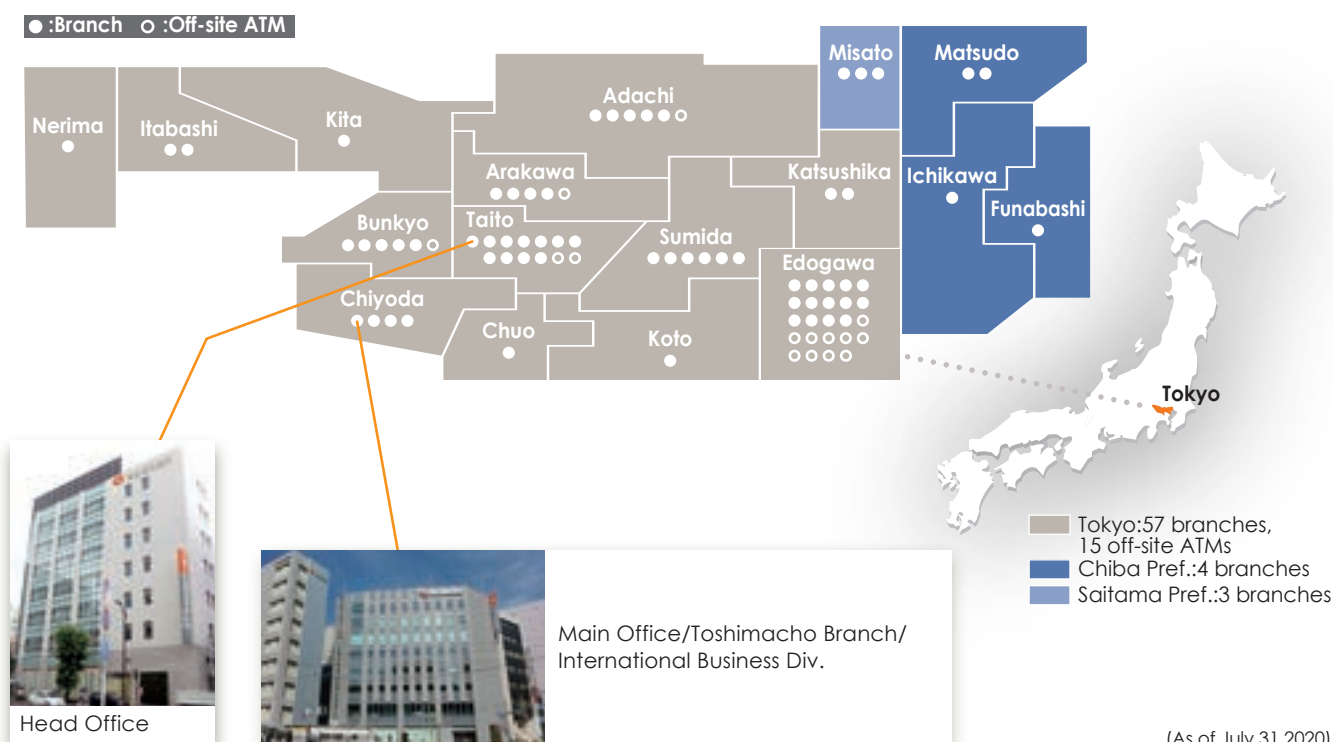
#### Other Initiatives

##### 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.

#### Extensive Network of 64 Branches and 15 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 2020, the Bank had a network of 64 branches, which include five sub-branches and one online branch, and 15 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, 2020)

# 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. 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 addition, the Bank's smartphone app lets users open accounts, apply for loans, uniformly manage balances and statements of their other bank accounts, e-money, etc. and use cashless payment when shopping. We offer 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.)

## 2020 Elite Quality Recognition Award



The Bank received the J.P. Morgan Elite Quality Recognition Award from J.P. Morgan Chase Bank, N. A. for nine consecutive years from 2011 for its outstanding performance of overseas funds transfer operations. The Bank also received the elite quality award, which is given to particularly excellent institutions, for six years in a row starting in 2014. We were the only Japanese bank to receive this designation.

## 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 2020, the Bank had a network of overseas correspondent banks totaling 92 banks in 159 locations across 33 countries. Centering on imports, trade-related foreign exchange transactions handled by the Bank in fiscal 2019 amounted to US\$613 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, 2020)



### 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.

### 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 160 million caps by the end of March 2020. 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 2019, a total of 1,229 employees of the Bank participated in the campaign.

### Blood donation campaign

The Bank held a blood donation campaign three times during fiscal 2019 in which 130 employees took part.



### Donations to public interest corporations

- In fiscal 2019, the Bank donated ¥830,000 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, 2019 was donated.



- We 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 2019, a concert was held at Osugi Elementary School of Edogawa Ward. Children enjoyed the live performances.



- In November 2019, 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 to help resolve the issue of long waiting lists for nursery schools. The facility opened in April 2020 as Tums Wampaku Hoikuen Arakawa, a licensed nursery school.



- To accommodate people stranded in the event of a disaster, the Bank cooperates with Taito Ward, Bunkyo Ward, and Edogawa Ward and will make available three branches, two 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 54 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.

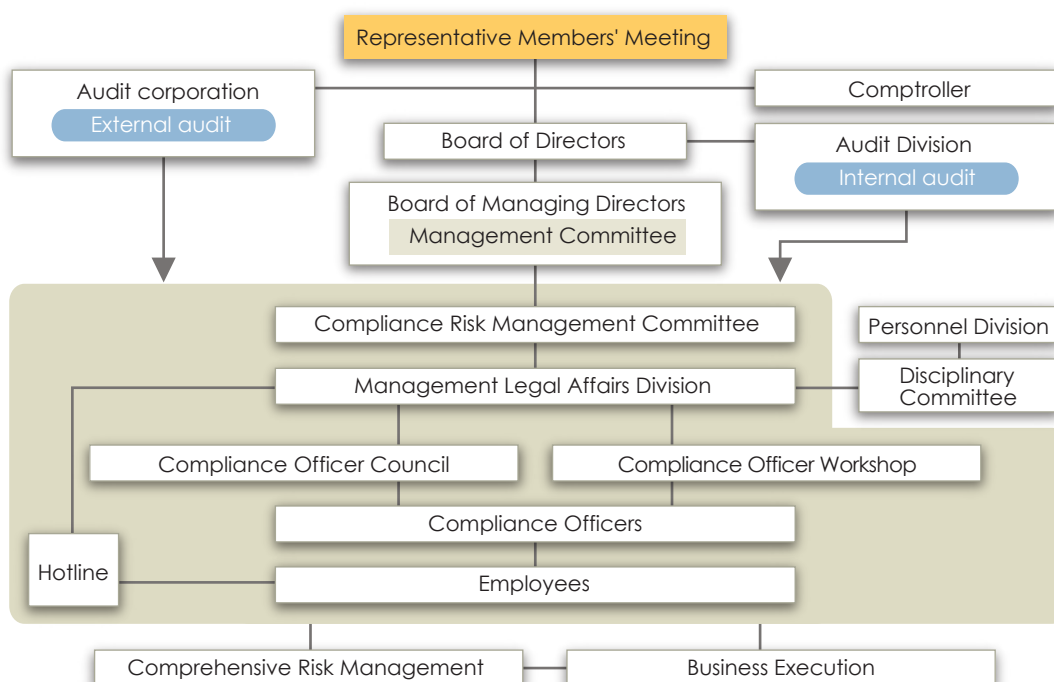
## Against Antisocial Forces

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

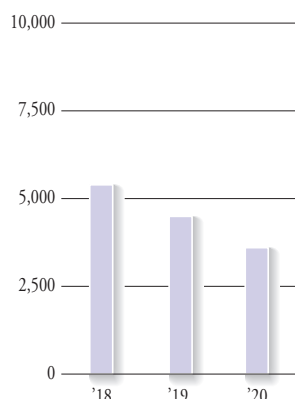


(As of March 31, 2020)

# Financial Review

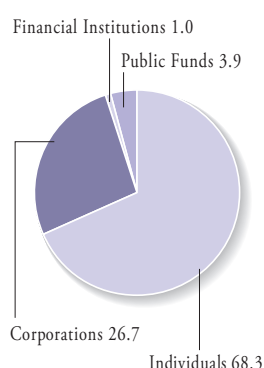
## Operating Income

(Millions of Yen)



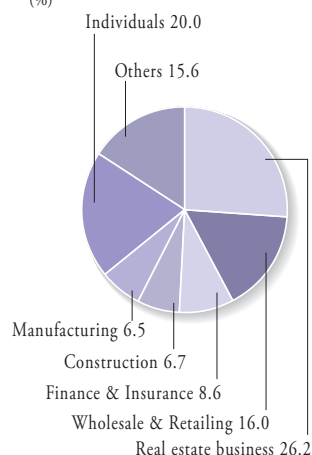
## Deposits by Category of Depositors

(%)



## Loans by Category of Borrowers

(%)



## Business Policy for Fiscal 2019

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 2019, the Japanese economy recovered moderately until late January 2020 in the face of certain negative developments, such as the prolonged U. S.-China trade friction and the consumption tax hike. Turning to the financial sector in Japan, the Nikkei average reached the ¥24,000 level in January, the highest for the fiscal year. However, the stock market subsequently plunged due to the effects of the spread of COVID-19, sending the index to ¥18,917 at the end of the fiscal year. Long-term interest rates (yields on 10-year Japanese government bonds) remained around 0%, ending the fiscal year at 0.010%.

## Results of Operations

Results of the Bank’s operations in fiscal 2019 are described below.

### Deposits

Although ordinary deposits increased owing to a rise in liquid deposits, the balance of total deposits declined ¥0.1 billion compared with the figure at the previous fiscal year-end to ¥1,778.9 billion at the end of fiscal 2019 due to a decrease in time deposits.

### 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 2019 were ¥1,138.8 billion, ¥60.1 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, we additionally recorded ¥4.3 billion in provisions for the effects of the spread of COVID-19. As a result, total ordinary income after total ordinary expenses fell by approximately ¥3.5 billion from the previous fiscal year to ¥1.8 billion, while net income fell by ¥2.6 billion to ¥1.4 billion.

## Financial soundness

The Bank's capital adequacy ratio declined 0.18 percentage points from the previous fiscal year-end to 8.65% at the end of March 2020. The ratio fell because the amount of increase in risk assets associated with an increase in loans was large relative to the amount of increase in equity. However, the Bank's capital adequacy ratio greatly exceeded the 4% minimum requirement stipulated in the guidelines of the Financial Services Agency for banks operating domestically, attesting to the Bank's robust fundamentals.

In fiscal 2019, non-performing loans outstanding based on the Financial Reconstruction Act decreased ¥2.1 billion compared with the figure at the end of the previous year. The ratio of non-performing loans was 3.31%, down 0.39 percentage points. As of March 31, 2020, 98.88% 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.

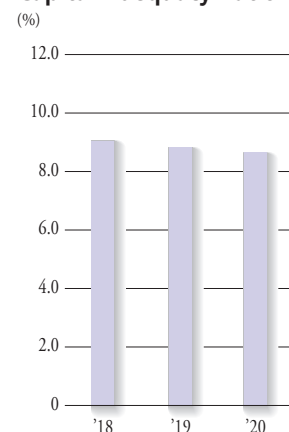
## Issues to be Tackled

Japan's local economies face an extremely difficult situation due to the spread of COVID-19, and there are concerns that the situation may deteriorate even further. In such an environment, the Bank's highest priority is to thoroughly provide comprehensive support centering on financial assistance to its customers. Toward this end, we will make all-out efforts to address the following management challenges:

- Provision of swift financial support to customers amid the COVID-19 crisis
- Implementation of a sales style that closely attends to the worries and concerns of customers
- Use of IT to transform sales activities and business operations
- Development of human resources and the creation of a rewarding workplace
- Further reinforcement of the structure to comply with laws and regulations
- Securing of greater management soundness by implementing measures to prevent money laundering and strengthening various risk management systems

Finally, looking to the Bank's centenary in 2023 and the Bank's vision further ahead, we will form stronger ties with the community and aim to become a truly indispensable financial institution for the community. At the same time, 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.

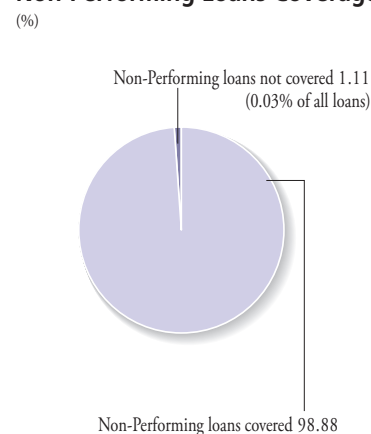
## Capital Adequacy Ratio



## 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)
	2020	2019	2020
<b>ASSETS</b>			
Cash .....	¥ 21,067	¥ 28,300	\$ 193,586
Due from Banks .....	415,883	411,417	3,821,408
Money Held in Trust .....	16,806	17,360	154,426
Securities (Note 3) .....	253,735	313,640	2,331,487
Loans and Bills Discounted (Note 4) .....	1,138,896	1,078,748	10,464,910
Foreign Exchange (Note 6) .....	9,365	17,078	86,057
Other Assets .....	10,815	12,568	99,381
Tangible Fixed Assets .....	32,557	33,567	299,155
Intangible Fixed Assets .....	2,344	2,087	21,546
Deferred Tax Assets .....	5,586	2,644	51,329
Customers' Liabilities for Acceptances and Guarantees .....	1,976	2,316	18,159
Reserve for Possible Loan Losses .....	(7,346)	(3,280)	(67,503)
<b>Total Assets</b> .....	<b>¥ 1,901,689</b>	<b>¥ 1,916,450</b>	<b>\$ 17,473,944</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits (Note 7) .....	¥1,778,977	¥1,779,080	\$16,346,391
Borrowed Money .....	1,088	—	10,000
Call Money .....	12,022	22,022	110,471
Payables under securities lending transactions .....	13,720	11,395	126,070
Foreign Exchange (Note 6) .....	17	74	161
Other Liabilities .....	5,653	8,746	51,951
Reserve for Employee Bonuses .....	526	524	4,837
Reserve for Retirement Allowances .....	3,542	3,627	32,550
Reserve for Retirement Benefits for Directors .....	307	285	2,829
Reserve for Loss from Refund of Sleeping Accounts .....	828	1,061	7,612
Reserve for Contingent Loss .....	326	260	2,998
Acceptances and Guarantees .....	1,976	2,316	18,159
<b>Total Liabilities</b> .....	<b>1,818,988</b>	<b>1,829,396</b>	<b>16,714,034</b>
<b>Equity:</b>			
Paid-in Capital .....	20,247	20,520	186,050
Additional Paid-in Capital .....	2,162	2,162	19,873
Legal Reserve .....	62,443	61,479	573,771
Unappropriated equity .....	(1)	(0)	(13)
<b>Total Members' Equity</b> .....	<b>84,852</b>	<b>84,161</b>	<b>779,682</b>
Unrealized Gain on Available-for-Sale Securities .....	(2,151)	2,891	(19,771)
<b>Total Valuation and Translation Adjustments</b> .....	<b>(2,151)</b>	<b>2,891</b>	<b>(19,771)</b>
<b>Total Equity</b> .....	<b>82,701</b>	<b>87,053</b>	<b>759,910</b>
<b>Total Liabilities and Equity</b> .....	<b>¥ 1,901,689</b>	<b>¥ 1,916,450</b>	<b>\$ 17,473,944</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)
	2020	2019	2020
<b>Income:</b>			
Interest and Dividends on:			
Loans and Discounts .....	¥ 15,926	¥ 15,719	\$ 146,342
Securities .....	7,604	7,901	69,873
Others .....	200	203	1,846
Fees and Commissions:			
Fees and Commissions on Domestic and Foreign Exchange .....	1,455	1,508	13,373
Others .....	2,150	2,362	19,760
Other Operating Income:			
Gains on Sales of Bonds .....	1,694	104	15,566
Others .....	226	330	2,084
Other Income:			
Collection of Written-off Claims .....	505	330	4,643
Gains on Sales of Stocks and Other Securities .....	282	1,537	2,592
Gains on Money Held in Trust .....	151	171	1,388
Others .....	476	1,615	4,381
<b>Total Ordinary Income</b> .....	<b>30,674</b>	<b>31,785</b>	<b>281,854</b>
Extraordinary Income (Note 8) .....	81	461	744
<b>Total Income</b> .....	<b>30,755</b>	<b>32,246</b>	<b>282,599</b>
<b>Expenses:</b>			
Interest Expenses:			
Deposits .....	248	288	2,282
Borrowings and Rediscounts .....	309	407	2,847
Others .....	4	4	43
Fees and Commissions .....	1,499	1,523	13,776
Other Operating Expenses:			
Losses on Foreign Exchange Transactions .....	2,007	3,270	18,446
Losses on Sales of Bonds .....	192	293	1,771
Expenses on Derivatives other than for Trading or Hedging.....	8	14	76
Others .....	19	22	182
General and Administrative Expenses .....	17,995	17,986	165,353
Other Expenses .....	6,520	2,563	59,917
<b>Total Ordinary Expenses</b> .....	<b>28,806</b>	<b>26,376</b>	<b>264,693</b>
Extraordinary Losses (Note 9) .....	29	51	274
<b>Total Expenses</b> .....	<b>28,836</b>	<b>26,427</b>	<b>264,967</b>
<b>Income before Income Taxes</b> .....	<b>1,918</b>	<b>5,819</b>	<b>17,631</b>
<b>Current</b> .....	<b>1,432</b>	<b>1,636</b>	<b>13,162</b>
<b>Deferred</b> .....	<b>(990)</b>	<b>21</b>	<b>(9,099)</b>
<b>Net Income</b> .....	<b>1,476</b>	<b>4,161</b>	<b>13,568</b>
<b>Retained Earnings (Balance at the Beginning of the Year)</b> .....	<b>3,366</b>	<b>3,168</b>	<b>30,936</b>
<b>Balance at the End of the Year (Note 10)</b> .....	<b>¥ 4,843</b>	<b>¥ 7,329</b>	<b>\$ 44,505</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 ¥108.83 to US\$1, prevailing on March 31, 2020, 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
	2020	2019	2020
National Government Bonds.....	¥ 5,122	¥ 17,572	\$ 47,065
Local Government Bonds.....	—	1,010	—
Corporate Bonds.....	55,510	45,149	510,063
Stocks.....	19,235	21,566	176,748
Other Securities.....	173,867	228,341	1,597,610
<b>Total</b> .....	<b>¥253,735</b>	<b>¥313,640</b>	<b>\$2,331,487</b>

## 4. Loans and Bills Discounted

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Bills Discounted .....	¥ 18,785	¥ 25,723	\$ 172,613
Loans on Bills.....	23,888	28,271	219,506
Loans on Deeds.....	1,044,346	987,775	9,596,126
Overdrafts .....	51,875	36,978	476,664
<b>Total</b> .....	<b>¥1,138,896</b>	<b>¥1,078,748</b>	<b>\$10,464,910</b>

## 5. Disclosure pursuant to the Financial Reconstruction Act

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Non-Performing Loans			
Bankrupt or De facto Bankrupt .....	¥ 4,507	¥ 4,435	\$ 41,418
Doubtful .....	32,533	34,011	298,935
Special Attention .....	855	1,622	7,859
Subtotal .....	37,896	40,069	348,213
Normal .....	1,103,787	1,042,202	10,142,310
<b>Total</b> .....	<b>¥1,141,683</b>	<b>¥1,082,272</b>	<b>\$10,490,524</b>

## 6. Foreign Exchange

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
<b>(Assets)</b>			
Due from Foreign Banks .....	¥9,194	¥16,772	\$84,480
Foreign Currency Bills Bought .....	10	22	100
Foreign Currency Bills Receivable.....	160	282	1,475
<b>Total</b> .....	<b>¥9,365</b>	<b>¥17,078</b>	<b>\$86,057</b>
<b>(Liabilities)</b>			
Foreign Currency Bills Sold.....	¥ —	¥ 19	\$ —
Accrued Foreign Exchange .....	17	54	161
<b>Total</b> .....	<b>¥ 17</b>	<b>¥ 74</b>	<b>\$ 161</b>

## 7. Deposits

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current Deposits .....	¥ 57,247	¥ 60,142	\$ 526,023
Ordinary Deposits .....	701,209	659,550	6,443,166
Savings Deposits.....	32,800	34,485	301,394
Deposits at Notice .....	4,733	4,560	43,490
Time Deposits.....	927,247	963,523	8,520,144
Installment Savings.....	41,059	44,631	377,282
Other Deposits.....	14,680	12,187	134,891
<b>Total .....</b>	<b>¥1,778,977</b>	<b>¥1,779,080</b>	<b>\$16,346,391</b>

## 8. Extraordinary Income

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gain on Disposal of Fixed Assets .....	¥81	¥461	\$744
<b>Total .....</b>	<b>¥81</b>	<b>¥461</b>	<b>\$744</b>

## 9. Extraordinary Losses

Years ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Losses on Sales of Equipment .....	¥29	¥51	\$274
<b>Total .....</b>	<b>¥29</b>	<b>¥51</b>	<b>\$274</b>

## 10. Subsequent Event

As of March 31,	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at the End of the Year .....	¥4,843	¥7,329	\$44,505
Appropriations:			
Transfer to Legal Reserve .....	150	450	1,378
Cash Dividends .....	506	512	4,651
Payout Ratio .....	2.5% per year	2.5% per year	2.5% per year
Transfer to Voluntary Reserves .....	600	3,000	5,513
<b>Total Appropriations .....</b>	<b>1,256</b>	<b>3,962</b>	<b>11,542</b>
Retained Earnings (Balance at the End of the Year) .....	<b>¥3,587</b>	<b>¥3,366</b>	<b>\$32,962</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, 2020 and 2019, and the related statements of income and statements of retained earnings for the two years ended March 31, 2020 and 2019 and provided the Bank with an auditor's report stating an unqualified opinion.

# Board of Directors and Auditors

(As of July 31, 2020)

**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

Yasuhiro Ito

Hideo Masuuchi

Hiroshi Iikura

**Standing Directors**

Masashi Kobayashi

Kouji Iwata

Yasutaka Yoshigiwa

Atsushi Matsuyama

**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**

Makoto Tomiyama

Nobuhiro Takeo

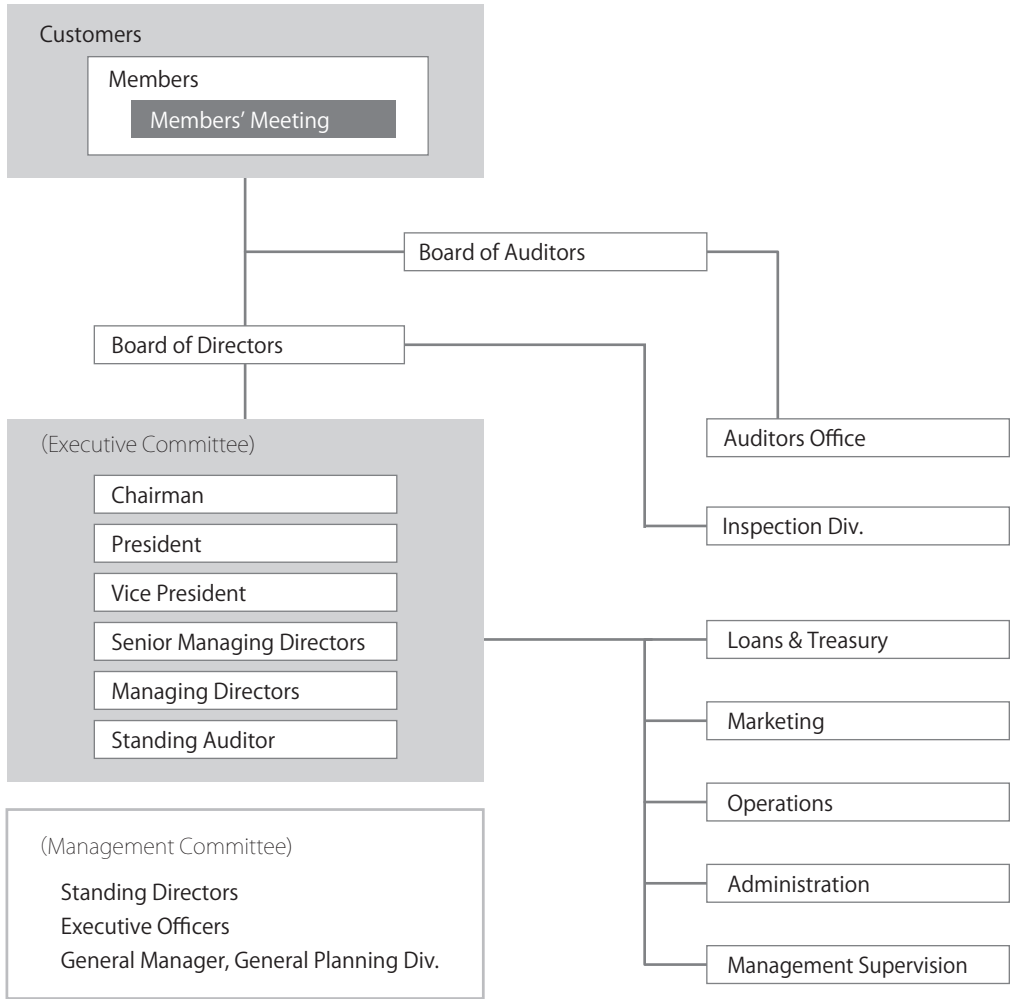
Yukio Oikawa

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, 2020)



# Directory

## **BANK DATA**

(As of March 31, 2020)

### **Main Office**

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

### **Established**

August 3, 1923

### **Number of Employees**

1,389

### **Membership**

112,326

### **Number of Branches**

(including 5 Sub-Branches/1 online  
branch)  
64

### **Number of ATM Terminals**

(off-site ATMs)  
14

## **SERVICE NETWORK**

(As of July 31, 2020)

### **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.

pannapitta



## THE ASAHI SHINKIN BANK

2-1-2, Higashi-kanda, Chiyoda-ku,  
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