

**The Future of
Regional Communities
Together with Shinkin Banks**

Annual Report 2022

Shinkin Central Bank



Shinkin Central Bank, the Central Bank for Shinkin Banks

As the central financial institution for the cooperative regional financial institutions in Japan, known as shinkin banks, the Shinkin Central Bank (hereinafter the SCB) occupies a well-established position in Japan's financial industry. Shinkin banks currently hold funds totaling some ¥158 trillion (around US\$1,298 billion).

Management Philosophy and Operational Policies

Management Philosophy

As the central bank for all shinkin banks, the SCB supports the growth of the shinkin bank industry, thereby contributing to economic development throughout Japan.

Operational Policies

1. Strengthen the corporate base, broaden operational functions, and enhance the credit standing of shinkin banks.
2. Attract stable funds from shinkin banks and diversify funding sources.
3. Upgrade market operations and develop financial services.
4. Pursue new business to reflect changing financial circumstances.
5. Contribute to regional development and revitalization hand in hand with shinkin banks.
6. Achieve sound management through efficiency, capital adequacy, and strengthened risk management.
7. Nurture professionals and create an attractive workplace.
8. Enhance public trust in the SCB.

Corporate Data (as of March 31, 2022)

Name:	Shinkin Central Bank (SCB)
Established:	June 1, 1950
Number of employees:	1,277
Domestic network:	14
Overseas network:	6
Total assets:	¥43,757 billion (\$357 billion)
Total funds:	¥41,840 billion (\$341 billion)
Paid-in capital:	¥690 billion (\$5,646 million)
Preferred shares:	¥90 billion (\$743 million)
Capital adequacy ratio (consolidated):	24.35%
Number of member shinkin banks:	254
Long-term credit ratings: (as of July 31, 2022)	A1 (Moody's) A (S&P) A+ (R&I) AA (JCR)



Shinkin Central Bank

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Overseas network: 6
Number of employees: 1,277
Number of member shinkin banks: 254



Shinkin Banks

Number of member shinkin banks: 254
Total assets: ¥180,041 billion
(\$1,471 billion)
Number of branches: 7,129
Number of employees: 101,552
Number of members: 8,996,514
(As of March 31, 2022)

* The number of employees includes full-time Directors and Corporate Auditors. Our overseas network includes Shinkin International Ltd., a subsidiary in London and Shinkin Singapore Pte. Ltd., a subsidiary in Singapore.



Financial Highlights (Non-consolidated Financial Summary)

For the years ended March 31,	Millions of Yen			Millions of US Dollars*		
	2022	2021	2020	2022	2021	2020
For the Fiscal Year						
Total income	¥ 216,095	¥ 227,247	¥ 266,519	\$ 1,765	\$ 2,053	\$ 2,451
Total expenses	171,233	187,466	214,229	1,399	1,693	1,970
Net income (loss)	34,046	29,579	37,924	278	267	348
Net business profit (loss)	34,548	33,814	58,025	282	305	533
At the Year-end						
Total assets	¥43,757,754	¥43,654,176	¥40,633,271	\$357,585	\$394,382	\$373,776
Loans and bills discounted	7,758,748	8,451,005	8,474,068	63,404	76,348	77,951
Securities	16,163,857	17,744,905	16,477,301	132,090	160,311	151,571
Total liabilities	42,199,230	41,963,346	39,112,432	344,849	379,106	359,786
Deposits	33,165,342	33,787,924	31,208,596	271,025	305,248	287,081
Debentures	1,547,370	1,774,270	2,141,480	12,645	16,029	19,699
Net assets	1,558,523	1,690,829	1,520,838	12,736	15,275	13,989

* US dollar amounts are given for convenience only, converted at the rate of ¥108.71, ¥110.69, and ¥122.37 per US\$1.00, the prevailing rate as of March 31, 2020, 2021, and 2022 respectively.

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This material contains certain forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties, while actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

US dollar amounts are converted for convenience only, at ¥122.37 per US\$1.00, the prevailing rate on March 31, 2022.

Message from the President and CEO

The year 2030 is an important milestone toward the SDGs, and many companies, groups, and organizations are actively addressing climate change and other issues in order to achieve those goals by 2030. In addition, as the effects of the COVID-19 pandemic continue to be felt for a prolonged period of time, moves toward digitalization are also accelerating, and by 2030, the environment surrounding regional communities and small and medium scale enterprises (SMEs) is expected to change significantly.

We in the shinkin bank industry are updating our business model to keep pace with these changes and are doing our utmost to address the challenges faced by regional communities and SMEs.

In April 2022, the SCB launched its new Medium-Term Management Plan, "SCB Strategy 2022." Under "SCB Strategy 2022," the SCB will work toward achieving the future where "Shinkin Bank is the most reliable bank in every local area" set forth in the previous Medium-Term Management Plan, clearly setting the date for achievement by 2030. In order to achieve this vision, the shinkin bank industry will continue to work toward improving the sustainability of regional communities by steadily implementing various measures and increasing the effectiveness of the "4 Strategies" put forward, which follow the initiatives of the previous Medium-Term Management Plan.

We also aim to improve the competitiveness of the shinkin bank industry by transforming our business model around the three pillars including human assets, networks, and digitalization, and by continuing to provide new value to regional communities.

Further, amidst growing awareness of environmental issues, the SCB, together with shinkin banks, will launch the "Shinkin Green Project," a unique initiative in the shinkin bank drive initiatives aimed at resolving environmental issues, including decarbonization of our customers among others .

In this message, I would like to explain the measures taken by the SCB to date, as well as the measures and other initiatives that we will take going forward to achieve the vision have laid out.

President and CEO

Hiroyuki Shibata



Road to 2030

The Future of Regional Communities
Together with Shinkin Banks

► Review of the previous Medium-Term Management Plan "SCB Strategy 2019"

During the period of the previous Medium-Term Management Plan, the SCB Group's officers and employees, together with shinkin banks, worked together to steadily implement various measures, despite the unforeseen spread of the COVID-19 pandemic.

[Establishment of Problem-Solving Schemes Utilizing the Shinkin Bank Industry Network]

In July 2021, in order to strengthen our efforts to support the core businesses of shinkin bank customers, we established two new group companies, Shinkin Regional Innovation Co., Ltd. and Shinkin Singapore Pte. Ltd. Shinkin Regional Innovation Co., Ltd. is engaged in regional trading company business and regional revitalization consulting services, while Shinkin Singapore Pte. Ltd., a local subsidiary in Singapore, supports shinkin bank customers in expanding their overseas sales channels and addresses the financing needs of their overseas subsidiaries.

In July 2021, we also launched the "Shinkin Door for Business Startups," a website to support startups, in order to connect people who are thinking of starting a business or have just started a business with shinkin banks in various regions, and in September 2021, we launched "Shinkin Connect," a business matching website, to increase opportunities and speed up business negotiations for SMEs. Each of these sites utilizes the networks of the shinkin bank industry to enable searches for shinkin banks where business startup consultations are available, and event information and startup support facilities, as well as enabling communication among registered parties nationwide who wish to engage in business matching.

[Initiatives for Regional Revitalization]

In a joint effort with shinkin banks to support regional revitalization projects implemented by local governments, in July 2020, we established the "SCB *Furusato Ouen Dan* (lit., "hometown cheering team")," a regional revitalization scheme to make donations to selected projects by utilizing a corporate version of Japan's *Furusato Nozei* donation program (preferential treatment in the Japanese income taxation system). The "SCB *Furusato Ouen Dan*" donated a total of ¥1.94 billion to 196 regional revitalization projects recommended by shinkin banks nationwide over the two-year period from fiscal 2020 to fiscal 2021.

In February 2022, the SCB was awarded as the only financial institution to receive the "Fiscal 2021 Minister's Commendation for Regional Development Support Taxation System," in recognition of the joint efforts between the shinkin bank industry and local governments to revitalize regional communities.

The "SCB *Furusato Ouen Dan*" will continue its initiatives in fiscal 2022, and we will continue to actively supports initiatives to realize regional revitalization together with shinkin banks.

[Strengthening Support System for Business Succession of SMEs]

To address the growing shortage of successors for SMEs, Shinkin Capital Co., Ltd., an SCB Group company, expanded its business succession and M&A support solutions, and in addition, during fiscal 2021, we opened five new branches (in Kinki, Tokai, Chugoku, Fukuoka, and Hokkaido) and established a structure that can respond to the needs of shinkin bank customers more effectively and flexibly than ever before.

► Expectations for the Shinkin Bank Industry Toward 2030

In addition to structural issues such as the declining birthrate and aging population, the COVID-19 pandemic is having a major impact on the management of SMEs, and regional economies, which are the foundation of shinkin banks, are at a major crossroads.

In order to revitalize regional economies, it has become essential to take a solution-oriented approach tailored to the characteristics of each region, and expectations are rising for shinkin banks, the financial institutions that are closest to the regional communities they serve.

At the same time, the shinkin bank industry must respond appropriately to the accelerating trend toward digitalization due to the impact of the pandemic, and building a robust business model that combines "face to face" with the power of digital technology is an urgent issue.

Also, as the year 2030 milestone for achieving the SDGs approaches, momentum for initiatives to realize a sustainable society, including climate change countermeasures, is increasing year by year.

The shinkin bank industry is also expected to enhance its competitiveness through transformation of its business model, while fully demonstrating its capability to solve local issues and work toward the realization of sustainable regional communities.



► "SCB Strategy 2022," a new Medium-Term Management Plan to Generate Transformation

Under this plan, the SCB will steadily implement and enhance the effectiveness of the measures listed in the "4 Strategies" in order to realize the vision laid out by 2030, and will also focus on "HaND" (Human assets, Networks and Digitalization), a theme that can be a strength and opportunity for the shinkin bank industry, to generate transformation, thereby continuing to improve the competitiveness of the shinkin bank industry. [The first letter of the words "Human," "assets," "Networks," and "Digitalization" are marked with black dots for emphasis]

[4 Strategies]

This plan sets forth the "4 Strategies" to ensure that the shinkin bank industry will continue to meet the expectations of regional communities and do its utmost to improve the sustainability of regional communities over the next three years.

In Strategy 1, we will focus on initiatives that make a significant contribution to resolving local issues to increase the effectiveness of our measures, and aim to build a framework for providing quality services to regional communities on a sustainable basis.

In Strategy 2, we will deepen consulting functionality for shinkin banks, including fund management and risk management support, as well as provide products and services that contribute to the diversification of shinkin banks' revenue sources.

In Strategy 3, we will work to improve operational efficiency and maintain and enhance the robustness and sustainability of our operations toward the effective utilization of management resources, and develop an environment that will serve as a foundation for transforming the business model of the shinkin bank industry.

In Strategy 4, we will strengthen our earnings power, and as one of Japan's leading institutional investors, implement initiatives that contribute to improving the sustainability of society.

[Transformation based on HaND (Human assets, Networks and Digitalization)]

Based on the concept of "human assets" that the officers and employees of the shinkin bank industry, or people, are the most important asset for the industry, we will actively make the investments necessary for their advancement and growth. By providing opportunities for a diverse range of "human assets" to play active roles and for each to acquire highly specialized skills, we will promote the advancement and growth of "human assets," which will lead to growth of the shinkin bank industry.

We also believe that the shinkin bank industry's strengths lie in the nationwide network among shinkin banks and the network that the SCB has with external professional organizations, etc., in Japan and overseas. We aim to sublimate this network, which is one of our strengths, into a "Shinkin Ecosystem," a problem-solving system that transcends the boundaries of the shinkin bank industry, and to create a system in which network participants can mutually grow, coexist and prosper through solving regional community issues.

In addition, we aim to create a new customer experience by integrating "face-to-face" customer contact, which is one of the strengths of shinkin banks, with digital technology, and to improve business efficiency and productivity in the shinkin bank industry through the use of digital technology. Specifically, we hope to spread digital transformation (DX) to SMEs nationwide by building a digital platform that links "digital" with the "real world," one of the strengths of shinkin banks. Furthermore, we will develop data businesses in the shinkin bank industry, aiming to strengthen the marketing capabilities of shinkin banks and diversify revenue sources through the use of data, as well as develop organizational structures and secure human resources.

▶ Toward the Realization of Sustainable Regional Communities

[The SCB's targeted policy direction toward achieving the SDGs]

The SCB aims to "realize sustainable management" that will both enhance the value of the shinkin bank industry and solve social issues through activities related to regional communities, people, and the environment. To achieve this goal, we will strengthen our ties with and reach out to regional communities so that shinkin banks can sustainably fulfill their role as "comprehensive service providers" that offer one-stop, appropriate solutions, both financial and non-financial, to various local issues.

In addition, we have set a target of ¥3 trillion for ESG investments and loans by fiscal 2030, and also aim to reduce SCB greenhouse gas emissions to virtually zero by fiscal 2030.

[SCB launches the "Shinkin Green Project" to become a key player in realizing decarbonization]

The SCB has launched the "Shinkin Green Project" to respond to the needs of shinkin banks' customers for decarbonization among others, and to strengthen the shinkin bank industry's own initiatives.

This project will promote efforts to solve environmental problems together with shinkin banks based on three pillars: "finance," in which funds from the shinkin bank industry will be provided to local green initiatives; "consulting," in which solutions will be provided toward helping local governments and SMEs decarbonize; and "eco-local," in which local efforts to reduce environmental impacts will be promoted.

Through these efforts, shinkin banks will become key players in decarbonizing regional communities, and in addition, will establish a brand image of "green" when it comes to shinkin banks.

▶ In Conclusion

Although there are some positive signs that the COVID-19 pandemic will come under control in fiscal 2022, the outlook for the regional economies remains uncertain due to inflation caused by soaring resource prices, Russia's invasion of Ukraine, and other factors.

In order to achieve the vision laid out by the SCB where "Shinkin Bank is the most reliable bank in every local area" by 2030, the SCB is committed to realizing sustainable regional communities by providing new value that only the shinkin bank industry can deliver, through the concerted efforts of all officers and employees of the SCB Group.






About Shinkin Central Bank

The SCB was established as a cooperative financial institution funded by the shinkin banks, and serves as the central bank for shinkin banks throughout Japan, which are also its members. Here we will explain the three major functions performed by the SCB in the shinkin bank industry.




1. Functions to realize a sustainable society

Shinkin banks play a key role in supporting regional economies by lending to local organizations and SMEs in Japan. However, individual shinkin banks are sometimes restricted in performing their banking functions because of their scale and limitations on their business area.

Issues	Solutions	Value provided
 <ul style="list-style-type: none"> ● Expansion of sales channels ● Overseas expansion ● Business startups ● Business succession and M&A 	<ul style="list-style-type: none"> ■ Provide business matching opportunities ■ Provide services corresponding to the needs of overseas expansion ■ Support business expansion and networking at overseas locations ■ Providing a platform to support business startups ■ Provide a platform for M&A ■ Provide funds and capital through our support fund ■ Provide services according to life stage 	<p>Sound development of SMEs</p>
 <ul style="list-style-type: none"> ● Asset buildup ● Succession planning ● Strengthening of financial literacy 	<ul style="list-style-type: none"> ■ Provide products corresponding to life events ■ Supplement services for assets under management at shinkin banks ■ Provide trust products for individual customers ■ Provide digital skills training ■ Providing a communication application 	<p>Realization of people's well-being</p>
 <ul style="list-style-type: none"> ● Regional revitalization ● Promotion of regional industry ● Increased use of cashless payments 	<ul style="list-style-type: none"> ■ Provide Regional Revitalization Support Package ■ Regional innovation in collaboration with external organizations ■ Alliance with the Mercari Group ■ Establishment of the SCB Furusato Ouen Dan 	<p>Prosperity of regional society</p>

2. Central bank functions for shinkin banks

The SCB makes every effort to maintain an orderly financial system within the shinkin bank industry through the further strengthening of consulting functions, and cyber security measures in the shinkin bank industry, as well as timely and appropriate operations of the Shinkin Bank Management Reinforcement System, etc.

Issues	Solutions	Value provided
 <ul style="list-style-type: none"> ● Strengthening of investment management ● Strengthening of operational efficiency 	<ul style="list-style-type: none"> ■ Provide deposit products ■ Provide investment products using trust banking business functions ■ Provide loan products ■ Handle administrative tasks for deposit assessment operations ■ Promote sharing of cash-related operations 	<p>Development of regional economies through strengthening management of shinkin banks</p>
 <ul style="list-style-type: none"> ● Strengthening of ability to manage risk ● Nurturing and obtaining of human resources 	<ul style="list-style-type: none"> ■ Assist sophistication in risk management ■ Assist profit simulation and operation planning ■ Implement consulting ■ Assist improvement of systems for cyber security ■ Assist improvement of systems against money laundering or other illicit activities 	
 <ul style="list-style-type: none"> ● Early detection of management issues ● Management reinforcement 	<ul style="list-style-type: none"> ■ Operate the Shinkin Bank Management Reinforcement System ■ Operate the Shinkin Bank Mutual Funding Support System 	

3. Functions as an institutional investor

The SCB is constructing a stable funding base through deposit operations and bond operations. With the funds procured with this base, the SCB makes investments and loans for various products, etc. in money markets in Japan and overseas as one of the leading institutional investors in Japan.

Furthermore, with regard to investment and loan strategy, the SCB pursues efficient risk-return as well as promotes investments and loans that take ESG into consideration, such as forming project finance for private finance initiatives.

The SCB Group

(As of July 31, 2022)



Securities	Shinkin Securities ¥20bn in capital (100% ownership); ¥10bn capital reserve	<ul style="list-style-type: none"> ▪ Dealing ▪ Brokerage ▪ Underwriting
	Shinkin International £30mn in capital (100% ownership) (London local securities entity)	<ul style="list-style-type: none"> ▪ Underwriting new bonds and agency business in the euro market ▪ Dealing and brokering for existing euro bonds ▪ Foreign securities investment and consulting
Regional trading company operation	Shinkin Regional Innovation ¥100mn in capital (100% ownership) ¥100mn capital reserve	<ul style="list-style-type: none"> ▪ Regional trading company business ▪ Regional innovation consulting business
Support for overseas business expansion	Shinkin Singapore \$9mn in capital (100% ownership) (Singapore local securities entity)	<ul style="list-style-type: none"> ▪ Supporting the overseas expansion of shinkin banks' customers ▪ Supporting investments and loans of SCB ▪ Conducting surveys and research for financial innovation ▪ Nurturing human resources of the shinkin bank industry
Personal loan guarantees	Shinkin Guarantee ¥1.0bn in capital (100% ownership) ¥0.8bn capital reserve	<ul style="list-style-type: none"> ▪ Debt guarantee business (guarantees for unsecured personal loans provided by shinkin banks)
Asset management	Shinkin Asset Management ¥200mn in capital (100% ownership)	<ul style="list-style-type: none"> ▪ Management services for discretionary investment contract assets ▪ Management services for investment trust assets
Investment and M&A advisory	Shinkin Capital ¥490mn in capital (100% ownership)	<ul style="list-style-type: none"> ▪ Investment banking ▪ M&A brokering ▪ Corporate business consulting
Data processing consignment	The Shinkin Banks Information System Center ¥4.5bn in capital (50.7% stake; 49.2% owned by shinkin banks); ¥1.5bn capital reserve	<ul style="list-style-type: none"> ▪ Data processing consignment ▪ Software development ▪ Computer consulting and training
Consigned clerical work	Shinkin Chukin Business ¥70mn in capital (100% ownership)	<p>(handles SCB administrative work)</p> <ul style="list-style-type: none"> ▪ Computing ▪ Promissory note exchange ▪ Branch, dormitory, and other property management

About Shinkin Banks

Shinkin banks are cooperative financial institutions. Their membership comprises local residents and SMEs. Shinkin banks' distinctive characteristics are that they are conveniently located; offer fine-tuned, personalized services; and have a strong relationship of mutual trust with their customers and communities.

Cooperative financial institutions are organizations that operate under the fundamental principle of mutual support.

Shinkin banks limit their lending, in principle, to members. However, their functions are almost the same as those of commercial banks, and they also deal with many people who are not members, accepting deposits, providing exchange services, accepting payments, including those for public utilities, and engaging in over-the-counter sales of public bonds, investment trust funds, and insurance.

Shinkin banks not only provide deposit, lending and exchange services, but also offer a diverse range of services to customers and other members of the local community in such areas as support for management improvement and business turnaround, business succession support, business start-up support, and local-area revitalization.

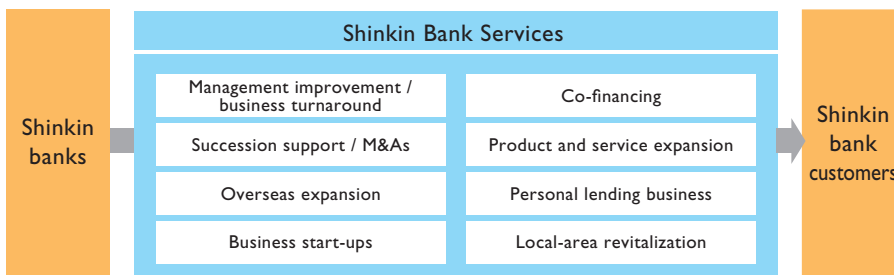
Outline of Shinkin Banks

254 shinkin banks form an extensive network, with approximately 7,100 offices across the country, from Hokkaido in the north to Kyushu and Okinawa in the south.

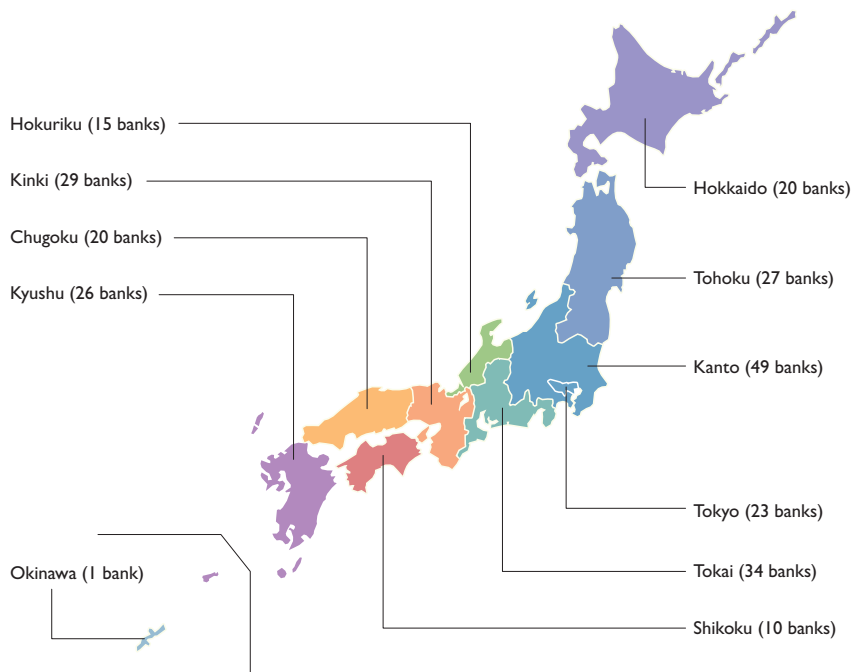
Shinkin banks dedicate themselves to providing high-quality services to local residents, as financial institutions deeply rooted in their respective regions, and contribute to regional development.

Total deposits outstanding at 254 shinkin banks as of March 31, 2022, reached approximately ¥158 trillion (\$1,298 billion), which ranks it in third place after Japan's city and regional banks, and gives shinkin banks an important position in Japanese financial markets.

Shinkin banks continue to further deepen their presence and roles as important infrastructure for regional economies and communities.



Nationwide Network of Shinkin Banks (254 banks)



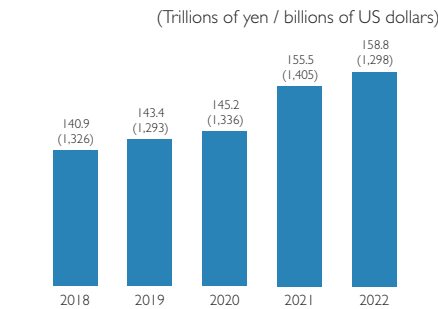
Deposits¹ Outstanding by Bank Segment (As of March 31, 2022)

Bank Segment	(Billions of US dollars)
City Banks ²	\$3,635
Regional Banks ²	2,592
Shinkin Banks	1,298
Agricultural Cooperatives	885
Second-tier Regional Banks ²	547
Credit Cooperatives	187
Labor Credit Associations	184

Notes: 1. Deposit includes domestic operations.
2. City banks, regional banks and second-tier regional banks do not include the special international financial transactions account.

Sources: Japanese Bankers Association, the Norinchukin Bank, National Central Society of Credit Cooperatives, National Association of Labour Banks and the SCB.

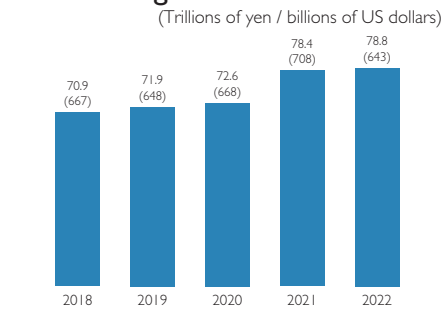
Deposits Outstanding at Shinkin Banks



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥106.28, ¥110.96, ¥108.71, ¥110.69 and ¥122.37 per US\$1.00, the prevailing rate on March 31, 2018, 2019, 2020, 2021 and 2022, respectively.

Source: The SCB.

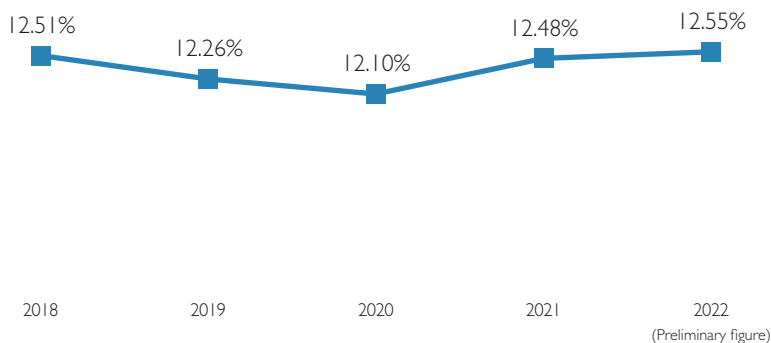
Loan and Bills Discounted Outstanding at Shinkin Banks



Note: Items in parentheses are US dollar amounts. They are given for convenience only, with conversion at ¥106.28, ¥110.96, ¥108.71, ¥110.69 and ¥122.37 per US\$1.00, the prevailing rate on March 31, 2018, 2019, 2020, 2021 and 2022, respectively.

Source: The SCB.

Capital Adequacy Ratio of Shinkin Banks

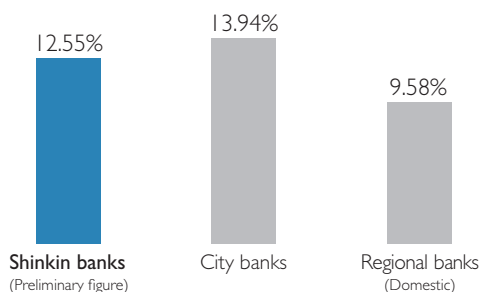


Source: The SCB.

The capital adequacy ratio of shinkin banks rose to 12.55% (preliminary figure) as of March 31 2022, from 12.48% at the end of the previous fiscal period.

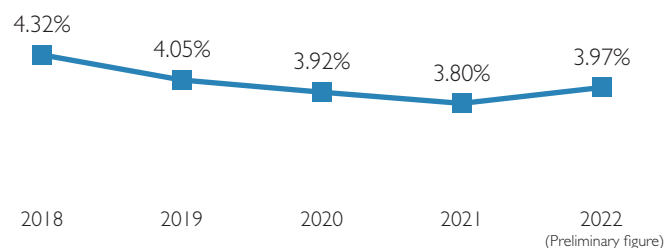
The ratio maintains a level that is not inferior to that of domestic citybanks (13.94%), and is outperforming other domestic regional banks (9.58%).

Non-consolidated Capital Adequacy Ratio by Bank Segment (%) (as of March, 31, 2022)



Sources: Bank disclosure document, Regional Banks Association of Japan.

Nonperforming-loan Ratio of Shinkin Banks (%)



Source: The SCB.

Difference between Shinkin Banks and Commercial Banks

Category	Shinkin Banks	Commercial Banks
Legal foundation	Shinkin Bank Act	Banking Act
Organization	Non-profit cooperative organization financed by its members	For-profit joint stock corporations
Membership qualifications	(1) Those who have an address or office in the region (2) Those who have a business office in the region (3) Those who work in the region (4) Executive officers of companies that have a business office in the region (In the case of businesses) Businesses with no more than 300 employees or with less than 900 million yen in capital	None

Realizing a Sustainable Society

Declaration of Shinkin Central Bank Group on SDGs

Shinkin Central Bank Group is a group in which the SCB plays its role as the central financial institution for shinkin banks. As such, the Group strives to implement initiatives together with shinkin banks throughout Japan toward realization of a sustainable society based upon the Sustainable Development Goals (SDGs) and in accordance with the principle of a cooperative institution focusing on three important themes, including the “region”, the “people” and the “environment”.

Sustainable prosperity of a regional society

Major initiatives

- Improving sustainability of shinkin banks
- Improving sustainability of SMEs
- Initiative for regional revitalization in collaboration with shinkin banks

We contribute to sustainable prosperity of regional societies by strengthening sustainability of shinkin banks which support the regions and SMEs which constitute the business infrastructure for the regions, as well as by activity supporting regional revitalization.

Relevant SDGs



Well-being to all the people

Major initiatives

- Support for realization of children’s dream
- Enhancement of support for life planning of all generations
- Promotion of creating a workplace that values uniqueness of employees

Together with shinkin banks, we strive to implement initiatives to bring well-being to senior generations, children and all people in the regions, and to contribute to realizing a diversified and inclusive society with the concept of “leave no one behind”.

Relevant SDGs



Conservation of global environment

Major initiatives

- Promotion of ESG investments and loans
- Measures for climate change
- Reducing environmental burden associated with business activities

We strive to reduce environmental burden associated with business activities. Furthermore, as a banking group making investments and loans on a global scale, we will contribute to conservation of the global environment by promoting investments and loans that are mindful of the environmental problems.

Relevant SDGs



Support for initiatives

Task Force on Climate-related Financial Disclosures (TCFD)



The “Task Force on Climate-related Financial Disclosures (TCFD)” was established in December 2015 by the Financial Stability Board at the request of G20 finance ministers and central bankers. In July 2019, the SCB endorsed the recommendations of the TCFD.

Equator Principles



In April 2021, the SCB adopted the Equator Principles, a voluntary framework designed to ensure that in extending loans to large-scale projects, financial institutions give due consideration to the impact of such projects on the environment and society.

Measures for climate change

In July 2019, the SCB endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Information will be disclosed in line with TCFD recommendations as follows.

► Governance

- ◇ We hold an Executive Committee meeting to deliberate on our policies and initiatives as to the SDGs including climate change, and then report the result to the Board of Directors. Also, from a standpoint of integrated management as one banking group, we hold the "Group Promotion Committee on SDGs" meetings twice a year; a committee comprised of executive officers of the SCB and SCB Group companies to discuss such matters as the SCB Group's policies and initiatives regarding the SDGs including climate change.
- ◇ In September 2021, "the SCB Group Environmental Policy" was approved by the Board of Directors in order to be more proactive in solving environmental issues.
- ◇ The SDGs Promotion Division was reorganized as an independent division in April 2022 (split off from the SDGs Promotion Office of the Strategic Planning Division), which is taking the lead on cross-organizational efforts to address the SDGs including climate change.

► Strategy

The environmental problems including climate change are the most important issues common to all human beings. As such, in accordance with the "Declaration of Shinkin Central Bank Group on SDGs" formulated in September 2019, we recognize that this climate issue would bring opportunities, risks and influences on our business activities in the following context. Accordingly, we will actively strive to solve the issues.

<Opportunities>

- ◇ Together with shinkin banks nationwide, we are actively implementing initiatives to realize a sustainable society. We recognize that these initiatives contribute to regional revitalization as well as to an increased presence of the shinkin bank industry including the SCB. In April 2022, the Shinkin Green Project was launched with the aim of decarbonizing regional communities and SMEs. The Green Project Promotion Office, established within the Regional Innovation Division, is taking the lead in promoting initiatives to solve environmental problems in cooperation with government agencies and external organizations.
- ◇ Based upon our understanding the increased use of renewable energies worldwide and advancement of technological innovations as investment opportunities, we are promoting ESG investments and loans. We are also actively addressing transition finance for the transition to a decarbonized society. Toward the SDGs target deadline of 2030, we have set a medium- to long-term goal of a cumulative total of ¥3 trillion in ESG investments and loans (from fiscal 2021 to fiscal 2030).

FOCUS

About the Shinkin Green Project

As awareness of environmental issues grows worldwide, the shinkin bank industry is developing its own "Shinkin Green Project" to work together as one to solve environmental problems.

Based on the three pillars of "finance," which provides funds from the shinkin bank industry to regional community green initiatives, "consulting," which provides solutions to decarbonize municipalities and SMEs, and "ecoLocal," which promotes initiatives to reduce environmental impact in regional communities, by 2030, shinkin banks aim to become a key player in decarbonizing regional communities.



<Risks>

- ◇ We recognize the risk associated with a transition to a low carbon society such as tightening regulations and technological innovations relating to the climate (transitional risk), and the risk of facing difficulties in business continuity due to an increased number of natural disasters or abnormal weather associated with climate change (physical risk). All these are the risks that affect the businesses and financial conditions of the SCB's customers, which then indirectly affects the portfolio of the SCB.
- ◇ In consideration of the SCB's special role of being a central financial institution for shinkin banks, we recognize that the risk of the SCB facing difficulties in its business continuity due to the climate change (physical risk) is a major risk.
- ◇ In managing climate change risk, risks are qualitatively assessed based on two scenarios: "2°C" and "4°C".

[Overview of the 2°C scenario]

In order for society as a whole to actively work toward decarbonization, low carbon and decarbonization technologies are promoted, and various regulations are strengthened to curb carbon emissions.

(Possible Circumstances)

Transitional risk	Policy and regulatory changes	Increased costs for companies to comply with stricter government carbon emission regulations
	Changes in technology	Increased costs associated with developing low carbon and decarbonization technologies
	Market changes	Decreased demand for high carbon emitting industries
	Reputation	Reputational damage due to delays in climate change response
Physical risk	Acute	Risk of more severe natural disasters decreases compared to the 4°C scenario
	Chronic	Risk of increased extreme weather events becoming chronic decreases compared to the 4°C scenario



(Possible Impacts)

The risks associated with the transition to a low carbon society (transitional risk), such as tighter climate-related regulations and technological innovation, will increase and affect the businesses and financial conditions of the SCB's investment and loan customers, which can be expected to indirectly affect the SCB's portfolio. At the same time, physical risks will be lower than in the 4°C scenario.

[Overview of the 4°C scenario]

Priority is given to economic development, with no additional policy or regulatory enforcement, and the rise in global temperature and its effects will continue to worsen.

(Possible Circumstances)

Transitional risk	Transitional risk is lower than in the 2°C scenario due to insufficiently tightened climate change policies and regulations	
Physical risk	Acute	Severe flood damage due to an increase in large typhoons and heavy rains, as well as increased drought damage and forest fires caused by heat waves
	Chronic	Increased extreme weather events due to the long-term rise in temperature



(Possible Impacts)

The SCB's portfolio can be expected to be indirectly affected by an increase in the risk of facing difficulties in business continuity (physical risk) due to more severe natural disasters and more extreme weather events caused by the progression of rising temperatures, which will affect the businesses and financial conditions of the SCB's investment and loan customers. At the same time, transitional risk will be lower than in the 2°C scenario.

<Influences>

- ◇ As of March 31, 2022, carbon-related assets accounted for 29.1% of total loans*. Based on TCFD recommendations, loans to the energy, transportation, materials and construction, and agriculture, food and forest products groups are defined as carbon-related assets.

* Total direct lending to members (shinkin banks) and non-members (¥7,469.1 billion)

Risk management

- ◇ In the integrated risk management framework, we have created a risk map that classifies risk events according to two criteria: "impact on the SCB" and "probability of occurrence," and manages them comprehensively. Climate change risk events are also added to the risk map for visualization and sharing.
- ◇ We have distinguished those sectors whose financial conditions are susceptible to the climate change and formulated the "Guideline for Making Responsible Investments and Loans by Type of Business." By making investments and loans in accordance with this Guideline, which is continually being revised, we are making a contribution to realization of a sustainable society as well as managing financial impact on the SCB. In July 2021, we tightened our policy on investments and loans for coal-fired power generation.
- ◇ The SCB adopted the Equator Principles in April 2021. Based on these principles, we assess the environmental and social impacts of projects in the decision-making process on project finance and other projects, and continuously monitor the status of environmental and social considerations even after a project is operational. In April 2022, we established handling procedures for the Equator Principles.
- ◇ In the credit screening framework, the impact of ESG factors on the creditworthiness of the customers is qualitatively evaluated, and credit decisions are made based also on the results of the evaluation. In addition, when investing in funds, we evaluate the ESG investment stance of the entrusted asset management company and make investment decisions based on the results of the evaluation.

Metrics and Targets

- ◇ We have set a target of ¥3 trillion for the cumulative amount of ESG investments and loans from fiscal 2021 to fiscal 2030. The scope of ESG investments and loans is defined as investments and financing that contribute to solving environmental and social issues (e.g. bonds, loans, funds, project finance, PFI) with reference to international principles and government guidelines.

(Amount of ESG investments and loans executed)

Target	Cumulative total of ¥3 trillion from fiscal 2021 to fiscal 2030
Actual	Fiscal 2021: ¥300.5 billion (including ¥74.0 billion in the environmental field)

- ◇ We have set targets for reducing the balance of investments and loans used to finance the construction of coal-fired power plants by 50% by fiscal 2030 from the end of fiscal 2020, and to zero by fiscal 2040.

(Balance of investments and loans used to finance the construction of coal-fired power plants)

Target	Reduce by 50% by fiscal 2030 from the end of fiscal 2020*1, and to zero by fiscal 2040
Actual	Balance at the end of fiscal 2021: ¥5.5 billion

*1 Balance at the end of fiscal 2020: ¥5.9 billion

- ◇ In order to achieve carbon neutrality by 2050 as set forth in the Paris Agreement, the SCB has set a target to reduce its greenhouse gas emissions (Scope 1 and Scope 2)*2 to virtually zero by fiscal 2030. We will contribute to the realization of a decarbonized society by switching to electricity derived from renewable energy sources and saving energy.

(Greenhouse gas emissions)

Measurement Item	Fiscal 2021	Target
Scope 1	1,880 t-CO ₂	Virtually zero by fiscal 2030
Scope 2	11,932 t-CO ₂	
Total	13,812 t-CO ₂	

*2 Scope 1: Direct emissions generated by the business operator itself (combustion of fuel, etc.)
 Scope 2: Indirect emissions generated through use of electricity, etc. supplied by another party

- ◇ In order to reduce CO₂ emissions, efforts are underway to achieve electricity consumption reduction goals based on the "shinkin bank industry's environmental voluntary action plan," and have achieved actual reduction that exceeds the reduction target for fiscal 2030.

(Electric power consumption)

Target	19% reduction in fiscal 2030 compared to fiscal 2009*3
Actual	Fiscal 2021 213kWh/m ² *4 (-42.8%)

*3 Fiscal 2009 373kWh/m²

*4 Electric power consumption rate = electric power consumption/total floor space

Medium-Term Management Plan "SCB Strategy 2022"

Overview of the Medium-Term Management Plan "SCB Strategy 2022"

The current environment surrounding the shinkin bank industry is characterized by a number of material issues that must be addressed, including sustainability concerns of regional communities, accelerating digitization, climate change countermeasures, in addition and the persistently low interest rate environment due to sustained monetary easing.

In light of these changes in the business environment, the SCB has formulated a new Medium-Term Management Plan, "SCB Strategy 2022," which is based on the "Four Strategies" and "Three Reforms" that follow the initiatives of the previous Medium-Term Management Plan, and the new Plan began from April 2022.

Management Philosophy As the central bank for all Shinkin Banks, the SCB supports the growth of the Shinkin Bank industry, thereby contributing to economic development throughout Japan.

Vision by 2030 Together with Shinkin Banks, SCB will aim for constructing combined operations as one banking group, improving competitiveness of Shinkin group, and achieving the future where Shinkin Bank is the most reliable bank in every local area, by allocating resources to each bank's field of expertise.

Achieving both increased corporate value and solutions to social issues = Sustainable Management



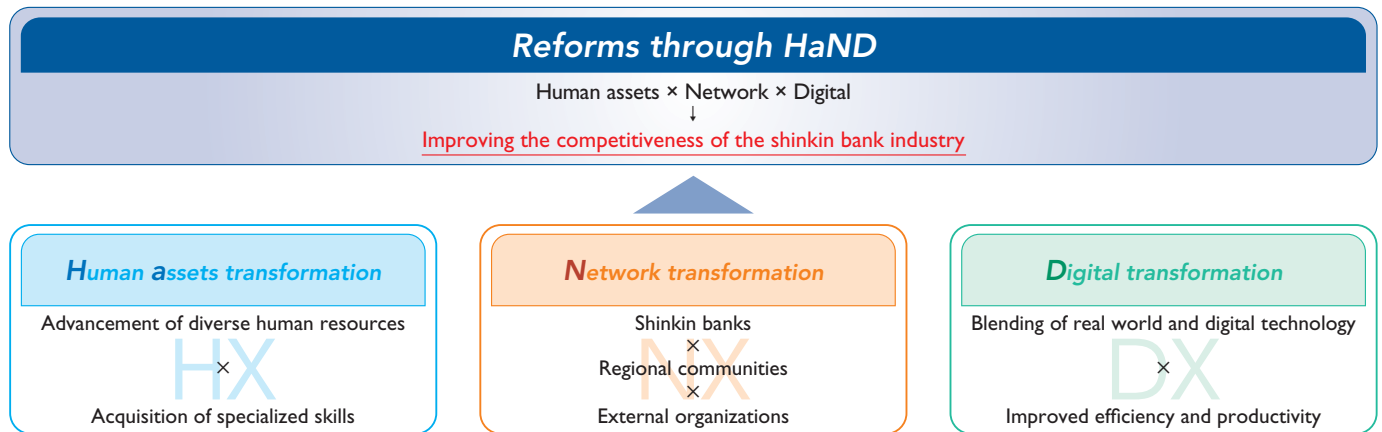
Values to be shared "Collaboration" with shinkin banks Collaboration with the outside Practice of "Try & Learn"

<p>● Medium-term target level of earnings</p> <hr/> <p>Profit attributable to owners of parent Around ¥40.0 billion</p>	<p>● Levels of management indices that should be maintained</p> <hr/> <p>Consolidated capital adequacy ratio (domestic standard) At least 15%</p>	<p>● Maximum amount available for dividend</p> <hr/> <p>Maximum amount available for dividend At least ¥200 billion</p>
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Three Reforms - HaND -

The nature of financial institution business is about to undergo a major transformation as a result of accelerating innovation due to dramatic advances in digital technology, the resulting shift in industrial structure, and intensifying competition across industries and business categories. Under these circumstances, it is necessary for the shinkin bank industry to reform its business model to increase its competitiveness as a whole.

The SCB will create reforms based on the three themes including "Human assets," "Network," and "Digital," which can be strengths and opportunities for the shinkin bank industry, and will enhance the competitiveness of the shinkin bank industry.



Direction of HaND

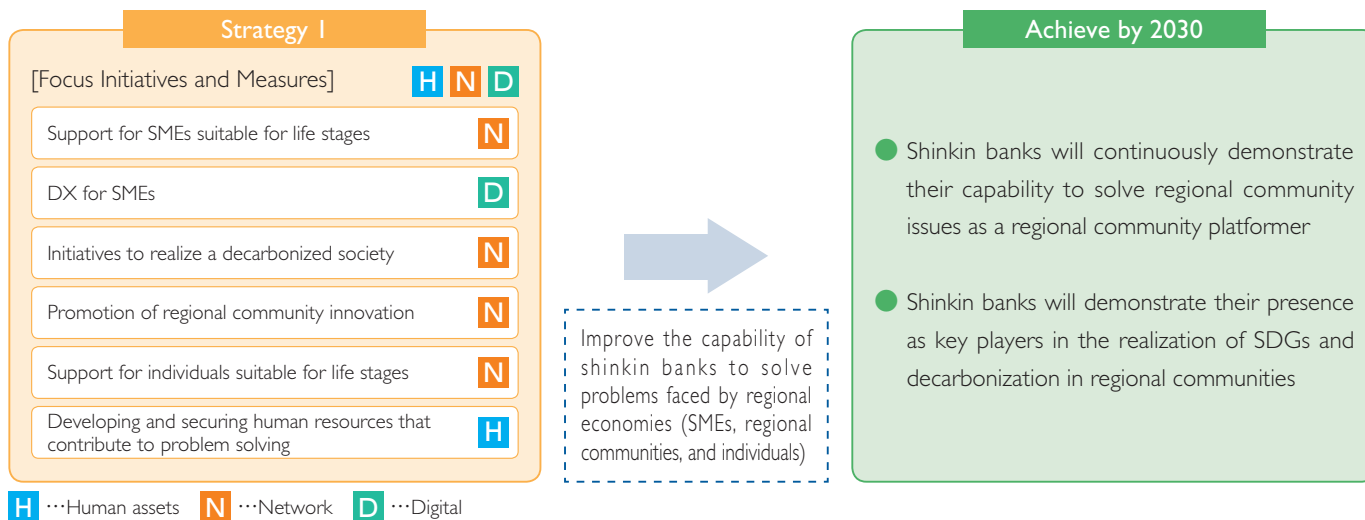


Medium-Term Management Plan “SCB Strategy 2022”

Strategy 1 Improve the capability to solve issues of regional communities

In order to meet the expectations of regional communities raised by the COVID-19 pandemic, we will focus on initiatives that make a significant contribution to solving issues of regional communities and increase the effectiveness of our measures.

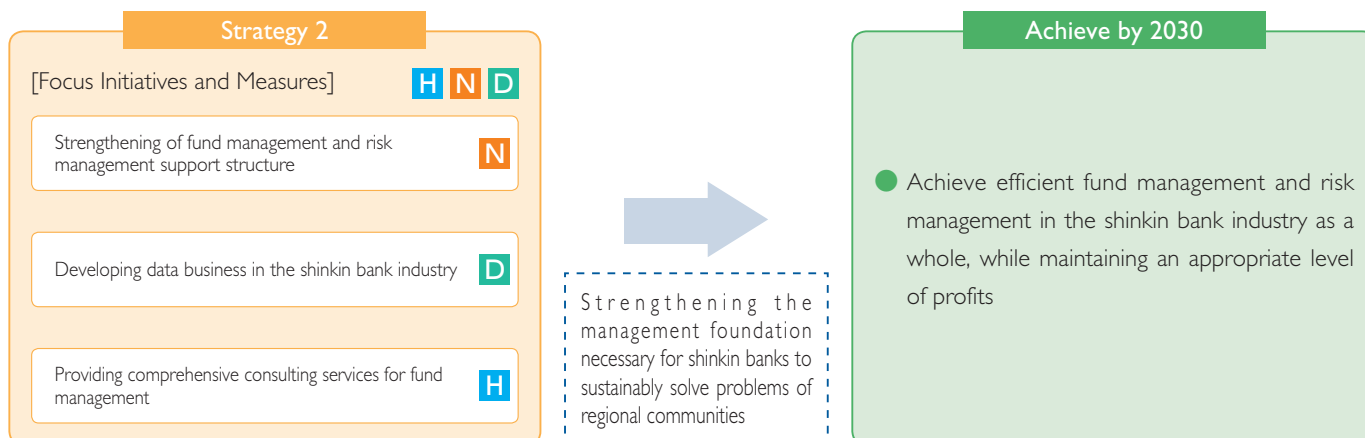
We will aim to build a system in which the shinkin bank industry receives appropriate compensation for these initiatives and provides quality services to regional communities on a sustainable basis.



Strategy 2 Strengthen shinkin banks' profitability and capability to respond to risk

The SCB Group will work together as one to deepen its consulting functions for shinkin banks, including fund management and risk management support.

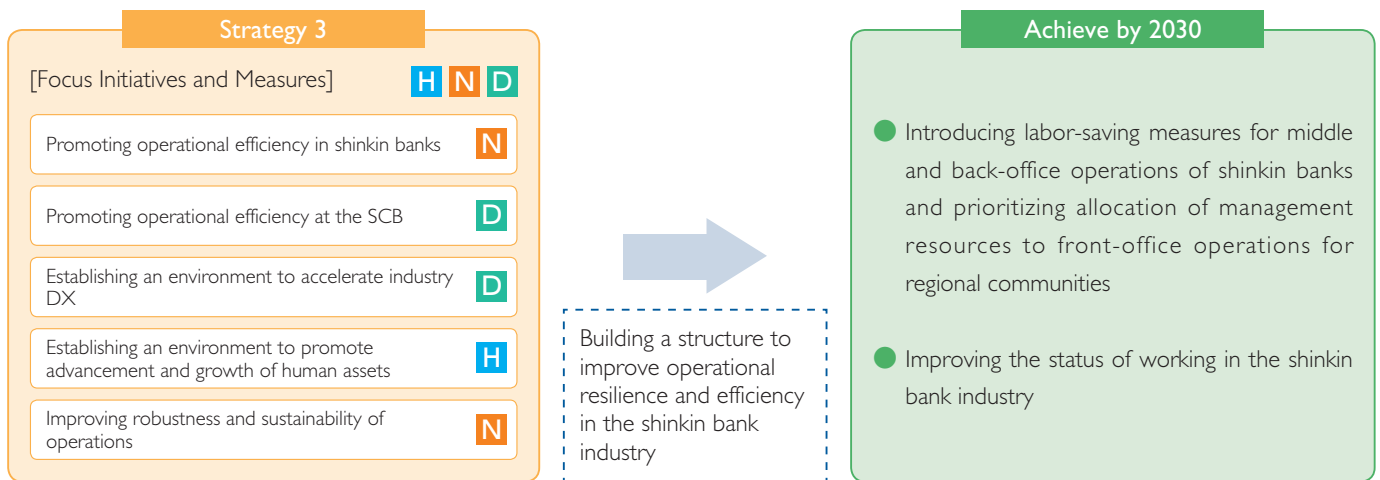
We will promote the provision of products and services that contribute to the diversification of shinkin banks' revenue sources.



Strategy 3 Build a sustainable and efficient business operating structure

To make effective use of limited management resources, we will work to improve operational efficiency by promoting collaboration, centralization, and outsourcing, while maintaining and improving the robustness and sustainability of our operations.

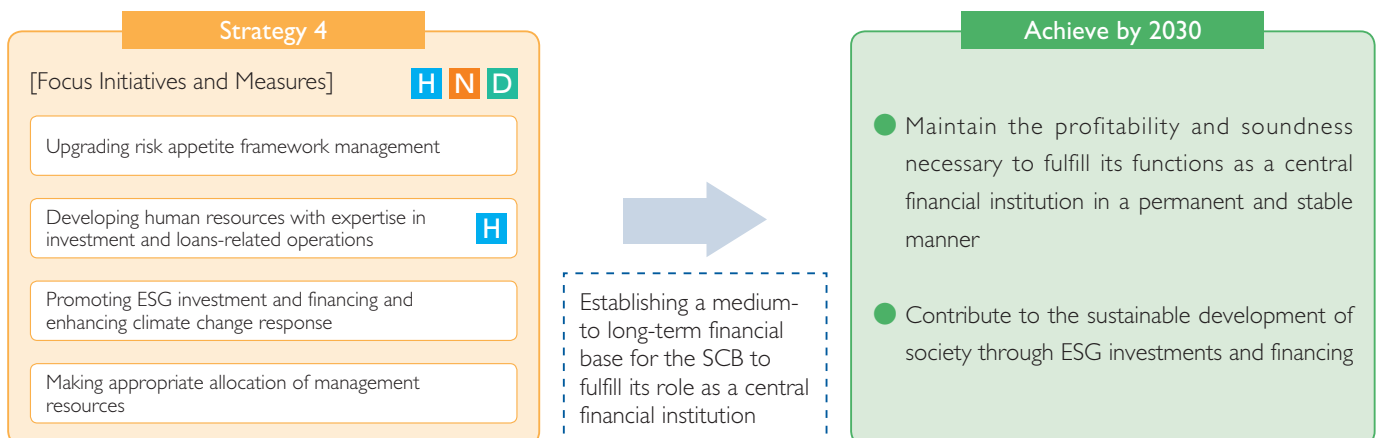
We will develop an environment that will serve as a foundation for business model reform in the shinkin bank industry.



Strategy 4 Strengthen SCB's financial base

While a commensurate cost burden is expected to be incurred in strengthening the functions of the shinkin bank industry, we will aim to enhance profitability by upgrading our risk appetite framework management and developing specialized human resources.

As one of Japan's leading institutional investors, we will promote initiatives to contribute to the improvement of social sustainability through the promotion of ESG investments and financing.



HX : Human assets transformation

Aiming for a Chain of Innovation

Looking back on our initiatives in recent years, we feel that the spirit of challenge has taken root in the SCB as well, as evidenced by the promotion of DX in the shinkin bank industry, establishment of new subsidiaries, promotion of ESG investments and financing, and realization of operational reforms, among others. We intend to continue to enhance the effectiveness of our initiatives based on our “Try & Learn” philosophy, which emphasizes learning a lot from new challenges and linking that to the next challenge. In response, this fiscal year we launched a new program called <neXtry>, which allows employees to propose new business ideas and work on their own to realize them with the support of experts. Aiming for the chain of innovation, we will continue to advance the creation of an environment that further fosters a corporate culture of challenge in order to nurture innovators who will pave the way to the future of the shinkin bank industry.

Also, in order to improve the sustainability of regional communities, it is essential to take an approach that is tailored to the characteristics of each regional community, the skills required of officers and employees in the shinkin bank industry, who play the role of the “first-mile” in promoting regional community-based initiatives, are becoming more sophisticated and diverse than ever before. The SCB also believes that, based on the idea that the employees and officers people of the shinkin bank industry are “assets,” it is necessary to systematically develop human resources with highly specialized skills, and we have put forth establishing a human asset development cycle to foster an awareness of self-sustained career development among employees, and to develop human assets with specialized skills in specific fields.

In addition, we will focus more than ever on creating the necessary environment so that diverse human resources, including women and seniors, can maximize their abilities and play active roles for longer periods of time, leading to the realization of a dynamic organization.



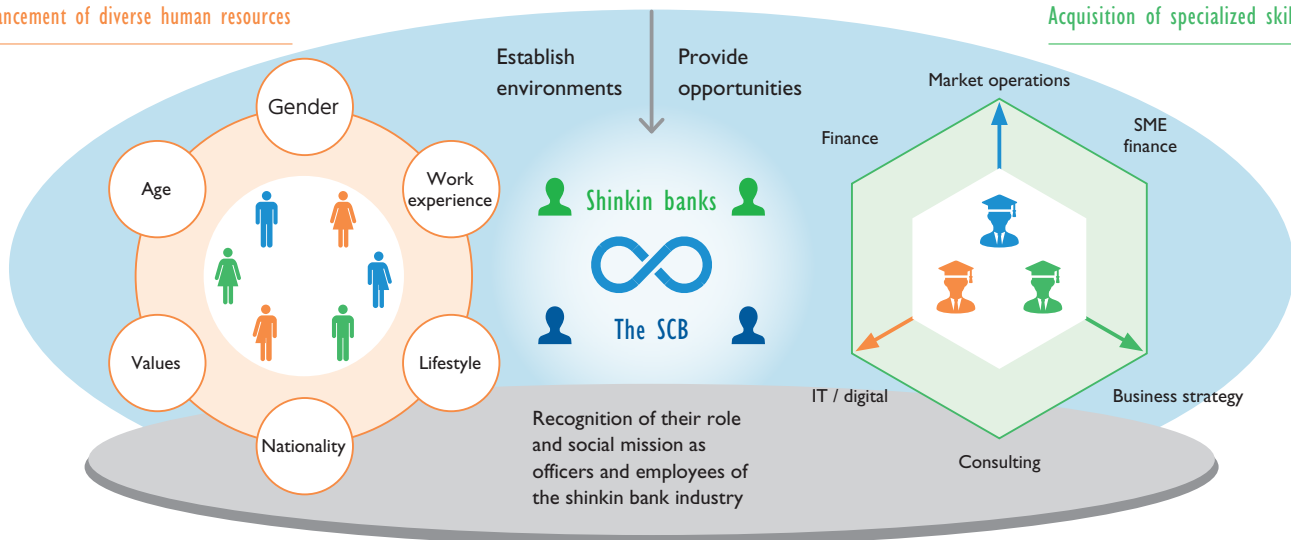
Deputy President **Hiroshi Sudo**

Toward the Advancement and Growth of Human Assets

We will further work on fostering an organizational tone and creating a comfortable work environment so that a diverse range of human assets, including women and seniors, can play an active role, and by working to develop human assets with expertise and the flexibility to respond to changes in the environment, lead to the growth of the shinkin bank industry and enhance our corporate value.

Advancement of diverse human resources

Acquisition of specialized skills



Advancement and growth of “human assets”

Growth of the Shinkin Bank Industry and Enhancement of Corporate Value

■ New business creation program “neXtry”

SCB employees propose new solutions to tackle issues faced by regional communities and shinkin banks, and with organizational support, work to realize their ideas themselves through the “neXtry” New Business Creation Program. In addition to creating growth opportunities for employees, we aim to enhance the value that SCB can provide by fostering an organizational culture in which challenges are encouraged and repeating “Try & Learn” in an efficient and effective manner.

▶ Concept

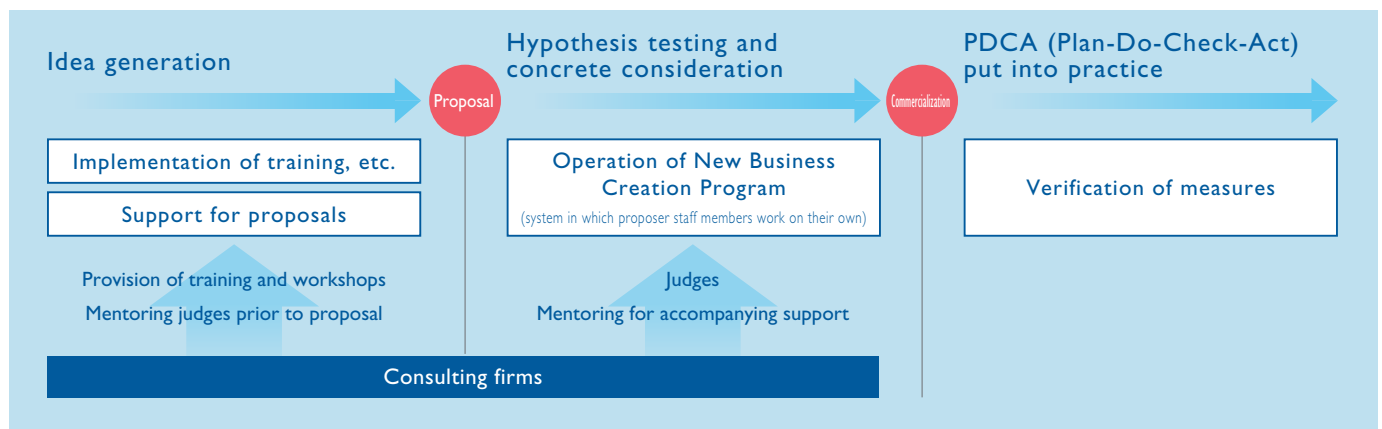
— Learn the process from idea conception to its materialization, and realize it yourself.— **neXtry**

Work on realization of ideas by the proposers themselves

Provide maximum support to proposers

Incorporate new perspectives

▶ Outline of the program



■ SCB University

We operate “SCB University” so that each and every employee can voluntarily learn to achieve his or her own goals and career development. Under this system, employees can freely select courses they wish to study from a diverse curriculum and receive credits according to the courses they take. Many courses can also be taken online as “SCB-Sels,” and by providing a flexible learning environment, SCB-Sels will help participants acquire the knowledge and skills required of employees of the central financial institution in the shinkin bank industry.

	Newly-hired staff		2nd year	4th year	Newly appointed investigator	Newly appointed manager	Life Design
By level	Newly-hired staff		2nd year	4th year	Newly appointed investigator	Newly appointed manager	Life Design
Technical Skills	Basic (51 courses)		Development (17 courses)		Practical (5 courses)		
Human Skills	Critical thinking, consulting skills, etc. (13 courses)						
DX	DX Basic		DX Development		DX Practical		
External dispatch	Outside public lectures		MBA study abroad	SME Training Institutes	Cross-industry exchange	Domestic graduate schools, etc.	
Self-development	Correspondence courses		TOEIC preparation courses		Online English conversation		Digital training, etc.



NX : Network transformation

Toward Maximizing Network Value



Deputy President **Hiroshi Nakahara**

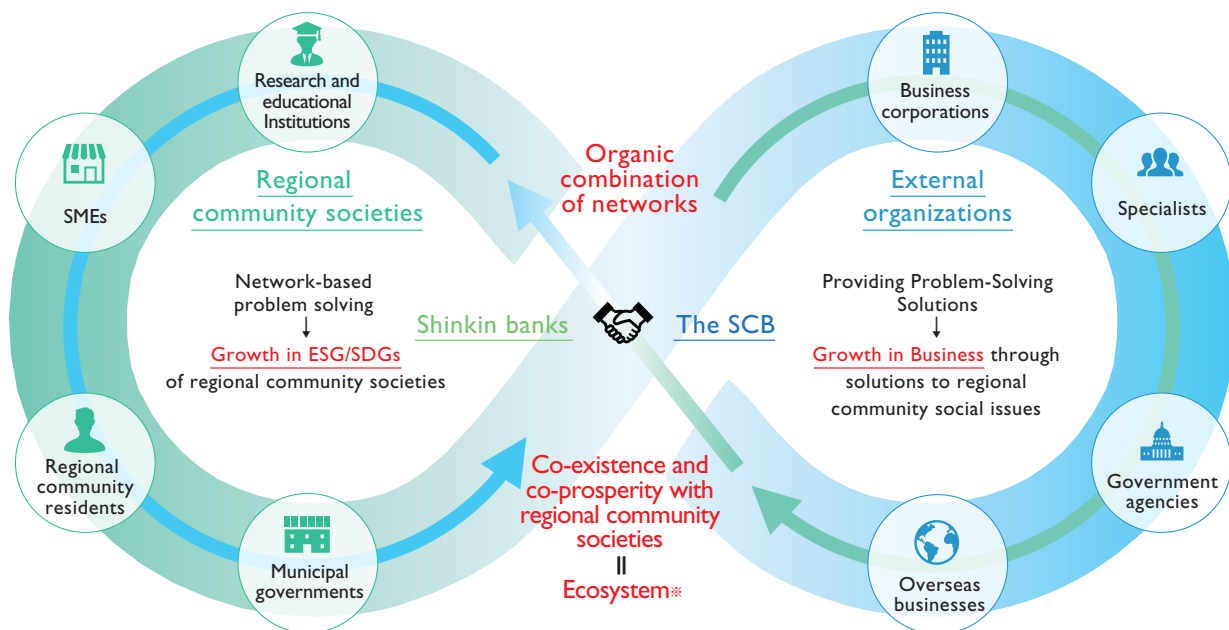
The SCB Group provides a wide range of highly specialized services in cooperation with shinkin banks nationwide. The networks that the 254 shinkin banks nationwide have with regional communities, the mutual networks among shinkin banks, and the networks that the SCB Group has with external organizations in Japan and abroad are major strengths of the shinkin bank industry. By connecting regional community societies with various corporations, government agencies, and research institutes, we hope to open up new possibilities for regional community societies.

To date, we have promoted initiatives that utilize our network, such as the establishment of the “SCB *Furusato Ouen Dan* (lit., “hometown cheering team”),” a regional innovation promotion scheme that utilizes the corporate version of the *Furusato Nozei* donation program, and the “Shinkin Business Succession Consortium,” which provides a one-stop consultation service on business succession and coordinates appropriate external organizations.

The SCB Group will serve as the hub of these networks to further strengthen external cooperation with regional community societies and enhance their value. By maximizing these network values, we aim to create a system in which all participants can enjoy greater benefits from each other. We call this system of co-existence, co-prosperity, and mutual support the “Shinkin Ecosystem.”

Formation of the Shinkin Ecosystem

The SCB Group will serve as the hub, organically combining the networks of regional community societies held by shinkin banks nationwide with SCB’s extensive networks of external organizations in Japan and overseas to create a problem-solving system that transcends the framework of the shinkin bank industry. By doing so, we aim to solve issues in regional community societies and form a system (the Shinkin Ecosystem) in which participants in the network mutually grow, co-exist, co-prosper and mutually support each other:

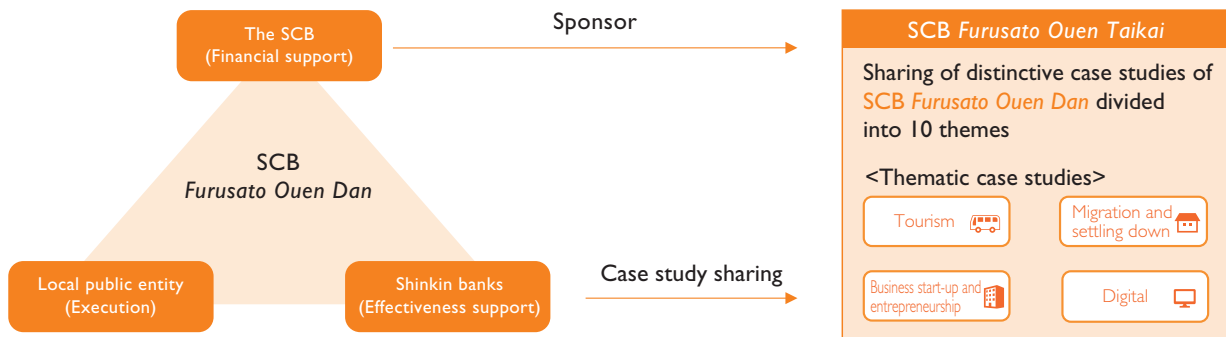


※Ecosystem is a term that originally meant “ecosystem,” and refers to a state in which organisms living in the same area depend on each other to survive. Here, it refers to the co-existence, co-prosperity, and mutual support of the many stakeholders in the network in which shinkin banks and the SCB are involved.

Regional Innovation Promotion Scheme “SCB Furusato Ouen Dan”

This scheme utilizes the corporate version of the *Furusato Nozei* donation program, etc., to make donations to regional innovation projects of local public bodies recommended by shinkin banks. Through this scheme, we aim to realize regional innovation projects that will lead to achievement of the SDGs.

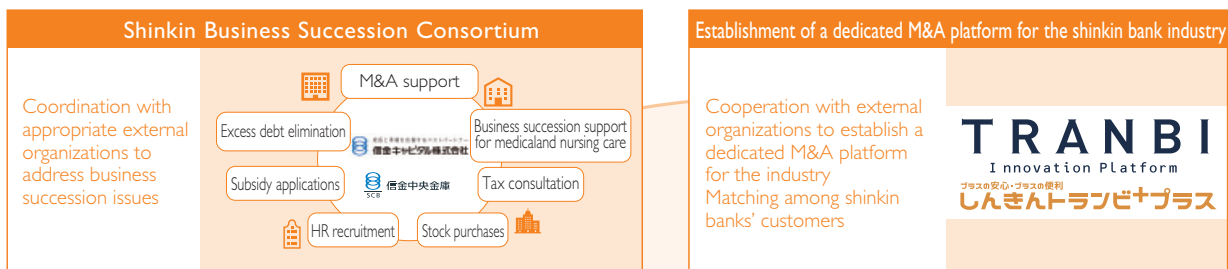
In addition, in order to share examples of initiatives under this scheme, the “SCB *Furusato Ouen Taikai* (hometown support convention)” is held to introduce case studies and promote mutual exchanges.



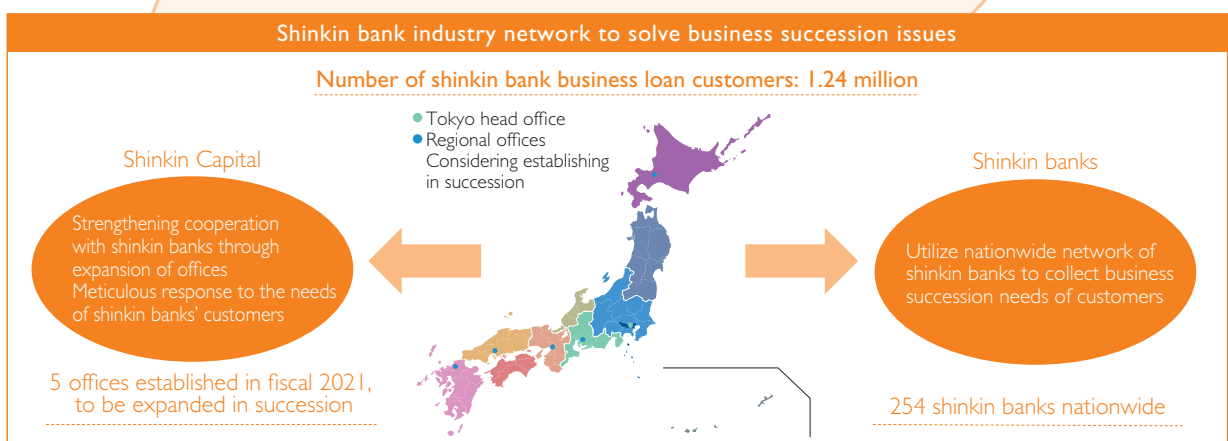
Utilizing the Shinkin Bank Network to Address Business Succession Issues

The SCB, together with Shinkin Capital, which is responsible for M&A brokerage services, provides a one-stop service for consultations on business succession for shinkin bank customers. The Shinkin Business Succession Consortium is a system that introduces customers to appropriate external organizations based on the nature of the customer's consultation.

In addition, Shinkin Capital is expanding its offices in order to collect and promptly respond to the business succession needs of shinkin bank customers in a timely and appropriate manner.



Organic Collaboration with Shinkin Banks and External Organizations to Solve the Urgent Problem of Business Succession



DX : Digital transformation

▶ With a view toward the blending of real world and digital technology

The shinkin bank industry is characterized by a “Face to Face” business model centered on in person sales, but customer preferences and behavioral patterns are changing dramatically due to the progress in digitalization and the spread of COVID-19. Therefore, it is important how to strengthen customer contact points, and we believe that the shinkin bank industry also needs to strategically incorporate digital technology.

The SCB will establish a competitive advantage over other business formats by making full use of “Face to Face” communication to penetrate small, medium, and micro businesses, which are the main customer base of the shinkin bank industry, with digital technology that has a sense of touch. Also, with the keyword “blending real world and digital technology,” we will provide one-stop digital services to enhance customer convenience as well as aiming to create new customer experiences by combining it with “Face to Face” communication. In addition, in order to prioritize the allocation of management resources to operations that contribute to the resolution of regional community issues, we intend to “reform” our operations, organization, and processes by improving operational efficiency and productivity through the use of digital technology.

In the past, we have responded to accelerating digitalization through various measures, but in order to raise these efforts to the level of “DX” and continue them, we will secure DX human resources by hiring external personnel and training internal personnel, as well as building an organizational structure that is capable of handling DX across the organization.

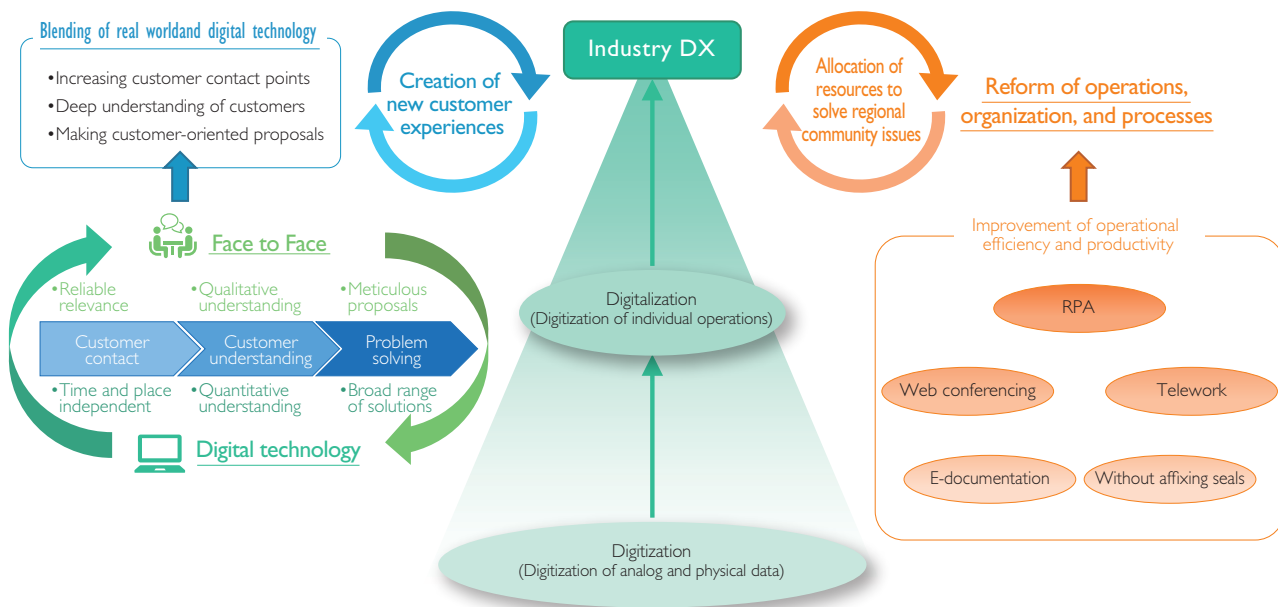


Senior Managing Director **Yuzuru Nishino**

▶ Toward DX Promotion in the Shinkin Bank Industry

By blending real world and digital, we will aim to create new customer experiences by increasing the depth of all phases of customer contact, customer understanding, and problem solving.

In addition, through the use of digital technology, we will further improve the efficiency and productivity of operations in the shinkin bank industry to a greater extent than ever before, thereby allocating management resources to operations that contribute to solving regional community issues.

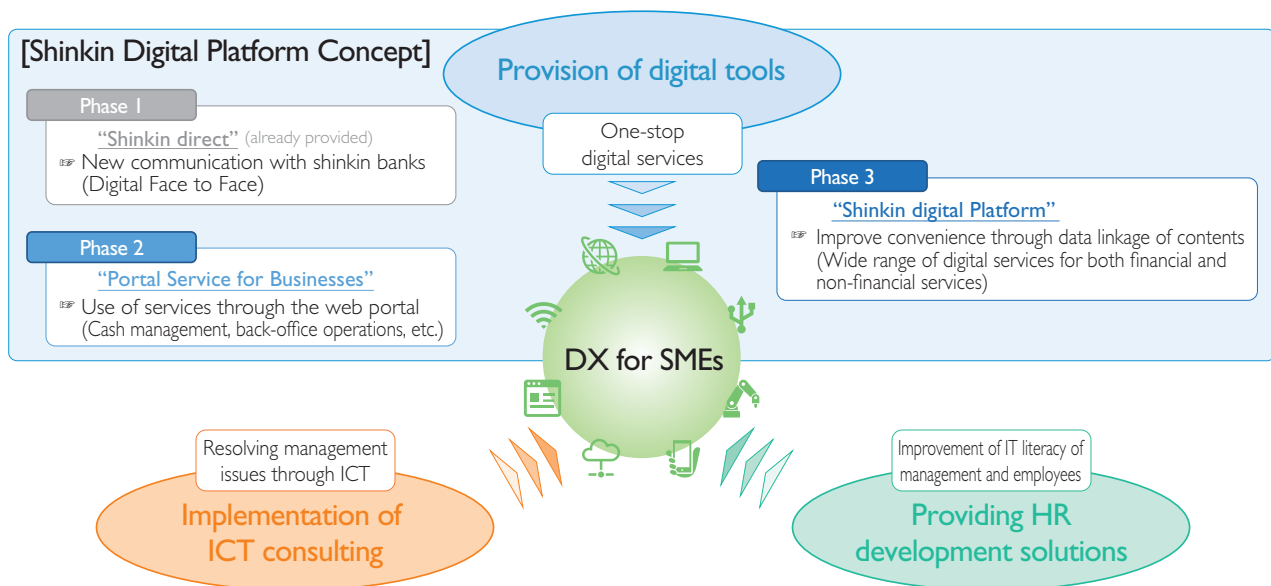


DX for SMEs

For SMEs, which are the main customers of shinkin banks, the realization of DX is a material agenda for improving productivity and competitiveness. The SCB is promoting DX for SMEs under the three pillars of “digital tools,” “ICT consulting,” and “HR development solutions.”

In particular, with regard to “digital tools,” the SCB is developing a web-based service to provide one-stop services for cash management, back-office services, communication, and other functions scheduled to be launched on October 2022.

Through these services, we aim to realize “warm fintech” unique to shinkin banks by blending real world and digital technologies, such as streamlining the operations of SMEs and helping shinkin banks to more effectively support their core businesses.

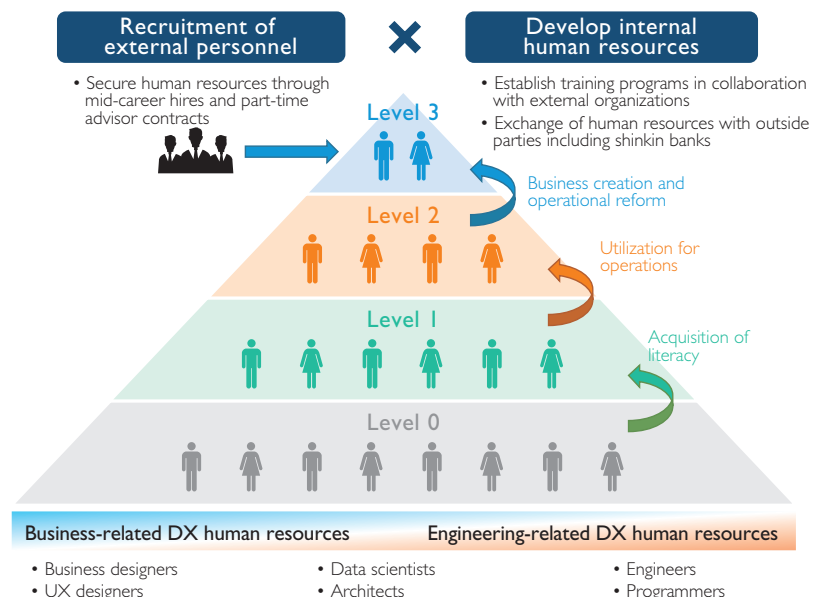


Establishing an environment to accelerate DX talents development

The SCB has been responding to the accelerating digitalization through various measures, but in order to raise these measures to the level of DX in the future, it is necessary for each individual to have a sense of ownership and work on a cross-organizational basis.

In order to drive DX company-wide basis, we will establish a structure to engage in planning, development, and driving of DX across the organization, as well as also securing human resources who will be responsible for DX in the shinkin bank industry by actively hiring external personnel and training internal human resources.

Through these initiatives, we will accumulate DX know-how in the SCB, which will lead to driving DX among shinkin banks and SMEs.



Overseas Networks

The SCB has offices in New York, London, Hong Kong, Shanghai, Bangkok and Singapore. These offices collect and disseminate information relating to economic and financial conditions, the investment and financing environment, and the laws, taxation regimes, and employment situation of each region.

These offices also work with allied banks to support the overseas expansion of shinkin banks' customers.

Moreover, as part of our support for the overseas business of SMEs, we dispatch employees to allied banks. The overseas offices also provide shinkin bank employees with opportunities to improve their skills related to supporting the overseas businesses of their customers and contribute to human resources development in the shinkin bank industry.

Network of SCB Group's overseas offices and allied banks



Expanding our global network

Given the increase in the number of Japan's SMEs expanding overseas, particularly in Southeast Asia, in July 2021, we opened a Singapore-based subsidiary, Shinkin Singapore Pte. Ltd., as a new Asian base for the shinkin bank industry.

Together with shinkin banks, we are committed to bringing the growth potential of Asia into the future of the regional economy by providing financing and supporting sales channel development for SMEs.

Mission of Shinkin Singapore Pte. Ltd.

Supporting the overseas expansion of shinkin banks' customers	▶ Establishing a competitive advantage in the shinkin bank industry's overseas support system by enhancing finance functions and sales channel development functions.
Supporting investments and financing of SCB	▶ Realize and maintain optimal asset allocation by utilizing the global network of the SCB head office and overseas offices.
Conducting surveys and research for financial innovation	▶ Utilizing examples of financial innovation in Singapore and other Asian countries to revitalize local communities and offer solutions to social issues.
Nurturing human resources of the shinkin bank industry	▶ Systematically develop and improve engagement of shinkin banks and SCB employees through practical experience in Asian markets.

Support for overseas business expansion and funding

The SCB has formed business alliances with nine local banks overseas to increase its capability to support shinkin banks' customers who are expanding their businesses overseas.

Working with shinkin banks, the SCB and local banks, we provide a wide range of support to shinkin banks' customers who conduct business overseas by helping them open local bank accounts, and providing local currency denominated financing using standby L/C, for example.

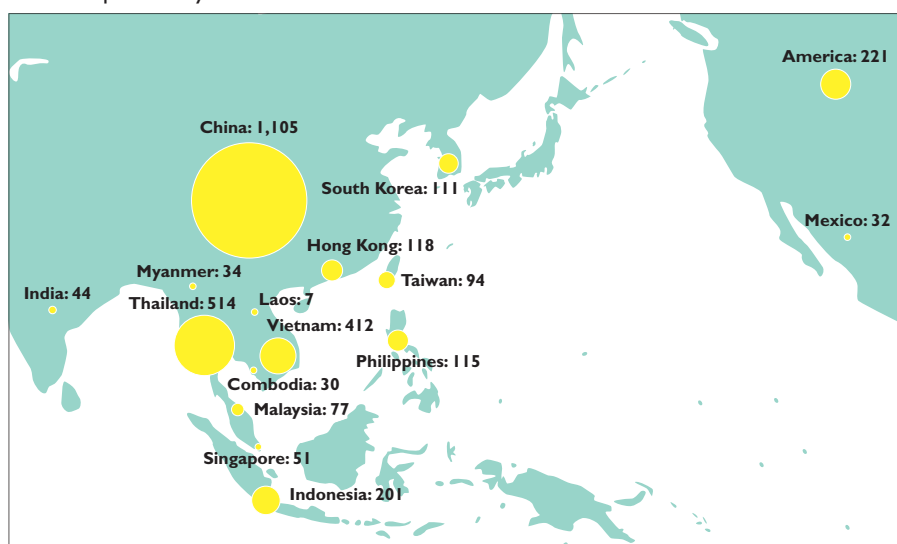
Provision of services corresponding to the needs of overseas expansion

We are collaborating with shinkin banks in the business areas such as overseas expansion, cultivation of overseas sales channels, overseas financing, effective use of overseas human resources, inbound tourism, and foreign exchange, thus providing various services to those shinkin banks' customers who are considering overseas expansion.

“Shinkinkai” (local networking)

In a typical year we hold regular meetings of the “Shinkinkai” local information exchange events in order to build networks among shinkin banks' customers who are active in the region, involving not only the three Asian offices of Hong Kong, Shanghai and Bangkok, but also Ho Chi Minh, Jakarta and Manila, where staff have been seconded to local banks with which business alliances have been concluded.

Global Expansion by Shinkin Bank Customers



Source: Fourteenth Survey on the Overseas Business of Shinkin Bank Customers (2022)

Support of business matching

To support the development of overseas sales channels for SMEs, the SCB holds business meetings with domestic buyers who have overseas sales channels and supports listing of products on overseas local e-commerce websites.

In fiscal 2021, the SCB held online business meetings “Food Product Business Meetings with Shinkin Banks to Connect the World to Japan” for its customers, and more than 450 business meetings were held, the largest scale ever.

In addition, we held business meetings to develop overseas sales channels for alcoholic beverages against the backdrop of the growing appreciation of Japanese alcoholic beverages globally.



Hosting the “Shinkin Global Summit 2022”

The “Shinkin Global Summit 2022: Overseas Development × SDGs with Shinkin” was held with the aim of promoting the SDGs through the overseas development of shinkin bank customers.

At the Summit, in cooperation with Shinkin Singapore and others, introductions of advanced case studies and panel discussions about the SDGs among shinkin bank's customers were held on the themes of overseas sales channel development and utilization of foreign national human resources.



Corporate Management and Auditors



Kenichiro Mimuro
Chairman of the Board of Directors (Part-time)

Career summary
 April 1968
 Joined Hamamatsu Shinkin Bank (current Hamamatsu Iwata Shinkin Bank)
 June 2005
 President and Chief Executive Officer of Hamamatsu Shinkin Bank
 June 2008
 Director of the SCB
 June 2020
 Chairman of the Board of Directors (current position)
 June 2020
 Chairman of the Board of Directors of The National Association of Shinkin Banks (current position)
 August 2021
 Chairman of the Board of Directors of Hamamatsu Iwata Shinkin Bank (current position)



Hiroyuki Shibata
President and Chief Executive Officer

Career summary
 April 1980
 Joined the SCB
 April 2005
 General Manager of Strategic Planning Division
 June 2007
 Director and General Manager of Strategic Planning Division
 June 2009
 Managing Director
 June 2013
 Senior Managing Director
 June 2016
 Deputy President
 June 2018
 President and Chief Executive Officer (current position)



Hiroshi Sudo
Deputy President

Career summary
 April 1987
 Joined the SCB
 April 2005
 Representative Director and President of Shinkin International Ltd
 June 2009
 General Manager of Strategic Planning Division of the Bank
 June 2013
 Director and General Manager of Osaka Branch
 June 2016
 Managing Director
 June 2018
 Senior Managing Director
 June 2022
 Deputy President (current position)



Hiroshi Nakahara
Deputy President

Career summary
 April 1981
 Joined the Ministry of Finance
 June 2013
 President of the Accounting Center and President of the Policy Research Institute, Ministry of Finance
 July 2014
 Director-General of the Financial Bureau
 July 2015
 Commissioner of the National Tax Agency
 October 2016
 Executive Consultant of the SCB
 June 2017
 Director and Executive Consultant
 October 2017
 Senior Managing Director
 June 2022
 Deputy President (current position)



Yuzuru Nishino
Senior Managing Director

Career summary
 April 1987
 Joined the SCB
 April 2013
 General Manager of Business Promotion Division
 April 2014
 Seconded to shinkin bank with Personnel Division benefits as Senior Advisory Officer
 June 2016
 Director and General Manager of Personnel Division
 June 2018
 Managing Director
 June 2022
 Senior Managing Director (current position)

Chairman of the Board of Directors (Part-time)

Kenichiro Mimuro

President and Chief Executive Officer

Hiroyuki Shibata

Deputy Presidents

Hiroshi Sudo

Hiroshi Nakahara

Senior Managing Director

Yuzuru Nishino

Managing Directors

Takehiko Murotani

Hideki Sasaki

Zon Suzuki

Kenji Tanaka

Directors

Yuji Takahashi

Atsushi Toyoshima

Yoshinori Jinno

Ikuo Sekiguchi

Directors (Part-time)

Shuichi Endo

Ikuo Higuchi

Tetsu Komori

Hiroshi Hiramatsu

Setsuo Gomi

Norikazu Shibuya

Toshiro Yagi

Kiyoshi Yamachi

Minoru Kondo

Koya Nakazawa

Takayuki Sakakida

Kazuyoshi Takai

Seiji Sakuda

Tatsuo Takeda

Kazuo Ohashi

Hiromi Nomura

Mamoru Itagaki

Corporate Auditor

Masafumi Shinagawa

Corporate Auditors (Part-time)

Akira Asanuma

Hirotsuna Sumida

Akio Okuyama

Naoyuki Yoshino

(As of July 1, 2022)

Business Overview

Earnings Performance

Looking at the financial results for fiscal 2021 (ended March 31, 2022) overall, operating income decreased by ¥11 billion (\$91 million) or 4.9% year on year to ¥216 billion (\$1,765 million), mainly due to a decrease in gains on sales of government bonds. Meanwhile, operating expenses came to ¥171 billion (\$1,399 million), down ¥16 billion (\$131 million) or 8.6%, year on year due to a decrease in interest on payables under securities lending transactions as a result of lower foreign currency procurement interest.

As a result, ordinary income came to ¥44 billion (\$366 million), an increase of ¥4 billion (\$40 million), or 12.3%, year on year. Profit came to ¥34 billion (\$278 million), an increase of ¥4 billion (\$36 million), or 15.1%, year on year.

Funding

In fiscal 2021, the total amount of funding increased by ¥236 billion (\$1,934 million) year on year, for a total of ¥41,840 billion (\$341,918 million). Of this figure, deposits received came to ¥33,165 billion (\$271,024 million), a decrease of ¥622 billion (\$5,087 million), which mainly comprised fixed-term deposits from shinkin banks.

After deducting redemptions, debentures at the end of fiscal 2021 came to ¥1,547 billion (\$12,644 million), down ¥226 billion (\$1,854 million) during the fiscal year, including ¥249 billion (\$2,040 million) in debentures issued by the SCB.

Borrowed money increased by ¥1,086 billion (\$8,876 million) during the fiscal year to ¥7,127 billion (\$58,248 million), mainly comprising borrowings under a funding provision to support increased lending by the Bank of Japan.

Asset Management

The amount of assets under management in fiscal 2021 was virtually unchanged from the end of the previous fiscal year at ¥42,677 billion (\$348,755 million).

Mainly due to lower government bond holdings, outstanding invested securities decreased by ¥1,581 billion (\$12,920 million) during the fiscal year to ¥16,163 billion (\$132,089 million) at fiscal year end.

Loans and bills discounted decreased by ¥692 billion (\$5,657 million) during the fiscal year to ¥7,758 billion (\$63,403 million) at fiscal year end.

The outstanding amount of short-term money market assets increased by ¥2,223 billion (\$18,172 million) during the fiscal year to ¥18,321 billion (\$149,720 million) at fiscal year end, mainly reflecting Bank of Japan current deposits.

Securities

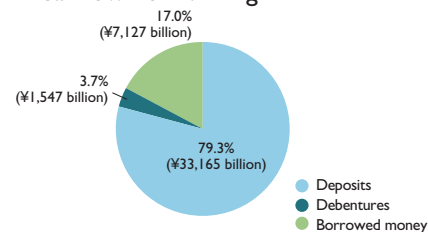
To advance its diversified investment portfolio, the SCB also invests in such risk assets as stocks and investment trust funds not subject to interest risk, while optimizing its portfolio in response to shifts in the financing and investment environment.

The SCB also carries out interest rate swaps and other derivative trading, to hedge risks linked to assets under management.

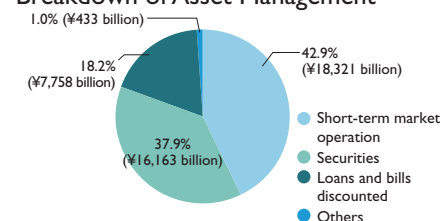
Loans and Bills Discounted

As of March 31, 2022, the outstanding amount of loans and bills discounted was ¥7,758 billion (\$63,403 million).

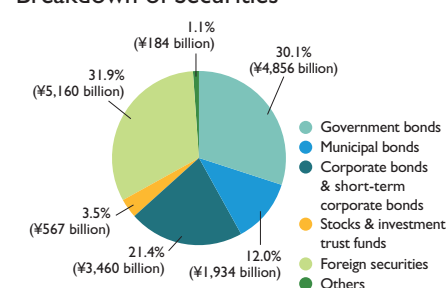
Breakdown of Funding*



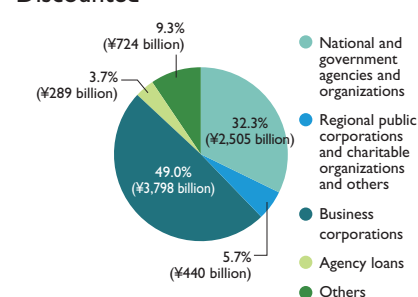
Breakdown of Asset Management*



Breakdown of Securities*



Breakdown of Loans and Bills Discounted*



* As of March 31, 2022.

* The amount shown in the pie chart is rounded down to the nearest whole number.

Ordinary Income and Net Income (Non-consolidated)

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Ordinary income (loss)	60,678	58,562	52,636	39,884	44,827
Net income (loss)	46,498	42,286	37,924	29,579	34,046

Capital Adequacy

Outline

The SCB's equity capital, as defined under regulations concerning capital adequacy ratio, mainly comprises common shares from member shinkin banks, publicly issued of preferred shares that supplement common shares, and internal reserves accumulated to date by the SCB.

The SCB raises funds through the issuance of general common shares and specific common shares. The dividend payout ratio for specific common shares differs from that for general common shares.

Furthermore, in accordance with the SCB's articles of incorporation, the amount of residual assets distributed per specific common share is limited to a maximum of ¥100,000 per share. This makes it possible to raise funds by issuing common shares without diluting the residual assets distributed to preferred shareholders.

According to transitional measures based on new Japanese domestic standards for regulations concerning capital adequacy ratio, equity capital also includes fixed-period and perpetual subordinated loans.

Consolidated Capital Adequacy Ratio

The SCB's consolidated capital adequacy ratio at March 31, 2022, was 24.35%.

Equity capital, the numerator for calculating the capital adequacy ratio, amounted to ¥1,508 billion (\$12,330 million).

Risk-weighted assets, the denominator for calculating the capital adequacy ratio, amounted to ¥6,194 billion (\$50,617 million).

Risk Management and Capital Adequacy Assessment

The SCB has implemented policies to manage its capital adequacy as part of its integrated risk management. The capital assessment division evaluates capital adequacy using a holistic approach, measuring various types of risks under uniform criteria and comparing quantified risks with the SCB's capital.

In order to assess the potential impacts of shock on its capital, the SCB conducts stress testing to estimate losses under various scenarios and the probability of their occurrence.

Risk limits and risk exposure are reported to senior management at the Risk Management Committee and at other meetings. The Risk Management Committee deliberates measures in response to the results of capital adequacy assessments, and implements measures as deemed necessary.

Capital Adequacy Ratio (Domestic Standard)

(%, billions of yen)

		FY2017	FY2018	FY2019	FY2020	FY2021
Consolidated	Capital adequacy ratio	30.57	23.65	24.31	25.60	24.35
	Amount of capital	1,645	1,425	1,476	1,502	1,508
	Amount of risk-weighted assets	5,381	6,026	6,071	5,867	6,194
Non-consolidated	Capital adequacy ratio	31.62	24.48	25.18	26.29	24.84



Asset Quality

Disclosed Claims under the Shinkin Bank Act and Disclosed Claims under the Financial Reconstruction Act

As of the end of March 2022, bankrupt and quasi-bankrupt receivables amounted to ¥0.1 billion (\$1 million), doubtful receivables ¥3 billion (\$27 million), substandard receiva-

bles ¥18 billion (\$154 million), and restructured loans ¥18 billion (\$154 million).

The coverage ratio of bad debts (the total of claims deemed collectible with collat-

eral and guarantees and the allowance for possible loan losses divided by total bad debts) was 64.53%.

Claims disclosed pursuant to the Shinkin Bank Act and Claims disclosed pursuant to the Financial Reconstruction Act [Non-consolidated] (millions of yen)

	End of March 2021	End of March 2022	Increase or Decrease
Bankrupt and quasi-bankrupt receivables	83	163	80
Doubtful receivables	3,384	3,344	(40)
Substandard receivables	19,930	18,925	(1,005)
Loans past due three months or more	1,008	42	(966)
Restructured loans	18,921	18,882	(39)
Total claims under the Financial Reconstruction Act (FRA) (A)	23,398	22,433	(965)
Partial write-offs	320	192	(128)
Normal claims	8,466,339	7,772,335	(694,004)
Total loans (B)	8,489,738	7,794,768	(694,970)
Ratio of total claims under the FRA to total loans (%) (A/B)	0.27	0.28	0.01
Specific allowance for doubtful accounts (C) recorded on the total claims under the FRA (A)	1,124	706	(418)
General allowance for doubtful accounts (D) recorded on the total claims under the FRA (A)	10,107	10,051	(56)
Amounts deemed collectible with collateral and guarantees (E)	4,268	3,719	(549)
Total coverage amounts on disclosed claims under the FRA (F)	15,500	14,477	(1,023)
Coverage ratio (F)/(A)	66.24	64.53	(1.71)
Allowance ratio (%) ((C)+(D))/((A)-(E))	58.71	57.48	(1.23)

Claims disclosed pursuant to the Shinkin Bank Act [Consolidated] (millions of yen)

	End of March 2021	End of March 2022	Increase or Decrease
Bankrupt and quasi-bankrupt receivables	83	163	80
Doubtful receivables	3,384	3,344	(40)
Loans past due three months or more	1,008	42	(966)
Restructured loans	18,921	18,882	(39)
Total claims under the FRA (A)	23,398	22,433	(965)
Partial write-offs	320	192	(128)
Normal claims	8,615,012	7,911,089	(703,923)
Total loans (B)	8,638,410	7,933,522	(704,888)
Ratio of total claims under the FRA to total loans (%) (A/B)	0.27	0.28	0.01

Corporate Governance

The SCB strives to maintain fairness and transparency in its management by fortifying our corporate governance system as we implement various operational strategies. The SCB's goal is to gain the trust of all our stakeholders by demonstrating the strong commitment to establishing a rigorous corporate governance system and to becoming an ever more distinguished financial institution well respected in society.

Institutional Structure

General Assembly of Representatives

The SCB is a cooperative financial institution comprising 254 shinkin banks nationwide (as of March 31, 2022) that are its members and investors. The General Assembly of Representatives, equivalent to the general meeting of shareholders in a joint-stock company, is held annually to elect directors and resolve important issues.

Board of Directors

The SCB's Board of Directors, comparable to the Board of Directors in a joint-stock company, holds regular meetings nine times per year, and makes decisions regarding important business matters.

There are no board members corresponding to the outside directors as defined by the Companies Act, however, the Board of Directors includes 18 part-time directors selected from among the executive officers of shinkin banks from each region in Japan. This is in accordance with Article 32, paragraph 4 of the Shinkin Bank Act, the SCB's Articles of Incorporation stipulate that more than half the total number of board members must be executive officers of shinkin banks. The SCB is confident that the appropriate check on management provided by the parttime directors ensures that supervision and safeguard functions are in place and have a high degree of objectivity and transparency in business operations.

Corporate Auditors

The SCB's corporate auditors, comparable to the corporate auditors of a joint-stock company, audit the execution of duties by the directors. The Board of Auditors, which consists of all the corporate auditors, regularly holds discussions on matters concerning audit policies and plans.

The SCB appoints one full-time corporate auditor and two part-time corporate auditors from among the executive officers of shinkin banks, and two part-time corporate auditors who are not executives of the SCB or shinkin banks (non-member corporate auditors), equivalent to outside corporate auditors as defined by the Companies Act. Non-member corporate auditors are appointed from among persons who meet the requirements stipulated in Article 32, paragraph 5 of the Shinkin Bank Act. There are no stipulations of standards or guidelines regarding independence for the appointment of non-member corporate

auditors. The SCB is confident that non-member corporate auditors are able to utilize their professional knowledge and experience to conduct audits from an independent perspective.

One of the non-member corporate auditors is a certified accountant with a wealth of knowledge and experience regarding finance and accounting.

There are no particularly notable conflicts of interest between the SCB and non-member corporate auditors.

Part-time Directors and Corporate Auditors

The General Affairs Division provides information and other support for part-time directors, and the staff members exclusively assisting corporate auditors under their direction provide the same for part-time corporate auditors, in order to facilitate the timely and appropriate execution of duties by part-time directors and corporate auditors.

General Meeting for Preferred Shareholders

A general meeting for preferred shareholders may be held to protect their property rights under the Law Concerning Preferred Shares of Cooperative Financial Institutions.

Checks on Business Operations

Execution of Business Operations

At the SCB, the Board of Directors makes decisions on important business operations. Based on those decisions, the president presides over the SCB's business operations and the Deputy president and other full-time directors assist the president.

In addition, the SCB has established the Executive Committee to deliberate and make decisions on important managerial matters, including ones to be resolved by or reported to the Board of Directors.

The SCB has also established various committees of the Executive Committee to facilitate robust discussions on all aspects of its business operations. To ensure that deliberations and decisions are carried out on a cross-organizational basis, each committee comprises several directors and general managers of divisions.

Supervision and Checks

At the SCB, the Board of Directors supervises the execution of business by the directors. More than half of the Board of Directors are executive officers of shinkin banks, thereby ensuring that the Board of Directors fulfills its checking functions.

Audits

To facilitate audits of the directors' execution of duties, the corporate auditors at the SCB attend Board of Directors' and other important meetings. The corporate auditors also receive reports from directors regarding their execution of duties, and inspect the minutes of the Executive Committee and other important documents. In addition, the

corporate auditors hold regular meetings with independent corporate auditors to exchange opinions and information.

Dedicated staff members are assigned to assist the corporate auditors to ensure that directions are given efficiently, and to help them perform their duties in a timely and appropriate manner.

Internal Audit System

The Internal Audit Division builds an audit system that aims to realize efficient and effective business operations by examining and assessing compliance management systems, risk management systems and operations management systems of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively.

At the internal audit, the Internal Audit Division examines and assesses the legal and regulatory compliance status, risk management status, and operations management status, of each division, branch, and affiliated company of the SCB, to make sure that they are functioning appropriately and effectively. When deemed necessary, the Internal Audit Division issues guidance so that corrective measures may be undertaken.

In addition, each division and branch is required to carry out its own internal inspections for the prevention and early detection of administrative errors.

Use of Outside Specialists

The SCB has appointed Ernst & Young Shin-Nihon LLC as its corporate auditor.

The SCB utilizes the expertise of outside specialists, including independent auditors, attorneys, and tax accountants. To effectively handle more sophisticated and diversified operational requirements, the SCB consults with, and receives advice from, such specialists on a regular basis and as the need arises.

Appropriate Information Disclosure

The SCB's preferred shares are listed on the Tokyo Stock Exchange. The SCB strives to maintain appropriate disclosure of corporate information, pursuant to the Financial Instruments and Exchange Law, other related laws, and the Securities Listing Regulations of the Tokyo Stock Exchange.

Improving Internal Control Systems

The SCB regards compliance as the basic premise of all business activities. The SCB continues to strengthen and operate internal control systems, based on a policy of maintaining reliable financial reporting, managing risks flexibly and effectively in response to those characteristics, and implementing internal audits by utilizing the Internal Audit Division, which is independent from the operational divisions and branches.

Compliance System

The SCB views compliance as one of the highest-priority management agendas. In line with this stance, the SCB is carrying out the measures outlined below as it strives to further strengthen its compliance system.

Strengthen Compliance System

1. The SCB has formulated the Shinkin Central Bank Code of Ethics, which stipulates the ethical rules and behavior standards that must be upheld by all SCB directors and employees.
2. In order to improve customer protection and satisfaction, the SCB formulates Customer Protection Control Policy.
3. The SCB formulates an annual Compliance Program, which lays out its specific compliance plan for each fiscal year.
4. To clarify the rules to be followed by directors and employees, the SCB has compiled a Compliance Manual as a practical compliance handbook.
5. A compliance supervisory division and compliance-related divisions have been set up, and their respective roles clarified. A compliance supervisor and deputy, both responsible for compliance, are appointed to each division and branch of the SCB.
6. In order to deliberate compliance issues, customer protection issues, and serious

accidents, the SCB has established the Risk Management Committee.

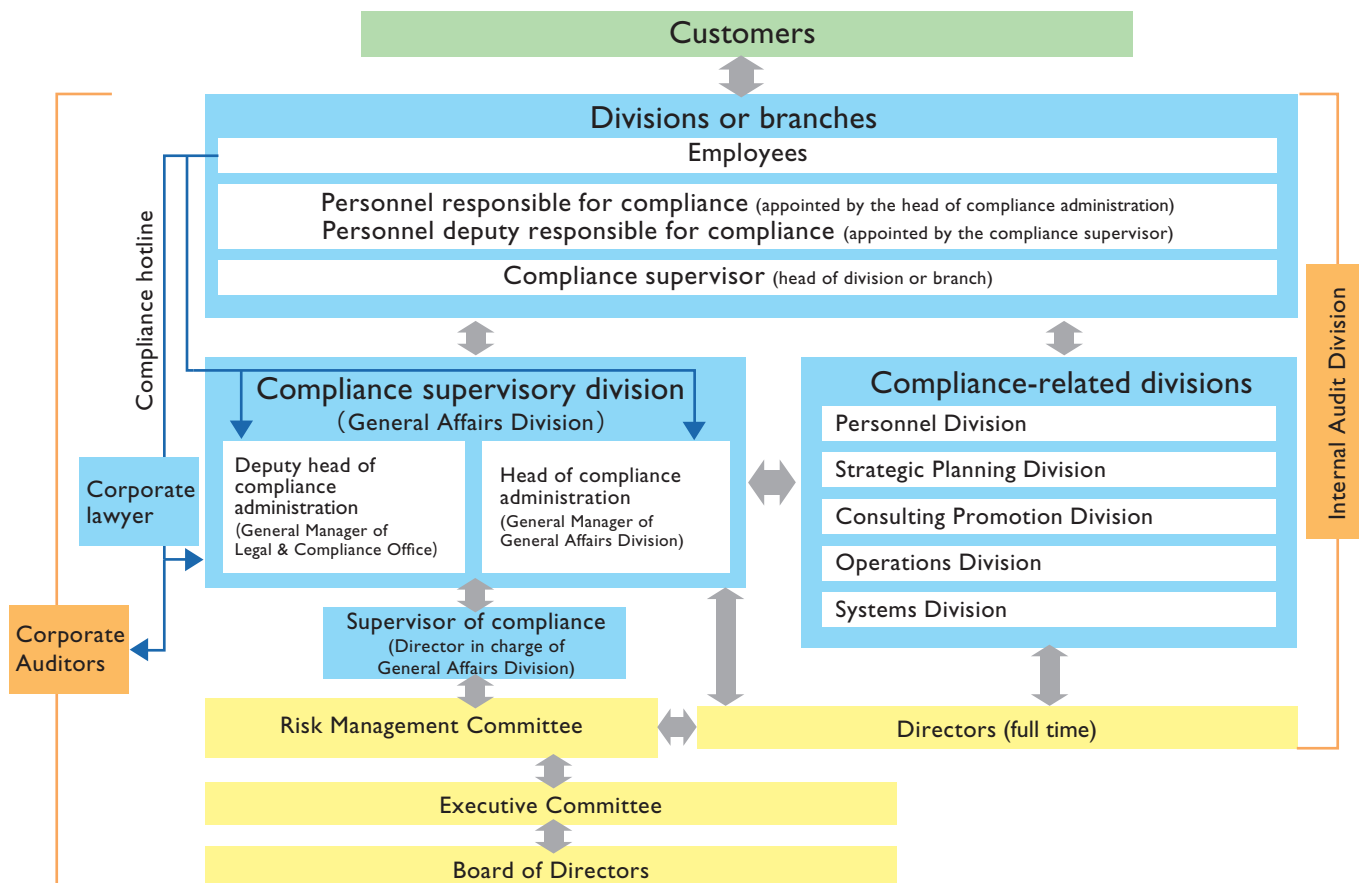
7. In addition to conducting regular lectures and training seminars for directors and employees, each division and branch also carries out its own training programs as part of the SCB's efforts to strengthen compliance education.
8. The audit items used by the Internal Audit Division include compliance-related items, and internal audits include investigation of whether the compliance system is functioning adequately.
9. In cases of compliance violation, reports from the heads of the divisions or branches concerned are promptly called for, and appropriate actions are taken to prevent a recurrence.
10. The SCB operates a hotline to facilitate reporting of compliance breaches by directors and employees. The SCB also has in place strict measures to protect whistle-blowers.
11. In accordance with the Act on Provision of Financial Services, the SCB has formulated and made public its Financial Products Solicitation Policy. To ensure that solicitation is carried out fairly, important points regarding a product must be explained to the customer at the time

of sale.

12. Pursuant to the Law on Protection of Personal Information, the SCB has published its Personal Information Protection Policy on its internet website. The SCB takes necessary and appropriate safety measures to protect personal information.
13. In addition to publishing its Outline for Managing Conflicts of Interest on its internet website, pursuant to the Shinkin Bank Act and the Financial Instruments and Exchange Law, the SCB is taking appropriate management steps to ensure that customers' interests are not wrongfully violated.
14. Based on the financial Alternative Dispute Resolution (ADR) system, to respond expeditiously, fairly, and appropriately to customers' inquiries, complaints, disputes, and other issues, the SCB has overhauled its internal management system and is striving to enhance its reliability.

The SCB intends to review and update the content of its Compliance Manual and other policies on an ongoing basis. All SCB directors and employees are working to maintain strict compliance through coordination among related divisions, and by strengthening internal education programs.

Compliance System Overview



Countermeasures against Money Laundering and the Financing of Terrorism

Based on societal demands related to the need for countermeasures against money laundering and financing of terrorism (the “money laundering and financing of terrorism countermeasures”), the SCB has designated the prevention of money laundering and of terrorist financing as one of the most important managerial issues, and established AML/CFT Division is working to sophisticate its countermeasures by means of a risk-based approach.

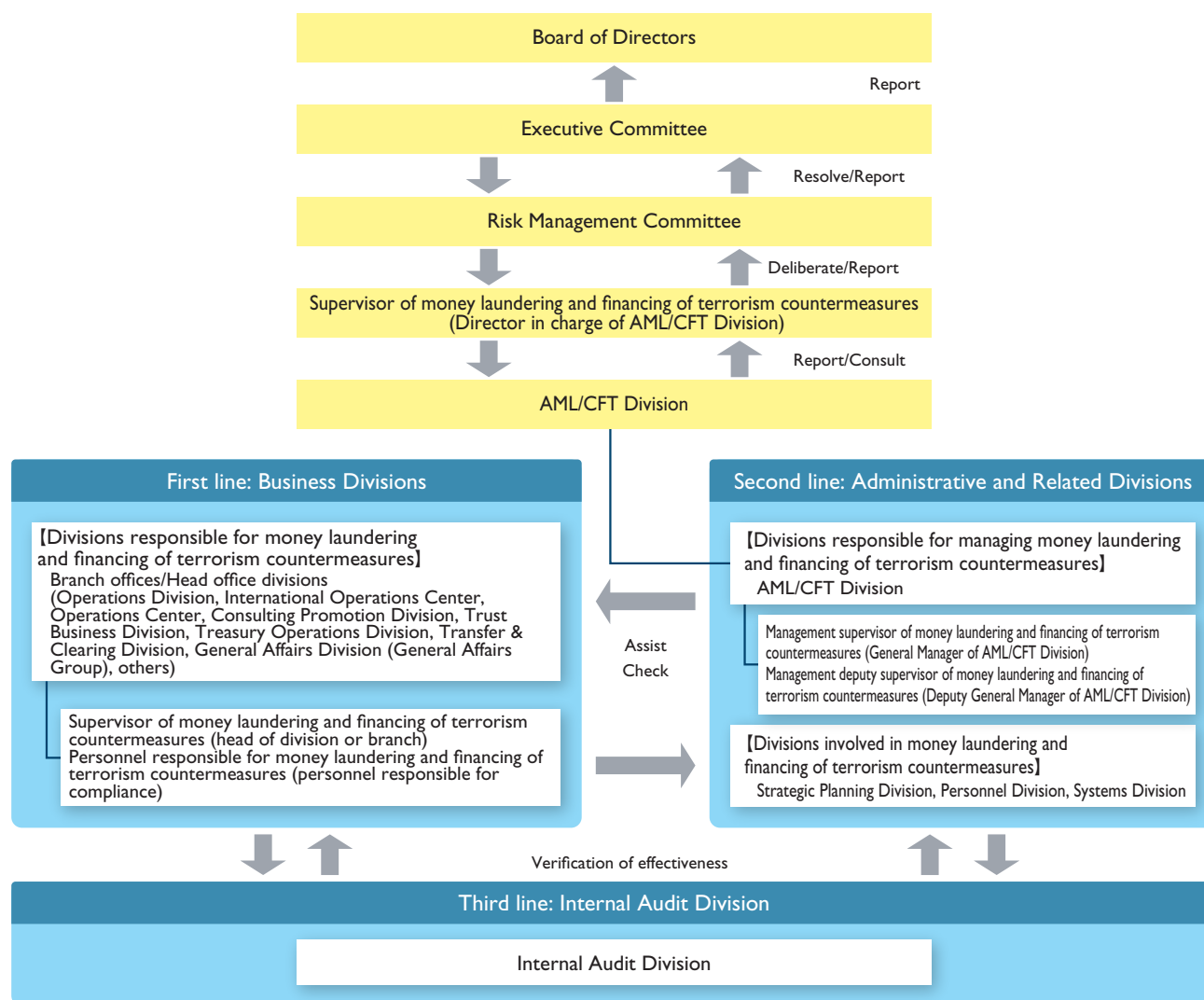
The director in charge of AML/CFT Division is appointed supervisor of money laundering and financing of terrorism countermeasures, and under the active involvement of the management team will put in place risk management arrangements in which AML/CFT Division is the second line of defense (administrative divisions), while also organizing a regulatory system. AML/CFT Division is also providing with support, checks and controls in relation to the first line of defense (business divisions), and training for employees.

Supervisors of and personnel responsible

for money laundering and financing of terrorism countermeasures are assigned to the first line of defense (business divisions), and checks are carried out at the time of the transaction in accordance with the Act on Prevention of Transfer of Criminal Proceeds and so on, with notifications being made for suspicious transactions.

The Audit Division, which is the third line of defense (internal audit division), performs verification of the effectiveness of money laundering and financing of terrorism countermeasures.

Risk Management System against Money Laundering and the Financing of Terrorism



Risk Management

Learning from the experience of the financial crisis, the SCB is exhaustively implementing more highly detailed and thorough processes to manage risk by pursuing more sophisticated integrated, market and credit risk management and other measures while also advancing predictor and interim management for credit control.

Risk Appetite Framework

In order for the SCB to fulfill its role as the central financial institution of the shinkin banks, it is necessary for it to take appropriate risks, which are matched to its level of capital and congruent with its own business model and risk culture, to enable it to continue to secure profits.

A “risk appetite framework” (*1, *2) has been constructed and is being operated with the aim of clarifying this basic concept of risk-taking and strengthening risk governance.

*1. Risk appetite: the type and size of risks that a financial institution actively attempts to take in order to fulfill its role

*2. Risk appetite framework: a framework for discussing and executing risk-taking policies and risk tolerances as prescribed by the required level of profits and capital

Setting the SCB's risk culture and risk appetite

We believe that what is required of SCB is that it fulfill its function as the central financial institution of the shinkin banks with a focus on stability and continuity.

We recognize that, in order to achieve this, the SCB must secure a sound financial position and stable profits, and that it has a risk culture that does not permit excessive risk-taking.

In addition to setting risk appetite with reference to this risk culture, the SCB has designated the consolidated capital adequacy ratio (domestic standard) and maximum amount available for dividend as management indicators (risk appetite indicators).

Management of Risk Appetite Framework

Based on the objectives for which the risk appetite framework was introduced, and our risk culture and appetite, we have taken a comprehensive view of the balance between earnings, risk and capital in order to set a medium-term target level of earnings (profit attributable to owners of parent).

Also, based on these medium-term targets, we are executing operations in accordance with a PDCA cycle, under which we formulate earning plans for a single fiscal year, take on risk, provide status reports, verify progress, and amend as required.

In addition, we have formulated a risk appetite statement to clarify the content of the risk appetite framework.

Basic Policy on Risk Management

In the wake of the global financial crisis, financial institutions face significant changes in economic and financial market conditions and other aspects of their operating environment. To respond promptly and appropriately to these changes, financial institutions require very finely tuned risk management.

The SCB has positioned risk management as a key management priority for ensuring sound management and securing adequate profits. All directors and employees conduct their daily duties with a full awareness of the importance of risk management.

The SCB classifies risk in two broad categories—risk that must be controlled and risk that must be absolutely minimized—and manages the risks accordingly. The types of risk that must be controlled are market, liquidity, and credit risks. The type of risk that must be minimized is operational risk. The Risk Management Division coordinates the management of different risks to provide comprehensive risk management.

The SCB has also established crossorganizational bodies—the Risk Management Committee, Credit Committee and ALM Committee—to manage risk from a Bank-wide perspective. These committees deliberate and make decisions on specific issues relating to their respective risk management functions based on the policies determined by the Board of Directors and the Executive Committee.

To ensure the effectiveness of its risk management systems, the SCB has also established the Internal Audit Division—a body indepen-

dent from its risk management systems—to monitor the SCB's risk management activities.

Integrated Risk Management

To manage risk in a comprehensive manner, the SCB employs the integrated risk management method to cope with quantifiable risk.

Integrated risk management is a way to manage its diverse risks by calculating them with uniform criteria, such as the Value-at-Risk (VaR) method, and comparing their aggregated value to the institution's overall financial strength (i.e., capital adequacy).

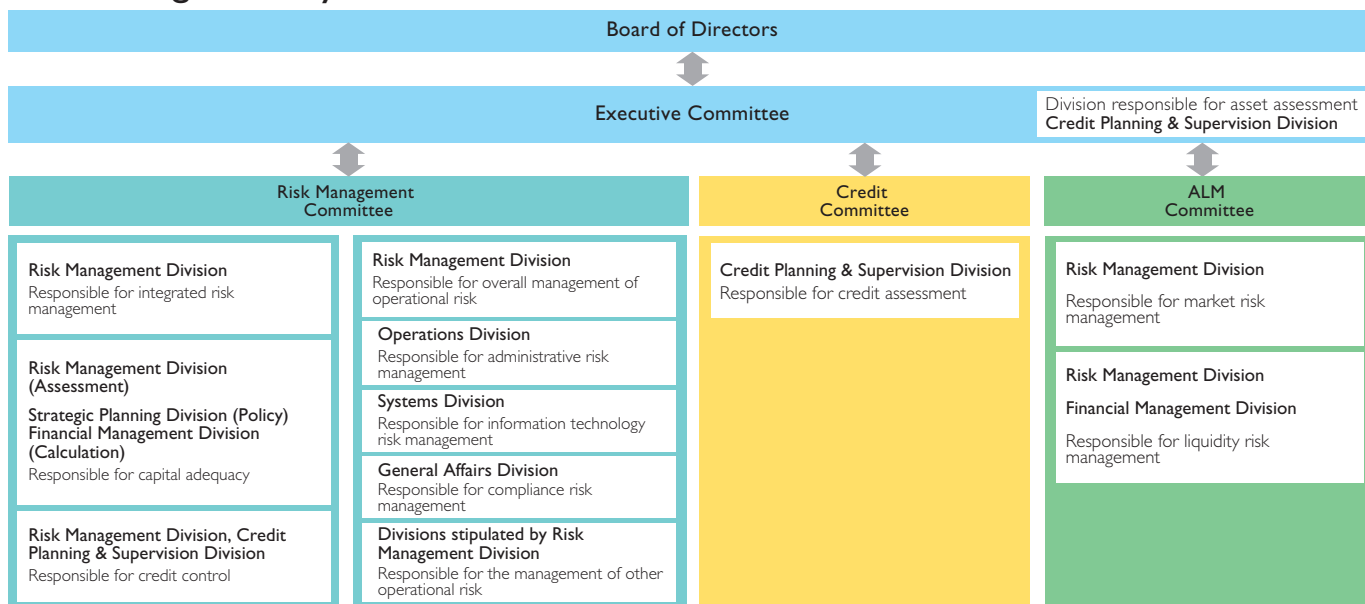
For market risk and credit risk, the SCB calculates the VaR. For the calculation of operational risk capital requirements, the SCB employs the basic indicator approach, proposed under regulations concerning capital adequacy ratios.

The SCB defines capital under its integrated risk management system and allocates quantitative risk limits, operational risk and other types of risk.* Separately, the SCB estimates losses under various stress scenarios as part of its efforts to monitor potential impacts on capital.

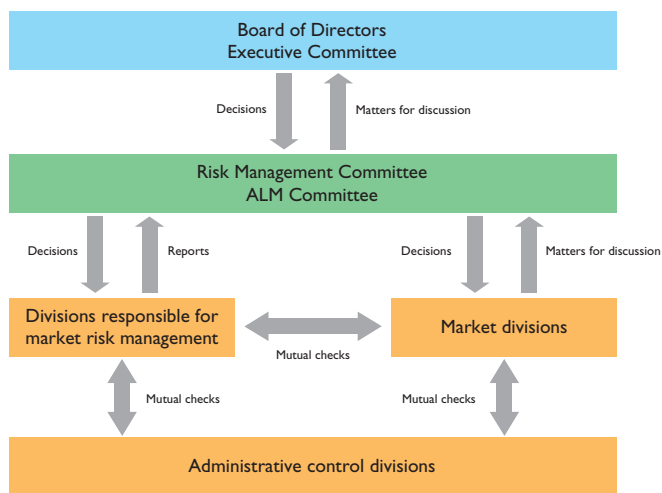
The quantitative risk limits and reserve amounts for each fiscal year are determined by the Executive Committee following deliberation by the Risk Management Committee. The Risk Management Division, which oversees integrated risk management, measures the amount of risk exposure both during and at the end of each month, to ensure that quantitative limits for each type of risk are not exceeded. The Risk Management Division provides reports on risk status to senior management and related divisions through the Risk Management Committee.

*With regard to subsidiaries within the SCB's scope of consolidation, the SCB monitors risk exposure at each subsidiary and allocates capital commensurate with the amount of risk. These allocations enable subsidiaries to take risks.

Risk Management System



Market Risk Management Framework



Market Risk^{*} Management

To maintain an accurate understanding of market risk and rigorously manage this risk, the SCB has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through the independent functions.

The SCB has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee comprises senior management and heads of divisions related to market risk.

Based on risk status information—obtained via reports from divisions responsible for managing market risk and other sources—the ALM Committee deliberates widely and expeditiously on policy relating to fund-raising and management as well as proposed market transactions.

For banking operations and trading activities, the divisions responsible for managing market risk quantify and manage market risk by VaR within the limit set by the Executive Committee. In addition, market risk is further divided into several categories, with risk quantities monitored by category.

In addition, the SCB manages our exposure on a variety of fronts, such as monitoring

stress losses at times of unexpected market fluctuations, the basis-point-value (BPV) (changes in the valuation of the market value of the portfolio in response to changes in interest rates), and IRRBB (interest rate risk in scenarios specified by the FSA).

The status of these risk management activities is reported to senior management at biweekly meetings of the ALM Committee.

* Market risk includes interest rate risk and such equity-related risk as stock price fluctuation risk.

Liquidity Risk Management

As the central financial institution for shinkin banks, the SCB maintains a rigorous system for managing liquidity risk to respond to the needs of shinkin banks for daily working capital and emergency funds.

To maintain an accurate understanding of liquidity risk and rigorously manage this risk, the SCB has formulated a liquidity risk management policy. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the daily setting and monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the SCB is prepared to respond rapidly, and even secure funding sources.

Credit Risk* Management

To maintain an accurate understanding of credit risk and rigorously manage this risk, the SCB has formulated a credit risk management policy. Furthermore, the SCB has formulated a Credit Policy, which sets out the SCB's fundamental philosophy. The SCB requires strict adherence to the Credit Policy on the part of all directors and employees involved in credit operations. The SCB conducts ongoing internal communications emphasizing the importance of sound ethics in all behavior and decision making.

At the SCB, divisions responsible for credit control, credit assessment and asset assessment are clearly separated from divisions involved in client services. In this way, we are building a structure in which internal checks are maintained through the independent functions given to each part of the system.

The SCB has established the Credit Committee and the Risk Management Committee as the bodies responsible for deliberating and making decisions on matters relating to credit risk management. The Credit Committee and the Risk Management Committee comprise senior management and the general managers of related divisions. The Credit Committee deliberates on credit transactions that exceed a designated amount, and the Risk Management Committee deliberates broadly and thoroughly matters relating to credit risk management. The Executive Committee deliberates, and makes decisions regarding, the results of self-assessment of assets and matters relating to self-assessment of asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to their credit rating.

Credit ratings are based on quantitative criteria, set by evaluating the borrower's financial statements, and qualitative criteria, set by evaluating the borrower's competitive strength in the particular industry within which it operates. Based on these assessments of credit strength, each borrower is given a credit rating on the SCB's 10-step scale. The credit ratings given to borrowers are reviewed regularly, and flexibly revised as necessary.

Divisions responsible for credit control analyze the SCB's overall credit portfolio according to credit rating, industry, country, and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Furthermore, credit risk is quantified and managed within the risk limit set by the Executive Committee.

The credit risk amount is measured using VaR as well as the Monte Carlo simula-

tion method.

The Credit Planning & Supervision Division—responsible for credit assessment—accurately monitors each borrower's financial condition, the purposes for which funds are used, and repayment resources. In addition to appropriate assessment and post-transaction management, the Credit Planning & Supervision Division continually inspects whether the client service division is conducting appropriate credit controls, and provides guidance as necessary. In the event that there should be any problem on the borrower's side, the Credit Planning & Supervision Division expeditiously assesses the borrower's management situation and provides supervision. Where necessary, action is taken to recover the loan.

The Credit Planning & Supervision Division is also responsible for asset assessment. The division undertakes and manages operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

* Credit risk includes such risk as counterparty risk for derivative transactions and securitization transaction risk.

Operational Risk Management

To comprehensively manage operational risks, the SCB has formulated management guidelines for operational risks, and to address administrative risks, system risks and compliance risks, which we consider the major operational risks, we have additionally formulated individual management guidelines for each of those risks. Furthermore, the SCB has constructed a system for comprehensively managing operational risks. In addition to having in place a department to comprehensively manage operational risks as well as a department to manage administrative risks, a department to manage system risks and a department to manage compliance risks, we also set up risk management departments to manage other operational risks as necessary.

The SCB has established the Risk Management Committee as the body responsible for deliberating and making decisions on matters relating to operational risk management. The Risk Management Committee, comprising senior management and heads of related divisions, deliberates and makes decisions on comprehensive methods for managing operational risks, including administrative risks, system risks and compliance risks.

Regarding the SCB's subsidiaries, the SCB's Internal Audit Division conducts audits of the respective systems.

To calculate its operational risk capital requirements, the SCB uses the basic indicator approach proposed under regulations con-

cerning capital adequacy ratios.

• Administrative Risk Management

The Operations Division oversees administrative risk management and administrative instruction. In addition to developing and maintaining the administrative processing system and administrative rules, and undertaking reviews of administrative procedures, the Operations Division conducts administrative instruction programs for divisions involved in administrative processing. With this system, the SCB appropriately manages administrative risk.

Furthermore, the SCB is undertaking a range of measures to ensure accurate and efficient administrative processing. These include the systemization of administrative processing, the provision of various training programs, including programs, to encourage staff to submit proposals to improve operating processes at all branches. The SCB also controls the entire process of administrative risk management, from the identification of risk to the implementation of corrective measures.

• Information Technology Risk Management

The Systems Division takes charge of information technology risk management. It provides control and guidance to divisions involved in system development, operation, and utilization.

Recognizing that cyber attacks are becoming increasingly sophisticated and ingenious, the division is stepping up measures to reinforce its cybersecurity, including the establishment of the Shinkin Central Bank Computer Security Incident Response Team.

In the event of a system failure that seriously affects the execution of business operations, an SCB-wide response is triggered based on crisis management procedures (contingency planning). In addition to periodically conducting crisis response drills, based on system failure crisis scenarios, the SCB also has in place a Disaster Recovery System and other precautions based on the Business Continuity Plan.

• Compliance risk management

The General Affairs Division, which functions as a department designated for compliance risk management, manages compliance risks by a series of processes involving identifying compliance risks; analyzing and evaluating the causes, background and range of impact, etc. of each risk; taking necessary measures to minimize compliance risks; and verifying the results of the aforementioned.

Preferred Shares

The SCB's Preferred Shares

The SCB issues preferred shares under the Law Concerning Preferred Shares of Cooperative Financial Institutions. The preferred shares, which are regulated by the Financial Instruments and Exchange Law, are issued to complement members' (shinkin banks') common shares and offered publicly to increase the net worth of cooperative financial institutions.

Although the preferred shares do not carry the voting rights that holders of common shares receive, the preferred shares have certain advantages over common shares, such as the guarantee of priority in the payment of dividends.

Listing of Preferred Shares

The SCB has issued preferred shares since fiscal 1995 and, for the first time in Japan, the preferred shares were listed on the Tokyo Stock Exchange on December 22, 2000 (Securities Identification Code 8421). The SCB's preferred shares are marketable securities that are very similar to preferred stocks, and, basically, the same listing criteria and disclosure rules apply to them.

Trading of Preferred Shares

Like listed stocks, the SCB's preferred shares can be traded anytime during Tokyo Stock Exchange trading hours through a securities company. Credit transactions are also possible for preferred shares, just as they are for stocks.

Dividends of Preferred Shares

The SCB's basic policy is to pay stable dividends while securing sound management, enhancing internal reserves, and boosting earnings power.

The SCB's preferred shares pay a dividend to the holders at the end of March of every fiscal year. As the rule of interim dividends is not provided in the Law Concerning Preferred Shares of Cooperative Financial Institutions, the SCB does not pay interim dividends.

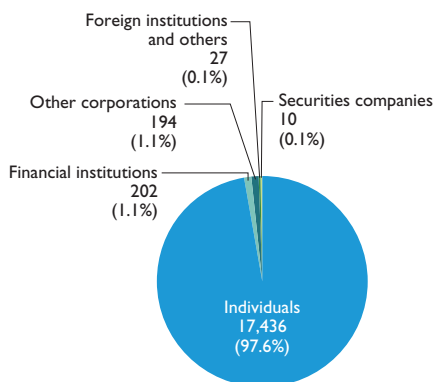
Dividends of preferred shares comprise preferred dividends and participating dividends. Preferred dividends are paid before any dividends are paid to common stock holders (shinkin banks). Participating dividends are paid from retained earnings after preferred dividends. They may vary depending on profits of the SCB.

The SCB's preferred shares are treated as stocks in the taxation system, and are given the same preferential treatment concerning tax as stocks.

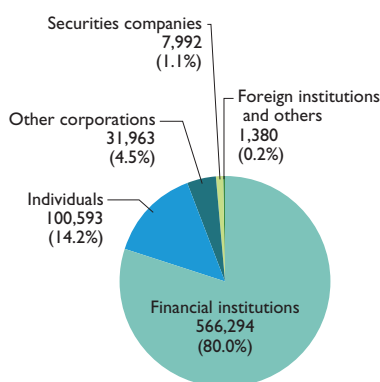
For fiscal 2022, the dividend for preferred shares was ¥6,500 (\$53) per share, which included a preferred dividend of ¥3,000 (\$24) and a participating dividend of ¥3,500 (\$28).

Composition of Preferred Shares (March 31, 2022)

• Number of Investors (17,869)



• Number of Subscription (708,222)



Price of Preferred Shares*

	(Closing price, yen)
First day of listing (December 22, 2000)	200,500
Highest price (March 15, 2006)	311,500
Lowest price (April 14, 2009)	102,400
Closing price (July 29, 2022)	243,900

* The price of preferred shares is split-adjusted, reflecting the stock split of preferred shares as at July 31, 2009.

Financial Section

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Five-Year Summary (Consolidated)

	(Millions of Yen)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Total Income	306,892	293,808	301,954	261,011	249,652
Trust Fees	351	399	759	1,258	1,921
Total Expenses	244,018	231,873	245,596	217,585	201,470
Profit Attributable to Owners of Parent	44,466	44,781	40,227	31,649	35,942
Comprehensive Income	20,433	53,530	(90,508)	196,771	(110,723)
Net Assets	1,626,605	1,660,465	1,550,287	1,727,321	1,596,329
Total Assets	38,790,449	39,693,375	40,868,096	43,843,528	43,931,795
Net Assets per Share (Yen)	299,587.63	306,594.84	283,111.71	320,620.85	292,802.41
Net Income per Share (Yen)	6,311.86	6,358.89	5,679.98	4,401.33	5,041.19
Dividends	19,603	19,603	19,603	19,603	19,603
General Common Shares	12,000	12,000	12,000	12,000	12,000
Specific Common Shares	3,000	3,000	3,000	3,000	3,000
Preferred Shares	4,603	4,603	4,603	4,603	4,603
Trust Assets	525,445	807,201	1,320,957	2,015,700	2,708,486

Notes:

1. National and local consumption tax incurred by the Shinkin Central Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.
2. The amount stated for the amount of trust assets is the amount of trust assets related to the trust business pursuant to the "Act on Engagement in Trust Business Activities by Financial Institutions". Consolidated companies conducting such trust business comprised only the Shinkin Central Bank.

Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022	2021	2022
Assets			
Cash and Due from Banks (Note 2 (2), 27)	16,764,225	15,063,421	136,996
Bills Bought and Call Loans (Note 27)	1,329,496	494,181	10,864
Receivables under Resale Agreements (Note 27)	34,216	367,229	279
Monetary Claims Bought (Note 27)	204,459	180,309	1,670
Trading Assets (Note 3, 10, 27, 28)	333,867	280,431	2,728
Money Held in Trust (Note 27, 28)	118,623	108,030	969
Securities (Note 4, 8, 10, 27, 28)	16,139,087	17,724,041	131,887
Loans and Bills Discounted (Note 5, 6, 7, 10, 27)	7,754,789	8,446,047	63,371
Foreign Exchanges Assets	19,622	20,676	160
Other Assets (Note 10)	1,006,582	921,687	8,225
Tangible Fixed Assets (Note 9, 15, 26)	72,884	73,100	595
Intangible Fixed Assets (Note 26)	17,675	20,714	144
Deferred Tax Assets (Note 24)	4,407	4,008	36
Customers' Liabilities for Acceptances and Guarantees	157,170	169,612	1,284
Reserve for Possible Loan Losses	(25,312)	(29,963)	(206)
Total Assets	43,931,795	43,843,528	359,007
Liabilities and Net Assets			
Liabilities			
Deposits (Note 27)	33,123,802	33,752,872	270,685
Debentures (Note 13, 27)	1,545,370	1,770,870	12,628
Trading Liabilities (Note 11, 27)	27,911	31,625	228
Borrowed Money (Note 10, 12, 27)	4,167,880	4,020,480	34,059
Bills Sold and Call Money (Note 27)	5,637	10,166	46
Payables under Repurchase Agreements (Note 10, 27)	1,195,089	287,020	9,766
Payables under Securities Lending Transactions (Note 10, 27)	1,728,562	1,702,956	14,125
Foreign Exchanges Liabilities	1,159	2,055	9
Borrowed Money from Trust Account	42,821	30,300	349
Other Liabilities (Note 12, 14)	248,597	190,891	2,031
Reserve for Employee Bonuses	1,788	1,806	14
Reserve for Directors' Bonuses	93	91	0
Net Defined Benefit Liability (Note 25)	43,091	41,943	352
Reserve for Directors' Retirement Allowances	569	532	4
Reserve under Specific Law	1	1	0
Deferred Tax Liabilities (Note 24)	39,885	96,899	325
Deferred Tax Liabilities for Land Revaluation (Note 15)	6,033	6,081	49
Acceptances and Guarantees	157,170	169,612	1,284
Total Liabilities	42,335,466	42,116,207	345,962
Net Assets			
Common Shares and Preferred Shares (Note 23)	690,998	690,998	5,646
Capital Surplus	100,678	100,678	822
Retained Earnings	644,122	627,964	5,263
Total Shareholders' Equity	1,435,799	1,419,641	11,733
Net Unrealized Gains (Losses) on Other Securities (Note 24, 28)	104,436	307,894	853
Deferred Gains or Losses on Hedges (Note 24, 29)	34,977	(20,577)	285
Land Revaluation Excess (Note 15)	14,772	14,894	120
Foreign Currency Translation Adjustments	(2,631)	(3,408)	(21)
Remeasurements of Defined Benefit Plans (Note 25)	(3,650)	(3,764)	(29)
Total Accumulated Other Comprehensive Income	147,904	295,037	1,208
Non-Controlling Interests	12,626	12,642	103
Total Net Assets	1,596,329	1,727,321	13,045
Total Liabilities and Net Assets	43,931,795	43,843,528	359,007

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

Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022	2021	2022
Income			
Interest Income:	175,199	175,162	1,431
Interest on Loans and Discounts	15,759	17,565	128
Interest on Due from Banks	7,114	7,756	58
Interest on Bills Bought and Call Loans	(169)	80	(1)
Interest on Receivables under Resale Agreements	(1,174)	(1,226)	(9)
Interest on Receivables under Securities Borrowing Transactions	9	(0)	0
Interest and Dividends on Securities	153,103	150,507	1,251
Others	554	478	4
Trust Fees	1,921	1,258	15
Fees and Commissions (Note 17)	42,124	41,175	344
Trading Income (Note 18)	1,548	1,507	12
Other Operating Income	16,520	31,098	135
Other Income (Note 20)	12,337	10,809	100
Total Income	249,652	261,011	2,040
Expenses			
Interest Expenses:	70,183	83,930	573
Interest on Deposits	29,222	33,296	238
Interest on Debentures	1,160	1,691	9
Interest on Borrowed Money	1,782	1,966	14
Interest on Bills Sold and Call Money	7	60	0
Interest on Payables under Repurchase Agreement	50	149	0
Interest on Payables under Securities Lending Transactions	1,481	3,289	12
Others	36,479	43,476	298
Fees and Commissions (Note 17)	14,881	14,900	121
Trading Losses (Note 19)	8	155	0
Other Operating Expenses	61,306	60,758	500
General and Administrative Expenses	54,603	54,715	446
Other Expenses (Note 21)	486	3,125	3
Total Expenses	201,470	217,585	1,646
Profit before Income Taxes	48,181	43,426	393
Income Taxes (Note 24):			
Current	11,617	11,328	94
Deferred	279	57	2
Total Income Taxes	11,897	11,385	97
Profit	36,283	32,040	296
Profit Attributable to Non-Controlling Interests	341	390	2
Profit Attributable to Owners of Parent	35,942	31,649	293

	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
Net Income per Share (Note 33)	5,041.19	4,401.33	41.19
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	24.51
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	12.25
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	53.11

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

Consolidated Statement of Comprehensive Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022	2021	2022
Profit	36,283	32,040	296
Other Comprehensive Income (Note 22)	(147,007)	164,730	(1,201)
Net Unrealized Gains (Losses) on Other Securities	(203,457)	28,350	(1,662)
Deferred Gains or Losses on Hedges	55,555	133,125	453
Foreign Currency Translation Adjustments	777	(170)	6
Remeasurements of Defined Benefit Plans	117	3,425	0
Comprehensive Income	(110,723)	196,771	(904)
Comprehensive Income Attributable to Owners of Parent	(111,068)	196,204	(907)
Comprehensive Income Attributable to Non-Controlling Interests	345	566	2

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

Consolidated Statement of Changes in Net Assets

Shinkin Central Bank For the year ended March 31, 2022

Millions of Yen

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	627,964	1,419,641
Cumulative Effects of Changes in Accounting Policies			(303)	(303)
Restated balance	690,998	100,678	627,661	1,419,338
Changes during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			35,942	35,942
Reversal of Land Revaluation Excess			122	122
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	16,460	16,460
Balance at End of Year	690,998	100,678	644,122	1,435,799

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	307,894	(20,577)	14,894	(3,408)	(3,764)	295,037	12,642	1,727,321
Cumulative Effects of Changes in Accounting Policies							(294)	(597)
Restated balance	307,894	(20,577)	14,894	(3,408)	(3,764)	295,037	12,348	1,726,723
Changes during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								35,942
Reversal of Land Revaluation Excess								122
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(203,457)	55,555	(122)	777	114	(147,132)	278	(146,854)
Total Changes during the Fiscal Year	(203,457)	55,555	(122)	777	114	(147,132)	278	(130,393)
Balance at End of Year	104,436	34,977	14,772	(2,631)	(3,650)	147,904	12,626	1,596,329

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	5,646	822	5,131	11,601
Cumulative Effects of Changes in Accounting Policies			(2)	(2)
Restated balance	5,646	822	5,129	11,598
Changes during the Fiscal Year				
Surplus Dividends			(160)	(160)
Profit Attributable to Owners of Parent			293	293
Reversal of Land Revaluation Excess			0	0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	134	134
Balance at End of Year	5,646	822	5,263	11,733

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	2,516	(168)	121	(27)	(30)	2,411	103	14,115
Cumulative Effects of Changes in Accounting Policies							(2)	(4)
Restated balance	2,516	(168)	121	(27)	(30)	2,411	100	14,110
Changes during the Fiscal Year								
Surplus Dividends								(160)
Profit Attributable to Owners of Parent								293
Reversal of Land Revaluation Excess								0
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	(1,662)	453	(0)	6	0	(1,202)	2	(1,200)
Total Changes during the Fiscal Year	(1,662)	453	(0)	6	0	(1,202)	2	(1,065)
Balance at End of Year	853	285	120	(21)	(29)	1,208	103	13,045

	Shareholders' Equity			
	Common Shares and Preferred Shares	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at Beginning of Year	690,998	100,678	615,918	1,407,595
Changes during the Fiscal Year				
Surplus Dividends			(19,603)	(19,603)
Profit Attributable to Owners of Parent			31,649	31,649
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year				
Total Changes during the Fiscal Year	-	-	12,046	12,046
Balance at End of Year	690,998	100,678	627,964	1,419,641

	Accumulated Other Comprehensive Income						Non-Controlling Interests	Total Net Assets
	Net Unrealized Gains (Losses) on Other Securities	Deferred Gains or Losses on Hedges	Land Revaluation Excess	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance at Beginning of Year	279,543	(153,703)	14,894	(3,237)	(7,014)	130,482	12,209	1,550,287
Changes during the Fiscal Year								
Surplus Dividends								(19,603)
Profit Attributable to Owners of Parent								31,649
Net Changes in Items Other Than Shareholders' Equity during the Fiscal Year	28,350	133,125	-	(170)	3,249	164,555	432	164,987
Total Changes during the Fiscal Year	28,350	133,125	-	(170)	3,249	164,555	432	177,034
Balance at End of Year	307,894	(20,577)	14,894	(3,408)	(3,764)	295,037	12,642	1,727,321

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

Consolidated Statement of Cash Flows

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2022	2021	(Note 1) 2022
Cash Flows from Operating Activities:			
Profit before Income Taxes	48,181	43,426	393
Depreciation	9,776	10,259	79
Increase (Decrease) in Reserve for Possible Loan Losses	(4,651)	(1,106)	(38)
Increase (Decrease) in Reserve for Employee Bonuses	(18)	(5)	(0)
Increase (Decrease) in Reserve for Directors' Bonuses	2	1	0
Increase (Decrease) in Net Defined Benefit Liability	1,148	(2,596)	9
Increase (Decrease) in Reserve for Directors' Retirement Allowances	36	(117)	0
Interest Income	(175,199)	(175,162)	(1,431)
Interest Expenses	70,183	83,930	573
Net Losses (Gains) on Securities	37,374	3,251	305
Net Losses (Gains) on Money Held in Trust	(95)	(440)	(0)
Net Losses (Gains) on Foreign Exchange	(199,997)	(112,246)	(1,634)
Net Losses (Gains) on Disposal of Fixed Assets	(6)	127	(0)
Net Decrease (Increase) in Trading Assets	(53,436)	130,844	(436)
Net Increase (Decrease) in Trading Liabilities	(3,714)	(5,932)	(30)
Net Increase (Decrease) in Trading Payables	(3,905)	(9,088)	(31)
Net Decrease (Increase) in Loans and Bills Discounted	691,257	22,075	5,648
Net Increase (Decrease) in Deposits	(629,069)	2,579,025	(5,140)
Net Increase (Decrease) in Debentures	(225,500)	(363,650)	(1,842)
Net Increase (Decrease) in Borrowed Money (Excluding Subordinated Borrowings)	147,400	769,500	1,204
Net Decrease (Increase) in Due from Banks (Excluding Due from Central Bank)	17,661	(166,116)	144
Net Decrease (Increase) in Call Loans and Others	(502,301)	(733,519)	(4,104)
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	-	1,430	-
Net Increase (Decrease) in Call Money and Others	903,539	18,929	7,383
Net Increase (Decrease) in Payables under Securities Lending Transactions	25,606	(85,439)	209
Net Decrease (Increase) in Monetary Claims Bought	(24,149)	41,866	(197)
Net Decrease (Increase) in Foreign Exchanges (Assets)	1,054	58,437	8
Net Increase (Decrease) in Foreign Exchanges (Liabilities)	(895)	641	(7)
Net Increase (Decrease) in Due to Trust Accounts	12,520	8,278	102
Interest Received	198,753	216,361	1,624
Interest Paid	(75,813)	(97,318)	(619)
Other, Net	50,614	197,501	413
Sub-total	316,356	2,433,146	2,585
Income Taxes Paid	(9,555)	(16,472)	(78)
Net Cash Provided by (Used in) Operating Activities	306,800	2,416,674	2,507
Cash Flows from Investing Activities:			
Acquisitions of Securities	(9,619,387)	(11,019,193)	(78,609)
Proceeds from Sale of Securities	2,293,222	1,092,846	18,740
Proceeds from Redemption of Securities	8,773,788	8,902,375	71,698
Increase in Money Held in Trust	(10,000)	(10,004)	(81)
Decrease in Money Held in Trust	1	10,000	0
Acquisitions of Tangible Fixed Assets	(3,776)	(2,729)	(30)
Acquisitions of Intangible Fixed Assets	(2,957)	(5,032)	(24)
Proceeds from Sales of Tangible Fixed Assets	260	90	2
Net Cash Provided by (Used in) Investing Activities	1,431,150	(1,031,648)	11,695
Cash Flows from Financing Activities:			
Dividends Paid	(19,603)	(19,603)	(160)
Dividends Paid to Non-Controlling Interests	(66)	(133)	(0)
Net Cash Provided by (Used in) Financing Activities	(19,670)	(19,737)	(160)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	1,718,281	1,365,289	14,041
Cash and Cash Equivalents at Beginning of Period	14,492,817	13,127,527	118,434
Cash and Cash Equivalents at End of Period (Note 2 (2))	16,211,098	14,492,817	132,476

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

Notes to Consolidated Financial Statements

1. Basis of Presentation:

The accompanying consolidated financial statements have been prepared from the accounts maintained by Shinkin Central Bank (the "Bank") and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in Japan that are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan. The amounts in Japanese yen are presented in millions of yen by rounding down figures. As a result, the totals in yen shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances.

U.S. dollar amounts represent the arithmetical results of translating original Japanese yen amounts of the respective account balances to U.S. dollars on a basis of ¥122.37 to U.S.\$1, the exchange rate prevailing as of March 31, 2022. The amounts in U.S. dollars are presented in millions of U.S. dollars by rounding down figures. As a result, the totals in U.S. dollars shown in the consolidated financial statements do not necessarily agree with the sums of the individual account balances. The U.S. dollar amounts are included solely for the convenience of readers outside Japan and this translation should not be construed as representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rates.

2. Significant Accounting Policies:

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its nine consolidated subsidiaries as of March 31, 2022 listed below:

Name	Location	Ownership Percentage
The Shinkin Banks Information		
System Center Co., Ltd.	Tokyo	50.7%
Shinkin International Ltd.	London	100%
Shinkin Chukin Business Co., Ltd.	Tokyo	100%
Shinkin Asset Management Co., Ltd.	Tokyo	100%
Shinkin Securities Co., Ltd.	Tokyo	100%
Shinkin Capital Co., Ltd.	Tokyo	100%
Shinkin Guarantee Co., Ltd.	Tokyo	100%
Shinkin Singapore Pte. Ltd.	Singapore	100%
Shinkin Regional Innovation Co., Ltd. (*)	Tokyo	100%

(*) Shinkin Regional Innovation Co., Ltd. was established on July 1, 2021, and, therefore, has been included in the scope of consolidation from the current fiscal year.

Unconsolidated subsidiaries

Shinkin no Kizuna Investment Limited Partnership
Shinkin no Tsubasa Investment Limited Partnership
Shinkin no Ishizue Investment Limited Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, total income, net income (amount based on the equity method), retained earnings (amount based on the equity method) and accumulated other comprehensive income (amount based on the equity method) are immaterial and do not hinder a rational judgment of the Bank's financial condition and results of operation when excluded from the scope of consolidation.

The fiscal year and the closing date thereof for the financial statements of the consolidated subsidiaries are consistent with those of the Bank, except for Shinkin International Ltd. and Shinkin Singapore Pte. Ltd., which have a fiscal year ended on December 31. For the consolidation of the subsidiary, the Bank makes appropriate adjustments for any material transactions subsequent to December 31.

All significant intercompany accounts and transactions have been eliminated in consolidation. The Bank's share of net assets of subsidiaries is valued at fair value on acquisition. Non-controlling interests in net assets of subsidiaries are valued at fair value on acquisition in the consolidated financial statements. The excess of the cost over the fair value of the underlying net equity in subsidiaries on acquisition is expensed when incurred.

The application of equity-method to unconsolidated subsidiaries and affiliates is as follows:

Non-consolidated equity-method subsidiaries:	N/A
Affiliated equity-method companies:	N/A

Unconsolidated subsidiaries that are not accounted for by the equity method:

Shinkin no Kizuna Investment Limited Partnership
Shinkin no Tsubasa Investment Limited Partnership
Shinkin no Ishizue Investment Limited Partnership

Unconsolidated subsidiaries that are not accounted for by the equity method are excluded from the scope of equity method because their effect on the accompanying consolidated financial statements, in terms of net income (amount based on the equity method) and retained earnings (amount based on the equity method), would not be material.

Affiliated companies to which the equity method is not applied due to immateriality:

Aozora Loan Services Co., Ltd.

(2) Cash and Cash Equivalents

In the consolidated statement of cash flows, "Cash and Cash Equivalents" consist of Cash and Due from Central Bank.

Reconciliation between Cash and Due from Banks in the consolidated balance sheet and Cash and Cash Equivalents at March 31, 2022 and 2021 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Cash and Due from Banks	16,764,225	15,063,421	136,996
Due from Banks (Excluding Due from Central Bank)	(553,127)	(570,604)	(4,520)
Cash and Cash Equivalents	16,211,098	14,492,817	132,476

(3) Trading Assets and Liabilities

Transactions for "Trading Purposes" (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market related indices or from gaps among markets) are included in "Trading Assets" and "Trading Liabilities" on the consolidated balance sheet on a trade date basis. In addition, gains and losses from "Trading Assets" and "Trading Liabilities" are

recorded as “Trading Income” and “Trading Losses” on the consolidated statement of income on a trade date basis.

Securities and Monetary Claims Bought for trading purposes are stated at fair value at the fiscal year end. Trading-related financial derivatives such as swaps, futures and options are stated at the amounts that would have been delivered for settlement as of the fiscal year end date.

(4) Financial Instruments

(i) Securities

The Bank and its consolidated subsidiaries classify securities into three categories: held-to-maturity debt securities, investments in affiliates that are not accounted for by the equity method, and other securities. Held-to-maturity debt securities are stated at cost amortized by the straight-line method using the moving-average method. Investments in affiliates that are not accounted for by the equity method are stated at cost using the moving-average method. Other securities are stated at fair value (and the cost of securities sold is mainly determined using the moving-average method). Stocks and other equity securities with no market prices are stated at cost using the moving-average method.

The full amount of net unrealized gains or losses on other securities is recorded directly within Net Assets.

Securities included as trust property in “Money Held in Trust” are stated in the same manner as above.

(ii) Derivative Transactions

Derivative transactions are stated at fair value.

(iii) Hedge Accounting

(a) Hedge of Interest Rate Risk

The Bank applies the deferred method of hedge accounting described in the Japanese Institute of Certified Public Accountants (JICPA) Industry Committee Practical Guidelines No. 24, March 17, 2022 “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” to transactions to hedge against interest rate risk arising from the financial assets and liabilities.

Effectiveness of a fair value hedge is assessed for each of the identified group of hedged items such as loans and deposits, and corresponding group of hedging instruments such as interest rate swaps with the same maturity bucket. Effectiveness of a cash flow hedge is assessed based on the correlation between an interest rate risk factor of the hedged items and that of the hedging instruments.

For certain assets and liabilities, the exceptional treatment for interest rate swaps is applied.

(b) Hedge of Foreign Exchange Fluctuation Risk

The deferred method of hedge accounting is applied to transactions to hedge against foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies in accordance with the regulations set forth in JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020 “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry.”

To minimize foreign exchange fluctuation risk on monetary assets and liabilities, the Bank has engaged in currency swaps, foreign exchange swaps, and similar transactions. Effectiveness of these transactions in the hedging of foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the

hedged monetary assets and liabilities and that of the hedging instruments.

The Bank has also applied fair value hedge accounting to the foreign exchange risk of other securities in foreign currency (other than bonds) when the hedged foreign currency securities are specified prior to the commencement of transactions, and there exists spot and forward liabilities exceeding the acquisition costs of the foreign currency securities designated as hedged items on a foreign currency basis.

(c) Internal Derivative Transactions

Internal derivative transactions between trading accounts and other accounts, which are designated as hedges, are not eliminated and related gains and losses are recognized in the consolidated statement of income or deferred under hedge accounting because the internal interest rate swaps and currency swaps transactions, etc. designated as hedging instruments are conducted in a manner without any subjectivity and are appropriately covered by third party transactions conducted in accordance with the standard articulated by Industry Committee Practical Guidelines No. 24 and No. 25.

(d) Others

Given that deferred hedge using interest rate swaps and exceptional treatment of interest rate swaps to offset market fluctuations on hedged items of loans, other securities (bonds) and held-to-maturity debt securities are affected by the discontinuing publication of London Inter-Bank Offered Rate (LIBOR) and transition to alternative reference rate, the Bank has adopted “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Force Report No. 40, March 17, 2022) to avoid impact on the continuation of hedging relationship.

(5) Tangible Fixed Assets (excluding Leased Assets)

Tangible fixed assets of the Bank are depreciated by the declining balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities installed in buildings), and facilities installed in buildings and structures that are acquired on or after April 1, 2016, are depreciated by the straight-line method.

The estimated useful lives of major items are as follows:

Buildings 5 to 50 years

Others 3 to 20 years

Tangible fixed assets of consolidated subsidiaries are, in principle, depreciated by the declining balance method, based on their estimated useful lives.

(6) Intangible Fixed Assets (excluding Leased Assets)

Intangible fixed assets are amortized by the straight-line method. The costs of software for internal use are amortized by the straight-line method, mainly 5 years period (the estimated useful life of the software).

(7) Leased Assets

Leased assets of Tangible Fixed Assets and Intangible Fixed Assets related to finance leases that do not transfer ownership are depreciated by the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

(8) Deferred Debenture Charges

Debenture charges are expensed in the fiscal year of issuance.

(9) Reserve for Possible Loan Losses

Reserve for possible loan losses of the Bank is provided in accordance with the internal rules for self-assessments of asset quality and write-offs and provisioning criteria predetermined by the Bank as follows:

The amounts of write-offs and provisions are calculated based on the result of self-assessments of the borrower classification, etc. The Bank has the credit risk rating system as a method for assessing credit risk to determine the borrower classification appropriately. Based on this system, the borrower classification for self-assessments is determined. The credit rating evaluates the degree of a borrower's creditworthiness, such as its debt servicing capacity, and classifies the borrower on a scale of 10. The classification reflects qualitative factors such as the evaluation of industry to which the borrower belongs and competitiveness within the industry, in addition to the quantitative evaluation based on the borrower's financial information. The credit rating is reviewed on a regular basis once a year, and is also reviewed as needed, such as when there are changes in the creditworthiness of the borrower.

The reserve is provided for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the legal sense as a result of the self-assessment of asset quality, at 100% of the carrying amount remaining after write-offs and deducting the amount expected from the realization of collateral and the execution of guarantees. In addition, a reserve is provided for loans to borrowers who are not currently bankrupt but are highly likely to go bankrupt ("Probably Bankrupt Borrowers"). In such cases, the reserve is provided at the amount deemed necessary based on the borrower's debt servicing capacity after deducting the amount expected from the realization of collateral and the execution of guarantees.

The Bank calculates the amount of reserve by the cash flow estimate method. For borrowers classified as Probably Bankrupt Borrowers or borrowers with large exposures who have restructured loans ("Intensive Control Borrowers") to whom loan receivables are renegotiated, cash flows are reliably estimated based on the repayment plan prepared by the borrowers, creditworthiness, the Bank's lending policies and default rate of an external credit rating agencies, the amount of reserve for possible loan losses is set at the difference between the book values of the loans and the amounts calculated by discounting by the original contractual interest rates the cash flows that are reliably estimated based on the repayment plan prepared by the borrowers, creditworthiness, the Bank's lending policies and default rates of an external credit rating agencies.

For all other loans to Intensive Control Borrowers and other borrowers (other special attention borrowers) who warrant special attention for future management, the Bank estimates the amount of expected losses over the next three years. The amount of expected losses is calculated by determining the expected loss ratio based on the average of the historical charge-off ratios over the past three years, and adding necessary adjustments such as future prospects.

For the borrowers (Performing) who are recognized to have good business performance and no particular financial problems, a reserve is expected for the next 1 year and provided based on the ratio of the average value of the bad debt rate calculated by the bad debt record for 1 year with necessary adjustments such as future prospects.

All claims are assessed by the Operating Related Division based on internal rules for self-assessments of asset quality. Subsequently, the Asset Auditing Division, that is independent from the Operating Related Division, audits these self-assessments. The reserve is provided based on the results of the assessments.

For loans to Bankrupt Borrowers and Substantially Bankrupt Borrowers, amounts deemed uncollectible, which are calculated after

deduction of expected collection from the realization of collateral and the execution of guarantees, are written off. The amount written off was ¥192 million (\$1 million) as of March 31, 2022 and ¥320 million as of March 31, 2021.

Reserve for possible loan losses of the consolidated subsidiaries for general claims is provided as the amounts deemed necessary based on the default rate calculated from actual default during a certain period in the past, and for doubtful claims as the amounts deemed uncollectible based on the assessment of each claim.

(10) Reserve for Employee Bonuses

Reserve for Employee Bonuses is set aside at the portion of the amount of estimated bonus payments to employees that corresponds to this fiscal year.

(11) Reserve for Directors' Bonuses

Reserve for Directors' Bonuses is set aside at the portion of the amount of estimated bonus payments to directors and corporate auditors that corresponds to this fiscal year.

(12) Reserve for Directors' Retirement Allowances

Reserve for Directors' Retirement Allowances is calculated based on the estimated allowances to be paid up to the end of this fiscal year.

(13) Reserve under Specific Law

This reserve amount is calculated pursuant to Article 46-5, Paragraph 1 of the "Financial Instruments and Exchange Act" and Article 175 of the "Cabinet Office Ordinance on Financial Instruments Business" to indemnify any losses incurred from accidents in the conduct of market derivative transactions on behalf of clients.

(14) Employees' Retirement Benefits

The Bank accounted for retirement benefit obligation based on the projected benefit obligations. The projected benefit obligations are attributed to periods on a benefit formula basis. The methods for amortizing prior service costs and actuarial differences are as follows:
Prior service costs:

Prior service costs are amortized, using the straight-line method over a certain number of years (10 years) within the average remaining service period of current employees at the time the cost is incurred.

Actuarial differences:

Actuarial differences are amortized from the following year, using the straight-line method over a certain number of years (10 years) within the average remaining service period of current employees at each time the cost is incurred.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the amount necessary to pay for the voluntary resignation for all employees at the fiscal year-end.

(15) Translation of Foreign Currency-Denominated Assets and Liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year. Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

(16) Consumption Tax

National and local consumption tax incurred by the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts. However, national and local consumption tax paid on purchases of tangible fixed assets and intangible fixed assets, which are not deductible as a tax credit, are expensed in this fiscal year.

(17) Amortization of Goodwill

Goodwill is fully amortized in the fiscal year incurred.

(18) Accounting Principles and Procedures Adopted when the Provisions of Relevant Accounting Standards, etc. are not Clear
Contract cancellation revenue and gains on redemptions of investment trusts are included in “Interest Income (Interest and Dividends on Securities)” and losses on cancellation and redemptions of investment trusts are included in “Other Operating Expenses” in the consolidated statement of income.

(19) Significant Accounting Estimates

Reserve for Possible Loan Losses

(i) The amount recorded in the consolidated financial statements for the current fiscal year

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Reserve for Possible Loan Losses	25,312	29,963	206

(ii) Other information for users of the consolidated financial statements to understand the details of accounting estimates

(1) Method of calculation of the amounts recorded in the consolidated financial statements for the current fiscal year

Method of calculation is described in the “Note 2 Significant Accounting Policies (9) Reserve for Possible Loan Losses.”

(2) Key assumptions used for the calculation of the amounts recorded in the consolidated financial statements for the current fiscal year

(a) The impact of COVID-19 on economic activities and outlook of borrowers’ performance when determining borrower classification
The Bank assumes that the impact of the stagnation in economic activities caused by the COVID-19 pandemic would persist until the end of fiscal year 2022, that the pace of recovery in economic and corporate activities would be slow during that period, and among other things, that the business performance of certain industries, such as airlines and natural resources, would be significantly affected over a certain period of time.

These assumptions consider changes in the number of people infected with COVID-19 and current status of vaccination and uses objective information such as outlook of worldwide air travel demand of the International Air Transport Association (IATA) and of world energy demand of The International Energy Agency (IEA).

In the consolidated financial statements for the fiscal year ended March 31, 2022, based on the above assumptions, classification of the specific borrowers is determined considering such factors if their future performance is expected to be significantly affected by these assumptions.

(b) Inputs of the cash flow estimate method

The Bank calculates the amount of reserve for possible loan losses by the cash flow estimate method if the borrowers are classified as Probably Bankrupt Borrowers or Intensive Control Borrowers with large exposures.

Key assumptions of the cash flow estimate are the repayment schedule prepared by the borrower, creditworthiness, the Bank’s lending policies and default rates of an external credit rating organization according to the credit condition of borrower.

(3) Effects on the consolidated financial statements in the fiscal year ending March 31, 2023

Though the key assumptions include how the COVID-19 will spread out or when it will be settled, there are no precedents or widely-agreed view that can be used as reference. Accordingly, the Bank makes a best estimate based on certain assumptions, available external information and an approval of decision-making body in accordance with the internal rules. However, the assumptions used in the estimates incorporate uncertainty and, if there are changes in conditions of the COVID-19 pandemic or changes in its impact on the economic activities, the performance of borrowers may be affected and a reserve for possible loan losses to be recorded in the consolidated financial statements for the fiscal year ending March 31, 2023 may be significantly affected.

If the assumptions used in the initial estimate are changed due to changes in the borrowers’ performance, inputs used for the cash flow estimate method may significantly affect a reserve for possible loan losses to be recorded in the consolidated financial statements for the fiscal year ending March 31, 2023.

(20) Changes in Accounting Policies

(i) Application of “Accounting Standard for Revenue Recognition”
“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020; hereinafter referred to as “Revenue Recognition Accounting Standard”) and related guidelines have been applied since the beginning of the current fiscal year. The Bank recognizes the revenue at the amount expected to be received in exchange for the goods or services, when control of the promised goods or services is transferred to the customer.

Regarding the application of the Revenue Recognition Accounting Standard, in accordance with the transitional provisions stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the Bank adjusts to the Retained Earnings at the beginning of the current fiscal year the cumulative impact of retroactively applying the new accounting standard before the beginning of the current fiscal year. The impact of this adjustment on the consolidated financial statements is immaterial.

In accordance with the transitional provisions stipulated in Paragraph 89-3 of this Standard, the note on “Revenue Recognition” for the previous fiscal year is not provided.

(ii) Application of “Accounting Standard for Fair Value Measurement”
 “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standard”) and related guidelines have been applied since the beginning of the current fiscal year. The Bank has applied the new accounting policy stipulated in the Fair Value Measurement Accounting Standard prospectively, in accordance with Paragraph 19 of the Fair Value Measurement Accounting Standard and the transitional provisions stipulated in Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

As a result, in principle, the Bank has changed the method for valuation of stocks with market prices and investment trusts among Other securities from measurement based on the average market price for one month before the end of the fiscal year to measurement at fair value based on the market price on the balance sheet date.

In addition, the note on “Financial Instruments” includes a note related to the breakdown of financial instruments by fair value level. However, in accordance with the transitional provisions stipulated in Paragraph 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the relevant note for the previous fiscal year is not provided.

(21) Accounting Standards Issued but not yet Adopted
 - “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(i) Overview

The implementation guidance stipulates the treatment of calculation and notes to the fair value of investment trusts, and notes to the fair value of investments in investment partnerships, etc. for which the net amount equivalent to the equity interest is recorded on the balance sheet.

(ii) Date of adoption

The Bank will adopt the implementation guidance in the consolidated financial statements from the beginning of the fiscal year beginning on April 1, 2022.

(iii) Effects of the adoption of the accounting standards and guidance
 There is no effect of the adoption of the implementation guidance on the consolidated financial statements.

3. Trading Assets:

The details of Trading Assets as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Trading Account Securities	19,228	23,363	157
Derivatives of Securities related to Trading Transactions	—	0	—
Trading-Related Financial Derivatives	28,612	28,024	233
Other Trading Assets	286,026	229,043	2,337
Total	333,867	280,431	2,728

4. Securities:

The details of Securities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Japanese Government Bonds	4,863,589	5,978,192	39,744
Municipal Government Bonds	1,934,063	1,821,893	15,805
Corporate Bonds	3,460,466	4,114,006	28,278
Stocks	62,877	69,193	513
Others	5,818,089	5,740,754	47,545
Total	16,139,087	17,724,041	131,887

Notes:

1. Stocks include investments in affiliated companies totaling ¥189 million (\$1 million) as of March 31, 2022 and 2021.
2. Others include common shares and investment in unconsolidated subsidiaries totaling ¥9,502 million (\$77 million) as of March 31, 2022 and ¥8,552 million as of March 31, 2021. Others also include preferred shares issued by Shinkin Banks which were contributed in accordance with the Shinkin Bank Management Reinforcement System. The amount was ¥162,499 million (\$1,327 million) as of March 31, 2022 and ¥169,524 million as of March 31, 2021. Others also include foreign bonds and equities.

5. Status of Claims:

Claims under the Shinkin Bank Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows.

Claims consist of items recorded in Corporate Bonds in “Securities” (limited to those Corporate Bonds for which redemption of the principal and payment of interest are fully or partially guaranteed and which are issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), Loans and Bills Discounted, Foreign Exchanges Assets, Accrued Interest and Suspense Payments in “Other Assets,” and Customers’ Liabilities for Acceptances and Guarantees in the consolidated balance sheet, as well as other securities disclosed as loaned securities in footnote (limited to those loaned under a loan-for-use or lease agreement).

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Bankrupt and Quasi-Bankrupt Claims	163	83	1
Doubtful Claims	3,344	3,384	27
Loans Past Due Three Months or More	42	1,008	0
Restructured Loans	18,882	18,921	154
Total	22,433	23,398	183

Bankrupt and Quasi-Bankrupt Claims represent claims held against debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto.

Doubtful Claims represent claims whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal or receipt of interest in accordance with the contract is impossible, other than Bankrupt and Quasi-Bankrupt Claims.

Loans Past Due Three Months or More represent loans for which payment of the principal or interest is delinquent for the period of three months or longer from the day immediately after the contractual due date, other than Bankrupt and Quasi-Bankrupt Claims and Doubtful Claims.

Restructured Loans represent loans for which an arrangement favorable for the debtor has been made, such as reduction or exemption of interests, granting of grace period for payment of interest, granting of grace period for payment of principal, waiver of claims, other than Bankrupt and Quasi-Bankrupt Claims, Doubtful Claims, and Loans Past Due Three Months or More.

The above amounts are the amounts before exclusion of reserves for possible loan losses.

<Changes in Presentation>

In accordance with the Partial Revision to the Regulation for Enforcement of the Shinkin Bank Act (Cabinet Office Order No. 3, January 24, 2020) that came into effect on March 31, 2022, the classification of "Risk-monitored loans" under the Shinkin Bank Act is presented in accordance with the classification of disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions.

6. Loans and Bills Discounted:

Loans include subordinated loans with a lower priority for repayment of principal and interests than that of other debt claims. The amount was ¥11,500 million (\$93 million) as of March 31, 2022 and ¥11,500 million as of March 31, 2021. Of these amounts, none as of March 31, 2022 and 2021, were provided to Shinkin Banks in accordance with the Shinkin Bank Management Reinforcement System.

Bills Discounted are accounted for as financial transactions in accordance with Industry Committee Practical Guidelines No. 24. The face value of bills of lading amounted to ¥195 million (\$1 million) as of March 31, 2022 and ¥76 million as of March 31, 2021. The Bank has the right to freely dispose of, sell or re-hypothecate such bills.

With respect to loan participation, in accordance with "Accounting and Presentation of Loan Participation" (JICPA Accounting Committee Report No. 3, November 28, 2014), the amount of the participation principal is accounted for as a loan to the original debtor, and this amounted to ¥11,302 million (\$92 million) as of March 31, 2022 and ¥13,983 million as of March 31, 2021.

7. Commitments to Overdrafts and Loans:

Commitments related to overdrafts and loans represent agreements to extend overdrafts or loans up to a pre-agreed amount at the customer's request as long as there is no violation of the conditions stipulated in commitment agreements.

The amount of unused loan commitments may not necessarily have a significant effect on the future cash flows of the Bank because most of these loan commitments expire without being drawn down. Most of these agreements have provisions which stipulate that the Bank may not extend the loan or may decrease the amount of commitment when there are certain changes in the financial conditions, certain issues relating to credit protection and other reasons. The Bank limits the commitment to an amount not exceeding the amount of the related customer's time deposit. The Bank periodically checks the financial condition of its customers based on its internal rules and performs certain actions to secure loans or revises the contracts, as necessary.

The amounts of unused loan commitments are ¥27,146,527 million (\$221,839 million) as of March 31, 2022 and ¥26,282,059 million as of March 31, 2021.

The amounts which the Bank could unconditionally cancel at any time or of which the original contractual maturity is less than one year are ¥26,988,964 million (\$220,552 million) as of March 31, 2022 and ¥26,141,095 million as of March 31, 2021.

8. Special Contracts for Securities and Cash-Collateralized Securities Lending and Borrowings:

Securities lending based on non-collateralized special contracts (securities lending and borrowings) are stated as Japanese Government Bonds in "Securities." The amount in total was ¥128,869 million (\$1,053 million) as of March 31, 2022 and ¥197,643 million as of March 31, 2021.

Those held by the Bank without being disposed of as of March 31, 2022 amounted to ¥91,671 million (\$749 million) and as of March 31, 2021 amounted to ¥407,355 million.

9. Tangible Fixed Assets:

	Millions of Yen		Millions of
	2022	2021	U.S. Dollars
			2022
Accumulated Depreciation on Tangible Fixed Assets	99,894	96,456	816
Accumulated Deferred Gains on Tangible Fixed Assets	1,764	1,764	14
(Deferred Gains recognized for the fiscal year)	(—)	(—)	(—)

10. Assets Pledged as Collateral and Associated Liabilities:

Assets pledged as collateral for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Assets Pledged as Collateral			
Trading Assets	12,098	14,858	98
Securities	6,001,280	5,494,516	49,042
Loans and Bills Discounted	653,212	842,558	5,338
Total	6,666,590	6,351,933	54,478
Liabilities associated with Assets Pledged as Collateral			
Borrowed Money	4,005,400	3,858,000	32,731
Payables under Repurchase Agreements	595,089	287,020	4,863
Payables under Securities Lending Transactions	1,728,562	1,702,956	14,125

Securities in the amount of ¥253,101 million (\$2,068 million) as of March 31, 2022 and ¥271,673 million as of March 31, 2021, were pledged as collateral for exchange settlement transactions, etc. or as substitute for margin in futures transactions, etc.

Assets pledged through GC repo transactions of Japanese Government Bonds (JGBs) under subsequent collateral allocation method as of March 31, 2022 amounted to ¥602,851 million (\$4,926 million) and as of March 31, 2021 amounted to none.

Other assets include Guarantee Money, Cash Collateral Pledged for Financial Instruments, Clearing Margin Deposits for Central Counterparty, and Cash Collateral Pledged for Repurchase Agreement. The amounts are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Guarantee Money	439	379	3
Cash Collateral Pledged for Financial Instruments	164,985	149,174	1,348
Clearing Margin Deposits for Central Counterparty	700,000	700,000	5,720
Cash Collateral Pledged for Repurchase Agreement	3,926	1,606	32

11. Trading Liabilities:

The details of Trading Liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Trading Bonds Sold	3,228	2,390	26
Derivatives of Securities Related to Trading Transactions	2	—	0
Trading-Related Financial Derivatives	24,680	29,235	201
Total	27,911	31,625	228

12. Borrowed Money and Lease Obligations:

Category	Balance as of April 1, 2021 (Millions of Yen)	Balance as of March 31, 2022 (Millions of Yen)	Balance as of March 31, 2022 (Millions of U.S. Dollars)	Average Interest Rate (%)	Maturity
Borrowings	4,020,480	4,167,880	34,059	0.04	—
Borrowed Money	4,020,480	4,167,880	34,059	0.04	Aug. 2022- Mar. 2029
Lease Obligations Due within One Year	347	294	2	1.54	—
Lease Obligations (Excluding Those Due within One Year)	324	240	1	2.61	May 2023- Jan. 2028

Notes:

1. Average interest rates were computed by the weighted average method using the interest rates and the balances at the fiscal year-end.
2. The repayment schedule within 5 years after the balance sheet date is as follows:

	Millions of Yen				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	1,058,000	1,283,800	952,000	711,600	—
Lease Obligations	294	150	75	9	3

	Millions of U.S. Dollars				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
Borrowed Money	8,645	10,491	7,779	5,815	—
Lease Obligations	2	1	0	0	0

3. Borrowed Money includes subordinated borrowings of ¥162,480 million (\$1,327 million) as of March 31, 2022 and 2021.

13. Debentures:

Issuer	Name of Issue	Issuance Date	Balance as of	Balance as of	Balance as of	Coupon Rate (%)	Collateral	Redemption Date
			April 1, 2021 (Millions of Yen)	March 31, 2022 (Millions of Yen)	March 31, 2022 (Millions of U.S. Dollars)			
The Bank	No. 317-388 5-year Interest-bearing debentures	Apr. 2016- Mar. 2022	1,740,870	1,515,370	12,383	0.01- 0.12	—	Apr. 2021- Mar. 2027
The Bank	No. 2 7-year Interest-bearing debentures	Sep. 25, 2015	10,000	10,000	81	0.29	—	Sep. 27, 2022
The Bank	No. 2 10-year Interest-bearing debentures	Sep. 25, 2015	20,000	20,000	163	0.52	—	Sep. 26, 2025
Total	—	—	1,770,870	1,545,370	12,628	—	—	—

Note:

The redemption schedule within 5 years after the balance sheet date is as follows:

	Millions of Yen				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
	351,850	398,030	293,800	251,950	249,740

	Millions of U.S. Dollars				
	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years
	2,875	3,252	2,400	2,058	2,040

14. Asset Retirement Obligations:

The disclosure of Asset Retirement Obligations was omitted because the amount was one-hundredth or less of the total balance of Liabilities and Net Assets as of April 1, 2021 and as of March 31, 2022.

15. Land Revaluation:

Based on the “Act on the Revaluation of Land” (Act No. 34, promulgated on March 31, 1998), land used for business was revalued. Deferred tax on the revaluation of the land was recorded as “Deferred Tax Liabilities for Land Revaluation” under Liabilities, and unrealized gain on the revaluation of the land, net of deferred tax, was recorded as “Land Revaluation Excess” under Net Assets.

Date of Revaluation: March 31, 1999

Revaluation method in accordance with Article 3, Paragraph 3 of Act No. 34: Revaluations were made based on the method, determined by the Commissioner of the National Tax Administration, which formed the basis for calculating land value taxes (prescribed by the “Land Value Tax Law”), as set forth in Article 2, Item 4 of the “Order for Enforcement of the Act on Revaluation of Land” (Government Ordinance No. 119, dated March 31, 1998), with appropriate adjustments.

16. Trusts with Contracts:

The details of principal amounts of trusts with contracts for compensation of loss of principal for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Money Trust	42,711	30,153	349

17. Fees and Commissions:

The details of Fees and Commissions for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deposit, Fixed Income Securities and Lending	644	479	5
Exchange Business	370	369	3
Securities Related Business	10,175	8,996	83
Agency Business	2,153	2,095	17
Guarantee Business	8,106	9,187	66
Trustee Business	19,984	19,229	163
Others	689	818	5
Income on Fees and Commissions Businesses	42,124	41,175	344
Exchange	207	224	1
Agency Loans Business	701	945	5
Others	13,972	13,730	114
Expenses on Fees and Commissions Businesses	14,881	14,900	121

18. Trading Income:

The details of Trading Income for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Income from Trading Account Securities	606	651	4
Income from Trading-Related Financial Derivatives	942	810	7
Other Trading Income	—	45	—
Total	1,548	1,507	12

19. Trading Losses:

The details of Trading Losses for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Expenses from Trading-Related Securities	5	155	0
Other Trading Losses	2	—	0
Total	8	155	0

20. Other Income:

The details of Other Income for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Gains on Sale of Stocks and Other Securities	7,634	9,243	62
Reversal of Allowance for Loan Losses	4,552	1,106	37
Others	150	458	1
Total	12,337	10,809	100

21. Other Expenses:

The details of Other Expenses for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Losses on Sale of Stocks and Other Securities	100	2,980	0
Impairment Losses on Equity Securities	337	—	2
Others	48	145	0
Total	486	3,125	3

22. Consolidated Statement of Comprehensive Income:

For the fiscal years ended March 31, 2022 and 2021

Reclassification adjustment amount and tax effect amount related to Other Comprehensive Income

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net Unrealized Gains (Losses) on Other Securities:			
The Amount Arising during the Period	(318,782)	36,933	(2,605)
Reclassification Adjustment Amount	36,279	1,932	296
Prior to Tax Effect Adjustment	(282,503)	38,865	(2,308)
Tax Effect Amount	79,045	(10,514)	645
Net Unrealized Gains (Losses) on Other Securities	(203,457)	28,350	(1,662)
Deferred Gains or Losses on Hedges:			
The Amount Arising during the Period	48,631	128,499	397
Reclassification Adjustment Amount	28,442	56,192	232
Prior to Tax Effect Adjustment	77,074	184,692	629
Tax Effect Amount	(21,519)	(51,567)	(175)
Deferred Gains or Losses on Hedges	55,555	133,125	453
Foreign Currency Translation Adjustments:			
The Amount Arising during the Period	777	(170)	6
Reclassification Adjustment Amount	—	—	—
Prior to Tax Effect Adjustment	—	—	—
Tax Effect Amount	—	—	—
Foreign Currency Translation Adjustments	777	(170)	6
Remeasurements of Defined Benefit Plans:			
The Amount Arising during the Period	(1,324)	2,899	(10)
Reclassification Adjustment Amount	1,489	1,901	12
Prior to Tax Effect Adjustment	164	4,800	1
Tax Effect Amount	(46)	(1,374)	(0)
Remeasurements of Defined Benefit Plans	117	3,425	0
Other Comprehensive Income	(147,007)	164,730	(1,201)

23. Changes in Net Assets:

(1) Class and Number of Shares Outstanding, and Class and Number of Shares of Treasury Shares

	Number of Share Units at April 1, 2021 (Thousand Units)	Increase During the Fiscal Year (Thousand Units)	Decrease During the Fiscal Year (Thousand Units)	Number of Share Units at March 31, 2022 (Thousand Units)
Shares Outstanding				
General Common Shares	4,000	—	—	4,000
Specific Common Shares	2,000	—	—	2,000
Preferred Shares (Type-A)	708	—	—	708
Total	6,708	—	—	6,708
Treasury Shares				
General Common Shares	—	—	—	—
Specific Common Shares	—	—	—	—
Preferred Shares (Type-A)	—	—	—	—
Total	—	—	—	—

(2) Dividends

Dividends paid during the fiscal year ended March 31, 2022

Resolution	Class of Share	Total Dividend Amount (Million Yen)	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 24, 2021	General Common Shares	12,000	3,000	March 31, 2021	June 24, 2021
	Specific Common Shares	3,000	1,500	March 31, 2021	June 24, 2021
	Preferred Shares (Type-A)	4,603	6,500	March 31, 2021	June 24, 2021

Among the dividends whose record date falls within the fiscal year ended March 31, 2022, those whose effective date will fall within the following fiscal year:

Resolution	Class of Share	Total Dividend Amount (Million Yen)	Resource of Dividends	Amount Per Share (Yen)	Record Date	Effective Date
Annual General Meeting of Shareholders, June 24, 2022	General Common Shares	12,000	Retained Earnings	3,000	March 31, 2022	June 24, 2022
	Specific Common Shares	3,000	Retained Earnings	1,500	March 31, 2022	June 24, 2022
	Preferred Shares (Type-A)	4,603	Retained Earnings	6,500	March 31, 2022	June 24, 2022

24. Income Taxes:

(1) Breakdown of Deferred Tax Assets and Liabilities is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deferred Tax Assets:			
Depreciation	2,788	2,732	22
Reserve for Possible Loan Losses	121	1,122	0
Net Defined Benefit Liability	12,466	12,133	101
Write-Downs for Securities	1,376	1,431	11
Deferred Gains or Losses on Hedges	—	7,970	—
Net Unrealized Gains on Other Securities	5	0	0
Others	3,689	4,252	30
Valuation Allowances	(2,379)	(3,411)	(19)
Total Deferred Tax Assets	18,068	26,232	147
Deferred Tax Liabilities:			
Net Unrealized Gains on Other Securities	(39,679)	(118,719)	(324)
Deferred Gains or Losses on Hedges	(13,548)	—	(110)
Others	(318)	(404)	(2)
Total Deferred Tax Liabilities	(53,546)	(119,124)	(437)
Net Deferred Tax Liabilities	(35,478)	(92,891)	(289)

(2) Reconciliation between the effective statutory tax rate and the actual effective tax rate for the fiscal years ended March 31, 2022 and 2021:

	2022	2021
Statutory effective tax rate	27.92 %	27.92 %
(Adjustments)		
Change in Valuation Allowances	(2.14 %)	(0.98 %)
Dividends received, not taxable	(0.96 %)	(1.18 %)
Others	<u>(0.13 %)</u>	<u>0.45 %</u>
Actual effective income tax rate after the application of tax effect accounting	<u>24.69 %</u>	<u>26.21 %</u>

25. Retirement Benefit Plans:

(1) Retirement Benefit Scheme

The Bank and some of its consolidated domestic subsidiaries have a defined benefit plan that offers lump-sum payments upon retirement and contributes to the Employees' Pension Fund for all shinkin banks nationwide.

With regard to notes related to employees' retirement benefits based on a multiple-employer plan, they are included in notes related to employees' retirement benefits based on a defined benefit plan.

(2) Defined Benefit Plan as of March 31, 2022 and 2021 is as follows:

(i) Reconciliation of beginning- and end-of-period balance of Retirement Benefit Obligation

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Retirement Benefit Obligation at Beginning of Period	66,526	66,963	543
Service Cost	2,859	3,002	23
Interest Cost	253	257	2
Actuarial Difference Incurred	557	(2,011)	4
Retirement Benefits Paid	(1,681)	(1,684)	(13)
Prior Service Cost	—	—	—
Other	—	—	—
Retirement Benefit Obligation at End of Period	68,515	66,526	559

(ii) Reconciliation of beginning- and end-of-period balance of Pension Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance of Pension Plan Assets at Beginning of Period	24,583	22,423	200
Expected Return on Pension Plan Assets	983	672	8
Actuarial Difference Incurred	(767)	888	(6)
Contributions by the Employer and Employees	1,647	1,598	13
Retirement Benefits Paid	(1,023)	(999)	(8)
Other	—	—	—
Balance of Pension Plan Assets at End of Period	25,423	24,583	207

(iii) Reconciliation of end-of-period balance of Retirement Benefit Obligation and Pension Plan Assets with Net Defined Benefit Liability and Net Defined Benefit Asset presented on the consolidated balance sheet

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Funded Plan Retirement Benefit Obligation	56,513	54,812	461
Pension Plan Assets	(25,423)	(24,583)	(207)
	31,089	30,228	254
Unfunded Plan Retirement Benefit Obligation	12,002	11,714	98
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	43,091	41,943	352

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net Defined Benefit Liability	43,091	41,943	352
Net Defined Benefit Asset	—	—	—
Net Amount of Liabilities and Assets Presented on the Consolidated Balance Sheet	43,091	41,943	352

(iv) Breakdown of Retirement Benefit Expense

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Service Cost	2,859	3,002	23
Interest Cost	253	257	2
Expected Return on Pension Plan Assets	(983)	(672)	(8)
Amortization of Actuarial Differences	1,489	1,901	12
Amortization of Prior Service Cost	—	—	—
Other	(600)	(588)	(4)
Retirement Benefit Expenses Related to Defined Benefit Plan	3,017	3,899	24

Note:

Other includes the employee contribution amount to the Employees' Pension Fund.

(v) Remeasurements of Defined Benefit Plan
Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Prior Service Cost	—	—	—
Actuarial Differences	164	4,800	1
Other	—	—	—
Total	164	4,800	1

(vi) Accumulated Remeasurements of Defined Benefit Plan
Accumulated Remeasurements of Defined Benefit Plan (before tax effects) comprise the following.

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Unrecognized Prior Service Cost	—	—	—
Unrecognized Actuarial Differences	5,721	5,886	46
Other	—	—	—
Total	5,721	5,886	46

(vii) Pension Plan Assets

(a) The ratios by main asset categories in total pension plan assets are as follows:

	2022	2021
Bonds	58 %	58 %
Stocks	29 %	28 %
Cash and Deposits	10 %	11 %
Other	3 %	3 %
Total	100 %	100 %

(b) Method for setting the Expected Long-Term Rate of Return
To set the Expected Long-Term Rate of Return on Pension Plan Assets, the Bank takes into account past return performance and the current and future expected rate of return on the diverse range of assets that makes up the pension assets.

(viii) Underlying actuarial assumptions

Main underlying actuarial assumptions as of March 31, 2022 and 2021 are as follows:

	2022	2021
Discount Rate	0.0~0.6 %	0.0~0.6 %
Expected Long-Term Rate of Return on Pension Plan Assets	4.0 %	3.0 %
Estimated Rate of Salary Increase	0.0~8.5 %	0.0~8.5 %

26. Leases:

1. Finance Leases

Finance leases that do not transfer ownership

(1) Outline of lease assets

(i) Tangible fixed assets

Mainly, hardware related to computer equipment

(ii) Intangible fixed assets

Software related to computer equipment

(2) Lease asset depreciation method

Depreciation method is described in the “Significant Accounting Policies.”

2. Operating Leases

Future lease payments related to non-cancelable operating leases:

Disclosure of data omitted due to immateriality.

27. Financial Instruments:

1. Matters concerning financial instruments

(1) Policies on financial instruments

Shinkin Central Bank Group (the “Group”) works to ensure the stable funding through the acceptance of deposits mainly from its Shinkin Bank members and through the issuance of debentures. Additionally, the Group takes steps to diversify its funding methods by procuring funds from short-term money markets depending on market conditions.

Procured funds are invested in short-term money market instruments, marketable securities, and loans.

Moreover, the Group uses derivative transactions for the purpose of risk-hedging in ALM (asset liability management) activities and engages in short-term trading of securities and derivatives.

To appropriately manage the various risks that result from these financial instruments, the Group engages in ALM activities including the above-mentioned derivative transactions. For its trading activities, the Group establishes risk limit and loss cut limits amounts and engages in transactions within the scopes of these risk limits, as a way to maintain a financial soundness and to ensure stable earnings.

(2) Types and related risks of financial instruments

Financial assets held by the Group consist mainly of short-term funds, securities, and loans assets.

Short-term funds are invested in the call loan.

These investments are exposed to the counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

Securities portfolios of the Group consist of domestic securities including JGBs, corporate bonds and other bonds as well as foreign securities such as government bonds, government-guaranteed bonds, and agency bonds issued in the major industrialized countries. The Group also invests in equity securities and investment funds to diversify its portfolio.

These investments are exposed to the individual issuers’ credit risk as well as market risks such as interest rate risk, price fluctuation risk, and foreign currency exchange risk, and market liquidity risk.

Loans assets consist of direct loans to low-risk borrowers including Shinkin Banks, central and local governments, public service corporations, good standing domestic and overseas companies, and agency loans provided through Shinkin Banks.

These loans are exposed to counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

Meanwhile, financial liabilities of the Group consist mainly of deposits and debentures.

Deposits include current deposits, ordinary deposits, deposits at notice, term deposits, and foreign currency-denominated deposits, most of which are deposits from Shinkin Bank members.

These deposits are exposed to market risks such as interest rate risk and foreign currency exchange risk, and liquidity risk.

As a debenture issuer, the Group issues interest-bearing debentures.

These debentures are exposed to interest rate risk and liquidity risk.

Furthermore, the Group engages in derivative transactions.

Specifically, the Group trades interest rate derivatives (interest swaps, interest futures, and interest options), currency derivatives (foreign currency forwards and currency swaps) and bond derivatives (bond futures and bond futures options).

These transactions are exposed to counterparty credit risk, and market risks such as interest rate risk and foreign currency exchange risk.

The Bank hedges market risks of its financial assets and liabilities through ALM activities.

The Group partially avoids exposure to market risks by mitigating (i) interest rate risk through interest rate swaps and (ii) foreign currency exchange risk of foreign currency-denominated assets through foreign currency-denominated funding, currency swaps, and forex swaps.

Hedge accounting is applied to risk hedging through ALM activities including the use of derivatives. With regard to hedge accounting, hedging instruments, hedged items, hedging policies, and methods of hedge effectiveness assessment, etc. are described in the “Significant Accounting Policies.”

(3) Risk management frameworks of financial instruments

In the basic risk management policy, the Bank divides risks into “risks to be minimized” and “risks to be controlled.” Credit risks, market risks and liquidity risks are classified into latter category. Risks of both categories are managed by risk management divisions that are independent of the client service divisions. The Risk Management Division comprehensively manages these risks.

<Integrated risk management>

For the integrated management of risks, the Bank has introduced integrated risk management for quantifiable risks. Integrated risk management is a risk management method of measuring various risks using a uniform risk measure such as Value at Risk (VaR), aggregating the measurements, and comparing the aggregated amounts with the Bank’s capital. The Bank measures credit risks and market risks using VaR methodology and monitors them on a daily basis to prevent risk limits from being breached.

These risk limits are reviewed each fiscal year by the Risk Management Committee and determined at the Executive Committee. The risk exposures are measured weekly by the Risk Management Division, which takes steps to prevent any of the various risk limits from being breached, and through the Risk Management Committee, reports regularly to the management and relevant divisions.

The risk exposures at consolidated subsidiaries are aggregated and managed through the integrated risk management framework.

(i) Credit risk management

For the accurate identification and strict management of credit risk, the Bank has established credit risk management policies. Moreover, the Bank has created a structure in which divisions responsible for credit control, credit management and credit assessment are clearly segregated from divisions involved in client services, with mutually independent tasks to ensure effective internal checking functions.

The Bank established the Credit Committee and the Risk Management Committee, comprised of senior management and heads of divisions related to credit risk, as bodies to deliberate and make decisions on matters relating to credit risk management. The Credit Committee deliberates on credit transactions that exceed the credit limit, while the Risk Management Committee deliberates on the establishment and the review of policies regarding credit management. The Executive Committee deliberates and makes decisions on matters related to asset self-assessments including the results of asset self-assessments, asset write-offs and asset reserve provisions.

Divisions responsible for credit control manage the credit risk for each borrower relating to loans and market trading activities. An overall credit limit is set for each borrower according to the credit rating of the borrower. These divisions analyze the Bank's overall credit portfolio according to credit rating, industry, country and other criteria. These analyses are used to monitor the diversification of credit risk as well as changes in portfolio credit risk. Additionally, divisions responsible for credit control quantify credit risk in VaR methodology using Monte Carlo simulation methods and manage credit risks based on the limits set at the Executive Committee.

Divisions responsible for credit management accurately monitor each borrower's financial condition, the purposes for which funds are used and repayment resources. In addition to appropriate assessment and post-transaction management, these divisions continually check whether the client service divisions are conducting appropriate credit control and provide guidance as necessary.

Divisions responsible for credit assessment undertake and manage operations relating to asset self-assessments, and the calculation of asset write-offs and asset reserve provisions.

Credit risks of consolidated subsidiaries are added to the credit risk of the Bank by each borrower and monitored.

(ii) Market risk management

To maintain an accurate understanding of market risk and rigorously manage this risk, the Bank has issued a market risk management policy. Furthermore, divisions responsible for market risk management are clearly separated from divisions involved in market operations, providing a risk management structure in which internal checks are maintained through independent functions.

The Bank has established the ALM Committee as the body responsible for deliberating and making decisions on matters relating to market risk management. The ALM Committee is comprised of senior management and heads of divisions related to market risk. Based on risk status information—obtained via reports from divisions responsible for market risk management and other sources—the ALM Committee deliberates broadly and in a timely manner ALM related policies and market transactions including the Bank's fund-raising and management as well as the usage of hedging transactions involving derivatives such as interest rate swaps.

Divisions responsible for market risk management quantify and manage market risk mainly by VaR within the limit set by the Executive Committee. In addition, market risk is classified into several categories, and the amount of risk for each category is monitored. Market risk management at the Bank not only uses VaR methodology but takes multi-faceted approaches, that is, monitoring sensitivity to change in individual risk factors such as the basis point value (BPV: the amount of the change in a portfolio's market value from a specific change in the interest rate), stress loss amounts from unexpected market changes, and appraisal losses from financial instruments. For stress loss amounts, in particular a supplementary framework has been incorporated into the integrated risk management, in addition to the above monitoring system. In this way, market risks including those that cannot be captured through VaR methods alone are managed.

Moreover, for trading operations, clear regulations are in place concerning the trading instruments and trading management methods, enabling appropriate trading operations by setting specific loss cut limits.

Market risks of consolidated subsidiaries are not directly added to the values of market risk of the Bank but are managed separately under integrated risk management.

<Quantitative information on market risk>

(a) Financial instruments held for trading purposes

The Bank uses VaR analysis for quantifying market risk of trading securities held within securities and interest-rate and foreign-exchange instruments held for trading purposes within derivative transactions. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of five business days and an observation period of one year. In addition, with regard to market risk related to trading operations at consolidated subsidiaries, which is managed separately within the integrated risk management framework, the Bank uses a market risk-equivalent amount under the regulations on banks' capital ratio.

The market risk amount (estimated loss amount) of the Bank's trading operations was ¥44 million (\$0 million) as of March 31, 2022 and ¥43 million as of March 31, 2021, and the market risk amount (estimated loss amount) of the trading operations of the Bank's consolidated subsidiaries was ¥546 million (\$4 million) as of March 31, 2022 and ¥745 million as of March 31, 2021.

The Bank conducts back testing to compare VaR calculated using the model with actual losses. Based on the results of back testing covering the fiscal year ended March 31, 2022, the number of actual loss amount exceeding the VaR is three times, and the Bank believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the market risks at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

(b) Financial instruments other than those held for trading purposes
The Bank uses VaR analysis for quantifying market risk of due from banks, securities not held for trading purposes, loans and bills discounted, deposits, debentures, payables under securities lending transactions and, within derivative transactions, interest-rate and foreign-exchange instruments not held for trading purposes. The VaR model is based on the delta method and uses a 99.0% confidence interval, a holding period of one year and an observation period of five years. In addition, with regard to market risk at consolidated subsidiaries related to operations other than trading operations, which is managed separately within the integrated risk management framework, such risk is calculated in accordance with methods used by the Bank.

The Group's market risk amount (estimated loss amount) other than for trading purposes was ¥533,948 million (\$4,363 million) as of March 31, 2022 and ¥502,889 million as of March 31, 2021. The Bank conducts back testing to compare VaR calculated using the model with actual losses and believes that the measurement model it uses has an adequate level of accuracy to capture market risk. However, it should be noted that VaR measures the market risks at certain probability levels statistically calculated based on historical market fluctuation. Hence, there may be cases where market risk cannot be captured in situations where market conditions change unprecedentedly.

(iii) Liquidity risk management related to fund-raising
For the accurate identification and strict management of liquidity risk, the Bank has established liquidity risk management policies. Divisions responsible for liquidity risk management are clearly separated from divisions involved in cash management and market operations, allowing internal checks to be maintained through the independent functions. In addition, the ALM Committee deliberates and makes decisions on matters relating to liquidity risk management.

Methods used for managing liquidity risk include the setting and daily monitoring of risk limit amounts relating to the gap between cash receipts and payments. This is carried out for individual currencies and periods. In the event that a significant liquidity risk arises, the Bank has preparations to respond rapidly, including the securing of funding sources.

The liquidity risk management frameworks created by the Bank include subsidiaries as well, such as by providing overdraft facilities for consolidated subsidiaries with operations involving fund movements in relatively large amounts.

(4) Supplementary explanation concerning the fair values of financial instruments

Since certain assumptions are adopted to determine the fair values of financial instruments, the values may vary if the underlying assumptions change.

2. Fair value of financial instruments (and other information)

Carrying values stated on the consolidated balance sheet, fair value and differences between them are as follows. Stocks and other equity securities, with no market prices and investment in investment partnerships are not included in the table below. (See Note 1.)

Notes to Cash and Due from Banks, Bills Bought and Call Loans, Receivables under Resale Agreements, Bills Sold and Call Money, Payables under Repurchase Agreements and Payables under Securities Lending Transactions are omitted as the fair values approximate their carrying amounts and they are mainly settled in a short period of time.

Notes on immaterial items have been omitted.

As of March 31, 2022

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought	204,459	204,459	—
(2) Trading Assets			
Trading Securities	305,255	305,255	—
(3) Money Held in Trust	118,623	118,623	—
(4) Securities			
Held-to-Maturity Debt Securities	450,356	497,174	46,818
Other Securities	15,476,710	15,476,710	—
(5) Loans and Bills Discounted	7,754,789		
Reserve for Possible Loan Losses (*1)	(24,955)		
	<u>7,729,833</u>	<u>7,744,553</u>	<u>14,719</u>
Total Assets	<u>24,285,238</u>	<u>24,346,777</u>	<u>61,538</u>
(1) Deposits	33,123,802	33,136,138	12,335
(2) Debentures	1,545,370	1,543,995	(1,374)
(3) Trading Liabilities			
Trading Bonds Sold	3,228	3,228	—
(4) Borrowed Money	4,167,880	4,170,629	2,749
Total Liabilities	<u>38,840,281</u>	<u>38,853,991</u>	<u>13,709</u>
Derivatives (*2)			
To which Hedge Accounting is not applied	(2,503)	(2,503)	—
To which Hedge Accounting is applied	(6,853)	(47,487)	(40,633)
Total Derivatives	<u>(9,357)</u>	<u>(49,990)</u>	<u>(40,633)</u>

	Millions of U.S. Dollars		
	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought	1,670	1,670	—
(2) Trading Assets			
Trading Securities	2,494	2,494	—
(3) Money Held in Trust	969	969	—
(4) Securities			
Held-to-Maturity Debt Securities	3,680	4,062	382
Other Securities	126,474	126,474	—
(5) Loans and Bills Discounted	63,371		
Reserve for Possible Loan Losses (*1)	(203)		
	63,167	63,288	120
Total Assets	198,457	198,960	502
(1) Deposits	270,685	270,786	100
(2) Debentures	12,628	12,617	(11)
(3) Trading Liabilities			
Trading Bonds Sold	26	26	—
(4) Borrowed Money	34,059	34,082	22
Total Liabilities	317,400	317,512	112
Derivatives (*2)			
To which Hedge Accounting is not applied	(20)	(20)	—
To which Hedge Accounting is applied	(56)	(388)	(332)
Total Derivatives	(76)	(408)	(332)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted.

*2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount.

For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

As of March 31, 2021

	Millions of Yen		
	Carrying Value	Fair Value	Difference
(1) Monetary Claims Bought (*1)	180,303	180,309	6
(2) Trading Assets			
Trading Securities	252,407	252,407	—
(3) Money Held in Trust	108,030	108,030	—
(4) Securities			
Held-to-Maturity Debt Securities	450,801	508,986	58,185
Other Securities	17,071,363	17,071,363	—
(5) Loans and Bills Discounted	8,446,047		
Reserve for Possible Loan Losses (*1)	(26,053)		
	8,419,993	8,466,020	46,026
Total Assets	26,482,899	26,587,117	104,217
(1) Deposits	33,752,872	33,763,581	10,709
(2) Debentures	1,770,870	1,772,304	1,434
(3) Trading Liabilities			
Trading Bonds Sold	2,390	2,390	—
(4) Borrowed Money	4,020,480	4,024,179	3,699
Total Liabilities	39,546,612	39,562,456	15,843
Derivatives (*2)			
To which Hedge Accounting is not applied	(4,041)	(4,041)	—
To which Hedge Accounting is applied	(42,348)	(99,544)	(57,195)
Total Derivatives	(46,389)	(103,585)	(57,195)

*1. General and specific reserves for possible loan losses of Loans and Bills Discounted have been deducted. Loss reserves for Monetary Claims Bought are immaterial and have therefore been deducted directly from the carrying value.

*2. Derivative transactions stated in trading assets and liabilities, and other assets and liabilities are shown as a single amount. For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

Note 1: Stocks and other equity securities, with no market prices and investment in investment partnerships (financial instruments that were defined as those for which it was considered extremely difficult to determine its fair value in the financial statements of the previous fiscal year) are as follows and are not included in “Securities” in the fair value information of financial instruments.

Category	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Stocks and other equity securities, with no market prices (*1) (*2)	168,681	175,797	1,378
Investment in investment partnerships (*3)	43,339	26,078	354
Total	212,021	201,876	1,732

*1. Stocks and other equity securities, with no market prices mean unlisted common stocks and the preferred shares issued by shinkin banks which are held by the Bank. These stocks and other equity securities are not included in fair value disclosure information based on Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

*2. Impairment loss of ¥91 million (\$0 million) was recognized for unlisted common shares in the fiscal year ended March 31, 2022.

*3. Investment in investment partnerships is not included in fair value disclosure information based on Paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

Note 2: Amounts of monetary claims and securities with maturities scheduled for redemption after the balance sheet date

As of March 31, 2022

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	16,649,319	22,237	20,000	—	—	—
Bills Bought and Call Loan	1,329,496	—	—	—	—	—
Receivables under Resale Agreements	34,216	—	—	—	—	—
Receivables under Securities Borrowing Transactions	—	—	—	—	—	—
Monetary Claims Bought	527	2,106	30,887	7,293	25,408	139,283
Securities						
Held-to-Maturity Debt Securities	8,544	42,111	131,381	130,000	135,000	—
Japanese Government Bonds	7,000	40,000	130,000	130,000	135,000	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	2,089,460	2,994,042	2,588,926	982,747	2,026,905	1,816,613
Japanese Government Bonds	711,150	635,000	920,000	50,000	1,099,000	1,005,000
Municipal Government Bonds	263,911	556,499	631,494	132,169	346,385	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	953,126	1,363,304	646,921	152,412	61,128	268,127
Loans and Bills Discounted (*2)	3,597,163	1,591,115	1,129,673	725,948	532,863	175,860
Total	23,708,729	4,651,612	3,900,869	1,845,989	2,720,177	2,131,757

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	136,057	181	163	—	—	—
Bills Bought and Call Loan	10,864	—	—	—	—	—
Receivables under Resale Agreements	279	—	—	—	—	—
Receivables under Securities Borrowing Transactions	—	—	—	—	—	—
Monetary Claims Bought	4	17	252	59	207	1,138
Securities						
Held-to-Maturity Debt Securities	69	344	1,073	1,062	1,103	—
Japanese Government Bonds	57	326	1,062	1,062	1,103	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	17,074	24,467	21,156	8,030	16,563	14,845
Japanese Government Bonds	5,811	5,189	7,518	408	8,980	8,212
Municipal Government Bonds	2,156	4,547	5,160	1,080	2,830	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	7,788	11,140	5,286	1,245	499	2,191
Loans and Bills Discounted (*2)	29,395	13,002	9,231	5,932	4,354	1,437
Total	193,746	38,012	31,877	15,085	22,229	17,420

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from Banks,” are stated under amounts redeemable “Within 1 year.”

*2. Loans of ¥2,206 million (\$18 million) to the borrowers categorized as bankrupt, potentially bankrupt or substantially bankrupt, and for which a redemption schedule is not foreseen, are not included.

As of March 31, 2021

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Due from Banks (*1)	14,962,535	55,138	20,000	—	—	—
Bills Bought and Call Loan	494,181	—	—	—	—	—
Receivables under Resale Agreements	367,229	—	—	—	—	—
Receivables under Securities Borrowing Transactions	—	—	—	—	—	—
Monetary Claims Bought	18,976	4,764	16,859	7,144	18,100	114,580
Securities						
Held-to-Maturity Debt Securities	797	9,595	70,923	210,461	155,000	—
Japanese Government Bonds	—	7,000	70,000	210,000	155,000	—
Municipal Government Bonds	—	—	—	—	—	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	—	—	—	—	—	—
Other Securities with Maturities	3,877,545	3,299,164	2,669,487	861,265	1,597,908	1,629,051
Japanese Government Bonds	2,355,380	856,500	782,000	40,000	561,000	873,000
Municipal Government Bonds	224,441	513,050	668,303	118,757	283,830	—
Short-Term Corporate Bonds	—	—	—	—	—	—
Corporate Bonds	1,000,889	1,620,784	929,642	172,107	116,512	243,049
Loans and Bills Discounted (*2)	4,002,566	1,812,820	1,188,546	647,937	598,631	193,872
Total	23,723,833	5,181,483	3,965,817	1,726,809	2,369,640	1,937,505

*1. Current deposits, ordinary deposits, deposits at notice, and transfer deposits, included in “Due from Banks,” are stated under amounts redeemable “Within 1 year.”

*2. Loans of ¥1,782 million to the borrowers categorized as bankrupt, potentially bankrupt or substantially bankrupt, and for which a redemption schedule is not foreseen, are not included.

Note 3: Amounts of deposits, debentures and other interest bearing debt scheduled for repayment after the balance sheet date

As of March 31, 2022

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	15,237,606	17,695,931	63,449	4,740	122,075	—
Debentures	351,850	691,830	501,690	—	—	—
Borrowed Money	1,058,000	2,235,800	711,600	162,480	—	—
Bills Sold and Call Money	5,637	—	—	—	—	—
Payables under Repurchase Agreements	1,195,089	—	—	—	—	—
Payables under Securities Lending Transactions	1,728,562	—	—	—	—	—
Total	19,576,744	20,623,561	1,276,739	167,220	122,075	—

	Millions of U.S. Dollars					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	124,520	144,610	518	38	997	—
Debentures	2,875	5,653	4,099	—	—	—
Borrowed Money	8,645	18,270	5,815	1,327	—	—
Bills Sold and Call Money	46	—	—	—	—	—
Payables under Repurchase Agreements	9,766	—	—	—	—	—
Payables under Securities Lending Transactions	14,125	—	—	—	—	—
Total	159,979	168,534	10,433	1,366	997	—

* Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

As of March 31, 2021

	Millions of Yen					
	Within 1 year	Over 1 year, within 3 years	Over 3 years, within 5 years	Over 5 years, within 7 years	Over 7 years, within 10 years	Over 10 years
Deposits (*)	16,452,259	17,106,292	50,839	3,310	140,170	—
Debentures	476,340	749,180	545,350	—	—	—
Borrowed Money	931,500	1,974,500	952,000	—	162,480	—
Bills Sold and Call Money	10,166	—	—	—	—	—
Payables under Repurchase Agreements	287,020	—	—	—	—	—
Payables under Securities Lending Transactions	1,702,956	—	—	—	—	—
Total	19,860,242	19,829,972	1,548,189	3,310	302,650	—

* Demand deposits, included in “Deposits,” are stated under amounts payable “Within 1 year.”

3. Breakdown of financial instruments by of the fair value hierarchy level

The fair value of financial instruments is classified into the following three levels on the basis of the observability and significance of the inputs used to calculate the fair value.

Level 1 fair value:

Fair value measured by using quoted market prices in active markets as observable inputs related to fair value measurement for assets or liabilities subject to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than those for Level 1

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs that have a significant effect on the fair value measurement are used, the fair value is classified into the level with the lowest priority in the fair value measurement among the levels to which each input is assigned.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

As of March 31, 2022

	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	897	203,034	203,932
Trading Assets (Trading Securities)	2,640	302,615	—	305,255
Money Held in Trust (Trading Purposes, Others)	—	118,623	—	118,623
Securities (Other Securities) (*1)	5,778,995	6,532,779	224,488	12,536,262
Stocks	56,698	—	—	56,698
Japanese Government Bonds	4,418,385	—	—	4,418,385
Municipal Government Bonds	—	1,934,063	—	1,934,063
Corporate Bonds	—	3,458,909	1,556	3,460,466
Others	1,303,911	1,139,805	222,931	2,666,648
Total Assets	5,781,635	6,954,915	427,523	13,164,074
Trading Liabilities (Trading Securities)	3,228	—	—	3,228
Total Liabilities	3,228	—	—	3,228
Derivatives (*2)	(2)	(9,354)	—	(9,357)
Interest-Rate-Related Transactions	—	45,525	—	45,525
Currency-Related Transactions	—	(54,879)	—	(54,879)
Bond-Related Transactions	(2)	—	—	(2)

Millions of U.S. Dollars

	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	7	1,659	1,666
Trading Assets (Trading Securities)	21	2,472	—	2,494
Money Held in Trust (Trading Purposes, Others)	—	969	—	969
Securities (Other Securities) (*1)	47,225	53,385	1,834	102,445
Stocks	463	—	—	463
Japanese Government Bonds	36,106	—	—	36,106
Municipal Government Bonds	—	15,805	—	15,805
Corporate Bonds	—	28,265	12	28,278
Others	10,655	9,314	1,821	21,791
Total Assets	47,247	56,835	3,493	107,575
Trading Liabilities (Trading Securities)	26	—	—	26
Total Liabilities	26	—	—	26
Derivatives (*2)	(0)	(76)	—	(76)
Interest-Rate-Related Transactions	—	372	—	372
Currency-Related Transactions	—	(448)	—	(448)
Bond-Related Transactions	(0)	—	—	(0)

*1. Investment trusts to which the transitional measures stipulated in Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) have been applied are not included in the above table. The amount of these investment trusts on the consolidated balance sheet is ¥2,940,447 million (\$24,029 million).

*2. Derivative transactions stated in Trading Assets and Liabilities, and Other Assets and Liabilities are shown as a single amount. For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

As of March 31, 2022

Millions of Yen

	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	—	527	527
Securities (Held-to-Maturity Debt Securities)	492,019	5,155	—	497,174
Japanese Government Bonds	492,019	—	—	492,019
Others	—	5,155	—	5,155
Loans and Bills Discounted	—	—	7,744,553	7,744,553
Total Assets	492,019	5,155	7,745,080	8,242,255
Deposits	—	33,136,138	—	33,136,138
Debentures	—	1,543,995	—	1,543,995
Borrowed Money	—	4,005,400	165,229	4,170,629
Total Liabilities	—	38,685,533	165,229	38,850,762
Derivatives (*)	—	(40,633)	—	(40,633)
Interest-Rate-Related Transactions	—	(40,633)	—	(40,633)

Millions of U.S. Dollars

	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary Claims Bought	—	—	4	4
Securities (Held-to-Maturity Debt Securities)	4,020	42	—	4,062
Japanese Government Bonds	4,020	—	—	4,020
Others	—	42	—	42
Loans and Bills Discounted	—	—	63,288	63,288
Total Assets	4,020	42	63,292	67,355
Deposits	—	270,786	—	270,786
Debentures	—	12,617	—	12,617
Borrowed Money	—	32,731	1,350	34,082
Total Liabilities	—	316,135	1,350	317,486
Derivatives (*)	—	(332)	—	(332)
Interest-Rate-Related Transactions	—	(332)	—	(332)

* The fair value of interest rate swaps for exceptional treatment of interest rate swaps is shown.

For net claims and obligations derived from derivative transactions, net amounts are stated. Sums that represent net obligations are shown in parenthesis.

Note 1: Explanation on valuation techniques used to calculate fair value and inputs for the calculation of fair value

Assets

- Monetary Claims Bought

Of the Monetary Claims Bought, the beneficiary rights in trust accounted for in the same way as securities adopt the valuation price obtained from a third party, such as a broker, as the fair value. If significant unobservable inputs, such as the default rate, recovery rate and prepayment rates, are used for valuation, the fair value is classified as Level 3 fair value, otherwise it is classified as Level 2 fair value. The fair value of Monetary Claims Bought other than these beneficiary rights in trust is calculated by the same method as for loans, and is classified as Level 3 fair value.

- Trading Assets

Regarding securities such as bonds held for trading purposes, the fair value for which unadjusted market price in active markets is used is classified as Level 1 fair value. If the market is not active even if the published market price is used, or if the fair value is estimated by discounting the future cash flows using the market interest rate as of the valuation date, the fair value is classified as Level 2 fair value.

- Money Held in Trust

For securities managed as trust assets in Money Held in Trust whose main purpose is to trade securities, the fair value of stocks is based on exchange prices, and that of bonds is based on market prices, etc. They are classified into Level 2 fair value based on the level of the main components of the trust assets.

Notes regarding the trust of money for each purpose of holding are described in “Money Held in Trust.”

- Securities

For securities, the fair value for which unadjusted market price in active markets is used is classified as Level 1 fair value. These securities mainly include listed stocks and government bonds. If the market is not active even if the published market price is used, or if the fair value is estimated by discounting the future cash flows using the market interest rate as of the valuation date, the fair value is classified as Level 2 fair value. These securities mainly include municipal bonds, short-term corporate bonds and corporate bonds.

If the market price is not available, the valuation price obtained from a third party such as a broker is used. When the valuation uses important unobservable inputs, such as default rate, recovery rate, prepayment rates and credit spread, the fair value is classified as Level 3 fair value.

The fair value of investment trusts is based on published standard prices, etc., and its level is not granted, applying the transitional provisions in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

Notes regarding securities for each purpose of holding are described in “Securities.”

- Loans and Bills Discounted

Of the Loans and Bills Discounted, those with variable interest rates reflect the market interest rate in a short period of time. For this reason, as long as the credit status of the lender does not change significantly after drawdown, the fair value approximates the carrying value.

Accordingly, the carrying value is used as the fair value. For Loans and Bills Discounted with fixed interest rates, the fair value is determined by category based on loan type and credit rating, discounting the total amount of principal and interest using the interest rates, determined by reflecting credit spread and other factors on market interest rates, that are expected when granting similar loans. For Loans and Bills Discounted under short-term contracts, the carrying value is used as the fair value since the fair value approximates the carrying value.

With regard to loans to Bankrupt Borrowers, Substantially Bankrupt Borrowers or Probably Bankrupt Borrowers, the Bank estimates loan loss based on the present value of estimated future cash flows or the estimated recoverable value from collateral and guarantees. Since the fair value therefore approximates the total loan value on the consolidated balance sheet at the closing date less the total recorded value of the reserve for possible loan losses, this value is used for the fair value. The fair values determined are classified into Level 3 fair value.

Liabilities

- Deposits

For demand deposits, the amount payable upon demand on the balance sheet date (carrying value) is used as fair value. Of term deposits, those with variable interest rates reflect the market interest rate in a short period of time. For this reason, the fair value approximates the carrying value. Accordingly, the carrying value is used as the fair value. For term deposits with fixed interest rates, the fair value is calculated by discounting future cash flows using the interest rate that would be applicable to newly taken deposits. The fair values determined are classified into Level 2 fair value.

- Debentures

The fair value of debentures issued by the Bank is based on the market price, and is classified as Level 2 fair value in consideration of market liquidity.

- Trading Liabilities

The fair value of trading bonds sold is based on the unadjusted market price in an active market and is classified as Level 1 fair value.

- Borrowed Money

For borrowed money, the present value is calculated by type, discounting the total amount of principal and interest using the expected interest rate for similar borrowings. If the impact of unobservable inputs on the fair value is important, the fair value is classified as Level 3 fair value, and otherwise it is classified as Level 2 fair value.

For Borrowed Money under short-term contracts, since the fair value approximates the carrying value, the carrying value is used as the fair value and is classified as Level 2 fair value.

Derivative Transactions

For derivative transactions, exchange-traded transactions are valued on the basis of closing prices on exchanges, etc., while over the counter transactions are valued using discounted present value or calculation models for option prices, etc. The inputs used in the valuation technique for calculating the value of over the counter transactions are mainly interest rates, exchange rates and volatility. The fair value of exchange-traded transactions is classified as Level 1 fair value, and that of over the counter transactions is classified as Level 2 fair value if unobservable inputs are not used or their impact is not significant.

Note 2: Information about the Level 3 fair value of financial instruments recorded at fair value in the consolidated balance sheet

(1) Reconciliation of beginning balance to ending balance, unrealized gains (losses) recognized in profit (loss) for the fiscal year ended March 31, 2022

As of March 31, 2022

Millions of Yen

	Balance as of April 1, 2021	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2022		Net of purchases, sales, issuances, and settlements	Transfers to Level 3 fair value (*3)	Transfers from Level 3 fair value	Balance as of March 31, 2022	Amount of unrealized gains or losses on financial assets and liabilities held at March 31, 2022 of recognized in profit (loss) for the fiscal year ended March 31, 2022
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Monetary Claims Bought	160,377	0	(938)	43,595	—	—	203,034	—
Securities (Other Securities)	244,413	3,767	(734)	(30,049)	7,091	—	224,488	—
Corporate Bonds	5,094	—	(12)	(3,525)	—	—	1,556	—
Others	239,318	3,767	(722)	(26,523)	7,091	—	222,931	—

Millions of U.S. Dollars

	Balance as of April 1, 2021	Profit (Loss) or Other Comprehensive Income for the fiscal year ended March 31, 2022		Net of purchases, sales, issuances, and settlements	Transfers to Level 3 fair value (*3)	Transfers from Level 3 fair value	Balance as of March 31, 2022	Amount of unrealized gains or losses on financial assets and liabilities held at March 31, 2022 of recognized in profit (loss) for the fiscal year ended March 31, 2022
		Recognized in Profit (Loss) (*1)	Recognized in Other Comprehensive Income (*2)					
Monetary Claims Bought	1,310	0	(7)	356	—	—	1,659	—
Securities (Other Securities)	1,997	30	(6)	(245)	57	—	1,834	—
Corporate Bonds	41	—	(0)	(28)	—	—	12	—
Others	1,955	30	(5)	(216)	57	—	1,821	—

*1. Mainly included in "Other Operating Income" and "Other Operating Expenses" in the consolidated statement of income.

*2. Included in "Net Unrealized Gains (Losses) on Other Securities" in "Other Comprehensive Income" in the consolidated statement of comprehensive income.

*3. These are transfers from Level 2 fair value to Level 3 fair value due to a lack of observable market data resulting from reduced market activities for foreign bonds.

The transfers are made on the last day of fiscal year.

(2) Explanation on the fair value measurement process

The fair value calculation department of the Group has established the policies and procedures for fair value measurement and determines fair value in accordance with these policies and procedures. In determining fair value, the Group uses the method that can most appropriately reflect the nature, characteristics and risks of each asset. Regarding the fair value measurement results and level classification, the Group verifies the appropriateness of the valuation techniques and inputs used for the fair value calculation by comparing prices between similar products, checking price trend of the same securities and matching with benchmarks published in the market for consistency. In addition, when using the prices obtained from a third party, the Group verifies the appropriateness of those prices by confirming the valuation techniques and inputs and comparing them with the fair values of similar financial products.

28. Fair Value of Securities and Money Held in Trust:

1. Securities

The following tables contain information relating to Securities, Trading Assets (trading account securities and short-term corporate bonds), Cash and Due from Banks (negotiable certificates of deposit) and Monetary Claims Bought (beneficiary rights in trust) in the consolidated balance sheet.

(1) Trading Securities

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net Unrealized Gains (Losses)			
Recognized as Income	(32)	2	(0)

(2) Held-to-Maturity Debt Securities

As of March 31, 2022

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	445,204	492,019	46,815
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	3,097	3,138	40
	Total	448,301	495,157	46,856
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	2,054	2,016	(37)
	Total	2,054	2,016	(37)
Total		450,356	497,174	46,818

		Millions of U.S. Dollars		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	3,638	4,020	382
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	25	25	0
	Total	3,663	4,046	382
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	16	16	(0)
	Total	16	16	(0)
Total		3,680	4,062	382

As of March 31, 2021

		Millions of Yen		
		Carrying Value	Fair Value	Unrealized Gains (Losses)
Securities with Fair Value Exceeding Carrying Value	Japanese Government Bonds	445,881	503,911	58,029
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	4,627	4,784	156
	Total	450,509	508,695	58,185
Securities with Fair Value not Exceeding Carrying Value	Japanese Government Bonds	—	—	—
	Municipal Government Bonds	—	—	—
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	—	—	—
	Others	291	290	(0)
	Total	291	290	(0)
Total		450,801	508,986	58,185

(3) Other Securities

As of March 31, 2022

		Millions of Yen		
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	53,407	27,284	26,123
	Bonds	4,195,524	4,152,204	43,320
	Japanese Government Bonds	1,762,989	1,728,552	34,437
	Municipal Government Bonds	645,234	643,151	2,083
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,787,300	1,780,500	6,799
Others	3,084,409	2,836,093	248,315	
Total	7,333,341	7,015,582	317,759	
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	3,290	3,422	(131)
	Bonds	5,617,391	5,679,671	(62,280)
	Japanese Government Bonds	2,655,396	2,707,253	(51,857)
	Municipal Government Bonds	1,288,829	1,294,219	(5,390)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,673,166	1,678,198	(5,032)
Others	2,758,260	2,870,871	(112,610)	
Total	8,378,942	8,553,965	(175,022)	
Total		15,712,283	15,569,547	142,736

Millions of U.S. Dollars				
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	436	222	213
	Bonds	34,285	33,931	354
	Japanese Government Bonds	14,407	14,125	281
	Municipal Government Bonds	5,272	5,255	17
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	14,605	14,550	55
	Others	25,205	23,176	2,029
Total		59,927	57,330	2,596
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	26	27	(1)
	Bonds	45,904	46,413	(508)
	Japanese Government Bonds	21,699	22,123	(423)
	Municipal Government Bonds	10,532	10,576	(44)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	13,673	13,714	(41)
	Others	22,540	23,460	(920)
Total		68,472	69,902	(1,430)
Total		128,399	127,233	1,166

As of March 31, 2021

Millions of Yen				
		Carrying Value	Acquisition Cost	Unrealized Gains (Losses)
Securities with Carrying Value Exceeding Acquisition Cost	Stocks	61,337	29,180	32,156
	Bonds	7,057,548	6,980,548	76,999
	Japanese Government Bonds	3,222,800	3,164,134	58,666
	Municipal Government Bonds	1,260,135	1,256,062	4,072
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	2,574,612	2,560,351	14,260
	Others	4,469,467	4,064,681	404,786
Total		11,588,353	11,074,411	513,942
Securities with Carrying Value not Exceeding Acquisition Cost	Stocks	1,585	1,772	(186)
	Bonds	4,410,662	4,435,365	(24,702)
	Japanese Government Bonds	2,309,509	2,332,102	(22,593)
	Municipal Government Bonds	561,758	562,361	(602)
	Short-Term Corporate Bonds	—	—	—
	Corporate Bonds	1,539,394	1,540,901	(1,506)
	Others	1,260,563	1,321,573	(61,009)
Total		5,672,812	5,758,711	(85,899)
Total		17,261,165	16,833,123	428,042

(4) Held-to-Maturity Debt Securities Sold during the Fiscal Year
Not applicable.

(5) Other Securities Sold during the Fiscal Year
For the Fiscal Year Ended March 31, 2022

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	33,939	7,606	(100)
Bonds	701,612	1,483	(1,872)
Japanese Government Bonds	700,812	1,482	(1,872)
Municipal Government Bonds	100	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	700	0	—
Others	1,070,455	13,024	(26,927)
Total	1,806,007	22,114	(28,900)

	Millions of U.S. Dollars		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	277	62	(0)
Bonds	5,733	12	(15)
Japanese Government Bonds	5,726	12	(15)
Municipal Government Bonds	0	—	—
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	5	0	—
Others	8,747	106	(220)
Total	14,758	180	(236)

For the Fiscal Year Ended March 31, 2021

	Millions of Yen		
	Amounts of Securities Sold	Aggregate Gains on Sale	Aggregate Losses on Sale
Stocks	39,038	9,236	(2,980)
Bonds	219,091	9,977	(2,528)
Japanese Government Bonds	198,468	9,968	(2,437)
Municipal Government Bonds	10,623	—	(86)
Short-Term Corporate Bonds	—	—	—
Corporate Bonds	9,999	8	(4)
Others	265,005	19,509	(1,648)
Total	523,135	38,723	(7,157)

(6) Impaired Securities

Of Securities other than Trading Securities (excluding stocks and other equity securities, with no market prices and investment in investment partnerships), if the fair value falls by 30% or more compared with the acquisition price and it is not expected to recover up to the acquisition price in view of the rate of decline over past periods, the securities are devalued and the fair value is recorded as the carrying amount on the consolidated balance sheet. In addition, the difference between the fair value and the acquisition price is recognized as impairment losses in the fiscal year. When determining that the fair value of stocks and investment trusts has declined by 30% or more, the amount calculated based on the average market price for one month before the end of the current fiscal year is used.

In the case where the issuer is classified as in bankrupted, de facto bankrupted, or doubtful borrower, impairment loss is recognized for securities when the market price is below the acquisition price.

In the fiscal year ended March 31, 2022, the amount of impairment losses on securities was ¥246 million (\$2 million) (all impairment losses were incurred on stocks).

In the fiscal year ended March 31, 2021, there were no impairment losses.

2. Money Held in Trust

(1) Money Held in Trust for Trading Purposes

As of March 31, 2022

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	69,998	—

	Millions of U.S. Dollars	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	572	—

As of March 31, 2021

	Millions of Yen	
	Carrying Value	Unrealized Gains (Losses) Recognized as Income
Money Held in Trust for Trading Purposes	60,000	—

(2) Held-to-Maturity Money Held in Trust
Not applicable.

(3) Other Money Held in Trusts (Money Held in Trust other than Held for Trading Purposes or Held-to-Maturity)

As of March 31, 2022

	Millions of Yen				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	48,624	50,000	(1,375)	—	(1,375)

	Millions of U.S. Dollars				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	397	408	(11)	—	(11)

Note:

Components of “Unrealized Gains (Losses)” are shown in “Items with Carrying Value Exceeding Acquisition Cost” and “Items with Carrying Value not Exceeding Acquisition Cost.”

As of March 31, 2021

	Millions of Yen				
	Carrying Value	Acquisition Cost	Unrealized Gains (Losses)	Items with Carrying Value Exceeding Acquisition Cost	Items with Carrying Value not Exceeding Acquisition Cost
Other Money Held in Trusts	48,030	50,000	(1,969)	—	(1,969)

Note:

Components of “Unrealized Gains (Losses)” are shown in “Items with Carrying Value Exceeding Acquisition Cost” and “Items with Carrying Value not Exceeding Acquisition Cost.”

3. Net Unrealized Gains on Other Securities and Other Money Held in Trust

Components of Net Unrealized Gains on Other Securities in the consolidated balance sheet are as follows:

As of March 31, 2022

	Millions of Yen	Millions of U.S. Dollars
Other Securities	145,484	1,188
Other Money Held in Trust	(1,375)	(11)
Net Unrealized Gains	144,109	1,177
Deferred Tax Liabilities	39,673	324
Net Unrealized Gains (Prior to Equity Method Adjustment)	104,436	853
Non-Controlling Interests' Portion	—	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—	—
Net Unrealized Gains	104,436	853

Note:

Translation adjustments of foreign currency-denominated stocks and other equity securities, with no market prices, and Unrealized Gains (Losses) on investment in investment partnerships are included in "Other Securities" within "Net Unrealized Gains (Losses)."

As of March 31, 2021

	Millions of Yen
Other Securities	428,582
Other Money Held in Trust	(1,969)
Net Unrealized Gains	426,613
Deferred Tax Liabilities	118,718
Net Unrealized Gains (Prior to Equity Method Adjustment)	307,894
Non-Controlling Interests' Portion	—
Parent Company's Portion of Valuation Differential for Other Securities Held by Equity-Method-Applicable Companies	—
Net Unrealized Gains	307,894

Note:

Translation adjustments of foreign currency-denominated other securities where there is significant difficulty in determining fair value are included in "Other Securities" within "Net Unrealized Gains (Losses)."

29. Derivatives:

1. Derivative transactions to which hedge accounting is not applied

The following tables summarize the notional amount or the contracted principal equivalents, fair values, net unrealized gains (losses) and the valuation methods of the fair values of the Bank's derivative transactions that do not qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments. Please note that the notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2022

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	3,847,075	3,218,135	6,620	6,620
Floating Rate Receivable/Fixed Rate Payable	3,924,176	3,068,971	(6,479)	(6,479)
Floating Rate Receivable/Floating Rate Payable	80,750	72,750	63	63
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	466,000	299,800	(71)	(71)
Bought	442,200	303,500	855	17
Total			987	149

Millions of U.S. Dollars

	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	31,438	26,298	54	54
Floating Rate Receivable/Fixed Rate Payable	32,068	25,079	(52)	(52)
Floating Rate Receivable/Floating Rate Payable	659	594	0	0
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	3,808	2,449	(0)	(0)
Bought	3,613	2,480	6	0
Total			8	1

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

As of March 31, 2021

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Interest Rate Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Interest Rate Forwards:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest Rate Swaps:				
Fixed Rate Receivable/Floating Rate Payable	4,927,409	3,489,591	69,508	69,508
Floating Rate Receivable/Fixed Rate Payable	4,741,064	3,459,445	(70,103)	(70,103)
Floating Rate Receivable/Floating Rate Payable	95,080	80,750	73	73
Fixed Rate Receivable/Fixed Rate Payable	—	—	—	—
Interest Rate Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	554,540	352,000	210	210
Bought	582,500	376,400	(802)	(1,996)
Total			(1,112)	(2,306)

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

(2) Currency-Related Transactions
As of March 31, 2022

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:				
	30	30	0	0
Forward Foreign Exchange Contracts:				
Sold	275,560	—	(11,888)	(11,888)
Bought	223,050	—	8,493	8,493
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(3,394)	(3,394)

Millions of U.S. Dollars				
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:				
	0	0	0	0
Forward Foreign Exchange Contracts:				
Sold	2,251	—	(97)	(97)
Bought	1,822	—	69	69
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(27)	(27)

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.
2. Fair value and Net Unrealized Gains (Losses) on currency swaps are stated at the amounts after deduction of principal.

As of March 31, 2021

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Currency Futures:				
Sold	—	—	—	—
Bought	—	—	—	—
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Currency Swaps:	2,608	44	34	34
Forward Foreign Exchange Contracts:				
Sold	247,652	1,772	(6,517)	(6,517)
Bought	115,256	1,627	3,595	3,595
Currency Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(2,887)	(2,887)

Notes:

1. Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.
2. Fair value and Net Unrealized Gains (Losses) on currency swaps are stated at the amounts after deduction of principal.

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions
As of March 31, 2022

Millions of Yen				
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	1,643	—	(2)	(2)
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(2)	(2)

Millions of U.S. Dollars				
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	13	—	(0)	(0)
Bought	—	—	—	—
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			(0)	(0)

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

As of March 31, 2021

	Millions of Yen			
	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value	Net Unrealized Gains (Losses)
Exchange-Traded Transactions				
Bond Futures:				
Sold	1,511	—	0	0
Bought	302	—	(0)	(0)
Bond Futures Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over the Counter Transactions				
Bond Options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			—	—

Note:

Transactions mentioned above are valued at fair value, and Net Unrealized Gains (Losses) are accounted for in the consolidated statement of income.

(5) Commodity-Related Derivative Transactions

Not applicable.

(6) Credit Derivative Transactions

Not applicable.

2. Derivative transactions to which hedge accounting is applied

The following summarizes the notional amount or the contracted principal equivalents, fair values and the valuation methods of the fair values of the Bank's derivative transactions that qualify for hedge accounting as of the consolidated balance sheet date, which are classified by types of financial instruments and methods for hedge accounting. Please note that the notional amount in themselves do not reflect the market risk associated with the Bank's derivative transactions.

(1) Interest-Rate-Related Transactions

As of March 31, 2022

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	640,000	640,000	(98)
	Floating Rate Receivable/Fixed Rate Payable	2,837,500	1,981,584	44,730
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,035,638	1,017,638	(40,633)
	Total			3,998

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	5,230	5,230	(0)
	Floating Rate Receivable/Fixed Rate Payable	23,187	16,193	365
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	8,463	8,316	(332)
	Total			32

Notes:

- Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
- Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
- The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 24.

As of March 31, 2021

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	3,901,015	2,596,065	(33,805)
Exceptional Treatments for Interest Rate Swaps	Interest Rate Swaps			
	Fixed Rate Receivable/Floating Rate Payable	—	—	—
	Floating Rate Receivable/Fixed Rate Payable	1,046,891	1,040,819	(57,195)
Total				(91,001)

Notes:

1. Most of hedged items with respect to Basic Treatment are Interest-bearing assets and liabilities such as Loans and Bills Discounted, Other Securities (Bonds) and Deposits.
2. Hedged items with respect to Exceptional Treatments for Interest Rate Swaps are Loans and Bills Discounted, Held-to-Maturity Debt Securities and Debentures.
3. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 24.

(2) Currency-Related Transactions

As of March 31, 2022

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	514,851	403,667	(1,997)
	Forward Foreign Exchange Contracts:			
	Sold	37,446	—	(1,679)
	Bought	—	—	—
Total				(3,677)

		Millions of U.S. Dollars		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	4,207	3,298	(16)
	Forward Foreign Exchange Contracts:			
	Sold	306	—	(13)
	Bought	—	—	—
Total				(30)

Notes:

1. Most of hedged items are foreign currency-denominated securities, Due from Banks, etc.
2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 25.
3. Fair value on currency swaps is stated at the amount after deduction of principal.

As of March 31, 2021

		Millions of Yen		
Method for Hedge Accounting	Items	Total Notional Amount	Notional Amount (Over 1 Year until Settlement or Expiry)	Fair Value
Basic Treatment	Currency Swaps	522,290	400,876	(2,815)
	Forward Foreign Exchange Contracts:			
	Sold	626	—	(33)
	Bought	—	—	—
	Total			<u>(2,849)</u>

Notes:

1. Most of hedged items are foreign currency-denominated securities, Due from Banks, etc.
2. The deferred method of hedge accounting is primarily applied to the transactions mentioned above based on the Industry Committee Practical Guidelines No. 25.
3. Fair value on currency swaps is stated at the amount after deduction of principal.

(3) Stock-Related Transactions

Not applicable.

(4) Bond-Related Transactions

Not applicable.

30. Related Party Transactions:

For the Fiscal Year Ended March 31, 2022

There were no significant related-party transactions.

For the Fiscal Year Ended March 31, 2021

There were no significant related-party transactions.

31. Revenue Recognition:

Disaggregation of Revenue from Contracts with Customers is provided in Note 32.

32. Segment Information:

(1) Description of Reportable Segments

The Group classifies the businesses of the Bank and its consolidated subsidiaries as single business segment, respectively. Among those business segments, the business of the Bank is determined as the reportable segment.

The Bank, as an individual financial institution, provides such services as deposits, debentures, lending, market fund management, trading operations, clearing and trust business. As the central financial institution for Shinkin Banks, the Bank complements the functions of the Shinkin Banks and operates the shinkin bank industry's own safety net, including the Shinkin Bank Management Reinforcement System. By doing so, the Bank strives to maintain an orderly financial system within the shinkin bank industry.

(2) Method of Calculating Amounts by Reportable Segment

The accounting methods of the reportable segment are consistent with those described in the "Significant Accounting Policies." Reportable segment profit is based on profit attributable to owners of parent.

(3) Amounts by Reportable Segment
For the Fiscal Year Ended March 31, 2022

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	212,986	36,674	249,660	(8)	249,652
Inter-segment	3,109	2,142	5,251	(5,251)	—
Total	216,095	38,816	254,911	(5,259)	249,652
Segment profit	34,046	2,534	36,580	(638)	35,942
Segment assets	43,757,754	262,701	44,020,455	(88,659)	43,931,795
Segment liabilities	42,199,230	170,821	42,370,052	(34,586)	42,335,466
Other items					
Depreciation	3,864	5,911	9,776	(0)	9,776
Interest Income	174,827	467	175,295	(96)	175,199
Interest Expenses	70,180	34	70,214	(30)	70,183
Income Taxes	10,815	1,183	11,998	(101)	11,897
Increase in Tangible and Intangible Fixed Assets	4,810	1,935	6,745	(11)	6,734

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	1,740	299	2,040	(0)	2,040
Inter-segment	25	17	42	(42)	—
Total	1,765	317	2,083	(42)	2,040
Segment profit	278	20	298	(5)	293
Segment assets	357,585	2,146	359,732	(724)	359,007
Segment liabilities	344,849	1,395	346,245	(282)	345,962
Other items					
Depreciation	31	48	79	(0)	79
Interest Income	1,428	3	1,432	(0)	1,431
Interest Expenses	573	0	573	(0)	573
Income Taxes	88	9	98	(0)	97
Increase in Tangible and Intangible Fixed Assets	39	15	55	(0)	55

Notes:

- The "Other" is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.
The Bank's consolidated subsidiaries provide such financial services as brokerage & dealing, regional business supports operations, overseas business support, consumer credit guarantees, asset management, investment and M&A advisory operations, and data processing services. Shinkin Regional Innovation Co., Ltd. was established on July 1, 2021 to provide regional business supports operations, etc.
- Adjustment comprises the following.
 - Within adjustment of segment profit, reduction of ¥638 million (\$5 million) comprises reduction of ¥341 million (\$2 million) on profit attributable to non-controlling interests and ¥297 million (\$2 million) on inter-segment eliminations, etc.
 - Within adjustment of segment assets, reduction of ¥88,659 million (\$724 million) comprises reduction of ¥44,295 million (\$361 million) on eliminations relating to capital consolidation and ¥44,364 million (\$362 million) on inter-segment eliminations, etc.
 - The adjustment for other items including reduction of ¥34,586 million (\$282 million) on the adjustment of segment liabilities comprises inter-segment eliminations, etc.
- Segment profit has been adjusted from profit attributable to owners of parent presented in the consolidated statement of income.

For the Fiscal Year Ended March 31, 2021

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented in the consolidated financial statements
	Shinkin Central Bank business				
Income					
External customers	224,312	36,707	261,020	(9)	261,011
Inter-segment	2,934	1,533	4,467	(4,467)	—
Total	227,247	38,241	265,488	(4,476)	261,011
Segment profit	29,579	2,990	32,569	(919)	31,649
Segment assets	43,654,176	272,879	43,927,055	(83,526)	43,843,528
Segment liabilities	41,963,346	183,520	42,146,866	(30,659)	42,116,207
Other items					
Depreciation	4,934	5,325	10,259	(0)	10,259
Interest Income	174,728	605	175,333	(171)	175,162
Interest Expenses	83,920	48	83,968	(38)	83,930
Income Taxes	10,201	1,358	11,560	(174)	11,385
Increase in Tangible and Intangible Fixed Assets	4,343	3,418	7,761	—	7,761

Notes:

1. The “Other” is a business segment not included in our reportable segment and relates to businesses performed by consolidated subsidiaries.

The Bank’s consolidated subsidiaries provide such financial services as brokerage & dealing, overseas business support, consumer credit guarantees, asset management, investment and M&A advisory operations, and data processing services. Shinkin Singapore Pte. Ltd. was established on February 3, 2021 to provide overseas business support services.

2. Adjustment comprises the following.

(i) Within adjustment of segment profit, reduction of ¥919 million comprises reduction of ¥390 million on profit attributable to non-controlling interests and ¥529 million on inter-segment eliminations, etc.

(ii) Within adjustment of segment assets, reduction of ¥83,526 million comprises reduction of ¥43,199 million on eliminations relating to capital consolidation and ¥40,327 million on inter-segment eliminations, etc.

(iii) The adjustment for other items including reduction of ¥30,659 million on the adjustment of segment liabilities comprises inter-segment eliminations, etc.

3. Segment profit has been adjusted from profit attributable to owners of parent presented in the consolidated statement of income.

(4) Disaggregation of Revenue from Contracts with Customers

For the Fiscal Year Ended March 31, 2022

(Millions of Yen)

	Reportable segment	Other	Total	Adjustment	Amount presented on the consolidated statement of income
	Shinkin Central Bank business				
Investment Trust Commission	5,297	6,687	11,984	(2,908)	9,075
Trust Fees	1,921	—	1,921	—	1,921
Fund Transfer Operations Commission	1,648	—	1,648	(1)	1,646
Others	1,684	22,554	24,239	(1,433)	22,805
Revenue from Contracts with Customers	10,550	29,242	39,792	(4,343)	35,449
Other Ordinary Income	205,544	9,574	215,118	(916)	214,202
Ordinary Income	216,095	38,816	254,911	(5,259)	249,652

(Millions of U.S. Dollars)

	Reportable segment	Other	Total	Adjustment	Amount presented on the consolidated statement of income
	Shinkin Central Bank business				
Investment Trust Commission	43	54	97	(23)	74
Trust Fees	15	—	15	—	15
Fund Transfer Operations Commission	13	—	13	(0)	13
Others	13	184	198	(11)	186
Revenue from Contracts with Customers	86	238	325	(35)	289
Other Ordinary Income	1,679	78	1,757	(7)	1,750
Ordinary Income	1,765	317	2,083	(42)	2,040

Notes:

- “Investment Trust Commission” mainly arises from investment trust management services and is recorded under “Fees and Commissions” in the consolidated statement of income.
- “Trust Fees” mainly arise from trustee services for trust assets and are recorded under “Trust Fees” in the consolidated statement of income.
- “Fund Transfer Operations Commission” mainly arises from fund transfer services and is recorded under “Fees and Commissions” in the consolidated statement of income.
- “Others,” services not included in 1-3 above, mainly arise from contracted data processing services, etc. and are recorded under “Fees and Commissions” in the consolidated statement of income.

(Related Information)

For the Fiscal Year Ended March 31, 2022

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	174,607	15,759	59,285	249,652

(Millions of U.S. Dollars)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	1,426	128	484	2,040

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
104,932	24,610	15,632	104,476	249,652

(Millions of U.S. Dollars)

Japan	United States	Europe	Other	Total
857	201	127	853	2,040

Note: Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the consolidated balance sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	26,642	Shinkin Central Bank business

(Millions of U.S. Dollars)

Name of customer	Income	Related segment
The Government of Japan	217	Shinkin Central Bank business

For the Fiscal Year Ended March 31, 2021

1. Information by service

(Millions of Yen)

	Securities investment operations	Lending operations	Other	Total
Income from external customers	188,775	17,565	54,671	261,011

2. Information by geographic region

(1) Income

(Millions of Yen)

Japan	United States	Europe	Other	Total
121,567	21,496	26,264	91,683	261,011

Note: Income from derivative transactions and Trading income are included in Other.

(2) Tangible fixed assets

The Group's tangible fixed assets located in Japan account for over 90% of the tangible fixed assets presented in the consolidated balance sheet. Consequently, this information is omitted.

3. Information by principal customer

(Millions of Yen)

Name of customer	Income	Related segment
The Government of Japan	30,486	Shinkin Central Bank business

(Information related to Impairment Losses of Fixed Assets by Reportable Segment)

Not applicable.

(Information related to Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment)

Not applicable.

(Information related to Accrual of Income from Negative Goodwill by Reportable Segment)

Not applicable.

33. Amounts per Share:

	Yen		U.S. Dollars
	2022	2021	2022
Net Assets per Share	292,802.41	320,620.85	2,392.76
Net Income per Share	5,041.19	4,401.33	41.19
Net Income per Share after Adjustment for Common Share equivalents	—	—	—

Notes:

1. The basis for calculation of net assets per share is as follows:

		2022	2021	2022	
Total Net Assets	Millions of Yen	1,596,329	1,727,321	Millions of U.S. Dollars	13,045
Amount Deducted from Total Net Assets	Millions of Yen	217,751	217,767	Millions of U.S. Dollars	1,779
Non-Controlling Interests	Millions of Yen	12,626	12,642	Millions of U.S. Dollars	103
Preferred Dividends	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	17
Dividend Attributable to Specific Common Shares	Millions of Yen	3,000	3,000	Millions of U.S. Dollars	24
Distribution of Residual Assets Attributable to Specific Common Shares	Millions of Yen	200,000	200,000	Millions of U.S. Dollars	1,634
Net Assets at Fiscal Year-end Used to Calculate Net Assets per Share	Millions of Yen	1,378,578	1,509,554	Millions of U.S. Dollars	11,265
Number of Share Units at Fiscal Year-end Used to Calculate Net Assets per Share	Unit	4,708,222	4,708,222	—	—
Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net assets per share, of dividend attributable to preferred shares, preferred dividends are deducted from total net assets whereas participating dividends are not deducted from total net assets.

Dividend attributable to specific common shares and distribution of residual assets attributable to specific common shares are deducted from total net assets, and the number of specific common shares is not included within the number of shares.

2. The basis for calculation of net income per share is as follows:

		2022	2021	2022	
Profit Attributable to Owners of Parent	Millions of Yen	35,942	31,649	Millions of U.S. Dollars	293
Amount Deducted from Profit Attributable to Owners of Parent	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	17
Preferred Dividend	Millions of Yen	2,124	2,124	Millions of U.S. Dollars	17
Profit Attributable to Owners of Parent Used to Calculate Net Income per Share	Millions of Yen	33,817	29,525	Millions of U.S. Dollars	276
Average Number of Share Units for the Fiscal Year	Unit	6,708,222	6,708,222	—	—
Average Number of General Common Share Units	Unit	4,000,000	4,000,000	—	—
Average Number of Specific Common Share Units	Unit	2,000,000	2,000,000	—	—
Average Number of Preferred Share Units	Unit	708,222	708,222	—	—

* When calculating net income per share, of dividends attributable to preferred securities, dividends attributable to preferred shares are deducted from profit attributable to owners of parent whereas participating dividends are not deducted from profit attributable to owners of parent.

3. Net income per share after adjustment for common share equivalents is not listed as there are no dilutive securities.

34. Subsequent Events:

Not applicable.

Independent Auditor's Report

The Board of Directors
Shinkin Central Bank

Opinion

We have audited the accompanying consolidated financial statements of Shinkin Central Bank and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of determination of the borrower classification in light of the effect of the COVID-19 pandemic and the appropriateness of the inputs applied to the cash flow estimate method

Description of Key Audit Matter	Auditor's Responses
<p>The Group extends loans to central and local governments, public service corporations, as well as domestic and overseas companies mainly including listed companies, and recorded Loans and Bills Discounted of ¥7,754,789 million, representing 17.7% of total assets, on its consolidated balance sheet as of March 31, 2022.</p> <p>It is possible that these loans may default due to domestic and global economic situation, fluctuations in the real estate and stock markets, deterioration in the business conditions of individual borrowers, and the impact of stagnant economy caused by the recent COVID-19 pandemic.</p> <p>Consequently, the Group calculates the amount of expected losses from future defaults and records them as Reserve for Possible Loan Losses.</p> <p>As of March 31, 2022, the Group had Reserve for Possible Loan Losses of ¥25,312 million on its consolidated balance sheet. The specific principles to calculate reserve for possible loan losses are stated in Note 2 Significant Accounting Policies (9) Reserve for Possible Loan Losses and (19) Significant Accounting Estimates.</p> <p>The reserve for possible loan losses is calculated in accordance with the Group's internal rules for self-assessment of asset quality and write-offs/provision, and the calculation process includes determination of the borrower classification in the self-assessment of asset quality based on the credit rating system, by which the Group evaluates the borrower's debt servicing capacity in terms of the borrower's repayment history, financial condition, business performance and prospects thereof. For certain borrowers' loans, the reserve for loan losses is calculated using the cash flow estimate method (hereinafter referred to as the "DCF method").</p>	<p>We performed the following audit procedures to examine the reasonableness of determination of the borrower classification and the appropriateness of the inputs applied to the DCF method, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the Group's internal control over assignment of internal credit ratings and determination of the borrower classification as well as application of the DCF method. • We involved our credit risk assessment experts to examine the appropriateness of the credit rating system used as the basis for determining the borrower classification, by inspecting the results of the Group's validation of its internal rating model in the credit rating system and comparing the internal rating model with industry practices. • In order to examine the reasonableness of the assumptions made by the Group about the timing when the COVID-19 pandemic will be contained and the degree of the effect on the borrower's debt servicing capacity, we compared those assumptions with available external information such as economic forecasts published by public institutions. • In order to examine the appropriateness of the classification of individual borrowers, we selected sample borrowers, taking into account factors such as borrowers' industry, repayment history, financial position, operating performance and the degree of the impact of the COVID-19 pandemic on the borrowers' debt servicing capacity, in addition to the monetary impact of the migration of the borrower classification on the amount of the reserve for possible loan losses.

In determining the borrower classifications, the Group assumed that the impact of the stagnation in economic activities caused by the COVID-19 pandemic will persist until the end of the fiscal year ending March 31, 2023, that the pace of recovery in economic and corporate activities will be slow during that period, and that the business performance of certain industries, such as airlines and natural resources, will be significantly affected over a certain period of time. The classification of the borrower is determined considering such factors as whether their future performance is expected to be significantly affected by these assumptions. In applying the DCF method, the reserve for loan losses is calculated based on the key assumptions of the repayment plan prepared by the borrowers, their credit conditions, the Group's lending policy, and inputs such as default rates issued by the external rating agencies based on the creditworthiness of the borrower.

Prospects of such factors as the individual borrowers' performance are highly uncertain because they are affected by changes in the business environment surrounding the borrowers, including the COVID-19 pandemic, and the outcome of the borrowers' business strategies. If the borrower classification is downgraded, the credit cost may increase, significantly affecting the financial performance and financial position of the Group. In addition, since the various inputs used in the DCF method cannot be objectively or uniquely determined, there is a high degree of reliance on management's judgment.

Therefore, we have determined that the reasonableness of determination of the borrower classification and the appropriateness of the inputs applied to the DCF method are a key audit matter.

- In order to comprehend the recent repayment history, financial condition and operating performance of the borrowers selected as samples, we inspected the sets of the documents used for self-assessment of asset quality by the Group, which include but are not limited to explanatory materials on the borrowers' business profile, supporting materials on historical experiences of borrowing activities, supporting materials to understand the actual financial condition, financial statements and trial balances in light of the available external information. In addition, we made inquiries of the Credit Planning & Supervision Division as necessary.
- In order to examine the reasonableness of the Group's prospects of individual borrowers, we comprehended the Group's analysis of the extent of effect of the COVID-19 pandemic on the individual borrowers and the borrowers' repayment history. We then analyzed the trend from the past in respect of forecasts of major income statement items, such as net sales and ordinary income, and major balance sheet items, such as shareholders' equity of the borrowers, in the Group's analysis, and compared the assumptions used in these forecasts with the available external information on the industry in which the borrower operates.
- In order to examine the appropriateness of the Group's assessment of the reasonableness and feasibility of the repayment plan which underlies the future cash flows used as inputs for the DCF method, we compared the assumptions in the repayment plan with available external information and the Group's lending policies, and compared the cash flows estimated in the previous year with the actual results.
- In order to assess the reasonableness of the probability of default used as an input for the DCF method, we compared it with the default rates available in external information. Also, we recalculated the present value of the cash flows using those inputs.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 21, 2022

/s/ Ryuji Takagi
Designated Engagement Partner
Certified Public Accountant

/s/ Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

/s/ Mitsutaka Kumagai
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Balance Sheet

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Assets			
Cash and Due from Banks	16,755,378	15,057,804	136,923
Call Loans	1,329,496	494,181	10,864
Receivables under Resale Agreements	31,999	365,228	261
Monetary Claims Bought	204,459	180,309	1,670
Trading Assets	314,639	257,067	2,571
Money Held in Trust	118,623	108,030	969
Securities	16,163,857	17,744,905	132,090
Loans and Bills Discounted	7,758,748	8,451,005	63,404
Foreign Exchanges Assets	19,622	20,676	160
Other Assets	999,560	917,274	8,168
Tangible Fixed Assets	67,614	66,472	552
Intangible Fixed Assets	4,309	4,863	35
Customers' Liabilities for Acceptances and Guarantees	14,456	15,981	118
Reserve for Possible Loan Losses	(25,013)	(29,625)	(204)
Total Assets	43,757,754	43,654,176	357,585
Liabilities and Net Assets			
Liabilities			
Deposits	33,165,342	33,787,924	271,025
Debentures	1,547,370	1,774,270	12,645
Trading Liabilities	24,680	29,235	201
Borrowed Money	4,167,880	4,020,480	34,059
Call Money	5,637	10,166	46
Payables under Repurchase Agreements	1,191,685	285,725	9,738
Payables under Securities Lending Transactions	1,719,877	1,695,042	14,054
Foreign Exchanges Liabilities	1,159	2,055	9
Borrowed Money from Trust Account	42,821	30,300	349
Other Liabilities	242,749	180,768	1,983
Reserve for Employee Bonuses	1,296	1,361	10
Reserve for Directors' Bonuses	93	91	0
Reserve for Employee Retirement Benefits	27,224	26,362	222
Reserve for Directors' Retirement Allowances	430	395	3
Deferred Tax Liabilities	40,492	97,106	330
Deferred Tax Liabilities for Land Revaluation	6,033	6,081	49
Acceptances and Guarantees	14,456	15,981	118
Total Liabilities	42,199,230	41,963,346	344,849
Total Net Assets	1,558,523	1,690,829	12,736
Total Liabilities and Net Assets	43,757,754	43,654,176	357,585

Non-Consolidated Statement of Income

Shinkin Central Bank For the year ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Income			
Interest Income:	174,827	174,728	1,428
Interest on Loans and Discounts	15,786	17,597	129
Interest on Due from Banks	7,112	7,747	58
Interest on Call Loans	(169)	80	(1)
Interest on Receivables under Resale Agreements	(1,170)	(1,224)	(9)
Interest and Dividends on Securities	152,714	150,048	1,247
Others	553	477	4
Trust Fees	1,921	1,258	15
Fees and Commissions	9,132	7,842	74
Trading Income	942	856	7
Other Operating Income	17,248	31,820	140
Other Income	12,023	10,741	98
Total Income	216,095	227,247	1,765
Expenses			
Interest Expenses:	70,180	83,920	573
Interest on Deposits	29,222	33,297	238
Interest on Debentures	1,163	1,696	9
Interest on Borrowed Money	1,771	1,950	14
Interest on Call Money	7	60	0
Interest on Payables under Repurchase Agreement	55	152	0
Interest on Payables under Securities Lending Transactions	1,480	3,287	12
Interest Payable on Interest Rate Swaps	36,390	43,255	297
Others	88	221	0
Fees and Commissions	7,925	7,040	64
Trading Losses	8	155	0
Other Operating Expenses	61,353	60,821	501
General and Administrative Expenses	31,398	32,426	256
Other Expenses	368	3,101	3
Total Expenses	171,233	187,466	1,399
Income before Income Taxes	44,861	39,780	366
Income Taxes			
Current	10,459	9,970	85
Deferred	355	230	2
Total Income Taxes	10,815	10,201	88
Net Income	34,046	29,579	278

	Yen		U.S. Dollars
	2022	2021	2022
Net Income Per Share	4,758.56	4,092.69	38.88
Dividend Declared per Share (General Common Shares)	3,000.00	3,000.00	24.51
Dividend Declared per Share (Specific Common Shares)	1,500.00	1,500.00	12.25
Dividend Declared per Share (Preferred Shares)	6,500.00	6,500.00	53.11

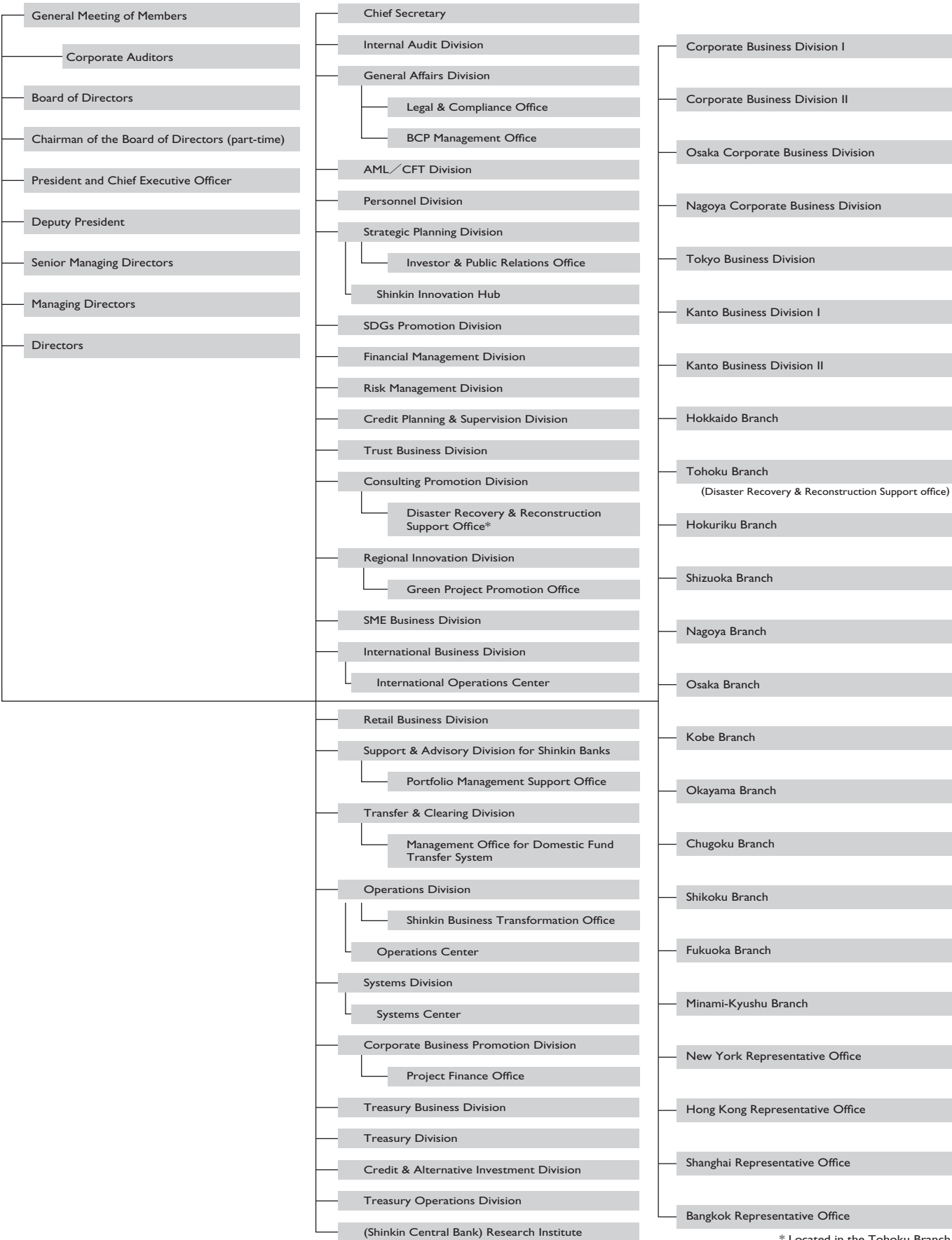
Statement of Trust Account (Consolidated)

Shinkin Central Bank As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Assets			
Beneficiary Rights in Trust	2,248,331	1,654,325	18,373
Securities Held in Custody Accounts	63,000	63,000	514
Monetary Claims	354,167	266,855	2,894
Other Claims	-	28	-
Due from Banking Account	42,821	30,300	349
Cash and Due from Banks	166	1,188	1
Total Assets	2,708,486	2,015,700	22,133
Liabilities			
Money Trust	54,460	40,182	445
Investment Trusts	28,961	57,362	236
Money Held in Trust Other than Money Trust	7,557	8,561	61
Securities Trusts	70,100	77,200	572
Monetary Claims Trusts	354,274	267,028	2,895
Composite Trusts	2,193,133	1,565,365	17,922
Total Liabilities	2,708,486	2,015,700	22,133

(Note 1) Consolidated companies conducting trust business pursuant to the “Act on Engagement in Trust Business Activities by Financial Institutions” comprised only the Bank in the fiscal years ended March 31, 2022 and 2021.

(Note 2) No trust assets were entrusted to other trust banks for asset administration as of March 31, 2022 and 2021.

Organization (As of July 31, 2022)



* Located in the Tohoku Branch.

International Directory (As of July 31, 2022)

Deputy President
(in charge of Strategic Planning)
Hiroshi Sudo

Deputy President
(in charge of Corporate Business Promotion/
Treasury Operations/Research Institute)
Hiroshi Nakahara

Managing Director
(in charge of Treasury Business)
Takehiko Murotani

Managing Director
(in charge of Treasury/
Credit & Alternative Investment)
Hideki Sasaki

Managing Director
(in charge of International Business/
Overseas Offices)
Kenji Tanaka

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Treasury Operations Division
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Telephone: +852-2537-3777
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Chief Representative: Takumi Ohori

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Facsimile: +86-21-6270-3095
Chief Representative: Yosuke Abe

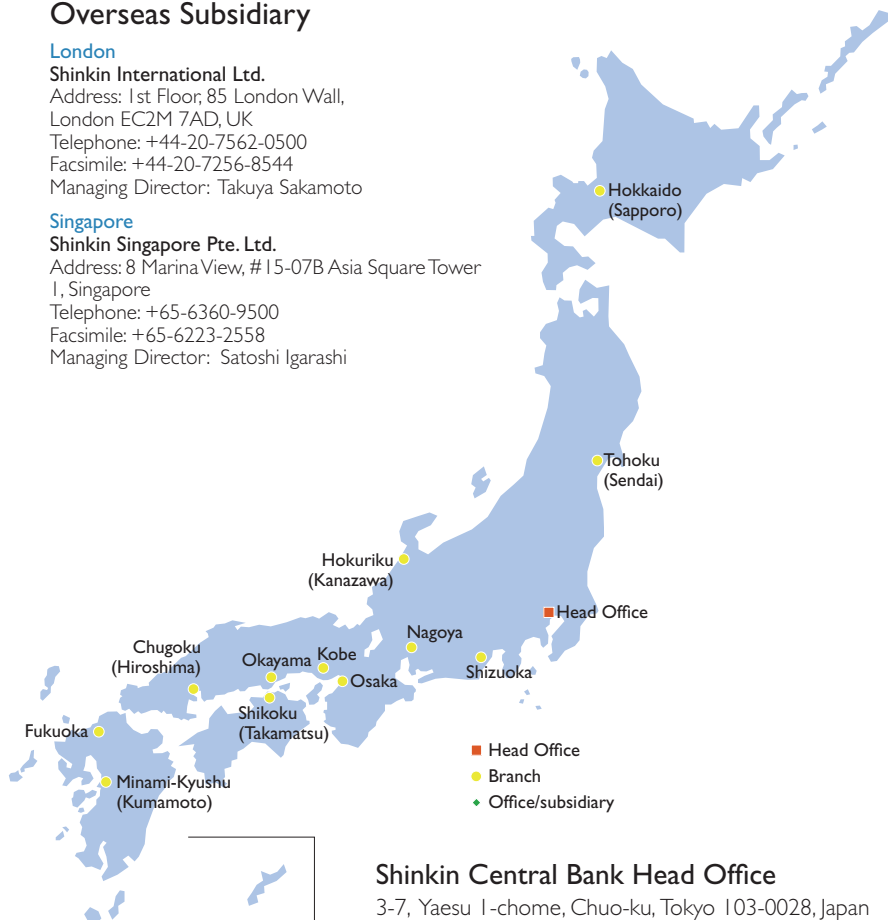
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Telephone: +66-2-168-8796
Facsimile: +66-2-168-8799
Chief Representative: Naotaka Yoshikawa



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Managing Director: Takuya Sakamoto

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Address: 8 Marina View, #15-07B Asia Square Tower
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Facsimile: +65-6223-2558
Managing Director: Satoshi Igarashi



Shinkin Central Bank Head Office

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ROAD TO 2030



Shinkin Central Bank

SCB



SCB supports the Sustainable Development Goals.

3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan

<https://www.shinkin-central-bank.jp/>