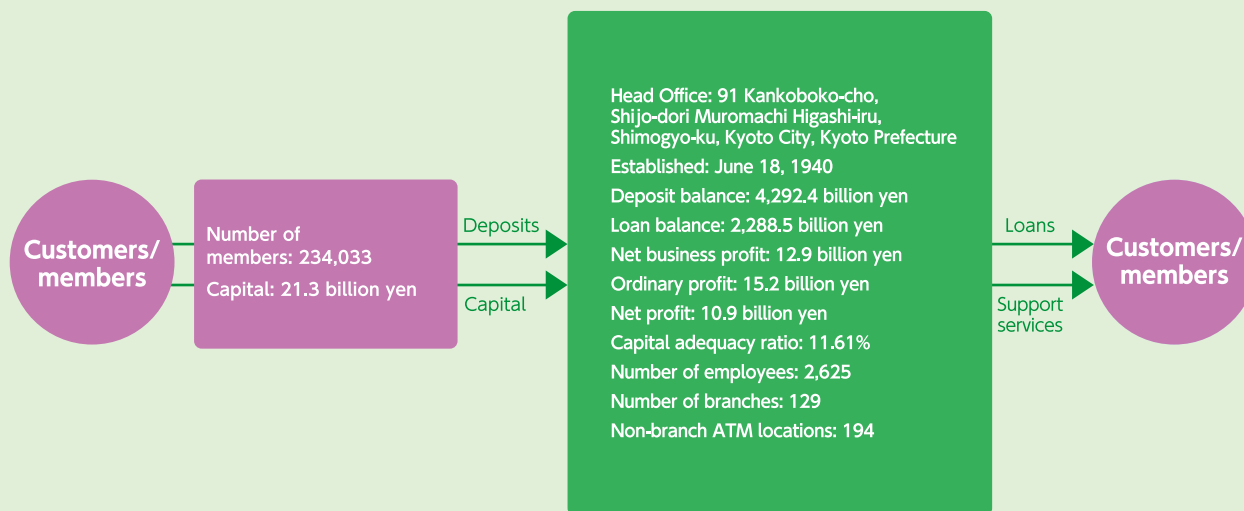


THE KYOTO CHUO SHINKIN BANK

ANNUAL REPORT 2015

Company profile of the Kyoto Chuo Shinkin Bank



(Year ended March 2015)

The Kyoto Chuo Shinkin Bank is a cooperative financial institution that operates under the shared philosophy of prosperity for all, including for local SMEs and individuals. The Kyoto Chuo Shinkin Bank serves Kyoto City and parts of Kyoto, Shiga, Osaka and Nara prefecture. The deposits we look after for our customers in the community are used for investments in customers that require capital, such as venture corporations, in order to foster the continued development of local economies and businesses. Moreover, we have formed a strong network characterized by close ties to the community. With a broad branch system, we provide products and services in-line with the demand of customers and assist them in improving their lives. We are also actively involved in activities designed to help the cultivation of human resources and engage in activities geared toward protecting and passing on to the next generation the local natural environment, scenery, and traditional culture in our community, including within an international city of culture and tourism; Kyoto. Thus, we contribute to development in our community not just financially, but in other various ways as well.

We are actively involved in activities that contribute to a society to which we are thankful.

Unlike city-based commercial banks, which do business on a national scale, credit associations are limited in their terms of where they do business. As such, credit associations cannot hope for their own development without the development of the communities where they do business. The Kyoto Chuo Shinkin Bank (as a financial institution headquartered in the land of the Kyoto Protocol) not only serves to help the region prosper through financial institution activities, but is also actively involved with environmental issues and continuously engages in various activities that contribute to a society we are grateful for.

Fund Procurement and Management

Deposit balances by account type

(Unit : million yen)

	Year ended March 2014 (Component ratio)	Year ended March 2015 (Component ratio)	Changes
Current deposits	68,263 (1.61%)	67,937 (1.58%)	△325 (△0.03%)
Ordinary deposits	1,385,974 (32.75%)	1,468,549 (34.21%)	82,575 (1.46%)
Savings deposits	47,649 (1.12%)	49,967 (1.16%)	2,318 (0.04%)
Deposits at notice	49,712 (1.17%)	25,524 (0.59%)	△24,187 (△0.58%)
Time deposits	2,516,521 (59.48%)	2,484,690 (57.88%)	△31,831 (△1.60%)
Fixed savings deposits	62,742 (1.48%)	56,557 (1.31%)	△6,185 (△0.17%)
Other deposits	99,828 (2.35%)	139,253 (3.24%)	39,424 (0.89%)
Total	4,230,692 (100.00%)	4,292,480 (100.00%)	61,788 (-)

(Notes) Foreign currency deposits are included in "Other deposits".

Deposit balances by depositor

(Unit : million yen)

	Year ended March 2014 (Component ratio)	Year ended March 2015 (Component ratio)	Changes
Individual customers	3,214,057 (75.97%)	3,235,642 (75.37%)	21,585 (△0.60%)
Corporate customers	775,643 (18.33%)	844,417 (19.67%)	68,773 (1.34%)
Public institutions	96,798 (2.28%)	48,924 (1.13%)	△47,873 (△1.15%)
Financial institutions	144,192 (3.40%)	163,496 (3.80%)	19,303 (0.40%)
Total	4,230,692 (100.00%)	4,292,480 (100.00%)	61,788 (-)

(Notes) Negotiable certificates of deposits are not included in this table.

Loan balances by account

(Unit : million yen)

	Year ended March 2014	Year ended March 2015	Changes
Bills discounted	11,151	10,783	△368
Loans on bills	80,873	75,524	△5,348
Loans on deeds	2,069,945	2,130,953	61,008
Overdrafts	72,272	71,290	△981
Total	2,234,242	2,288,552	54,309

(Notes) The Bank does not distinguish between domestic and international operations.

Breakdown of loan balances by business type

(Unit : number, million yen)

	Year ended March 2014			Year ended March 2015		
	Number of borrowers	Loan balance	Component ratio	Number of borrowers	Loan balance	Component ratio
Manufacturing	2,851	136,374	6.10%	2,750	129,980	5.67%
Agriculture, forestry	40	999	0.04%	38	610	0.02%
Mining, quarrying, sand and gravel gathering	8	1,014	0.04%	7	1,077	0.04%
Construction	3,252	100,380	4.49%	3,241	96,982	4.23%
Electricity, gas, heat supply, water	6	28	0.00%	9	186	0.00%
Telecommunications	183	4,688	0.20%	184	4,622	0.20%
Transportation, postal industry	271	17,691	0.79%	275	22,488	0.98%
Wholesale business	1,467	79,071	3.53%	1,474	79,870	3.48%
Retail business	1,783	52,670	2.35%	1,698	51,046	2.23%
Finance, insurance	49	7,655	0.34%	49	7,085	0.30%
Real estate	4,527	461,126	20.63%	4,630	469,235	20.50%
Rental industry	43	6,884	0.30%	38	5,957	0.26%
Scientific research, specialist/technical services	429	8,960	0.40%	419	7,895	0.34%
Accommodation industry	72	13,532	0.60%	68	12,758	0.55%
Restaurant industry	1,276	26,052	1.16%	1,230	25,790	1.12%
Lifestyle-related service industries, entertainment industry	484	39,696	1.77%	465	37,206	1.62%
Education, study support industry	101	8,319	0.37%	103	13,228	0.57%
Medicine, welfare	576	49,020	2.19%	599	53,086	2.31%
Other services	1,071	39,444	1.76%	1,106	39,452	1.72%
Subtotal	18,489	1,053,613	47.15%	18,383	1,058,562	46.25%
Local public entities	25	103,473	4.63%	27	121,141	5.29%
Individual (housing, consumption, tax payment funds, etc.)	149,360	1,077,155	48.21%	148,016	1,108,848	48.45%
Total	167,874	2,234,242	100.00%	166,426	2,288,552	100.00%

(Notes) 1. Business categories are based on the large classification of Japan Standard Industry Classification.

2. Loans outside Japan are classified in the same manner as those in Japan and are included within their respective business category.

Fund management and securities business

Average balance by type of security

(Unit : million yen)

	Year ended March 2014	Year ended March 2015	Changes
Japanese government bonds	793,169	745,233	△47,936
Local government bonds	79,905	113,073	33,168
Corporate bonds	434,850	427,520	△7,329
Stocks	15,696	20,411	4,714
Foreign securities	106,415	123,533	17,118
Other securities	26,115	32,500	6,384
Total	1,456,153	1,462,273	6,120

Other Indicators

Foreign exchange transaction handling performance

(Unit : million US\$)

	Year ended March 2014	Year ended March 2015	Changes
Export exchange	97	109	11
Import exchange	176	187	10
Total	273	296	22

Foreign currency denominated assets balance

(Unit : million US\$)

	Year ended March 2014	Year ended March 2015	Changes
Balance of foreign currency denominated assets	629	817	188

About the Capital-to-Asset Ratio

Consolidated Capital-to-Asset Ratio (Basel III Domestic Framework)

(Unit: million yen)

Item		Year ended March 2014	Year ended March 2015	Changes
Fundamental items related to core capital (A)	Member accounts related to ordinary investment	207,173	220,278	13,105
	(Investments)	21,645	21,349	△ 295
	(Earned surplus)	187,024	201,198	14,174
	(Predicted outflow (－))	1,011	1,000	△ 10
	(Other)	△ 485	△ 1,268	△ 783
	General allowance for doubtful accounts	4,345	3,862	△ 483
	Fundamental items related to core capital among eligible former capital procurement methods	9,607	7,208	△ 2,398
	Fundamental items related to core capital among the 45% general amount of difference in reevaluation of land	5,790	5,211	△ 579
	Fundamental items related to core capital among minority shareholders' interest	4,462	42	△ 4,420
(A)	231,378	236,603	5,225	
Adjusted items related to core capital (B)	Intangible fixed assets	—	559	559
	(B)	—	559	559
Owned capital (C)	(A) – (B)	231,378	236,044	4,665
Risk assets, etc. (D)	Trust risk assets	1,862,929	1,897,518	34,589
	Amount derived by dividing the total amount equivalent to operational risk by 8%	94,462	92,005	△ 2,457
	(D)	1,957,391	1,989,523	32,131
Consolidated capital-to-asset ratio	$\frac{(C)}{(D)}$	11.82%	11.86%	0.04%

(Notes) The above is calculated based on the "Standards for judging whether the owned capital Shinkin Bank or Shinkin Bank Association holds is appropriate according to the assets they possess based on the regulations in Article 14, Section 2 of the Banking Act applying to Article 89, Section 1 of the Shinkin Bank Act (Financial Services Agency announcement 21 of 2006)." Our group has adopted a domestic framework.

Consolidated Financial Statements

Consolidated balance sheet

(Unit : million yen)

(Assets)	As of March 31, 2014	As of March 31, 2015	Changes
Cash and due from banks	876,861	856,477	△ 20,384
Bills purchased and call loans	809	723	△ 85
Monetary claims purchased	3,133	2,850	△ 282
Trust funds	1,495	2,073	578
Trading securities	1,057	1,247	190
Investment securities	1,403,194	1,564,608	161,413
Loans	2,232,639	2,286,866	54,226
Foreign exchange	711	1,130	418
Other assets	24,282	23,471	△ 811
Tangible fixed assets	53,706	53,560	△ 146
Buildings	6,768	6,619	△ 148
Land	42,259	42,312	52
Lease assets	2,201	2,061	△ 139
Construction work in progress	74	130	56
Other tangible fixed assets	2,402	2,435	33
Intangible fixed assets	5,163	3,876	△ 1,287
Software	2,206	1,338	△ 868
Lease assets	2,628	2,144	△ 483
Other intangible fixed assets	328	393	65
Deferred tax assets	8,978	3,733	△ 5,245
Customers' liabilities for acceptances and guarantees	3,869	5,897	2,028
Reserve for possible loan loss	△ 17,992	△ 17,004	987
Reserve for investment loss	△ 88	△ 48	39
Total assets	4,597,823	4,789,463	191,639

(Liabilities)	As of March 31, 2014	As of March 31, 2015	Changes
Deposits	4,214,845	4,274,905	60,060
Borrowings	60,020	155,400	95,380
Bills sold and call money	40,352	58,536	18,184
Foreign exchange	0	5	4
Other liabilities	28,283	26,872	△ 1,410
Reserve for bonuses	14	14	—
Retirement benefit liability	13,333	11,786	△ 1,547
Reserve for retirement bonuses for directors	934	977	43
Reserve for reimbursement of deposits	248	221	△ 27
Reserve for contingent losses	307	193	△ 114
Reserve for reward payments of deposits	192	176	△ 16
Deferred tax liabilities as for land revaluation	4,844	4,853	8
Acceptances and guarantees	3,869	5,897	2,028
Total liabilities	4,367,246	4,539,840	172,593
(Net assets)			
Capital	21,645	21,349	△ 295
Earned surplus	187,024	201,198	14,174
Unsettled equity	△ 485	△ 1,268	△ 783
Total members' equity	208,184	221,279	13,095
Net unrealized gains on available-for-sale securities	9,911	20,301	10,390
Deferred hedging gains and losses	△ 2	△ 17	△ 14
Land revaluation surplus	8,022	8,013	△ 8
Total amount on valuation and translation	17,930	28,297	10,366
Minority's share on associated companies' net assets	4,462	46	△ 4,415
Total net assets	230,577	249,623	19,046
Total liabilities and net assets	4,597,823	4,789,463	191,639

Consolidated Financial Statements

Consolidated statement of income

(Unit : thousand yen)

	April 1, 2013 through March 31, 2014	April 1, 2014 through March 31, 2015	Changes
Ordinary income	70,221,658	68,372,414	△ 1,849,243
Fund management income	53,599,670	51,584,548	△ 2,015,121
Interest on loans	39,120,592	37,824,369	△ 1,296,223
Interest on deposits	2,565,928	2,741,701	175,772
Interest on bills purchased and call loans	25,205	23,860	△ 1,345
Interest and dividends on securities	10,959,286	10,087,533	△ 871,752
Other interest income	928,656	907,084	△ 21,572
Fees and commissions	5,993,745	6,106,065	112,320
Other operating income	7,380,372	6,833,999	△ 546,372
Other ordinary income	3,247,870	3,847,800	599,930
Gain on reversal of allowance for doubtful accounts	—	97,937	97,937
Bad debt recovered	760,430	1,047,454	287,023
Other ordinary income	2,487,439	2,702,408	214,968
Ordinary expenses	53,233,036	51,862,430	△ 1,370,606
Financing expenses	5,293,887	4,803,676	△ 490,211
Interest on deposits	4,708,235	4,102,192	△ 606,042
Interest on Fixed savings deposits	34,058	20,233	△ 13,825
Interest on borrowings	135,023	181,228	46,204
Interest on bills sold and call money	94,829	140,529	45,699
Interest paid in bond lending transactions	57,129	135,851	78,722
Other interest expenses	264,611	223,640	△ 40,970
Fees and commissions	4,628,002	4,783,690	155,687
Other operating expenses	4,744,438	3,830,148	△ 914,290
Expenses	36,942,177	36,947,747	5,570
Other ordinary expenses	1,624,529	1,497,167	△ 127,362
Provision of allowance for doubtful debt accounts	198,004	—	△ 198,004
Other ordinary expenses	1,426,525	1,497,167	70,641
Ordinary profit	16,988,622	16,509,984	△ 478,637
Extraordinary profit	60	3,146,744	3,146,683
Gain on disposal of fixed assets	60	31	△ 29
Gain on negative goodwill	—	3,146,712	3,146,712
Extraordinary loss	62,393	99,254	36,860
Loss on disposal of fixed assets	61,367	98,283	36,916
Impairment losses	1,025	970	△ 55
Net income before taxes and other adjustments	16,926,289	19,557,474	2,631,184
Corporate tax, inhabitant tax and business tax	5,092,952	3,891,411	△ 1,201,541
Adjustment with corporate tax, etc.	346,994	812,065	465,070
Total corporate tax, etc.	5,439,947	4,703,476	△ 736,470
Net income before minority interests	11,486,342	14,853,997	3,367,655
Minority interests	738,222	694,737	△ 43,485
Net income	10,748,119	14,159,260	3,411,140

Consolidated statement of retained earnings

(Unit : thousand yen)

(Earned surplus)	April 1, 2013 through March 31, 2014	April 1, 2014 through March 31, 2015	Changes
Earned surplus at the beginning of the term	177,297,523	187,024,236	9,726,712
Cumulative effects of changes in accounting policies	—	1,012,796	1,012,796
Earned surplus that reflects changes in accounting policies at the beginning of the term	—	188,037,032	188,037,032
Increase in earned surplus	10,748,119	14,159,260	3,411,140
Net income	10,748,119	14,159,260	3,411,140
Decrease in earned surplus	1,021,407	997,756	△ 23,651
Dividends	1,021,407	997,756	△ 23,651
Earned surplus at the end of the term	187,024,236	201,198,537	14,174,301

Segment information by business type

Some consolidated companies conduct credit guarantee business, etc., in addition to credit association business, but because the ratio of these business activities to all segments is minimal, segment information by business type is not included here.

Status of Loan Assets

Self-assessment and depreciation/allowance

The Bank has established standards in accordance with the financial inspections manual to ensure the health of assets. It has also rigorously implemented "self-assessment" in order to scrutinize its own assets individually, as well as "depreciation and allowance" in accordance with it.

In the self-assessment, the Bank assesses the repayment capacity of borrowers based on their financial condition, cash position and profitability. In accordance with the results of the assessment, they are classified into one of five groups consisting of "Normal entities," "Entities requiring caution," "Potentially bankrupt entities," "Entities bankrupt in substance" and "Bankrupt entities." Then, the Bank classifies each individual loan into one of four groups consisting of "Unclassified," "Classification II," "Classification III" and "Classification IV," based on the degree of the risk inherent in collection of the loan or based on the risk of damage to the value of the loan. The Bank has fully established regulations for depreciation and allowance. It processes based on the classification of borrowers and loans.

Self-assessment, disclosed loans, and recovery conditions (non-consolidated basis)

(Unit : 100 million yen)

	Self-assessment				Disclosure based on the Financial Reconstruction Law (loans and other claims)		Risk management loans (loans)		Recovery conditions		
	Unclassified	Classification II	Classification III	Classification IV*	Classification	Year ended March 2015	Classification	Year ended March 2015	Collectible amount by collateral, guarantees, etc.	Reserve of the Bank	Recovery rate
Bankrupt entities	20	8	12	—	Bankrupt and quasi-bankrupt loans and claims	75	Loans to bankrupt entities	20	58	17	100.00%
Entities bankrupt in substance	54	10	27	—			17	Overdue loans			
Potentially bankrupt entities	927	322	393	212	Doubtful loans and claims	927	Loans overdue for 3 months or more	—	715	95	87.34%
Entities requiring caution	3,559	1,113	2,446	—	Substandard loans and claims	66	Loans with eased lending conditions	66			
					Subtotal	1,069	Subtotal	1,068	803	115	85.89%
Normal entities	18,393	18,393			Normal loans and claims	21,890			18,381	30	84.11%
Total					Total	22,959			19,184	145	84.19%

* Category IV assessment off balance due to amortization is 800 million yen.

* The value of "Disclosure based on the Financial Reconstruction Law" includes the value of privately placed bonds that the Bank guarantees. In addition, "Recovery conditions" show ratios in proportion to the values shown under "Disclosure based on the Financial Reconstruction Law".

Explanation of terms

	Self-assessment	Financial Reconstruction Law (loans and other claims)	Risk management loans (loans)
Disclosed loans	Bankrupt entities	Borrowers who are undergoing legal and formal bankruptcy proceedings	Loans to bankrupt entities
	Entities bankrupt in substance	Borrowers who are not undergoing legal and formal bankruptcy proceedings, but who are in serious financial difficulties and bankrupt in substance	"Bankrupt entities" in self-assessment
	Potentially bankrupt entities	Borrowers who are not bankrupt at present, but who are in financial difficulties, whose measures for management improvement are not progressing well, and who are recognized to be highly likely to become bankrupt in the future (including borrowers who are receiving support)	Overdue loans
	Entities requiring caution	Borrowers who require caution for the management of loans in the future because business is sluggish and unstable or they have problems in their financial conditions	Loans overdue for 3 months or more
	Normal entities	Borrowers whose business conditions are good and who have no problems in their financial conditions	Loans with eased lending conditions
		Bankrupt and quasi-bankrupt loans and claims	"Bankrupt entities" and "Entities bankrupt in substance" in self-assessment
		Doubtful loans and claims	"Potentially bankrupt entities" in self-assessment
		Substandard loans and claims	i) Loans for which principal and interest payments are overdue for 3 months or more ii) Loans with eased lending conditions such as a reduction in interest or a moratorium on principal repayment, etc.
		Normal loans and claims	"Normal entities" in self-assessment and "Entities requiring caution" other than substandard loans and claims

Status of Loan Assets

Disclosure of loan assets

The Bank is obliged to disclose the “Disclosed claims based on the Financial Reconstruction Law” and “Risk management loans” based on the Shinkin Bank Act. The difference between the above-mentioned disclosed claims is that while “Disclosed claims based on the Financial Reconstruction Law” include claims other than loans and bills discounted, such as customers’ liabilities for acceptances and guarantees, “Risk management loans” include only loans and bills discounted.

The Bank has a total coverage ratio of 85.89% in combination with collateral, guarantees and reserves for disclosed claims based on the Financial Reconstruction Law (excluding normal loans and claims) and continues to maintain a sufficient level of reserves. The Bank believes that its mission is to contribute to the development of and support for the region, while securing sound management through establishing sufficient reserves.

Disclosed claims and reserve and recovery conditions under the Financial Reconstruction Law

(Disclosure criteria specified in Article 6 and Article 7 of the Law Concerning Emergency Measures for the Reconstruction of the Functions of the Financial System)

(Unit : 100 million yen)

Classification	Year ended March 2014	Year ended March 2015					
	Disclosure balance	Disclosure balance (A)	Ratio	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Recovery rate *1 ([B] + [C]) / (A)	Reserve rate *2 (C) / ([A] - [B])
Bankrupt and quasi-bankrupt loans and claims	79	75	0.33%	58	17	100.00%	100.00%
Doubtful loans and claims	1,312	927	4.04%	715	95	87.34%	44.74%
Substandard loans and claims	154	66	0.29%	30	2	49.49%	7.29%
Subtotal	1,546	1,069	4.66%	803	115	85.89%	43.28%
Normal loans and claims	20,848	21,890	95.34%	18,381	30	84.11%	0.88%
Total	22,395	22,959	100.00%	19,184	145	84.19%	3.87%

Reserve and recovery conditions of risk management loans

(Disclosure criteria specified in Article 89 of the Shinkin Bank Act)

The balance of risk management loans on a consolidated accounting basis for the year ended March 31, 2015 is the same as above.

(Unit : 100 million yen)

Classification	Year ended March 2014	Year ended March 2015					
	Disclosure balance	Disclosure balance (A)	Ratio*3	Amount collectible by collateral, guarantee, etc. (B)	Reserve for possible loan loss (C)	Recovery rate *1 ([B] + [C]) / (A)	Reserve rate *2 (C) / ([A] - [B])
Loans to bankrupt entities	21	20	0.09%	20	—	100.00%	—
Overdue loans	1,369	981	4.29%	751	112	88.03%	48.85%
Loans overdue for 3 months or more	—	—	0.00%	—	—	—	—
Loans with eased lending conditions	154	66	0.29%	30	2	49.49%	7.29%
Total risk management loans	1,545	1,068	4.67%	802	114	85.88%	43.21%

* 1. The recovery rate indicates the coverage ratio of loans overall and is calculated using the following formula.

Recovery rate = (estimated amounts collectible by collateral / guarantee, etc. + reserve for possible loan loss prepared for unrecoverable amounts) / claim amounts

* 2. The reserve rate indicates the reserve rate for unsecured balances.

* 3. The ratio of risk management loans shows the ratio of such loans against loans overall.