

Loans

The Shoko Chukin Bank provides a large variety of loan facilities to meet the funding needs of SMEs. Such loan facilities range from long-term loans for capital investment and working capital to short-term finance such as bill discounting.

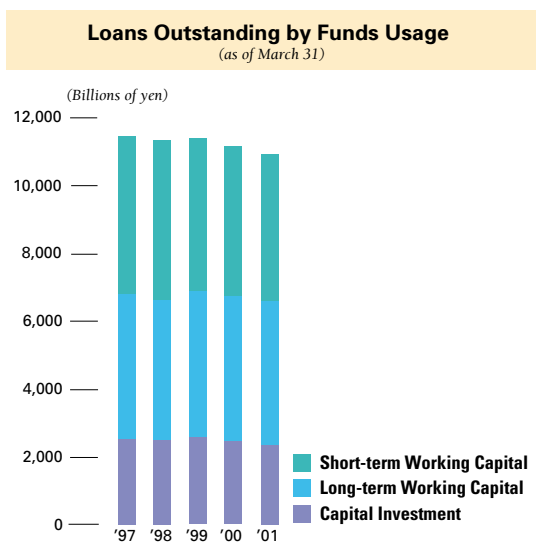
- 1) The Shoko Chukin Bank lends primarily to its member cooperatives—the affiliated organizations of SMEs subscribing its capital—and to their member companies.
- 2) The Shoko Chukin Bank also makes loans to joint investment companies and affiliated organizations established mainly by SMEs and to SMEs' overseas subsidiaries.

Types of Loan Facilities

Three types of loan facilities are offered. Under the first type of loan facility, the Bank provides funds required for joint undertakings by its affiliated organizations. Examples of these undertakings include joint production, joint processing and joint sales operations. The Shoko Chukin Bank also responds positively to applications for loans required for structural and organizational upgrade programs.

The second type of facility provides loans through the Bank's affiliated organizations for the purpose of supplying the funds necessary for the members' business operations. This facility is structured in such a way that the Shoko Chukin Bank lends the cooperative funds required by their members, and the cooperatives in turn use the funds to advance loans to those members.

Under the third type of facility, the Bank extends loans directly to member companies of its affiliated organizations.



■ Deposits and Public Funds

Deposits

The Shoko Chukin Bank accepts deposits from various sources, including cooperatives and other organizations of SMEs and their members, affiliated cooperatives' and their members' executives, local government organizations, non-profit organizations, financial institutions, subsidiaries of its clients, and debenture holders. These deposits are an important source of funds for the Bank's lending activities.

Public Funds

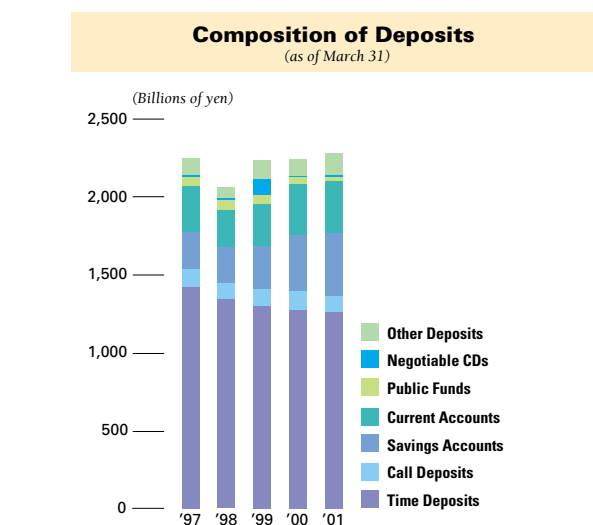
The Shoko Chukin Bank accepts deposits of fiscal funds from local government organizations throughout Japan. These funds are used to assist the development of SMEs and to promote regional economic growth. As of March 31, 2001, these deposits with the Shoko Chukin Bank amounted to ¥55.8 billion.

■ Debentures

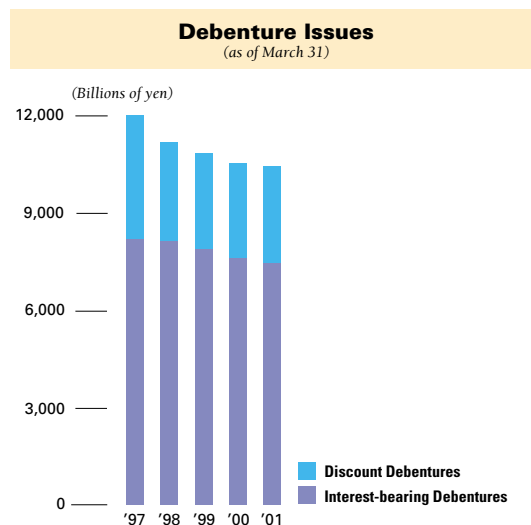
Shoko Chukin Bank Debentures

The Shoko Chukin Bank issues debentures to provide SMEs with reliable long-term funds. It issues three types of debentures that can be purchased over the counter at any time. *Warisho* are one-year discount debentures, and *Rissho* and *Rissho Wide* are five-year interest-bearing debentures. With *Rissho Wide*, the interest is accrued and received as a single payment at the end of maturity. These debentures are very popular among the general public as safe, secure and simple financial products for savings and investment.

The Bank also issues two-year, three-year and five-year interest-bearing debentures for subscription by financial institutions and large institutional investors. These debentures are also subscribed by public institutions.



The Shoko Chukin Bank debentures are sold at the Bank's head office, branches and sub-branches, while *Warisho* are also sold over the counter at securities companies.



■ Securities and Treasury Operations

The Shoko Chukin Bank actively participates in domestic and overseas financial markets to look for better opportunities for investment and fund-raising activities, as well as to better meet the investment and financing needs of SMEs.

The Bank uses securities markets to obtain the best possible returns from investment of its reserve funds and surpluses. It invests primarily in public bonds. When investing in foreign-currency-denominated bonds in overseas financial markets, it tries to maintain the soundness of its assets by employing a variety of financial tools, such as currency and interest rate swaps, to hedge the risk of exchange rate and price fluctuations. The Shoko Chukin Bank also maximizes the efficiency of short-term investment and financing activities by using off-shore markets and futures.

OTC Public Bond Sales

The Shoko Chukin Bank handles over-the-counter sales of newly issued government bonds, including medium-term and long-term bonds and discount bonds.

Dealing in Public Bonds

The Shoko Chukin Bank also deals in public bonds in the secondary market. These bonds include medium-term, long-term and ultra-long-term government bonds, discount government bonds, financial bills (short-term government securities), treasury bills (short-term discount government securities), local government bonds, and government-guaranteed bonds.

Brokerage Business

The Shoko Chukin Bank acts as a broker for various products, including government bond futures and options, T-bond futures on the Tokyo Stock Exchange, and Euroyen interest rate futures on the Tokyo International Financial Futures Exchange.

Private Placement Trustee Services

The Shoko Chukin Bank provides wide-ranging support to meet the increasingly diverse financing needs of SMEs. For example, it acts as representative trustee (manager) for privately subscribed bond issues. It also intermediates private subscriptions and acquires privately issued bonds.

Development of New Financial Products

The Shoko Chukin Bank is constantly working to develop new loan products to meet the needs of SMEs, including the need to minimize possible increase in interest rate. In developing new types of loan and deposit products, the Bank uses a variety of financial derivatives, such as swaps and options.



■ Comprehensive Financial Services



Dissemination of Management Information

As the changes in Japan's industrial structure progress, the management needs of the Shoko Chukin Bank's corporate customers continue to grow increasingly diverse and demanding. Benefiting from its nationwide service network, its characteristics as a government-affiliated financial institution, and its accumulated expertise, the Bank is well-positioned to provide corporate management with information and proposals based on a long-term perspective.

With respect to the supply of management information, the Bank is continuing to reinforce its structures for the gathering, processing, and supply of high-quality information that fully meets

customer expectations. These efforts are based in the collation of information sourced through the Bank's extensive domestic and international network and its wide-ranging customer base. This service is tailored to meet such diverse needs as the supply of up-to-the-minute industrial and corporate data; the introduction of potential commercial associates for such projects as the establishment of new channels for purchasing and sales; the provision of real estate information and planning proposals regarding site development; and the supply of materials for companies to study when diversifying or launching into new fields.

Some customers wish to go public, for such reasons as raising their profiles, diversifying their sources of funds, or ensuring a smooth succession to the next generation of management. The Bank provides these clients with a constant flow of assistance, beginning from the earliest stages of preparations and including detailed information and guidance on capital policy. Another area to which it devotes attention is helping companies to make private placements, which represent their first step into the capital markets, and providing a range of after-care for those issuing corporate bonds. It also renders independent assistance in other fields requiring specialized expertise, such as introducing measures to prepare for successions of corporate management, for corporate mergers, acquisitions, and tie-ups, and for trust services.

■ International Operations

The globalization of the Japanese economy has driven Japanese SMEs to conduct their business in global markets. The Shoko Chukin Bank actively assists SMEs to respond to a changing international environment.

Comprehensive International Services

The Bank is the only government-affiliated financial institution in Japan authorized to conduct overseas correspondent banking services. The number of correspondent banks amounts to 260 banks in 89 countries around the world. With this global correspondent network, the Shoko Chukin Bank assists SMEs with a variety of international businesses, including import and export transactions, overseas remittances, overseas investment finance, and direct loans to overseas subsidiaries. The Bank is poised for further development of its international presence as more SMEs look overseas for business opportunities.

Expanding International Operations

To provide a wider range of international financial services for its clients, the Bank established the London Representative Office in 1983, the New York Branch in 1986, and the Hong Kong Representative Office in 1990.

The London Representative Office provides an administrative base covering Europe. This presence enables the Bank to monitor at close quarters the changes and developments in the financial, trade, and investment markets throughout the United Kingdom and the whole of Europe.

The New York Branch provides such financial support as loans and other commercial banking and information services to the overseas subsidiaries of the Bank's member cooperatives and companies. The branch also makes investments in securities and engages in money markets and foreign exchange transactions.

Every year, the globalization in SMEs has made remarkable progress. They have spread their activities to the Southeast Asian countries as well as the People's Republic of China, looking for low-cost labor and/or new markets. The Hong Kong Representative Office is well positioned to effectively respond to these demands and to collect a wide range of information on the region.



Overseas Investment and Trade Advice

SMEs are increasingly expanding their activities overseas. However, international business may involve a variety of risk factors resulting from differences in culture, language and commercial practices. The Shoko Chukin Bank has established the Trade and Investment Promotion Office within its International Division to respond to a variety of needs of SMEs.

The Office is engaged in publishing investment guidebooks of various countries and hosting investment seminars. The staff with expert knowledge and experience in overseas investment and trade visits SMEs to provide up-to-date information and to advise them.

Comprehensive Support for Overseas Investment — “Overseas 21”

In April 1996 the Shoko Chukin Bank further enhanced its services by introducing “Overseas 21,” a comprehensive support program for SMEs planning overseas expansion. The program includes loans to support overseas investment and other supporting services.

Extensive Overseas Information Services

The Shoko Chukin Bank provides economic and financial information from around the world through various publications, including “Chukin Asia News.” To ensure that all information is accurate and up-to-date, the Bank obtains information from its overseas offices and correspondent banks. The Shoko Chukin Bank’s overseas offices act as bridges to the international business world. The Bank’s staff working abroad are always ready to assist SMEs’ business activities there in various ways.

