

2001

Annual Report 2001

THE

SHOKO CHUKIN

BANK

T HE BANK IN OUTLINE

The Shoko Chukin Bank—the Central Cooperative Bank for Commerce and Industry—was founded in 1936 as a government-affiliated financial institution. The Bank’s primary mission, as stipulated in the Shoko Chukin Bank Law, is to provide a stable source of long- and short-term financing to small and medium-sized enterprises (SMEs).

The Bank provides its clients with a full range of financial services through its extensive domestic network of 99 offices. It also has a strong overseas presence, with a branch in New York and representative offices in London and Hong Kong.

About eighty percent of the Bank’s capital is held by the Japanese government. The remainder is owned by cooperatives of SMEs. With total assets of around ¥14 trillion (US\$140 billion), the Bank is one of the world’s largest financial institutions devoted exclusively to serving SMEs.

The Shoko Chukin Bank is one of a select group of financial institutions privileged to issue debentures in Japan. As such, it is able to provide a stable source of funds to SMEs which play an important role in the Japanese economy.

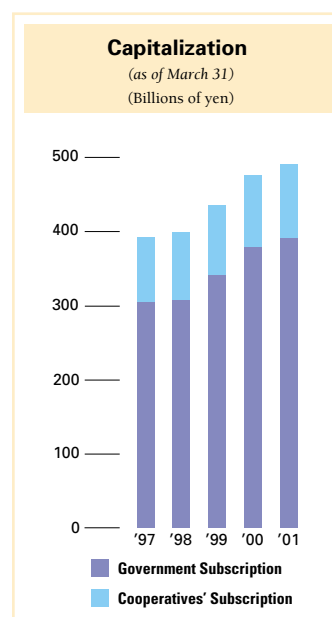
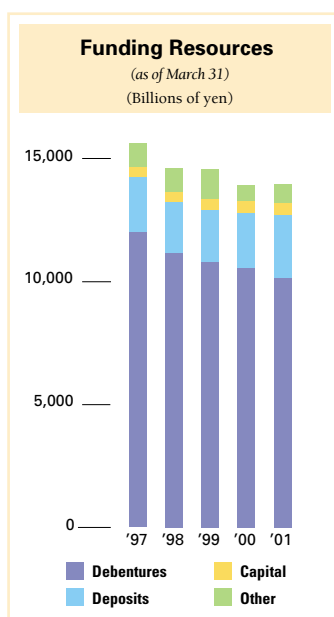
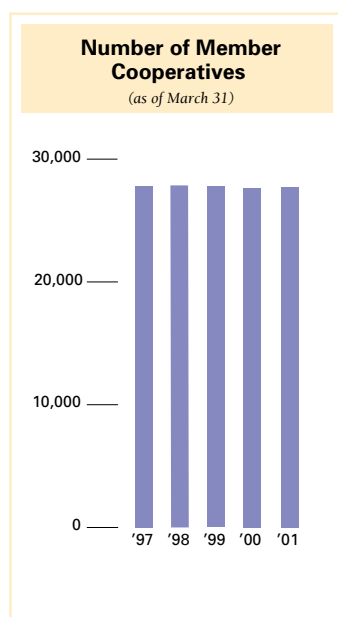
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FINANCIAL HIGHLIGHTS

The Shoko Chukin Bank		Millions of yen					Millions of U.S. dollars
For the years ended March 31		2001	2000	1999	1998	1997	2001
Interest Income	¥ 269,821	¥ 354,738	¥ 409,758	¥ 447,027	¥ 487,881	\$ 2,177	
Interest Expenses	137,667	202,020	259,641	330,448	382,449	1,111	
As of March 31		2001	2000	1999	1998	1997	2001
Loans and Bills Discounted	¥10,886,595	¥11,169,303	¥11,378,031	¥11,326,427	¥11,426,953	\$ 87,865	
Deposits and Debentures	12,600,396	12,778,070	13,009,325	13,220,786	14,249,091	101,697	
Government Contribution	311,100	342,500	368,000	737,491	842,591	2,510	
Total Assets	14,012,903	13,910,238	14,558,007	14,579,609	15,621,653	113,098	
Capital	493,965	474,865	433,165	397,165	390,465	3,986	
Government Subscription	394,067	377,967	339,267	306,267	302,567	3,180	
Total Capital Funds	608,522	605,053	582,952	544,394	537,406	4,911	
Total Government Contribution and Subscription as a Percentage of Liabilities and Capital Funds	5.0%	5.1%	4.8%	7.1%	7.3%		

- Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥123.90=US\$1, the prevailing rate of exchange as of March 31, 2001.
 2. All amounts expressed have been rounded down to the nearest million yen.
 3. Deposits and Debentures includes negotiable certificates of deposit.
 4. The percentage of Government Contribution and Government Subscription=(government contribution+government subscription) x 100/(total liabilities and capital funds-acceptances and guarantees).
 5. The percentage of Government Contribution and Government Subscription is rounded off to the first decimal place.
 6. Up to and including the year ended March 1999, the reserve for possible loan-losses was shown in the liabilities section. From the year ended March 2000 onwards, it will be shown as a deduction at the end of the assets section.





Tadashi Ezaki
President

The Shoko Chukin Bank is the only Japanese government-affiliated financial institution dedicated to small and medium-sized enterprises (SMEs). Since its establishment in 1936, it has made every possible effort, as an integrated financial institution, to facilitate financing for SMEs. The Bank's role has expanded in step with changes in the economic and social environment, and it has grown into a financial institution capable of providing comprehensive financial services in meeting the various needs of SMEs through a unique network comprised of the Bank and cooperatives. Shoko Chukin's suc-

cess and achievements would not have been possible without the ongoing support of cooperatives and their members.

In fiscal year 2000, the Japanese economy continued to follow a business-led recovery trend. However, consumer spending remained generally flat, and the stock market stagnated. As a result, the overall recovery lacked energy, and the pace of improvement was only gradual.

The degree to which the recovery affected our customer base, the SME sector, varied from industry to industry. Until the autumn of 2000, economic conditions improved steadily, especially

in the manufacturing sector. However, retail prices continued to fall, and by the end of year, the manufacturing sector was also hit by an export slowdown, leading to rapid production cutbacks across an expanding range of industries. Under these circumstances, uncertainty about the economic outlook for SMEs is increasing.

Over 99% of all Japanese companies are in the SME category. Therefore, dynamic activity and growth in the SME sector are crucial to the revitalization of the economy. The adaptability and flexibility of SMEs, their dynamic activities, their positive response to the IT revolution, and their willingness to renovate their approach to business are all vital to the establishment of a solid growth base for the Japanese economy in the 21st century.

The policy role of the Shoko Chukin Bank as a membership-based, government-affiliated financial institution is more important than ever in this sluggish economic environment. We work to facilitate financing for SMEs by supporting the formation of organizations, by providing a safety net and by supporting venture businesses and management reform. As in fiscal 1998 and 1999, we received an additional government subscription of ¥16.1 billion in fiscal year 2000. This helped us to strengthen our commitment to the provision of special loans based on government policy and to respond to the expectations of SMEs.

As the only government-affiliated financial institution in Japan that engages in overseas correspondent banking activities, the Shoko Chukin

Bank works to enhance and expand the services that it provides to support the internationalization of SMEs. Through its New York Branch and representative offices in London and Hong Kong, the Bank responds to the needs of SMEs that are working to diversify and enhance their business activities through overseas expansion. The Bank also assigns staff to partner financial institutions and other organizations, supports the Kaigai Chukin-Kai chambers and arranges other activities to facilitate our customers' management of overseas subsidiaries, especially in Asia.

The Shoko Chukin Bank will continue to take full advantage of its characteristics as a membership-based government financial institution specializing in services for SMEs. The Bank's management and staff are determined to earn the continuing trust, confidence, support and patronage of its customers through services and activities that reflect Shoko Chukin Bank's superior capabilities. The Bank looks forward to your ongoing support and encouragement over the years to come.



July 2001

Tadashi Ezaki, *President*



Shigenori Shioda (Right)
Deputy President

Yoshinori Goto
Senior Managing Director

The Importance of the Shoko Chukin Bank for SMEs

Historically, Japanese banks have played a leading role in financing Japanese corporations through their loans. However, recent financial deregulation as well as the growth of capital markets has increased the reliance of large Japanese corporations on equity financing and low-interest rate financial instruments, such as corporate bonds and commercial paper.

In the case of SMEs, loans from banks are still their major source of financing for the following reasons. First of all, access to capital market funding is still highly limited because Japanese investors are risk-averse compared to investors in the United States and are less willing to invest in high-risk, high-return products. Second, CEOs are also reluctant to rely on capital market financing in many cases. The CEOs of SMEs in Japan are often owners of the company who own the majority of company stocks and manage the company at the same time. The separation of manage-

ment and ownership will increase the conflicts of interest between them, making them vulnerable to hostile takeovers, and the fluctuations in stock price will give more influence to management decisions. Furthermore, the capital market will require SMEs to disclose more information, which is a procedure many of them are not accustomed to, as well as require more cumbersome tasks.

As a result, the size of the market itself for SMEs is much smaller than that of the United States. The total annual transactions on the Japanese OTC market are a mere one forty-ninth of those on the First Section of the Tokyo Stock Exchange as of 1999. In the United States, NASDAQ, which serves a similar purpose as the Japanese OTC market, already has more annual transactions in total value compared to that of the NYSE.

It is true that financial deregulation and increase in foreign capital are gradually changing the Japanese financial market as well as the corporate governance system in Japan toward a more Western system.

However, cultural differences between Japan and the West exist both on the investors' side and the management's side. For example, the feelings toward their companies of many CEOs of SMEs in Japan are similar to what someone might feel toward his/her family, and the last thing they would do is to sell their companies in return for money. The cultural differences in many aspects cannot be ignored in understanding the differences of the two markets.

In conclusion, we feel that the role of the Shoko Chukin Bank for SMEs in bank financing is still critical for the growth of SMEs and we will continue to play a leading role for them.

Bank Financing for SMEs in Japan

In Japan, there are broadly two types of financial institutions that are engaged in providing funds for SMEs, private sector and governmental.

1) Private-sector Financial Institutions

Private-sector financial institutions can be divided into two groups: commercial banks group; city banks, regional banks, trust banks, and long-term credit

banks, and financial institutions specializing in SMEs group; shinkin banks and credit cooperatives.

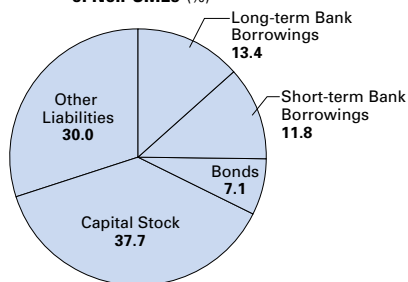
As of March 2000, the balance of overall outstanding loans to SMEs stood at about ¥317 trillion (or approximately US\$3.0 trillion), of which 70 percent was held by commercial banks and 20 percent by private specialized financial institutions for SMEs.

2) Government Financial Institutions

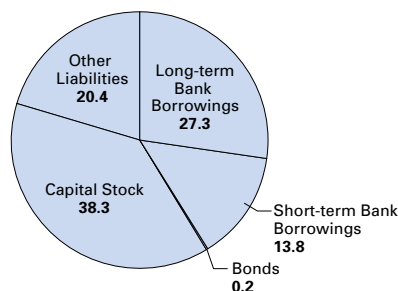
The Shoko Chukin Bank, Japan Finance Corporation for Small Business, and National Life Finance Corporation are the three government financial institutions for SMEs. Of total loans to SMEs in Japan, the loans from these three institutions account for 10 percent or about ¥31 trillion (US\$296 billion). Government financial institutions' primary mission is to support and assist SMEs. Among government-affiliated financial institutions, the Shoko Chukin Bank is the only bank that raises funds independently, primarily through debentures and deposits. Its range of business is similar to other commercial banks, including short-term financing, securities investments and foreign exchange.

Funding Sources of Non-SMEs & SMEs

Liabilities and Stockholders' Equity of Non-SMEs (%)



Liabilities and Stockholders' Equity of SMEs (%)



Source: Ministry of Finance (as of March 31, 2001)

Characteristics of the Shoko Chukin Bank

Bank loans by both private-sector and government financial institutions still play a major role in financing of Japanese corporations. However, because of the higher risk of SMEs compared with

large corporations, certain limits apply to them. For example, the loans to SMEs often require collateral with strict covenants and interest rates are usually higher than the rates applied to large corporations.

This is due to higher costs required on the banks' side. The Shoko Chukin Bank plays a vital role in reducing the disadvantages of these SMEs.

The government established the Shoko Chukin Bank in November 1936 in accordance with the Shoko Chukin Bank Law. The Bank is a semi-govern-

mental institution under the joint ownership of the Japanese government and cooperatives of SMEs. As Japan's leading financial institution specializing in SMEs, the Shoko Chukin Bank provides comprehensive financial services to these enterprises through its nationwide branch network.

Legal Definition of SMEs in Japan

Limits (up to)	Industry			
	Manufacturing, Others	Wholesale	Retail	Service
Equity Capital	¥300 million	¥100 million	¥50 million	¥50 million
Number of Employees	300 employees	100 employees	50 employees	100 employees

Note: Meeting one of the two criteria is sufficient for inclusion in the SME category.

The Shoko Chukin Bank Has the Following Five Fundamental Characteristics.

1. Government-affiliated Financial Institution

The Shoko Chukin Bank was established with capital from the Japanese government and cooperatives of SMEs.

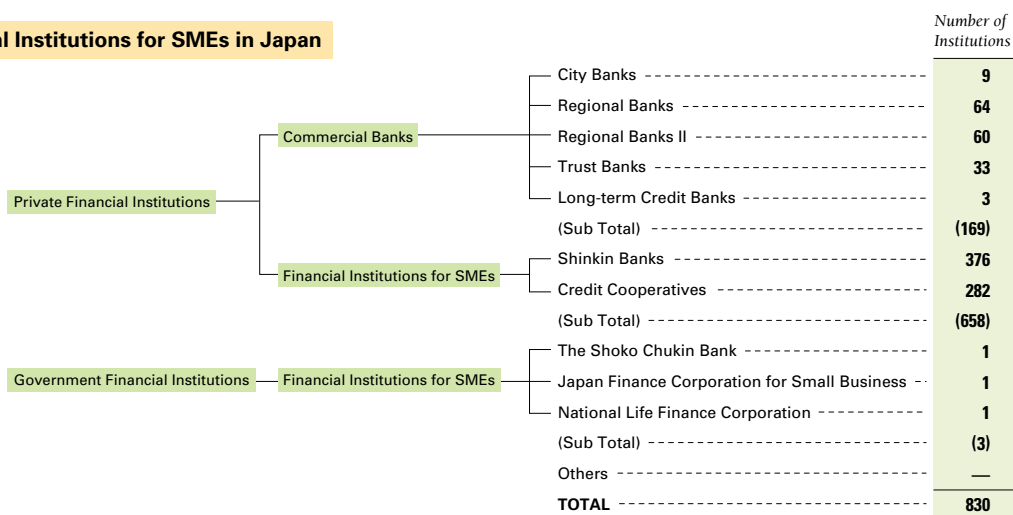
As of March 31, 2001, our capital stood at ¥493.9 billion (US\$3,986 million), of which ¥394.0 billion (US\$3,180 million) or 79.8% was owned by the government, and ¥99.8 billion (US\$806 million) or 20.2% was owned by cooperatives.

Through our loans and other consulting services to SMEs throughout Japan, the Shoko Chukin Bank utilizes the efficiency of the private sector in its authority of government affiliation.

2. Specialization in Services to SMEs

SMEs account for 99% of all business and employ 80% of the workforce in Japan. The flexibility and entrepreneurial spirit of this vigorous majority has built the fun-

Financial Institutions for SMEs in Japan



Source: Bank of Japan (as of March 31, 2001)

damentals of the Japanese economy.

The Shoko Chukin Bank specializes in financing SMEs throughout Japan and provides various services through our nationwide network. We also have very close relationships with our clients. Loan officers, representing about one-fourth of our total workforce, discuss various management issues with our clients including business operations, foreign direct investment, taxes and succession.

3. Financing Cooperative Activities

SMEs have disadvantages in economies of scale compared with large corporations. The Japanese government encourages SMEs to form cooperative groups to overcome this disadvantage. Through these cooperative groups, the SMEs engage in joint projects, share information, enhance their networks as well as solve various management problems.

The Shoko Chukin Bank supports SMEs in providing the know-how of organizing and utilizing these cooperative groups as well as financial support for them and their members.

4. A Cooperative Organization

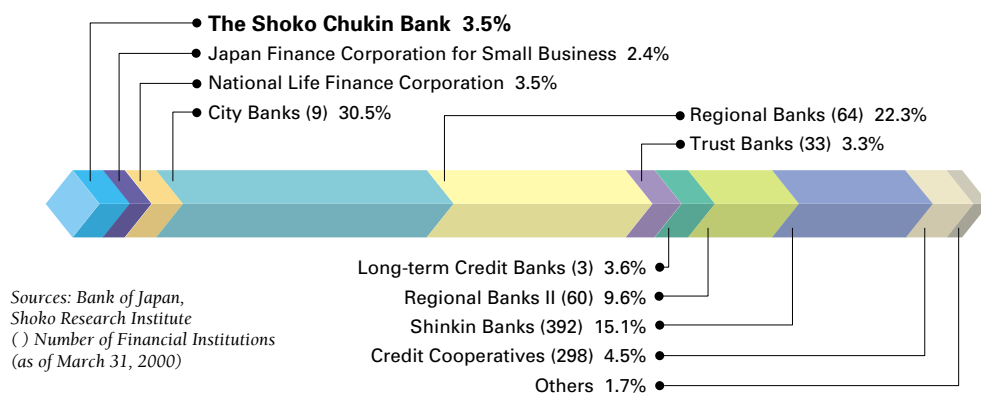
The Shoko Chukin Bank is a membership financial institution owned by cooperatives mainly organized by SMEs as well as the government. Established with the aim of facilitating their own financial institution in accordance with the principle of mutual assistance, it is “the bank of SMEs, by SMEs, for SMEs.”

Of approximately 50,000 cooperatives uniting SMEs in Japan today, more than 27,000 own the Bank’s capital. More than 130 representatives elected from these cooperatives are seated in the Assembly of Representatives, the Bank’s highest decision-making body, in which they participate in important management decision-making processes of the Bank.

5. A Debenture-issuing Institution

The primary source of our funds is our debentures (*Warisho*, *Rissho*, and *Rissho Wide*). The funds raised are used to provide stable loans to SMEs. Both individuals and corporations purchase our debentures as a secure way of saving and investing.

Loans Outstanding to SMEs in Japan (%)



Close Partnership between the Shoko Chukin Bank and the Japanese Government

The Bank’s financial results have remained rather modest in comparison with large city banks. However, the Bank has close partnership with the government and this reflects in our high credit rating.

The following explains some guidelines upon which the partnership between the Shoko Chukin Bank and the government is built.

1. The Bank was established, and is governed, by a

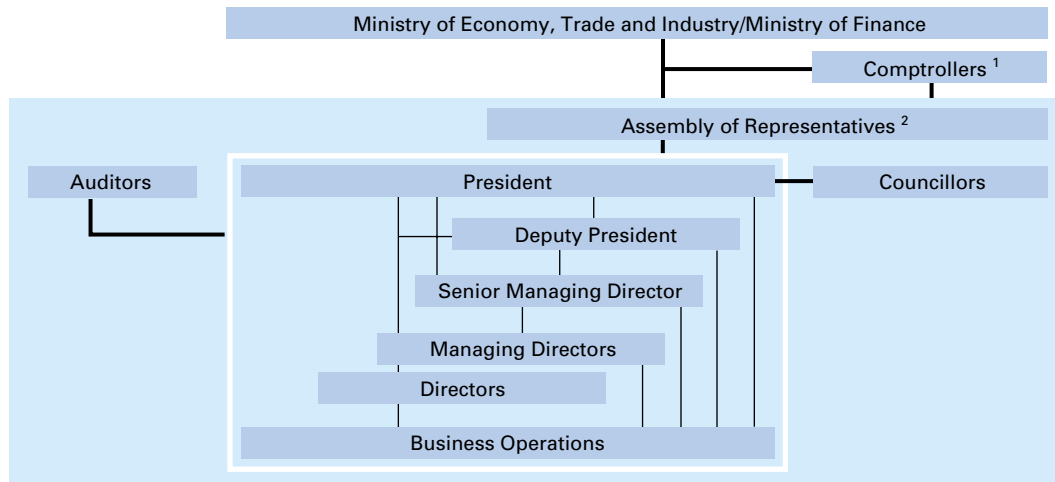
special law called the “Shoko Chukin Bank Law.” The President and Auditors of the Bank are appointed by the government. The Deputy President and Managing Directors of the Bank are appointed by the President of the Bank, subject to the approval of the government.

2. The Bank is inspected by the Ministry of Finance and the Board of Audit. It is also subject to scrutiny by the Bank of Japan. Furthermore, the two comptrollers of the Bank, who are directors of the Ministry of International Trade and Industry and the Ministry of Finance, have the authority to supervise the Bank.
3. Any resolutions of members of the Bank will not become effective without the Ministers’ approval purporting to:

- (i) alter the Articles of Incorporation of the Bank; or
- (ii) increase the capital funds of the Bank; or
- (iii) dispose of the surplus funds of the Bank

Because of the Bank’s special status as a government-affiliated financial institution, the Shoko Chukin Bank is not subject to the capital adequacy guidelines. For this reason, the Bank is approved to carry out international business despite the fact that the Bank’s capital adequacy is only 6.94%, as of March 31, 2001. It is also exempt from the government’s “Prompt Corrective Action.” Notwithstanding these exemptions however, the Bank has always endeavored to meet the BIS guidelines over the long term and to maintain the sound operation required by the “Prompt Corrective Action” directive.

Organizational Structure



1. The comptrollers are officials of the Ministry of Economy, Trade & Industry and the Ministry of Finance and are empowered to examine Bank records at any time.

2. The Assembly of Representatives is the decision-making body for the Shoko Chukin Bank. The representatives are selected by the Bank’s member cooperatives from among the membership.

Growing Importance in a Changing Financial Environment

Currently, Japanese financial institutions are going through drastic changes in the midst of a long recession, and the credit crunch to SMEs appears as though it will not recover in the near future.

The Shoko Chukin Bank is expected to provide credit to financially weak SMEs under this severe operating environment. The expectations toward the Shoko Chukin Bank have never been higher.

Actively Contributing to SMEs' Growth and Development

The Shoko Chukin Bank—the Central Cooperative Bank for Commerce and Industry—was established during the great global depression of the 1930s as a financial institution specializing in support for SMEs. The development of SME organizations was being promoted as a way of helping smaller businesses to overcome severe management and financial problems, and the mission of the Shoko Chukin Bank was to support this process from a financial perspective. Since that time, the Shoko Chukin Bank has worked in close partnership with SMEs and provided them with financial support.

The environment in Japan is being transformed by a variety of processes, including economic maturation and globalization, as well as advances in information technology of the information and telecommunications sector. In the financial sector, the system reform process known as the “Japanese Big Bang” has led to restructuring, including mergers and integration among major private-sector financial institutions, and to escalating competition across the business format barriers that traditionally separated different types of financial institutions. The unprecedented magnitude of these changes has had a significant impact on SMEs.

As a government-affiliated financial institution, the Shoko Chukin Bank is working to meet the wide-ranging needs of SMEs in this new environment by providing reliable financial services through a unique network made up of the Bank and its associated cooperatives. We will continue to work in these areas to meet the expectations of SMEs. SMEs are crucial to the dynamism of the Japanese economy. In line with Japanese government policy, the aim of which is to foster and develop a wide range of dynamic businesses,

the Shoko Chukin Bank will continue to contribute to the growth of prosperity of the SME community.

Specifically, we offer organizational support functions in the form of financial support for the development of SME cooperatives and cooperative efforts to improve business activities. We also encourage the development of a wide range of dynamic business activities through our support functions for venture businesses and business innovation. Our safety net functions are designed to support SMEs affected by changes in their business environment. In fiscal 2001 we made sustained progress in all of these areas under our 11th Long-Term Business Plan (FY2001-2003).

Basic Direction of Management Policy

Under this long-term management plan, The Shoko Chukin Bank will further clarify its basic direction as a government-affiliated financial institution specializing in SME finance. The Bank's management strategy under this plan can be summed up as follows.

1. The Shoko Chukin Bank will contribute to the growth and development of SMEs by providing policy-linked finance based on original concepts that exploit the Bank's characteristics as a government-affiliated financial institution.
2. The Shoko Chukin Bank will work to improve its business structure by enhancing its earning power and ensuring the soundness of its assets through improved risk management.
3. The directors and employees of the Shoko Chukin Bank will approach their day-to-day tasks with a renewed awareness of the Bank's mission as a government-affiliated financial institution specializing in SMEs.

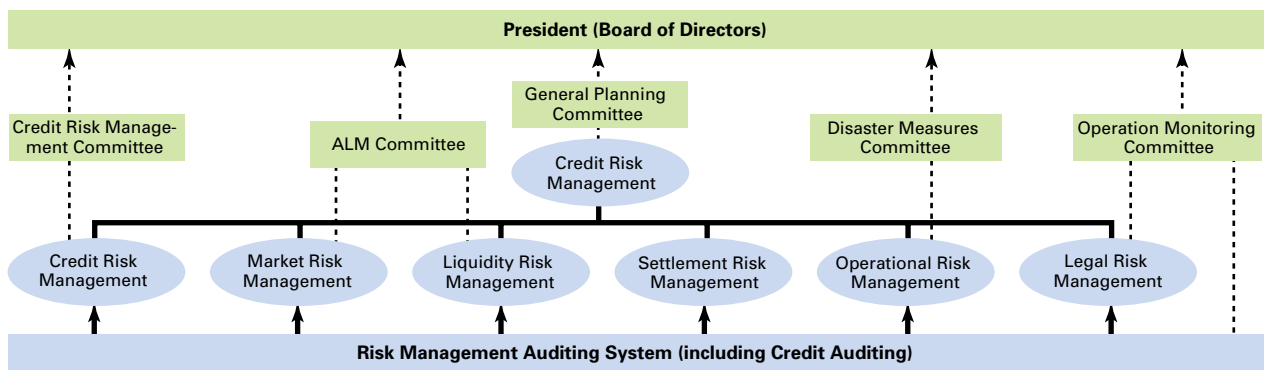
RISK MANAGEMENT

There has been a considerable increase in the diversity and complexity of the risk factors facing financial institutions, including credit risk, market risk, liquidity risk and operational risk. These changes in the risk environment reflect the liberalization and internationalization of the financial sector, advances in financial technology, and the impact of the “Japanese Big Bang” financial reform package, which is now entering its final stages. Financial institutions need to manage these risks appropriately so that they can maintain their financial soundness while responding to the increasingly diverse

and sophisticated needs of their customers.

The Shoko Chukin Bank has strengthened its risk management systems by establishing departments responsible for the management of specific types of risk. Overall risk management is provided by the General Planning Division, which constantly monitors the other departments to ensure that risk management procedures are being implemented properly. The result is a robust and comprehensive risk management structure that provides total monitoring of the Bank’s risk exposure.

Risk Management Structure



Credit Risk Management

The Shoko Chukin Bank bases its credit risk systems on expertise gained through many years of experience in working with SMEs. It is working to maintain and improve the quality of its loan assets by setting appropriate lending criteria and by ensuring that screening systems are properly applied.

Individual loan applications are screened under various criteria, including the appropriateness of business and financing plans, repayment prospects and security, as well as the future potential of the enterprise concerned. Each proposal is considered from a comprehensive range of perspectives, including the business and financial situations of cus-

tomers, the quality of their management and the standard of their technology.

Lending in new areas of activity, such as venture businesses, is subject to screening by the New Business Screening Committee. The Committee includes outside members with specialist knowledge and experience relating to industry trends, technology evaluation and other aspects. Furthermore, the Shoko Chukin Bank uses self-assessment procedures to control and monitor credit risk. It has also introduced a 10-tier credit system based on its self-assessment criteria. This highly detailed system allows the Bank to assess the creditworthiness of SMEs using the most appropriate set of financial indicators selected from

the many indicators available. The Shoko Chukin Bank's extensive experience of lending to SMEs is reflected in the system, which is designed to eliminate arbitrary decision-making by basing qualitative assessment on a uniform scoring system.

Credit screening is carried out by the Credit Group, which consists of Credit Divisions I, II and III and the Credit Data Monitoring Department. To ensure appropriate screening and control, the credit screening organization is completely independent from business divisions. The Shoko Chukin Bank is constantly working to maintain and improve the quality of loan assets.

Overall credit risk management is coordinated by the Co-operative Finance Planning Division, which monitors credit screening and credit portfolios and works to enhance credit risk systems. At senior management level, the Credit Risk Management Committee analyzes credit portfolios from various perspectives, including creditworthiness and industry sectors. The aim of this committee is to maintain and improve the soundness of assets, mainly by distributing risk. Credit rating and self-assessment techniques are being used to develop increasingly sophisticated approaches to risk quantification and management.

Employee training systems include programs designed to maintain and improve the credit screening abilities of all employees at all levels.

Market Risk Management

Advances in financial technology, including the development of derivatives, and the expansion of market transactions have increased the exposure of financial institutions to a variety of market risks, including fluctuations in interest rates, exchange rates and share prices.

The Shoko Chukin Bank's approach to risk management in this area is defined in the Basic Policy on Market Risk Management. This clarifies the organizational structures, authority chains and management methods involved in the management of market risk and liquidity risk. This risk management structure complies with guidelines published by the Japanese financial authorities, and with the accounting standards for financial products, which are based on market price accounting.

• Asset and Liability Management (ALM)

The Shoko Chukin Bank uses funds raised primarily through long-term fixed-interest loans and 5-year interest-bearing debentures to provide a variety of financing services. Mismatching between the terms over which funds are raised and invested is a source of risks, including interest rate risk.

To maintain reasonable levels of income while managing these risks appropriately, the Shoko Chukin Bank uses a variety of asset and liability management (ALM) techniques. Assets and liabilities are analyzed from various perspectives, and swaps and other instruments are used to ensure integrated management of both off-balance-sheet and on-balance-sheet assets and liabilities.

The ALM Committee, which is made up of senior management, meets each month to set policies designed to control the level of risk and balance risk against income. The Committee takes into account the state of the economic and financial environment, the interest rate outlook, and the overall level of market risk affecting the Bank's on-balance-sheet and off-balance-sheet transactions.

• Market Business Operations

Market operations, including derivative transactions, play an important role in the control of ALM risk,

and in the provision of various financial services to customers. There are two categories of market operations. First there are banking operations relating to asset and liability management under the Bank's basic market risk management policy. Second, there are trading operations. The ALM Committee regularly monitors banking operations according to risk tolerances, and trading operations according to risk limits that determine the maximum allowable loss. All operations are regularly monitored to ensure that these policies are being applied properly. The Shoko Chukin Bank uses trading operations primarily to meet the market transaction needs of its customers.

The Shoko Chukin Bank has established a system of reciprocal checking between front office departments, which are responsible for implementing transactions, and back office departments, which handle administrative tasks. In March 1998 it further strengthened the risk management structure by establishing a specialist department, the Market Risk Management Department to play a "middle office" role.

The Market Risk Management Department monitors, quantifies and manages market risk using integrated risk management indicators, including delta and value at risk. In addition, it constantly monitors operations to ensure that the risk limits established by the ALM Committee are being applied properly. The Department reports regularly to senior management.

Managing Operational Risk

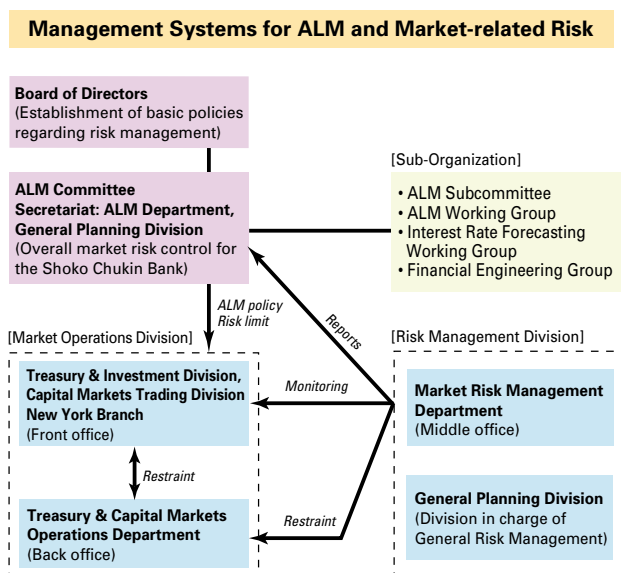
The definition of operational risk encompasses administrative risk, system risk and information security risk. The Operations & Systems Planning Division is responsible for the management and minimization of this type of risk.

The Shoko Chukin Bank is working to reduce administrative risk by introducing mechanized processing for the increasingly diverse range of products handled, and by using sophisticated auditing systems. It also provides in-depth employee education.

System risk is managed through efforts to ensure the stable operation of computer systems. Countermeasures include system redundancy, the establishment of back-up centers, and the implementation of breakdown drills.

The Shoko Chukin Bank has a basic policy, specific criteria and administrative procedures concerning countermeasures against information security risk. To ensure an appropriate response, risk is classified according to such factors as importance of specific information assets, including information and information systems.

The Bank's contingency plans set clear operational priorities, starting with the safety of customers and employees, in the event of a disaster or other emergency.



Internal Auditing Systems

The importance of internal control systems to avoid losses is increasing with the growing complexity and sophistication of financial transactions. Internal control systems are also an effective way to ensure that operations are being implemented efficiently and effectively in accordance with the directions set by management. The Shoko Chukin Bank has established an effective internal auditing system based on the Credit Examination Division and the Inspection Division, which operate independently of all other head office sections. These two divisions monitor the Bank's internal management systems.

The Inspection Division verifies the effectiveness of internal management systems by inspecting the operations of branches and head office departments, and by auditing computer-related systems. These inspections cover a number of perspectives, including compliance with laws and internal regulations, the effectiveness of reciprocal checking systems based on internal inspections at the department and branch levels, and the adaptation of internal regulations to environmental change. The aim of these inspections is to improve operations and prevent problems.

The task of the Credit Examination Division is to audit credit management procedures to ensure that self-assessment is being applied properly, and that credit ratings are accurate. In addition to these internal audits, the Shoko Chukin Bank has also introduced auditing by an external audit corporation.

In fiscal 2000, the Shoko Chukin Bank established the Operational Audit Committee. Its task is to discuss measures to improve operations and tighten compliance, based on the results of these internal audits.

Compliance Systems

As a policy-based financial institution, the Shoko Chukin Bank plays an important role in society. It therefore has a special obligation to earn the confidence of the public by ensuring fairness and propriety in the implementation of its activities.

The Bank is also required to comply with numerous laws and rules, including the Organized Crime Act of February 2000, the Law Concerning the Sale, etc., of Financial Products, which was promulgated in April 2001, and the Law Concerning the Promotion of Procurement of Environmentally-Friendly Products by the Government, etc., which became fully effective in April 2001. We therefore place considerable importance on the development and enhancement of compliance systems to ensure full compliance with all requirements.

- **Establishment of Coordinating Organization**

The General Co-ordinating Division has been designated as the organizational structure responsible for ensuring compliance through coordination of compliance-related matters. The Division has the tasks of planning and managing basic aspects of compliance. It is working closely with other divisions to develop a compliance structure for the Shoko Chukin Bank.

- **Appointment of Compliance Officers and Establishment of Checking System for Internal Rules**

Compliance officers have been appointed in each head office division. When internal rules, which are essential for the performance of the Bank's operations, are created or amended, these people ensure that the rules comply with laws and regulations. They also compare the Bank's rules with accepted social norms. When necessary they seek advice from the relevant departments or outside experts and consult with the General Coordinating Division.



The Shoko Chukin Bank responds promptly and appropriately to the diverse needs of SMEs. As a dependable partner for them, it undertakes a wide range of activities. Outlined below are some of its recent activities.

Comprehensive Support for Cooperatives and Their Activities

SMEs form a variety of organizations and cooperatives as frameworks for joint efforts to adapt to changes in the business environment. The Shoko Chukin Bank assists in the creation and revitalization of such organizations in cooperation with government agencies.

The Shoko Chukin Bank also supports the efforts of cooperatives to keep pace with the changing needs of the members in such areas as human resource recruitment and the improvement of distribution efficiency. It is also actively involved in new approaches

to the development of business organizations, including the promotion of inter-industry exchange and cooperation. The Bank provides a comprehensive range of support services for cooperatives under its “Cooperative 21” program.

Positive Involvement in Business Group Formation and Other Industry Upgrading Programs

The Shoko Chukin Bank is rich in experience in promoting industry upgrading programs, such as joint initiatives by SMEs to form groups of factories, stores, warehouses and other facilities. It has been involved in such plans throughout Japan.

In addition to financial support, the Shoko Chukin Bank also works with the national government and with local governments to provide positive backing for such projects to strengthen cooperative management.

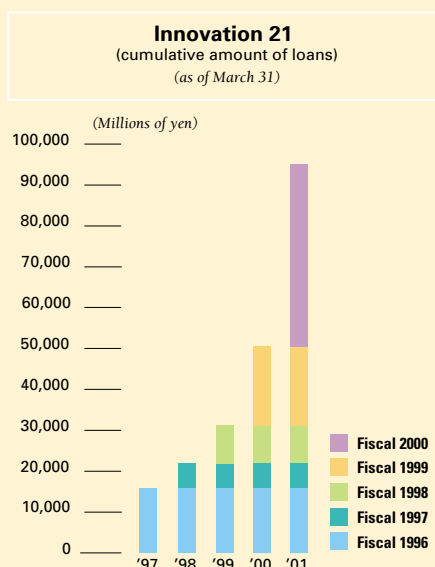


Comprehensive Support Measures for New Business

The Shoko Chukin Bank is working through its “Innovation 21” program to foster new businesses and provide enhanced support for venture companies. It supports entrepreneurial initiatives by innovative, energetic owners of SMEs in various ways, including not only financial assistance, but also information about government support programs, assistance with initial public offerings, and business introductions.

Measures for Comprehensive Backing of Overseas Investment

The Shoko Chukin Bank offers a variety of services for customers who have established overseas operations or are planning to do so. These services range from the provision of information about investment environments to support for trade transactions and the provision of loans to facilitate overseas expansion. These services are offered under the Bank’s “Overseas 21” program.



Comprehensive Support Measures for Industry Revitalization Efforts in Japan

Under the “Refresh 21” program, the Shoko Chukin Bank provides comprehensive support, including loans and information services, for SMEs that are actively working to revitalize their business activities while coping with the complexities of economic restructuring, global environmental problems and other factors. SMEs are the driving force of the Japanese economy. The Shoko Chukin Bank will continue to work alongside SMEs and support their growth in the 21st century.

Inter-industry Exchange through Shoko Chukin “Youth-Kai” Chambers

Shoko Chukin “Youth-Kai” Chambers are organizations of young proprietors of the Bank’s clients. There are 87 such groups with over 4,900 members. They help to expand business opportunities by providing forums for inter-industry exchange. These groups are supported by the Shoko Chukin National “Youth-Kai” Chamber, which serves as the base of a nationwide network for business exchange activities.



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.

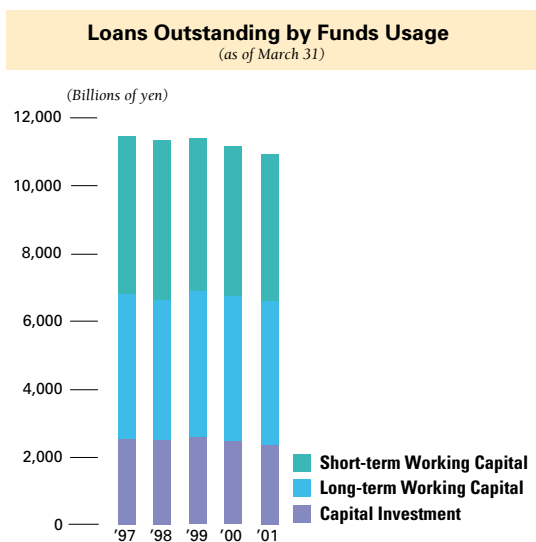
- 1) The Shoko Chukin Bank lends primarily to its member cooperatives—the affiliated organizations of SMEs subscribing its capital—and to their member companies.
- 2) The Shoko Chukin Bank also makes loans to joint investment companies and affiliated organizations established mainly by SMEs and to SMEs'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

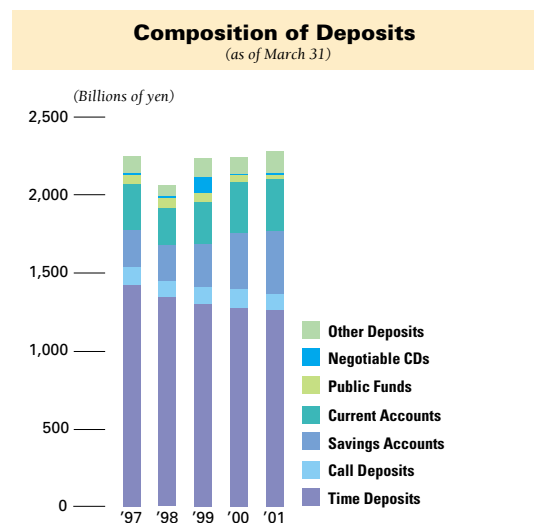
The Shoko Chukin Bank accepts deposits of fiscal funds from local government organizations throughout Japan. These funds are used to assist the development of SMEs and to promote regional economic growth. As of March 31, 2001, these deposits with the Shoko Chukin Bank amounted to ¥55.8 billion.

■ Debentures

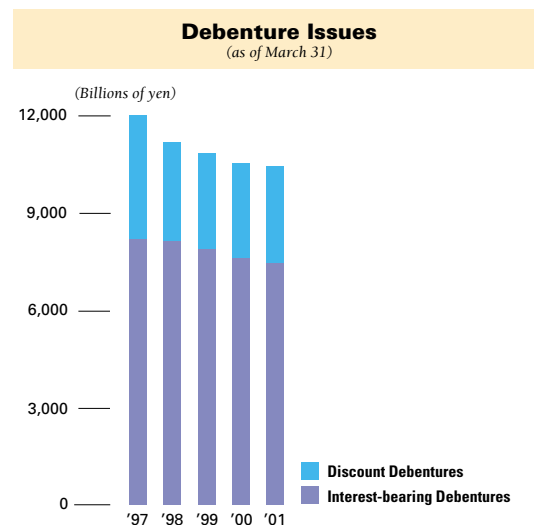
Shoko Chukin Bank Debentures

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.

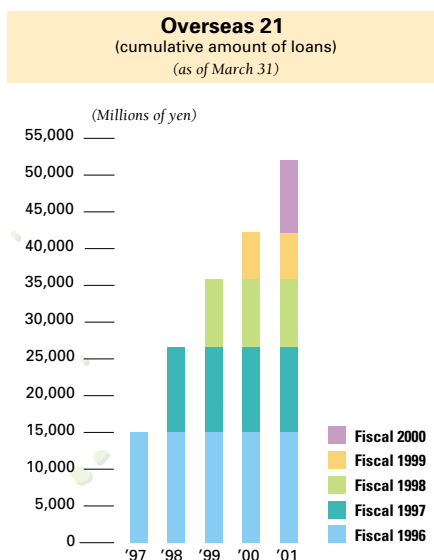
The Office is engaged in publishing investment guidebooks of various countries and hosting investment seminars. The staff with expert knowledge and experience in overseas investment and trade visits SMEs to provide up-to-date information and to advise them.

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.



■ Highlights of Fiscal 2000

Diversifying Sources of Funds

Small and medium-sized enterprises (SMEs) are actively diversifying their sources of funds to include increasingly sophisticated mechanisms, such as private bond placements, equity finance, and the factoring of trade receivables. As an integrated financial institution, the Shoko Chukin Bank is working in various ways to respond to its customers' efforts to diversify their financing arrangements through the use of these new methods.

Private Placement Trustee Services

With the growth and development of capital markets in recent years, more and more SMEs are taking their first steps into the direct financing arena by using private bond placements to raise long-term funds. The Shoko Chukin Bank recognizes the importance of these financing methods to SMEs and actively provides underwriting services.

In April 2000 the Shoko Chukin Bank began to handle private bond subscriptions under special bond guarantee systems established by Credit Guarantee Associations. The Credit Guarantee Associations guarantee 90% of the value of bonds issued by SMEs and the Bank is now working actively in this area.

In fiscal 2000 the Shoko Chukin Bank underwrote private bond placements amounting to ¥31.3 billion, including ¥27.2 billion in guaranteed bonds.

Equity Finance

SMEs are increasingly eager to improve their equity structures and financial positions by using equity issues to raise funds. Moreover, the easing of OTC registration criteria and pre-float rules and the establishment of markets for emerging companies, such as Mothers and NASDAQ, have allowed a growing number of SMEs to raise funds directly from the market. The Shoko Chukin Bank is responding to growing demand for this type of finance in the SME sector. At the end of fiscal 2000, the balance of shares acquired amounted to ¥23.1 billion.

Factoring of Trade Receivables

In recent years there is a growing need in the SME sector for the liquidation of assets so that they can be taken off balance sheets or turned into funds.

The Shoko Chukin Bank is responding to this need by providing funds through the conversion of trade bills and receivables into trust beneficiary rights, which it then acquires. In fiscal 2000, the Shoko Chukin Bank acquired trust beneficiary rights amounting to ¥14 billion relating to the trade receivables of SMEs. In February 2001, the Bank signed a trust agency contract with six trust banks covering monetary claim trusts.

Investment Syndicates

In December 2000, the Shoko Chukin Bank and the Japan Institute of Commerce, Industry & Economics, Ltd. jointly formed the first Shochu Investment Syndicate. In fiscal 2000 the Syndicate handled nine investments worth a total of ¥170 million. It was established to meet the equity and bond underwriting needs of SMEs, which are increasingly turning to equity issues as a way of raising the funds needed to expand their business operations by providing highly original products and services.

Additional Government Subscription

For several years the Shoko Chukin Bank has implemented a special loan system to facilitate access to operating funds for financing for SMEs affected by the credit crunch. The economic policy package announced by the government in October 2000 provided for the expansion of this system through the introduction of "safety net" loans to meet emergency stabilization needs. The package also included measures to increase the flexibility of collateral requirements under the disaster loan system. In December 2000 the government provided an additional subscription of ¥16.1 billion to cover the cost of these measures.

New President

On June 20, 2001, Yukiharu Kodama stepped down as President. His successor, Tadashi Ezaki, took office on June 21 as the 13th President of the Shoko Chukin Bank. Mr. Ezaki was head of the Industry Policy Bureau of the former Ministry of International Trade and Industry (MITI).

The new President, together with the directors and staff of the Shoko Chukin Bank, will continue their efforts to provide the best possible services. We look forward to the continuing support of our customers.

■ Overview of Fiscal 2000

The Economic Environment

The U.S. economy, which had previously remained strong, began to decelerate in the second half of fiscal 2000. Although there was some concern about the impact of a slower U.S. economy, the European and Asian economies mostly remained on a firm expansion trend throughout fiscal 2000.

The Japanese economy followed a gradual recovery trend through most of the fiscal year. The recovery was led by trends in the corporate sector, including a dramatic improvement in business earnings on the back of increased capital investment driven by export growth and the expansion of IT demand. Early in 2001, however, the economic outlook began to appear less certain because of factors that included slower export growth due to the deceleration of the U.S. economy. At the final demand level, there was little evidence of a recovery in consumer spending due to the lack of any significant improvement in household finances. After a period of robust growth leading up to the end of 2000, exports began to decelerate. And there were also indications that capital investment was about to lose momentum. Overall, there were clear signs of a slowdown in the performance of the corporate sector, which had previously led the growth trend.

These demand trends affected industrial production, which had previously followed a sustained upward trend. By autumn the pace of growth was slowing and stocks of production goods were rising, indicating that the growth trend had peaked. The employment situation remained difficult as well. Continuing corporate restructuring and other factors were reflected in the full unemployment rate, which reached a record high in December.

On the financial front, the Bank of Japan responded to signs of economic recovery by removing its zero interest rate policy, which had remained in place for approximately 18 months. The Bank of Japan took this step in August 2000, but the economic recovery subsequently showed signs of levelling off, and in February 2001 the central bank was forced to cut the official discount rate twice. In March it

restored the zero interest policy. Short-term interest rates rose after the removal of the zero interest policy, but by March they had returned to the level that prevailed under the policy. Long-term rates shifted to a downward trend in autumn due to concern about the economic outlook. By March the secondary market yield on new 10-year government bonds had fallen to around 1%, reflecting the shift in the Bank of Japan's policy stance. The sustained stability of the yen gave way in late 2000 to a steepening downward curve in the value of the Japanese unit against the U.S. dollar. The closing rate in the Tokyo market at the end of the fiscal year was ¥125.27. Share prices continued to lose ground because of uncertainty about the economic outlook in Japan and the downward shift in U.S. stock prices. At one point the Nikkei descended to its lowest ebb of the post-bubble period. It ended the fiscal year at ¥12,999.

The performance of the SME sector during the first half of fiscal 2000 generally followed a sustained recovery trend. In particular, there was a marked improvement in net sales, led by manufacturers. However, there were subsequently indications that business performance was beginning to falter, including production cutbacks necessitated by slower export growth and other factors. Statistics in the Shoko Chukin Bank's "Monthly Survey of the Condition of SMEs" show that the business outlook judgment index peaked at 49.8 in September and then fell in each of the next six months. There was no alleviation of the downward trending selling prices, which put a severe squeeze on the profit margins of SMEs.

The Japanese economy is going through major structural changes, including adaptation to information technology and the increased fluidity of employment. In the business sector, this process of change has been accompanied by continuing balance sheet adjustments, creating a very difficult business environment for SMEs. That is why the government stepped up its efforts to help SMEs build a solid base for growth by facilitating their access to funds and providing increased support for their adaptation to the IT revolution.

Summary of Results

• **Loans** Loans outstanding declined by ¥282.7 billion during fiscal 2000 from the previous fiscal year's level, due to a downturn in the demand for funds in the SME sector. The total balance of loans outstanding was ¥10,886.5 billion at the end of the fiscal year. The balance of loans through agencies, including credit cooperatives, at the end of fiscal 2000 was ¥87.3 billion. There were 240 agencies as of March 31, 2001.

• **Debentures** Interest-bearing debentures declined by ¥391.5 billion, but there was a ¥33.6 billion increase in discount debentures, making a total decline for the year of ¥357.9 billion. The balance at the end of fiscal 2000 was ¥10,170.6 billion, including ¥311.1 billion in debentures underwritten by the government.

• **Deposits and Negotiable Certificates of Deposit** The balance of deposits at the end of fiscal 2000 was ¥2,389.1 billion, an increase of ¥151.3 billion over the previous year's level. Negotiable certificates of deposit increased by ¥28.9 billion, and the balance at the end of fiscal 2000 was ¥40.5 billion.

• **Securities** Over-the-counter sales of government bonds and other securities amounted to ¥2.4 billion. Dealing in government bonds and other securities totaled ¥60.2 billion. The balance of trading securities at the end of fiscal 2000 was ¥12.6 billion.

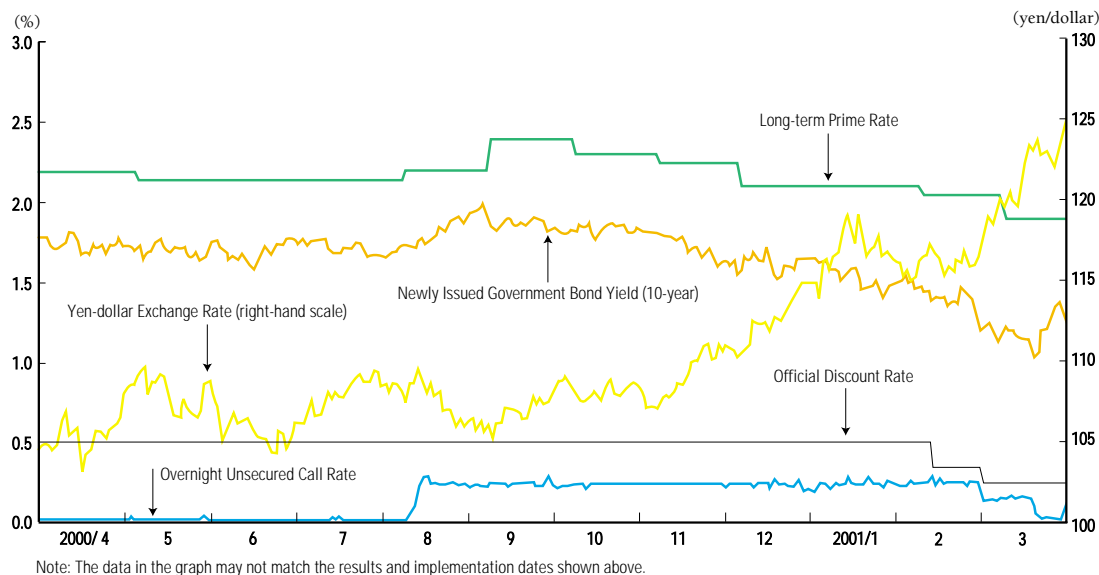
• **Domestic and Foreign Exchange** Domestic

exchange transactions in fiscal 2000 totaled ¥23,974.8 billion. Foreign exchange transactions amounted to US\$12,603 million.

• **Income and Expenditure** Total operating income totaled ¥305.6 billion, while operating expenses amounted to ¥324.8 billion, leaving an operating loss of ¥19.2 billion. The loss reflects the fact that operating expenses include ¥91.2 billion in bad loans written off. Reasons for the bad loans include the worsening business performance of some customers due to prolonged economic stagnation, and the additional write-offs relating to loans already covered by reserves, due to falling land prices. Another factor was the emergence of new non-performing loans resulting from bankruptcies, due in part to the effects of the Civil Rehabilitation Law. The Shoko Chukin Bank disposed of these non-performing loans appropriately.

Other gains amounted to ¥3.6 billion, while other losses totaled ¥0.4 billion. Corporate taxes, residents' taxes and enterprise taxes amounted to ¥0.3 billion, and there was a ¥3.5 billion adjustment relating to corporate taxes and other taxes. This left a net loss for the year of ¥12.8 billion.

Under the Special Ordinance Concerning Special Exceptions under the Criteria for the Levying of Enterprise Taxes on Banks, etc., in Osaka Prefecture (promulgated and enacted on June 9, 2000), deferred tax assets amounted to ¥1.0 billion. The net loss was increased by this amount.



FINANCIAL SECTION

TREND IN PRINCIPAL FINANCIAL INDICATORS

(100 millions of yen)

	Fiscal 2000	Fiscal 1999	Fiscal 1998	Fiscal 1997	Fiscal 1996
Total Operating Income	3,056	3,932	4,510	5,296	5,628
Income (Loss) before Income Taxes and Others	(192)	(214)	(624)	43	64
Net Income (Loss)	(128)	(159)	(445)	45	52
Capital	4,939	4,748	4,331	3,971	3,904
Outstanding Debentures	101,706	105,286	107,770	111,663	119,827
Outstanding Deposits	23,891	22,378	21,242	20,451	22,604
Outstanding Loans	108,865	111,693	113,780	113,264	114,269
Balance of Investment Securities	23,183	22,398	20,707	20,946	23,675
Total Assets	140,129	139,102	145,580	145,796	156,216
Capital Ratio (%)	6.94	6.95	6.66	6.19	5.90
Dividend per Unit Cooperatives' Subscription (yen)	3.00	3.00	4.00	4.00	5.00
Dividend Payment Ratio (%)	—	—	—	77.18	82.12

Note: Up to and including the year ended March 1999, the reserve for possible loan-losses was shown in the liabilities section. From the year ended March 2000 onwards, it will be shown as a deduction at the end of the assets section.

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Financial Section
Balance Sheets

The Shoko Chukin Bank
As of March 31, 2001 and 2000

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
ASSETS			
Loans	¥10,886,595	¥11,169,303	\$ 87,865
Loans on Deeds	6,814,251	6,824,656	54,997
Loans on Notes	2,192,737	2,584,396	17,697
Overdrafts	912,477	857,937	7,364
Bills Discounted	967,128	902,312	7,805
Foreign Exchange	7,172	9,040	57
Foreign Exchange Bills Purchased	806	1,234	6
Foreign Exchange Bills Receivable	4,041	4,533	32
Due Bills from Foreign Banks	2,323	3,272	18
Investment Securities	2,318,388	2,239,872	18,711
National Government Bonds	1,608,474	1,345,704	12,982
Local Government Bonds	110,921	194,458	895
Corporate Bonds	316,880	460,527	2,557
Stocks	30,468	32,437	245
Other Securities	251,643	206,745	2,031
Monetary Trusts	70,000	70,000	564
Trading Assets	63,037	51,922	508
Trading Securities	12,664	7,277	102
Derivatives of Trading Securities	1	—	0
Derivatives of Securities related to Trading Transactions	0	—	0
Trading-related Financial Derivatives	6,376	3,647	51
Other Trading Assets	43,994	40,997	355
Monetary Claims Purchased	45,897	19,258	370
Bills Purchased	15,000	—	121
Call Loans	17,425	24,966	140
Cash and Due Bills from Banks	793,271	478,956	6,402
Cash	30,477	29,767	245
Due Bills from Banks	762,794	449,188	6,156
Other Assets	48,104	58,895	388
Settlements Receivable	15	11	0
Prepaid Expenses	204	257	1
Accrued Income	16,296	24,387	131
Forward Contract Margins	36	235	0
Forward Contract Deposits Receivable	—	69	0
Financial Derivatives	4,453	—	35
Other Assets	27,098	33,935	218
Premises and Equipment	57,256	58,769	462
Land, Buildings and Equipment	52,413	53,649	423
Security Deposits	4,843	5,120	39
Deferred Assets on Debenture Issue	4,339	3,564	35
Debenture Issue Discounts	4,339	3,564	35
Deferred Income Taxes	81,757	78,158	659
Customers' Liabilities for Acceptances and Guarantees	69,283	66,534	559
Customers' Liabilities for Acceptances and Guarantees	58,757	54,954	474
Customers' Liabilities for Guaranteeing Agency Loans	10,525	11,580	84
Reserve for Possible Loan Losses	(464,625)	(419,004)	(3,750)
Total Assets	¥14,012,903	¥13,910,238	\$113,098

Millions of yen

Millions of
U.S. dollars

	2001	2000	2001
LIABILITIES			
Shoko Chukin Bank Debentures	¥10,170,673	¥10,528,603	\$ 82,087
Shoko Chukin Bank Debentures Issued	10,170,673	10,528,603	82,087
Deposits	2,389,177	2,237,838	19,283
Time Deposits	1,256,761	1,274,703	10,143
Deposits at Notice	109,135	121,675	880
Ordinary Deposits	398,560	356,624	3,216
Current Deposits	439,883	334,548	3,550
Government Deposits	37,269	43,412	300
Other Deposits	147,566	106,874	1,191
Negotiable Certificates of Deposit	40,546	11,629	327
Borrowed Money	88,682	95,961	715
Borrowings	88,376	95,565	713
Bills Rediscounted	306	395	2
Trading Liabilities	6,557	4,149	52
Derivatives of Trading Securities	—	2	—
Derivatives of Securities related to Trading Transactions	0	47	0
Trading-related Financial Derivatives	6,557	4,099	52
Bills Sold	124,400	—	1,004
Call Money	224,934	69,165	1,815
Foreign Exchange	246	71	1
Foreign Exchange Bills Sold	53	20	0
Foreign Exchange Bills Payable	—	4	—
Borrowing from Foreign Banks	183	8	1
Deposits by Foreign Banks	9	38	0
Other Liabilities	265,719	265,189	2,144
Settlements Payable	48	127	0
Accrued Expenses	49,220	66,178	397
Corporate Taxes Payable	1,100	724	8
Unearned Income	14,361	17,999	115
Deposits by Employees	8,407	8,438	67
Future Contract Settlement Account	6	—	0
Deferred Hedge Gains	657	—	5
Debenture Principal Payable	165,581	—	1,336
Other Liabilities	26,334	171,721	212
Reserve for Retirement Benefit	17,960	17,558	144
Reserve for Claim Disposal Loss	6,199	8,482	50
Statutory Reserves	0	0	0
Reserve for Contingent Liabilities from Financial Futures Transactions	0	0	0
Reserve for Contingent Liabilities from Securities Transactions	—	0	—
Acceptances and Guarantees	69,283	66,534	559
Acceptances and Guarantees	58,757	54,954	474
Guarantees for Agency Loans	10,525	11,580	84
Total Liabilities	¥13,404,381	¥13,305,184	\$108,187
CAPITAL FUNDS			
Capital	¥ 493,965	¥ 474,865	\$ 3,986
Government Subscription	394,067	377,967	3,180
Cooperatives' Subscription	99,897	96,897	806
Legal Reserve	24,410	24,410	197
Earnings Reserve	24,410	24,410	197
Retained Earnings	90,147	105,778	727
General Reserves	102,954	117,864	830
Reserve for Particular Purposes	102,490	117,340	827
Reserve for Dividend Payments	—	60	—
Reserve for Retirement Allowance Funds	464	464	3
Unappropriated Earnings	(12,807)	(12,086)	(103)
Net Income (Loss) for the Year	(12,807)	(15,953)	(103)
Total Capital Funds	608,522	605,053	4,911
Total Liabilities and Capital Funds	¥14,012,903	¥13,910,238	\$113,098

Statements of Income

The Shoko Chukin Bank

For the years ended March 31, 2001 and 2000

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Operating Income	¥305,630	¥393,259	\$2,466
Interest Income	269,821	354,738	2,177
Interest on Loans	221,761	239,929	1,789
Interest and Dividends on Securities	39,130	48,423	315
Interest on Bills Purchased	121	15	0
Interest on Call Loans	656	577	5
Interest on Deposits	4,791	3,947	38
Interest on Interest Swap Transactions	212	44,038	1
Other Interest Income	3,147	17,806	25
Fees and Commissions	5,906	5,793	47
Domestic and Foreign Exchange Commissions	2,063	2,078	16
Other Fees and Commissions	3,843	3,715	31
Trading Revenue	304	58	2
Revenue from Trading Securities and Derivatives	20	11	0
Revenue from Securities and Derivatives related to Trading Transactions	—	17	—
Revenue from Trading-related Financial Derivatives Transactions	187	—	1
Other Trading Revenue	96	29	0
Other Operating Income	26,501	21,874	213
Revenue from Foreign Exchange Trading	620	832	5
Revenue from Sales of Government and Other Bonds	13,379	16,169	107
Revenue from Redemption of Government and Other Bonds	—	4,872	—
Revenue from Financial Derivatives Transactions	12,470	—	100
Others	30	—	0
Other Income	3,096	10,793	24
Revenue from Sales of Stocks and Other Securities	61	7,530	0
Revenue from Monetary Trusts	609	963	4
Others	2,425	2,299	19
Operating Expenses	324,850	414,755	2,621
Interest Expenses	137,667	202,020	1,111
Interest on Debentures	97,068	142,928	783
Amortization of Discounts on Issued Debentures	7,446	10,419	60
Interest on Deposits	13,006	10,822	104
Interest on Negotiable Certificates of Deposit	971	760	7
Interest on Borrowed Money	2,655	2,794	21
Interest on Bills Sold	111	27	0
Interest on Call Money	3,802	1,424	30
Interest on Interest Swap Transactions	7,702	24,712	62
Other Interest Expenses	4,901	8,130	39
Fees and Commissions	1,223	1,393	9
Domestic and Foreign Exchange Commissions	464	496	3
Other Fees and Commissions	758	897	6
Trading Expenses	66	55	0
Expenses on Securities and Derivatives related to Trading Transactions	66	—	0
Expenses on Trading-related Financial Derivatives Transactions	—	55	—
Other Operating Expenses	2,643	11,925	21
Amortization of Debenture Issue Expenses	719	751	5
Losses on Sales of Government and Other Bonds	1,923	2,446	15
Losses on Redemption of Government and Other Bonds	—	8,726	—
Others	0	—	0
General and Administrative Expenses	82,366	84,619	664

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Other Expenses	¥100,883	¥114,740	\$ 814
Provision for Possible Loan Losses	89,821	95,765	724
Write-off of Loans	1,650	515	13
Loss on Sales of Stocks and Other Securities	159	65	1
Write-off of Stocks	1,774	2,479	14
Loss on Monetary Trusts	3,252	—	26
Others	4,225	15,914	34
Income (Loss) before Income Taxes and Others	(19,219)	(21,495)	(155)
Other Gains	3,658	4,680	29
Gains on Disposal of Premises and Equipment	3,640	4,676	29
Collection of Written-off Claims	17	4	0
Transfer from Reserve for Securities Transaction Liabilities	0	0	0
Other Losses	455	982	3
Losses on Disposal of Premises and Equipment	455	982	3
Income (Loss) before Income Taxes	(16,016)	(17,797)	(129)
Provision for Income Taxes	389	842	3
Adjustment of Income Taxes	(3,599)	(2,686)	(29)
Net Income (Loss)	(12,807)	(15,953)	(103)
Earnings Carried Forward from the Beginning of the Year	—	3,867	—
Unappropriated Earnings (Loss) at the End of the Year	¥ (12,807)	¥ (12,086)	\$ (103)

Financial Section

Appropriating Plan of Earned Surplus

The Shoko Chukin Bank
As of March 31, 2001 and 2000

	Millions of yen		Millions of U.S. dollars
	2001	2000	2001
Unappropriated Earnings (Loss) at the End of the Year	¥(12,807)	¥(12,086)	\$(103)
Transfer from General Reserves	15,720	14,910	126
Transfer from Reserve for Particular Purposes	15,720	14,850	126
Transfer from Reserve for Dividend Payments	—	60	0
Total	2,913	2,823	23
Appropriations	2,913	2,823	23
Dividends on Cooperatives' Subscription	2,913	2,823	23
Unappropriated Earnings to the Next Year	—	—	—
Valuation Gains Relating to Trading	—	(—)	—

Note: 1. All amounts expressed have been rounded down to the nearest million yen.

2. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥123.90=U.S.\$1, the prevailing rate of exchange as of March 31, 2001.

3. Dividends on cooperatives' subscription were implemented at the rate of 3% per annum in the years ended March 2000 and 2001.

Notes to the Financial Statements

(for the fiscal year ended March 31, 2001)

BALANCE SHEETS

1. All amounts expressed in the statements have been rounded down to the nearest million yen.
2. Transactions undertaken with a view to gains on short-term fluctuations in interest rates, currency values, market prices of securities and other indicators or differentials, etc., between markets (hereinafter referred to as “trading transactions”) are shown in the balance sheet as “trading assets” or “trading liabilities” based on values at contract time.

Trading assets and trading liabilities are valued at market prices on the fiscal year end in the case of securities and monetary claims, etc., and at deemed settlement prices on the fiscal year end in the case of swaps, futures and options, etc.

3. The valuation of securities is made by the amortized cost method by the moving average method with respect to the bonds intended to be held to maturity, the cost method by the moving average method with respect to equity shares in subsidiaries and the cost method or the amortized cost method by the moving average method with respect to other securities.
4. Securities treated as trust assets of independently operated monetary trusts used primarily for the purpose of securities investment are stated at their fair value.
5. Derivative transactions other than trading transactions are stated at their fair value.
6. Premises and equipment are depreciated by declining balance method over the estimated useful lives set forth under the Corporate Tax Law.
7. Software for internal use is amortized by straight-line method over the estimated useful lives in the Bank (5 years) assuming a nil residual value.
8. Treatment of deferred assets on debenture issues
 - (1) Debenture issue discounts on discount debentures are amortized according to the period to redemption of the debenture.
 - (2) Debenture issue expenses are charged to income as incurred.
9. Foreign currency accounts among assets and liabilities and the accounts of the Bank’s overseas branches are translated into yen at the exchange rates prevailing on the balance sheet date.
10. The reserve for possible loan losses is calculated as follows in accordance with the predetermined standards for write-offs and reserve provisions.

Claims equivalent to normal loans and tagged loans, as defined in “Operational Guidelines Concerning Verification of Internal Control for Self-Assessment of Assets in Banks and Other Financial Institutions and

Auditing of Loan Write-Offs and Reserves for Possible Loan-Losses” (4th Report of the Special Committee on Auditing of Banks, etc., of the Japanese Institute of Certified Public Accountants) are divided into certain categories, and reserve provision is made on the basis of historical loan-loss ratios, etc., as calculated from actual loan losses over specific periods for each category. In the case of loans to debtors at risk of bankruptcy, the amount appropriated is determined as the amount deemed necessary on the basis of the balance remaining after deduction of the amounts estimated to be recoverable by the disposal of collateral and guarantee payments. For loans to debtors that are legally or substantially bankrupt, the amount appropriated is determined as the balance remaining after the deduction of the expected amount to be collected through the disposal of collateral or through the execution of guarantees.

The business-related sections assess all loans in accordance with the Bank’s asset self-assessment system, and the assessments are reviewed by the Credit Examination Division which is independent from the business sections. Reserve provisions are based on the results of this review.

11. Reserve for retirement benefit is provided for the payment of employees’ retirement benefit, and represents the required amount derived from estimated retirement benefit obligation and estimated pension assets at the end of this fiscal year. Unrecognized actuarial difference is amortized by straight-line method over the number of years which does not exceed the average remaining service years of employees at the fiscal year when the actuarial difference incurred (14 years). This amortization is started from the next fiscal year.
12. The reserve for claim disposal loss allowances is determined as the amount required to provide for possible future losses on the sale of loans secured with premises and equipment to the Cooperative Credit Purchase Corporation, taking into account the value of collateral. This is a reserve as stipulated in Article 287-2 of the Commercial Code.
13. The accounting for financing leases, except those where the ownership title is deemed to have been transferred to the lessee, is the same for operating lease transactions.
14. For certain assets and liabilities, deferred hedge or special-ly-accepted treatment of interest rate swaps is carried out.

As one of hedge accounting methods, a macro hedge is made to control the whole system of interest rate risks

arising from many financial assets and liabilities such as loans and deposits by using derivative transactions. This is the risk control based on risk-adjustment approach prescribed in “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (the 15th Report of the Industry Audit Committee of the Japanese Institute of Certified Public Accountants), and the deferred hedge accounting is adopted. The Bank evaluates the hedge effectiveness by inspecting whether the amount of risks of derivatives which are risk adjustment means is within a allowable risk provided in the risk control policies, and whether the interest rate risk which is the subject of the risk control is reduced.

15. The accounting for national and local consumption taxes is made according to the tax excluding method where the consumption taxes are recorded separately.
16. The reserves under specific laws are provided as follows:
 - Reserve for Financial Futures Transaction Liabilities is provided under the provisions of the Financial Futures Trading Law, Article 82.
 - Reserve for Securities Transaction Liabilities is provided under the provisions of the Securities and Exchange Law, Clause 7 of Article 65-2.
17. Subsidiaries are amounted to ¥10 million.
18. Monetary Credit to subsidiaries is amounted to ¥0 million.
19. Monetary Liabilities due to subsidiaries are amounted to ¥24 million.
20. The accumulated depreciation of the premises and equipment is ¥62,724 million.
21. The depreciation of the premises and equipment which make income tax postponed under the tax law is ¥19,656 million.
22. In addition to the premises and equipment stated in the balance sheets, some of the computers are used under lease agreement.
23. Among loans, loans to bankrupt companies are amounted to ¥310,838 million and overdue loans are amounted to ¥457,629 million.

Loans to bankrupt companies are defined as loans for which accrued interest is not shown in the accounts on the grounds that principal or interest is likely to be unrecoverable, because interest or principal payments have been overdue for a considerable period or for other reasons (excluding loans that have been written off; hereinafter referred to as “loans for which accrued interest is not shown”), where the loans in question are affected by the circumstances defined in Article 96, Clause 1, Numbers 3a-e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).

Overdue loans are loans for which accrued interest is not shown in the accounts, other than loans to bankrupt companies and loans rescheduled period for interest payments has been provided to support the financial restructuring of the borrowers.

24. Loans include ¥5,103 million in loans that are overdue by three months or longer. Loans overdue by three months or longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract, but which are not classified as loans to bankrupt companies or overdue loans.
25. Rescheduled loans total ¥80,188 million. Rescheduled loans are loans, other than loans to bankrupt companies or overdue loans and loans overdue by three months or longer, for which the terms have been eased to support the financial rehabilitation of the borrower through measures agreed in favor of the borrower, such as reduction of interest payments, postponement of interest or principal repayments and abandonment of claims.
26. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥853,760.
27. Bills discounted consist of bank acceptance bills, trade bills and documentary bills discounted by the Bank. The aggregate face value of these bills is ¥967,128 million.
28. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities	¥488,408 million
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Liabilities corresponding to collateral assets:

Deposits	¥ 1,636 million
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Bills sold	¥124,400 million
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Call money	¥ 32,747 million
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In addition to the above amounts, securities worth ¥394,236 million have been provided as collateral for foreign currency settlements and foreign currency-yen settlements, etc., or substituted for futures margin money, etc.

29. Deferred hedge gains represent the net amount of unrealized gains and losses or valuation differences from hedging instruments. The gross amounts of deferred hedge losses and deferred hedge gains before netting are ¥ 5,626 million and ¥ 6,283 million, respectively.
30. The Ordinance Concerning Special Exceptions to the Taxation Standards, etc., for Enterprise Taxes on Banking Businesses, etc., in Osaka Prefecture (Osaka Prefectural Government Ordinance No. 131 of April 1, 2000) was promulgated on June 9, 2000. With the result

that the statutory effective taxation rate for deferred tax assets and liabilities will change from 30.04% to 29.65%, effective from the current accounting period. This change has caused a reduction of ¥1,075 million in deferred tax assets, and an equivalent increase in the adjustment of corporate income tax, etc., shown in the current fiscal year's accounts.

31. The borrowings include the loans payable under subordination covenant totaling ¥67,000 million.
32. The net loss per capital unit is ¥2.67.
33. The net assets increased by ¥2,856 million through revaluation by the fair values stipulated in Article 40-2, Clause 1, Number 5 of the Shoko Chukin Bank Law.
34. The details of the fair values, valuation differences, etc., of securities are described as below. These securities include "national government bonds", "local government bonds", "corporate bonds", "stocks" and "other securities", as well as "trading securities", transferable due bills from banks and commercial papers in "other trading assets", transferable due bills from banks in "due bills from banks", and commercial papers and beneficiary of loan trusts in "monetary claims purchased". The same applies to Note 35.

Trading securities

Book value	¥56,658 million
Recognized valuation differences in this fiscal year	¥ 0 million

Held-to-maturity debt securities with market values

Debt securities	
Book value	¥49,418 million
Market value	¥51,461 million
Valuation differences	¥ 2,043 million
Valuation gains therein	¥ 2,043 million
Valuation losses therein	nil

Other securities with market values

For this fiscal year, other securities with market values have not been revaluated by their fair values. The book values of such securities are as follows.

Book value	¥2,701,385 million
Market value	¥2,726,907 million
Difference	¥ 25,522 million
Estimated valuation differences	¥ 17,954 million
Estimated deferred tax liability	¥ 7,567 million

35. Major items of securities which have no market values and their book values are described as below.

Items	Book value
Stocks issued by subsidiaries	
Stocks issued by subsidiaries	¥ 10 million

Other securities

Unlisted stocks other than those on over-the-counter market	¥ 7,488 million
Bonds	¥47,600 million

36. The Bank holds monetary trusts solely for managing purpose.
37. National government bonds and trading securities include the securities loaned on loan agreements, the total amount of which is ¥15,200 million.
38. Overdraft agreements and commitment line agreements on loans are the agreements where the Bank grants a loan up to a designated credit limit whenever the customer requests, unless it has had no breach of the conditions stipulated in the agreements. The outstanding credit facility ready for drawdown under such agreements is ¥615,935 million in aggregate.

Most of these agreements are terminated before the full amount of credit facility determined in the agreements is utilized. Thus the outstanding credit facility itself does not always affect the Bank's cash flows in the future. Most of these agreements have provisions which allow the Bank to cancel the customers' request for drawdown and/ or to reduce the credit limit for appropriate reasons such as changes in the financial situation and protection of credits. Moreover, the Bank requires the customers to collateralize their premises, securities, etc., when considered necessary, upon conclusion of overdraft agreements and/ or commitment line agreements. After the Bank enters into the agreement, it periodically (every half year) checks the customers' economic situation in accordance with the internally established procedure, reviews the conditions of the agreement as necessary, and take measures necessary to protect the credits.

39. The notification determined by the minister in charge (Ministry of Finance, Ministry of International Trade and Industry Notification 9 of 2000) was amended in accordance with the implementation of the new accounting standards for retirement benefit ("Opinion Report on Establishment of Accounting Standards for Retirement Benefit" by Business Accounting Deliberation Council, June 16, 1998). As a result of this amendment, the form of the balance sheet was also amended so that previous "reserve for retirement allowance" is reclassified and included in "reserve for retirement benefit" from this fiscal year.
40. All U.S. dollar figures are translated, for convenience only, at the rate of ¥123.90=US\$1, the prevailing rate of exchange as of March 31, 2001.

STATEMENTS OF INCOME

1. All amounts expressed in the statements have been rounded down to the nearest million yen.
2. Earnings related to subsidiaries' transactions total ¥0 million. Expenses related to subsidiaries' transactions total ¥155 million.
3. The Shoko Chukin Bank shows profit and loss on transactions undertaken for the purposes of trading transactions in the Statements of Income as "Trading Revenue" or "Trading Expenses."

In the Statements of Income, Trading Revenue and Trading Expenses are shown by adding to interest received and paid during the year an amount equivalent to the increase (decrease) in valuation gains and losses between the end of the previous and current years in the case of securities and monetary claims, etc., and an amount equivalent to the increase (decrease) in deemed settlements between the end of the previous and current years in the case of derivatives.

4. "Other Operating Expenses" includes ¥561 million in losses resulting from the sale of real estate-secured loans to the Cooperative Credit Purchase Corporation (including ¥180 million in losses relating to support for borrowers), ¥476 million in losses on support for borrowers, ¥1,928 million in provision for the Reserve for Claim Disposal Loss Allowances, and ¥94 million in losses resulting from the sale of other loans.
5. The Bank adopted the new accounting standards for retirement benefit from this fiscal year. As a result, loss before income taxes and others and loss before income taxes are decreased by ¥282 million.
6. The Bank adopted the new accounting standards for financial instruments, and accordingly changed the valuation method of securities, the valuation method of derivatives, the method of hedge accounting, etc. As a result, loss before income taxes and others and loss before income taxes are decreased by ¥4,756 million.

In accordance with the adoption of the new accounting standards for financial instruments, the Bank changed presentation in accounts of revenues and expenses, resulting in no effect on loss before income taxes and others or loss before income taxes. For revenue accounts, "interest and dividends on securities," "interest on interest swap transactions," "other interest income," "gains on sales of government and other bonds" and "gains on redemption of government and other bonds" are decreased by ¥2,162 million, ¥27,986 million, ¥578 million, ¥1,962 million and ¥5,332 million, respectively, while "Revenue from Financial Derivatives Transactions" is increased by ¥8,290 million. For expense accounts, "interest on debentures," "interest on deposits," "interest on interest swap transactions," "other interest expenses," "losses on sales of government and other bonds" and "losses on redemption of government and other bonds" are decreased by ¥13,670 million, ¥39 million, ¥6,488 million, ¥93 million, ¥3,030 million and ¥6,408 million, respectively. As a result, operating income and operating expenses are decreased by ¥29,730 million, respectively.

7. Enterprise taxes other than those which are assessed based on income are presented in others in other expenses. Although the enterprise tax imposed by Tokyo Metropolis was previously presented in provision for income taxes, in accordance with the enforcement of "Municipal Ordinance regarding Special Treatment of Tax Base, etc., for Enterprise Tax on Banking Business, etc., in Tokyo Metropolis" (Tokyo Metropolis Municipal Ordinance 145 of 2000) on April 1, 2000, it is included in others in other expenses from this fiscal year. The amount of such enterprise tax for this fiscal year is ¥800 million.
8. All U.S. dollar figures are translated, for convenience only, at the rate of ¥123.90=US\$1, the prevailing rate of exchange as of March 31, 2001.

Statement of Cash Flows

The Shoko Chukin Bank

(for the fiscal year ended March 31, 2001)

	Millions of yen	Millions of U.S. dollars
Cash Flows from Operating Activities		2001
Net Income (Loss) before Income Taxes	¥ (16,016)	\$ (129)
Depreciation	2,567	20
Increase in Reserve for Possible Loan Losses	45,620	368
Increase in Reserve for Claim Disposal Loss	(2,283)	(18)
Increase in Reserve for Retirement Benefit	402	3
Income from Fund Management	(269,821)	(2,177)
Expenses for Fund Procurement	137,667	1,111
Losses Relating to Securities	(9,582)	(77)
Losses on Monetary Trusts	2,642	21
Losses on Premises and Equipment	(3,185)	(25)
Net (Increase) Decrease in Trading Assets	(11,114)	(89)
Net Increase (Decrease) in Trading Liabilities	2,408	19
Net (Increase) Decrease in Loans	282,708	2,281
Net Increase (Decrease) in Debentures	(357,930)	(2,888)
Net Increase (Decrease) in Deposits	151,338	1,221
Net Increase (Decrease) in Negotiable Certificates of Deposit	28,917	233
Net Increase (Decrease) in Borrowed Money	(7,278)	(58)
Net (Increase) Decrease in Call Loans, etc.	(34,098)	(275)
Net Increase (Decrease) in Call Money, etc.	280,168	2,261
Net (Increase) Decrease in Due Bills from Banks Other than the Central Bank	(323,743)	(2,612)
Net (Increase) Decrease in Foreign Currencies (Assets)	1,868	15
Net Increase (Decrease) in Foreign Currencies (Liabilities)	174	1
Income from Fund Operations	274,274	2,213
Expenditures for Fund Procurement	(154,573)	(1,247)
Others	(4,904)	(39)
Subtotal	16,226	130
Income Taxes	(178)	(1)
Net Cash Provided by Operating Activities	16,048	129
Cash Flows from Investing Activities		
Payments for Purchases of Securities	(6,905,855)	(55,737)
Proceeds from Sales of Securities	3,488,941	28,159
Proceeds from Redemption of Securities	3,375,463	27,243
Payments for Increase in Monetary Trust	(30,373)	(245)
Proceeds from Decrease in Monetary Trust	27,730	223
Payments for Acquisitions of Premises and Equipment	(1,582)	(12)
Proceeds from Sales of Premises and Equipment	3,923	31
Net Cash Used in Investing Activities	(41,752)	(336)
Cash Flows from Financing Activities		
Proceeds from Increase in Capital Contribution	19,100	154
Dividends Paid	(2,823)	(22)
Net Cash Used in Financing Activities	16,277	131
Translation Differences of Cash and Cash Equivalents	—	—
Increase (Decrease) in Cash and Cash Equivalents	(9,427)	(76)
Cash and Cash Equivalents at Beginning of Year	39,931	322
Cash and Cash Equivalents at End of Year	¥ 30,503	\$ 246

Note: 1. The scope of fund in the statement of cash flow is deposits and the money deposited with the central bank out of "Cash and Due Bills from Banks" in the balance sheet.

2. The reconciliation between the cash and cash equivalent at the beginning of the year and the amounts of the items stated in the balance sheet is as follows:

As of March 31, 2001

Cash and due bills from banks	¥ 793,271 million	\$ 6,402 million
Due bills from banks other than the central banks	(762,768 million)	6,156
	<u>30,503 million</u>	<u>246</u>

Details of Capital Account

STRUCTURE OF CAPITAL SUBSCRIPTION (in ¥ million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Government Subscription	394,067 (79.8)	377,967 (79.6)
Cooperatives' Subscription	99,897 (20.2)	96,897 (20.4)
Total	493,965	474,865

Note: The figures in parentheses represent percentages of the total.

STRUCTURE OF CAPITAL SUBSCRIPTIONS BY COOPERATIVES (in ¥ thousand)

	(as of March 31, 2001)	(as of March 31, 2000)
	Number of Cooperatives/Capital Subscription Amounts	
Small and Medium Enterprises' Cooperatives	24,372 94,575,105	24,267 91,383,084
Common Facility Cooperatives and Federations Thereof	23,516 88,143,748	23,424 85,132,502
Small Common Facility Cooperatives	2 100	2 100
Mutual Fire Relief Cooperatives and Federations Thereof	45 766,500	45 682,200
Credit Cooperatives and Federations Thereof	238 5,354,713	247 5,211,913
Business Cooperatives	571 310,044	549 356,369
Joint Business Cooperatives	803 1,237,412	827 1,461,516
Commercial and Industrial Cooperatives and Federations Thereof	1,029 2,761,446	1,043 2,811,100
Shopping District Promotion Cooperatives and Federations Thereof	950 211,305	929 209,315
Environmental Sanitation Trade Associations and Federations Thereof	331 557,397	328 534,727
Liquor Business Cooperatives and Federations Thereof	214 119,936	224 122,686
Domestic Maritime Transport Associations and Federations Thereof	51 424,685	51 364,908
Export Associations and Import Associations	5 10,500	5 10,460
Urban Redevelopment Associations	2 110	1 100
Total	27,757 99,897,900	27,675 96,897,900

Note: The figures on the upper line represent the numbers of cooperatives and those on the lower line the amounts of capital subscription.

Cooperatives' Subscription to the Bank:

1. For the purpose of providing services to a wider base of customers, the number of units of contribution in possession of an affiliated cooperative shall not exceed one-hundredth of the total units of contribution to the Bank, under Clause 3, Article 7 of the Shoko Chukin Bank Law.
2. Decisions of the Bank's management are made at the Assembly of Representatives, and every representative has one vote regardless of the number of units of capital subscription that is held (Article 72 of the Articles of Incorporation).

DIVIDENDS (in yen, %)

	(Fiscal 2000)	(Fiscal 1999)
Dividend per Unit Cooperatives' Subscription	3.00	3.00
Dividend Payout Ratio	—	—

The amount of a unit of subscription to the Bank shall be 100 yen.

Dividend Payments by the Bank:

- The dividend per subscription was ¥3 same as fiscal 1999.
- For the purpose of solidifying the Bank's operational base and contributing to the improvement of financial services for the SMEs, the Bank may not pay dividends on the surplus fund for the government's paid-up subscription until the amount of distributable surplus fund for each business year shall attain the yearly rate of 6% of the amount of non-governmental paid-up subscription under Article 49 of the Shoko Chukin Bank Law.
- In addition, the Bank shall not pay a dividend of more than 6% until its legal reserve amounts to 25% of the capital under Clause 2, Article 3 of the Regulation Enforcing the Shoko Chukin Bank Law.

CAPITAL RATIO (in ¥100 million, %)

		(as of March 31, 2001)	(as of March 31, 2000)
Core Capital (Tier 1 Capital)	Capital Funds	6,056	6,022
	Total (A)	6,056	6,022
	45% of Unrealized Gains on Securities	—	29
	45% of of Other Marketable Securities Stated in the Balance Sheet Minus Its Book Value	—	—
Supplementary Capital (Tier 2 Capital)	Reserve for Possible Loan Losses (Excluding Special Reserve for Possible Loan Losses and Reserve for Possible Loan Losses on Special Foreign Loans)	514	482
	Subordinated Borrowings	402	530
	Total	916	1,041
	Amount Counted as Capital (B)	916	1,041
Deductions:	Mutual Shareholding or Other Financing Intentionally Arranged among Financial Institutions (C)	—	—
Total Capital:	(A) + (B) – (C) (D)	6,973	7,063
Risk-Weighted Assets:	Assets stated on the Balance Sheet	99,731	100,917
	Off-Balance Sheet Items	711	638
	Total (E)	100,442	101,555
Capital Ratio =	(D)/(E) x 100	6.94	6.95

Note: Calculation is made according to the formula stipulated in the notice of the Ministry of Finance and the Ministry of Economy, Trade & Industry.

Total Capital:

- Core Capital increased by a total of ¥3.3 billion.
Contributing factors include additional capital amounting ¥16.1 billion from the government, ¥3 billion in additional funds from cooperatives, and negative effect from the net loss.
- The General Reserve was decreased by negative effect from the decrease of subordinated loans by ¥12.8 billion. As a result, Supplementary Capital decreased by ¥12.4 billion.

The Bank's Capital Ratio:

- The Bank is endeavoring to raise its capital ratio according to Article 30-3 of the Shoko Chukin Bank Law and the notice of the Ministry of Finance and the Ministry of Economy, Trade and Industry. (The Bank's capital ratio is computed according to the formula stipulated in said notice.)
- The Bank is eligible for special treatment in terms of the way the BIS international capital adequacy guideline for financial institutions is applied because of its special status as a government-affiliated financial institution.
- The Bank is exempt from the Prompt Corrective Action.
- The Bank, as a financial institution, is exempt from reevaluating land under the Land Properties Revaluation Act and Supplementary Capital in the above table does not include gains on land revaluation.

Details of Profit and Loss

SUMMARY OF INCOME (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Gross Operating Revenue	1,624	1,688
Provision for (Reversal of) the General Reserve for Possible Loan Losses	32	-99
General and Administrative Expenses (Excluding Nonrecurrent Items)	801	840
Expenses Incurred on Debenture Issue and Redemption	8	8
Operating Profit	781	938
Operating Profit before Deduction of Provision for the General Reserve for Possible Loan Losses	814	839
Nonrecurrent Profit and Loss (Including Nonrecurrent Expenses)	-973	-1,153
Loss before Income Taxes and Others	192	214
Other Gains and Losses	32	36
Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax	3	8
Adjustment of Income Taxes	-35	-26
Net Loss	128	159

Note: The operating profit represents the income generated by the Bank's primary businesses and is calculated by deducting general and administrative expenses from the gross operating profit.

GROSS OPERATING PROFIT (in ¥100 million, %)

Department	(Fiscal 2000)			(Fiscal 1999)		
	Domestic	International	Total	Domestic	International	Total
Net Interest Income	(1,315)	(101)	(1,417)	1,520	53	1,574
	1,329	-1	1,328			
Fees and Commissions	44	3	47	41	3	44
Trading Income	29	-26	2	16	-16	0
Other Operating Income	(157)	(-0)	(157)	65	2	68
	203	42	245			
Gross Operating Profit	(1,546)	(77)	(1,624)	1,645	43	1,688
	1,607	17	1,624			
Gross Operating Profit Ratio	(1.14)	(1.04)	(1.17)	1.17	0.49	1.19
	1.18	0.22	1.17			

Note: 1. The Bank has adopted the accounting standards for financial instruments since the year ended March 31, 2001.

The figures in parentheses represent income/profit after adjustment for interest paid and received on interest rate swaps, which account for most of the effect of this change in the accounting standards.

2. The domestic department handles transactions in yen with Japanese residents through the domestic branches. The international department handles transactions with non-residents in Japan, foreign currency transactions and transactions made on special international financial accounts (transactions in the Tokyo Offshore Market) through the domestic branches and those operated through the New York branch.

3. Gross Operating Profit Ratio = $\frac{\text{Gross Operating Profit}}{\text{Average Balance of Interest Earning Assets}} \times 100$

4. In the accounts of net interest income and other operating income, the profit on redemption of bonds with swap contracts is netted by deducting the interest expense from the interest swap transactions. Deduction of swap interest expense was ¥3,800 million for the year ended March 31, 2000.

5. In the accounts of net interest income, the profit on redemption of bonds with swap contracts is netted by deducting the interest expense from the interest swap transactions. Deduction of swap interest expense was ¥3,400 million for the year ended March 31, 2001.

ASSET PORTFOLIO ACCOUNTS, FUND RAISING ACCOUNTS, INTEREST AND YIELD (in ¥100 million, %)

Department		(Fiscal 2000)			(Fiscal 1999)		
		Domestic	International	Total	Domestic	International	Total
Asset Portfolio Accounts:	Average Balance	135,150	7,530	137,786	139,311	8,617	141,419
	Interest Income	(2,480)	(397)	(2,833)	3,217	412	3,547
		2,474	233	2,663			
	Yield	(1.83)	(5.27)	(2.05)	2.30	4.77	2.50
		1.83	3.09	1.93			
Fund Raising Accounts:	Average Balance	124,831	7,382	127,320	129,251	8,713	131,455
	Interest Expense	(1,164)	(295)	(1,416)	1,696	359	1,972
		1,144	234	1,335			
	Yield	(0.93)	(4.00)	(1.11)	1.30	4.11	1.49
		0.91	3.17	1.04			

- Note: 1. The Bank has adopted the accounting standards for financial instruments since the year ended March 31, 2001. The figures in parentheses represent interest and yield after adjustment for interest paid and received on interest rate swaps, which account for the most of the effect of this change in the accounting standards.
2. Domestic department are based on yen-denominated transactions with residents at domestic branches. International department are based on foreign currency-denominated transactions at domestic branches, yen-denominated transactions with non-residents, special international financial account transactions (transactions in the Tokyo Offshore Market), and transactions at the New York Branch.
3. The average balance of yen fund invested from the domestic department to the international department was ¥650.9 billion for the year ended March 31, 2000 and ¥489.4 billion for the year ended March 31, 2001. The interest income on such investments was ¥8.3 billion for the year ended March 31, 2000 and ¥4.4 billion for the year ended March 31, 2001.
4. The interest expense of the fund raising account does not include the interest expense of interest swap transactions corresponding to the profit on redemption of bonds. Deducted amount of swap interest expense was ¥3,800 million for the year ended March 31, 2000.
5. Fund investment and fund raising accounts in the year ended March 2001 are shown as the net amount of redemption gains on bonds with interest rate swap contracts and the interest expenses of interest rate swap transactions corresponding thereto. Amount netted in the year ended March 31, 2001: ¥3,400 million

ANALYSIS OF INTEREST INCOME AND EXPENSE (in ¥100 million)

Department		(Fiscal 2000 versus Fiscal 1999)			(Fiscal 1999 versus Fiscal 1998)		
		Domestic	International	Total	Domestic	International	Total
Interest Income:	Cause of Change in the Volume	-76	-33	-70	-80	-169	-103
	Cause of Change in the Interest Rate	-666	-146	-813	-394	23	-446
	Net Change	-742	-179	-883	-475	-145	-550
Interest Expense:	Cause of Change in the Volume	-40	-42	-43	-62	-130	-74
	Cause of Change in the Interest Rate	-511	-82	-593	-463	29	-480
	Net Change	-511	-124	-637	-525	-100	-555

- Note: 1. The change caused by the effect of both the changes in volume and interest rates is included in that of interest rate change.
2. Interest expenses do not include those of the interest swap transactions corresponding to the profit on redemption of bonds. Deducted amount of swap interest expense was ¥3,800 million for the year ended March 31, 2000.
3. Interest income and interest expense in the year ended March 31, 2001 are shown as the net amount of redemption gains on bonds with interest rate swap contracts and interest expenses on the interest rate swap transactions corresponding thereto. Net amount in the year ended March 31, 2001: ¥3,400 million

FEES AND COMMISSIONS (in ¥100 million)

Department		(Fiscal 2000)			(Fiscal 1999)		
		Domestic	International	Total	Domestic	International	Total
Income Fees and Commissions		54	4	59	52	5	57
Expenses Fees and Commissions		9	1	11	11	1	12

TRADING TRANSACTIONS (in ¥100 million)

Department	(Fiscal 2000)			(Fiscal 1999)		
	Domestic	International	Total	Domestic	International	Total
Trading Revenue	29	-26	2	16	-16	0
Revenue from Trading Securities and Derivatives	0	—	0	-0	0	0
Revenue from Securities and Derivatives related to Trading Transactions	-1	0	-0	-0	1	0
Revenue from Trading-related Financial Derivatives Transactions	29	-27	1	17	-18	-0
Other Trading Revenue	0	—	0	0	—	0

Note: 1. For each item, income and expense are netted for the domestic and international departments.

2. Transactions in financial derivatives are classified as domestic or international primarily according to the residential status of the other parties to such transactions. The most of income from this source results from integrated transactions involving both domestic and international operations.

DETAILS OF OTHER OPERATING INCOME AND EXPENSES (in ¥100 million)

Department	(Fiscal 2000)			(Fiscal 1999)		
	Domestic	International	Total	Domestic	International	Total
Revenue from Foreign Exchange Trading	—	6	6	—	8	8
Revenue and Losses on Sales of Government and Other Bonds	118	-4	114	142	-5	137
Revenue and Losses on Redemption of Government and Other Bonds	/	/	/	-76	-0	-77
Revenue from Financial Derivatives Transactions	84	40	124	/	/	/
Others	0	—	0	—	—	—
Total	203	42	245	65	2	68

Note: The revenues and losses on redemption of government and other bonds do not include the revenues from redemption of bonds with interest swap contracts.

Deduction: ¥3,800 million for the year ended March 31, 2000

GENERAL AND ADMINISTRATIVE EXPENSES (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Salaries	388	391
Welfare Expenses	7	8
Depreciation	25	25
Rent & Lease Expenses for Land, Buildings and Equipment	62	61
Taxes and Duties	23	25
Others	315	333
Total	823	846

PROVISIONAL EXPENSES (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Total Provision of Bad Debt:	-912	-1,219
Write-Offs of Loans	-16	-5
Provision for Individual Possible Loan Losses	-865	-1,057
Disposal Losses of Claims	-6	-71
Losses for Supported Customers	-4	-1
Provision for Claim Disposal Loss Allowances	-19	-84
Profit and Loss on Monetary Trusts:	-26	9
Gains from Monetary Trusts Transactions	6	9
Loss on Monetary Trusts Transactions	-32	—
Others	-34	56
Total	-973	-1,153

Note: Disposal losses of claims and losses for supported customers are shown after the deduction of draw down of reserves for individual possible loan losses and for claim disposal loss provided thereto.

RETURN ON EQUITY AND ASSETS (%)

	(Fiscal 2000)	(Fiscal 1999)
Recurring Profit Ratio to Total Assets	—	—
Recurring Profit Ratio to Capital Funds	—	—
Net Income Ratio to Total Assets	—	—
Net Income Ratio to Capital Funds	—	—

- Note: 1. Recurring Profit (Net Income) Ratio to Total Assets = $\frac{\text{Recurring Profit (Net Income)}}{\text{Average Balance of Total Assets (excluding Guarantee Contra Accounts)}} \times 100$
2. Recurring Profit (Net Income) Ratio to Capital Funds = $\frac{\text{Recurring Profit (Net Income)}}{\text{Average Balance of Capital Funds}} \times 100$
3. For fiscal 1999 and 2000, return on equity and assets were not listed because the Bank had recurring losses and net losses.
4. Recurring Profit: Income (Loss) before Income Taxes and Others

MARGIN (%)

Department	(Fiscal 2000)			(Fiscal 1999)		
	Domestic	International	Total	Domestic	International	Total
Yield	(1.83)	(5.27)	(2.05)	2.30	4.77	2.50
Cost of Funds Raised	1.83	3.09	1.93	1.93	4.48	2.14
Total Margin	(0.27)	(0.85)	(0.30)	0.36	0.29	0.36
	0.29	-0.49	0.24			

- Note: 1. The Bank has adopted the accounting standards for financial instruments since the year ended March 31, 2001. The figures in parentheses represent the margin after adjustment for interest paid and received on interest rate swaps, which account for the most of the effect of this change in the accounting standards.
2. Domestic department figures are based on yen-denominated transactions with residents at domestic branches. International department figures are based on foreign currency-denominated transactions at domestic branches, yen-denominated transactions with non-residents, special international financial account transactions (transactions in the Tokyo Offshore Market), and transactions at the New York Branch.
3. Yield = $\frac{\text{Interest Income}}{\text{Average Balance of Funds Invested}} \times 100$
4. Cost of Funds Raised = $\frac{\text{Interest Expense} + \text{General and Administrative Expense excluding Provisional Expense}}{\text{Average Balance of Funds Raised}} \times 100$
5. Total Margin = Yield – Cost of Funds Raised

Details of Operations

DEBENTURES AND DEPOSITS

STRUCTURE OF FUND SOURCES (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Debentures Issued:	101,706 (80.7)	105,286 (82.4)
Outstanding Balance	101,706 (80.7)	105,286 (82.4)
Deposits:	23,891 (19.0)	22,378 (17.5)
Cooperatives and Others	23,519 (18.7)	21,944 (17.1)
Local Governments and Municipalities	372 (0.3)	434 (0.4)
Negotiable Certificates of Deposit	405 (0.3)	116 (0.1)
Total	126,003	127,780
Government Contribution of Debentures Issued	3,111 (2.5)	3,425 (2.6)

Note: The figures in parentheses represent percentages of the total.

OUTSTANDING BALANCE OF SHOKO CHUKIN BANK DEBENTURES (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Interest-Bearing Debentures	72,232 (71.0)	76,147 (72.3)
Discount Debentures	29,474 (29.0)	29,138 (27.7)
Total	101,706	105,286

Note: 1. Debentures sold by public offering are included.
2. The figures in parentheses represent percentages of the total.

CLASSIFICATION BY TIME TO MATURITY OF THE OUTSTANDING BALANCE OF SHOKO CHUKIN BANK DEBENTURES

(in ¥100 million)

		(as of March 31, 2001)	(as of March 31, 2000)
Interest-Bearing Debentures	1 year or less	14,674	17,838
	3 years or less but more than 1 year	33,172	28,937
	5 years or less but more than 3 years	24,385	29,371
	Total	72,232	76,147
Discount Debentures	1 year or less	29,474	29,138
	3 years or less but more than 1 year	—	—
	5 years or less but more than 3 years	—	—
	Total	29,474	29,138
Total	1 year or less	44,148	46,976
	3 years or less but more than 1 year	33,172	28,937
	5 years or less but more than 3 years	24,385	29,371
	Total	101,706	105,286

BREAKDOWN OF DEPOSIT BALANCE (in ¥100 million, %)

Department	(Fiscal 2000)			(Fiscal 1999)				
	Domestic	International	Total	Domestic	International	Total		
Year End Balance	Time Deposits	11,499 (53.3)	1,068 (45.7)	12,567 (52.6)	11,867 (57.4)	879 (51.7)	12,747 (57.0)	
	Floating Free-Rate Time Deposits	—	—	—	—	—	—	
	Free Fixed-Rate Time Deposits (included in the above item)	11,499 (53.3)	1,068 (45.7)	12,567 (52.6)	11,867 (57.4)	879 (51.7)	12,746 (57.0)	
	Liquid Deposits	9,474 (44.0)	0 (0.0)	9,475 (39.7)	8,128 (39.3)	0 (0.0)	8,128 (36.3)	
	Interest-Bearing Deposits (included in the above item)	5,076 (23.6)	—	5,076 (21.2)	4,782 (23.1)	—	4,782 (21.4)	
	Others	580 (2.7)	1,268 (54.3)	1,848 (7.7)	681 (3.3)	821 (48.3)	1,502 (6.7)	
	Total	21,544	2,336	23,891	20,677	1,700	22,378	
	Negotiable Certificates of Deposit	114	291	405	52	63	116	
	Average Balance	Time Deposits	11,691 (59.8)	1,114 (63.7)	12,805 (60.2)	11,912 (60.3)	1,005 (55.1)	12,917 (59.8)
		Floating Free-Rate Time Deposits	—	—	—	—	—	—
Free Fixed-Rate Time Deposits (included in the above item)		11,691 (59.8)	1,114 (63.7)	12,805 (60.2)	11,912 (60.3)	1,005 (55.1)	12,917 (59.8)	
Liquid Deposits		6,671 (34.1)	0 (0.0)	6,672 (31.3)	6,468 (32.7)	0 (0.0)	6,469 (30.0)	
Interest-Bearing Deposits (included in the above item)		4,259 (21.8)	—	4,259 (20.0)	4,145 (21.0)	—	4,145 (19.2)	
Others		1,176 (6.0)	634 (36.3)	1,810 (8.5)	1,385 (7.0)	820 (44.9)	2,205 (10.2)	
Total		19,539	1,748	21,288	19,766	1,825	21,592	
Negotiable Certificates of Deposit		67	146	213	693	123	817	

Note: 1. Liquid deposits = Deposits at notice + Ordinary deposits + Current deposits

2. The average balance of foreign currency deposits with domestic branches stated in the International column is calculated by the monthly current method.

3. The figures in parentheses represent percentages of the total.

CLASSIFICATION BY TIME TO MATURITY OF THE OUTSTANDING BALANCE OF TIME DEPOSITS (in ¥100 million)

	(as of March 31, 2001)		(as of March 31, 2000)	
Time Deposits	3 months or less	7,701	8,193	
	6 months or less but more than 3 months	2,086	1,702	
	1 year or less but more than 6 months	2,544	2,477	
	2 years or less but more than 1 year	101	218	
	3 years or less but more than 2 years	130	25	
	More than 3 years	4	129	
	Total	12,567	12,747	
Free Fixed-Rate Time Deposits (included in the above item)	3 months or less	7,701	8,193	
	6 months or less but more than 3 months	2,086	1,702	
	1 year or less but more than 6 months	2,544	2,477	
	2 years or less but more than 1 year	101	218	
	3 years or less but more than 2 years	130	25	
	More than 3 years	4	129	
	Total	12,567	12,746	

CLASSIFICATION OF BALANCE BY DEPOSITORS (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Corporations	19,629 (90.2)	18,588 (89.2)
Individuals	1,160 (5.3)	1,103 (5.3)
Financial Institutions	509 (2.4)	683 (3.3)
Government Funds	453 (2.1)	450 (2.2)
Total	21,753	20,826

Note: 1. The above table does not include the deposits with overseas branches, offshore account deposits and negotiable certificates of deposit.
2. The figures in parentheses represent percentages of the total.

BALANCE OF PUBLIC FUNDS (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Deposits of Public Funds	372 (66.7)	434 (73.6)
Borrowings from Public Sources	44 (8.1)	2 (0.5)
Debentures Sold to the Local Governments	140 (25.2)	152 (25.9)
Total	558	589

Note: The figures in parentheses represent percentages of the total.

LOANS

BALANCE OF LOANS (in ¥100 million)

Department	(Fiscal 2000)			(Fiscal 1999)		
	Domestic	International	Total	Domestic	International	Total
Loans on Deeds	67,835	307	68,142	67,939	307	68,246
Loans on Notes	21,413	514	21,927	25,164	679	25,843
Year-End Balance:						
Overdraft	9,124	—	9,124	8,579	—	8,579
Bills Discounted	9,671	—	9,671	9,023	—	9,023
Total	108,044	821	108,865	110,706	986	111,693
Average Balance:						
Loans on Deeds	66,948	314	67,263	68,063	317	68,380
Loans on Notes	22,897	612	23,510	25,521	825	26,347
Overdraft	8,180	—	8,180	8,005	—	8,005
Bills Discounted	8,346	—	8,346	8,540	—	8,540
Total	106,373	927	107,300	110,130	1,142	111,273

Note: The average balance of foreign currency loans with domestic branches stated in the International column is calculated by the monthly current method.

CLASSIFICATION BY THE TIME TO MATURITY OF THE OUTSTANDING BALANCE OF LOANS (in ¥100 million)

	(as of March 31, 2001)		(as of March 31, 2000)	
Loans	1 year or less	54,637	54,371	
	3 years or less but more than 1 year	26,741	28,132	
	5 years or less but more than 3 years	11,044	12,022	
	7 years or less but more than 5 years	4,361	4,649	
	More than 7 years	11,454	11,817	
	Without specific term	625	699	
	Total	108,865	111,693	
Fixed-Rate Loans	1 year or less	/	/	
	3 years or less but more than 1 year	24,438	25,954	
	5 years or less but more than 3 years	10,127	11,184	
	7 years or less but more than 5 years	4,031	4,312	
	More than 7 years	9,621	9,724	
	Without specific term	—	—	
	Total	/	/	
Floating-Rate Loans	1 year or less	/	/	
	3 years or less but more than 1 year	2,303	2,177	
	5 years or less but more than 3 years	917	838	
	7 years or less but more than 5 years	329	337	
	More than 7 years	1,832	2,092	
	Without specific term	625	699	
	Total	/	/	

Note: Loans with one year or less remaining are not classified as floating and fixed-rate loans.

AVAILABLE FUNDS AND LENDING PER EMPLOYEE (in ¥100 million)

Department	(as of March 31, 2001)			(as of March 31, 2000)		
	Domestic	International	Total	Domestic	International	Total
Available Funds	29	94	29	28	63	29
Lending Loans	25	7	25	25	5	25

Note: 1. Available funds = Debentures issued (excluding debenture application fee) + Deposits + Negotiable certificates of deposit
 2. The average number of employees during the fiscal year is used in the above table.

AVAILABLE FUNDS AND LENDING PER BRANCH (in ¥100 million)

Department	(as of March 31, 2001)			(as of March 31, 2000)		
	Domestic	International	Total	Domestic	International	Total
Available Fund	1,354	1,360	1,354	1,378	943	1,373
Lending Loans	1,182	111	1,170	1,213	84	1,201

Note: 1. Available funds = Debentures issued (excluding debenture application fee) + Deposits + Negotiable certificates of deposit
 2. Representative offices and subbranch offices are not included in the number of branches used for the above table.

LOANS TO MEMBERS (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Balance of Loans to Members	107,834 (99.0)	110,612 (99.0)
Balance of Loans to Non-Members	1,031 (1.0)	1,081 (1.0)
Financial Institutions	50 (0.1)	57 (0.1)
Holders of Shoko Chukin Bank Debentures	68 (0.1)	81 (0.1)
Total	108,865	111,693

Note: 1. Members are the cooperatives subscribing capital to the Bank and their members.
 2. The figures in parentheses represent percentages of the total.

BREAKDOWN OF LOAN BALANCE BY USE (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Capital Investment	23,892 (22.0)	24,523 (22.0)
Long-term Working Funds	43,705 (40.1)	43,259 (38.7)
Short-term Working Funds	41,268 (37.9)	43,910 (39.3)
Total	108,865	111,693

Note: The figures in parentheses represent percentages of the total.

BREAKDOWN OF LOAN BALANCE BY INDUSTRY (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Manufacturing	37,793 (34.7)	38,311 (34.3)
Machinery and Metal Product Manufacturing	18,723 (17.2)	18,769 (16.8)
Agriculture, Forestry and Fishery	73 (0.1)	75 (0.1)
Mining	162 (0.1)	165 (0.1)
Construction	3,645 (3.3)	3,751 (3.4)
Wholesale and Retail	34,355 (31.6)	35,080 (31.4)
Finance and Insurance	2,568 (2.4)	3,028 (2.7)
Real Estate	8,011 (7.4)	8,504 (7.6)
Transport and Communication	10,484 (9.6)	10,597 (9.5)
Electricity, Gas, Water and Heat Supply	198 (0.2)	187 (0.2)
Services	11,436 (10.5)	11,851 (10.6)
Others	136 (0.1)	139 (0.1)
Total	108,865	111,693

Note: The figures in parentheses represent percentages of the total.

BREAKDOWN OF LOAN BALANCE BY COLLATERAL (in ¥100 million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Securities	799 (0.7)	917 (0.8)
Claims	5,113 (4.7)	5,594 (5.0)
Merchandise	7 (0.0)	18 (0.0)
Real Estate	70,052 (64.4)	71,980 (64.5)
Other	674 (0.6)	691 (0.6)
Total	76,646 (70.4)	79,203 (70.9)
Guarantee	26,798 (24.6)	27,278 (24.4)
Credit	5,420 (5.0)	5,211 (4.7)
Grand Total	108,865	111,693
(Loans with Subordination Covenant)	—	—

Note: The figures in parentheses represent percentages of the total.

BREAKDOWN OF CUSTOMERS' LIABILITIES FOR ACCEPTANCE AND GUARANTEES BY COLLATERAL (in ¥ million, %)

	(as of March 31, 2001)	(as of March 31, 2000)
Securities	124 (0.2)	215 (0.3)
Claims	8,197 (11.8)	7,751 (11.7)
Merchandise	0 (0.0)	0 (0.0)
Real Estate	17,860 (25.8)	18,111 (27.2)
Other	2,180 (3.2)	2,286 (3.4)
Total	28,361 (40.9)	28,363 (42.6)
Guarantee	37,029 (53.5)	35,169 (52.9)
Credit	3,893 (5.6)	3,001 (4.5)
Grand Total	69,283	66,534

Note: The figures in parentheses represent percentages of the total.

RATIO OF LOANS TO DEBENTURES AND DEPOSITS (in ¥100 million, %)

Department		(as of March 31, 2001)			(as of March 31, 2000)		
		Domestic	International	Total	Domestic	International	Total
Lending Loans	(A)	108,044	821	108,865	110,706	986	111,693
Debentures and Deposits	(B)	123,375	2,628	126,003	126,016	1,764	127,780
Ratio	(A)/(B)	87.57	31.26	86.39	87.85	55.92	87.40
	Average during the Year	85.99	48.93	85.43	86.01	58.61	85.60

Note: 1. Debentures do not include debenture application fee.
2. Deposits include negotiable certificates of deposit.

INCREASE (DECREASE) IN RESERVE FOR POSSIBLE LOAN LOSSES (in ¥100 million)

	(as of March 31, 2001)					(as of March 31, 2000)				
	Balance at the beginning of the year	Increase amount	Decrease amount		Balance at the end of year	Balance at the beginning of the year	Increase amount	Decrease amount		Balance at the end of year
			Purpose for use	Other				Purpose for use	Other	
General Reserve for Possible Loan Losses	482	514	—	(*1) 482	514	581	482	—	(*1) 581	482
General Reserve for Individual Possible Loan Losses	3,707	4,131	442	(*1) 3,265	4,131	3,207	3,707	556	(*1) 2,650	3,707
Reserve for Loans to Restructuring Countries	—	—	—	—	—	—	—	—	—	—
Total	4,190	4,646	442	3,748	4,646	3,789	4,190	556	3,232	4,190

Note: *1. Draw down through recovery of loans or as stipulated in the tax law.

WRITE-OFF OF LOANS (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Write-Off of Loans	16	5

BALANCE OF LOANS TO RESTRUCTURING COUNTRIES (in ¥100 million)

	(as of March 31, 2001)	(as of March 31, 2000)
Balance of Loans to Restructuring Countries	—	—

PROBLEM LOANS (in ¥100 million)

	(as of March 31, 2001)	(as of March 31, 2000)
Loans to Bankrupt Companies (A)	1,074	998
Overdue Loans (B)	3,411	3,290
Total (A)+(B)	4,486	4,289
Loans Overdue for 3 Months or Longer (C)	51	75
Rescheduled Loans (D)	801	410
Grand Total (A)+(B)+(C)+(D)	5,339	4,775

1. Loans to Bankrupt Companies and Overdue Loans

The amounts shown for loans to bankrupt companies and overdue loans are the balances remaining after direct write-offs of the portion that is unlikely to be recoverable. The amounts deducted for bankrupt companies and overdue loans were ¥203.3 billion, and ¥116.4 billion, respectively at the end of fiscal 2000, and ¥157.3 billion and ¥122.4 billion, respectively at the end of fiscal 1999.

2. Loans to Bankrupt Companies

Loans to bankrupt companies are defined as loans for which accrued interest is not shown in the accounts on the grounds that principal or interest is likely to be unrecoverable, because interest or principal payments have been overdue for a considerable period or for other reasons (excluding loans that have been written off; hereinafter referred to as "loans for which accrued interest is not shown"), where the loans in question are affected by the circumstances defined in Article 96, Clause 1, Numbers 3a-e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).

3. Overdue Loans

Overdue loans are loans for which accrued interest is not shown in the accounts, other than loans to bankrupt companies and loans rescheduled period for interest payments has been provided to support the financial restructuring of the borrowers.

4. Loans Overdue for 3 Months or Longer

Loans overdue by three months or longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract, but which are not classified as loans to bankrupt companies or overdue loans.

5. Rescheduled Loans

Rescheduled loans are loans, other than loans to bankrupt companies or overdue loans and loans overdue by three months or longer, for which the terms have been eased to support the financial rehabilitation of the borrower through measures agreed in favor of the borrower, such as reduction of interest payments, postponement of interest or principal repayments and abandonment of claims.

SECURITIES

AVERAGE BALANCE OF TRADING SECURITIES (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Trading Government Bonds	37	56
Trading Municipal Bonds	—	—
Trading Government Guarantee Bonds	—	—
Trading Bonds Loaned	—	—
Total	37	56

BREAKDOWN BALANCE OF SECURITIES (in ¥100 million, %)

Department	(Fiscal 2000)			(Fiscal 1999)			
	Domestic	International	Total	Domestic	International	Total	
Year-End Balance	Government Bonds	16,084 (77.8)	—	16,084 (69.4)	13,457 (66.2)	—	13,457 (60.1)
	Municipal Bonds	1,109 (5.4)	—	1,109 (4.8)	1,944 (9.6)	—	1,944 (8.7)
	Corporate Bonds	3,168 (15.3)	—	3,168 (13.7)	4,605 (22.7)	—	4,605 (20.6)
	Stocks	304 (1.5)	—	304 (1.3)	324 (1.5)	—	324 (1.4)
	Others	—	2,516 (100.0)	2,516 (10.9)	—	2,067 (100.0)	2,067 (9.2)
	Securities Loaned	—	—	—	—	—	—
Total	20,667	2,516	23,183	20,331	2,067	22,398	
Average Balance	Government Bonds	13,215 (69.7)	—	13,215 (62.6)	12,644 (65.8)	—	12,644 (58.9)
	Municipal Bonds	1,600 (8.4)	—	1,600 (7.6)	1,729 (9.0)	—	1,729 (8.1)
	Corporate Bonds	3,831 (20.2)	—	3,831 (18.1)	4,517 (23.5)	—	4,517 (21.0)
	Stocks	323 (1.7)	—	323 (1.5)	324 (1.7)	—	324 (1.5)
	Others	—	2,141 (100.0)	2,141 (10.1)	0 (0.0)	2,266 (100.0)	2,266 (10.5)
	Securities Loaned	—	—	—	—	—	—
Total	18,971	2,141	21,112	19,217	2,266	21,483	

Note: 1. The average balance of foreign currency securities held by domestic branches stated in the International column is calculated by the monthly current method.
2. The figures in parentheses represent percentages to total.

RATIO OF SECURITIES TO DEBENTURES AND DEPOSITS (in ¥100 million, %)

Department	(as of March 31, 2001)			(as of March 31, 2000)		
	Domestic	International	Total	Domestic	International	Total
Securities (A)	20,667	2,516	23,183	20,331	2,067	22,398
Debentures and Deposits (B)	123,375	2,628	126,003	126,016	1,764	127,780
Ratio (A)/(B)	16.75	95.74	18.39	16.13	117.16	17.52
Yearly Average	15.33	112.99	16.81	15.00	116.27	16.52

Note: 1. Debentures do not include debenture application fee.
2. The balance of deposits include negotiable certificates of deposit.

UNDERWRITING OF PUBLIC BONDS (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Public Bonds Underwritten	374	355

Note: All the public bonds underwritten are government bonds.

COUNTER SALES OF PUBLIC BONDS (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Counter Sales of Public Bonds	24	15

Note: All the public bonds sold at counter are government bonds.

PUBLIC BONDS DEALINGS (in ¥100 million)

	(Fiscal 2000)	(Fiscal 1999)
Amount of Trade	602	6,137
Average Balance	7	56

Note: All the public bonds traded are government bonds.

VALUE OF SECURITIES AND RELATED INFORMATION

Details of market values of and valuation gains (losses) on securities are as follows. In addition to “government bonds,” “municipal bonds,” “corporate bonds,” “stocks,” and “other securities,” these items also include “trading securities,” negotiable certificates of deposit and commercial paper in “other trading assets,” negotiable certificates of deposit in “due bills from banks,” and commercial paper and loan trust beneficiary certificates in “monetary claims purchased.”

1) Trading Securities (in ¥100 million)

	(as of March 31, 2001)
Book Value	566
Recognized Valuation Difference in Fiscal 2000	0

2) Held-to-Maturity Bonds with Market Values (in ¥100 million)

	(as of March 31, 2001)				
	Book Value	Market Value	Difference	Gain	Loss
Government Bonds	—	—	—	—	—
Municipal Bonds	—	—	—	—	—
Corporate Bonds	—	—	—	—	—
Others	494	514	20	20	—
Total	494	514	20	20	—

Note: Market prices were based on closing market prices, etc., at the fiscal year end.

3) Other Securities with Market Values (in ¥100 million)

In the current fiscal year, other securities with market prices have not been valued at market. The book value, etc., for other securities with market prices are as follows.

(as of March 31, 2001)					
	Book Value	Market Value	Difference	Gain	Loss
Stocks	229	238	9	56	47
Bonds	19,886	20,127	241	248	7
Government Bonds	16,084	16,222	137	144	6
Municipal Bonds	1,109	1,149	40	40	0
Corporate Bonds	2,692	2,755	63	63	0
Others	6,897	6,902	5	11	6
Total	27,013	27,269	255	317	62

Note: The market prices of stocks were calculated using the average market prices in the final month of the fiscal year. The market prices for other items were based on market prices, etc., at the fiscal year end.

4) Principal Contents and Book Value of Securities without Market Values (in ¥100 million)

(as of March 31, 2001)		
Held-to-Maturity Bonds		—
Subsidiaries' Stocks		0
Other Securities	Unlisted Stocks (excluding/other than over-the-counter stocks)	74
	Unlisted Corporated Bonds	476

MARKET VALUE OF MONETARY TRUSTS AND RELATED INFORMATION (in ¥100 million)

1) Monetary Trusts for Managing Purposes (in ¥100 million)

(as of March 31, 2001)	
Book Value	700
Recognized Valuation Difference in Fiscal 2000	—

2) Held-to-Maturity Monetary Trusts

No Transaction

3) Other Maturity Trusts (other than held for managing or held-to-maturity)

No Transaction

CLASSIFICATION BY THE TIME TO MATURITY OF THE OUTSTANDING BALANCE OF SECURITIES (in ¥100 million)

(as of March 31, 2001)					
	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years	Total
Bonds	6,041	7,683	6,637	—	20,362
Government Bonds	5,575	4,991	5,517	—	16,084
Municipal Bonds	70	651	387	—	1,109
Corporate Bonds	394	2,040	733	—	3,168
Others	5,250	1,490	115	535	7,391
Total	11,292	9,173	6,752	535	27,754

Note: 1. The anticipated redemption amount is shown for bonds that will be held to maturity and other marketable securities with maturity dates.

2. The amounts shown include "government bonds," "municipal bonds," "corporate bonds," "other securities," as well as negotiable certificates of deposit included in "cash and due bills from banks," and commercial paper and loan trust beneficiary certificates in "monetary claims purchased."

(REFERENCE)

MARKET VALUE OF SECURITIES AND RELATED INFORMATION (in ¥100 million)

		(as of March 31, 2000)			
		Book Value	Market Value	Unrealized Gain & Loss	
				Gain/Loss	
Investment Securities	Bonds	3,338	3,279	5	64
	Stocks	192	257	65	0
	Other Securities	773	777	19	14
	Total	4,304	4,315	90	79

Note: 1. The investment securities stated are listed securities (in the case of bonds: government bonds, municipal bonds and corporate bonds). The market values of investment securities are shown mainly as prices, etc., calculated on the basis of yields announced by the Securities Industry Association and stated in the over-the-counter quotation (standard) table for public and corporate bonds.

2. The "bonds," "stocks" and "other securities" categories are used to conform with categories in the balance sheet. The same applies to Note 4 below.

3. "Others" refers mainly to foreign bonds. This item includes foreign currency-denominated bonds used to hedge exchange and interest rate risk by means of interest rate swaps.

4. The unlisted securities for which market value or other information enabling the computation of market value is available are shown below.

(in ¥100 million)

		(as of March 31, 2000)			
		Book Value	Market Value	Unrealized Gain & Loss	
				Gain/Loss	
Investment Securities	Bonds	9,930	9,948	41	22
	Stocks	53	64	28	17
	Other Securities	—	—	—	—
	Total	9,984	10,013	69	40

The market values of unlisted securities are based on prices or quotations announced by the Securities Industry Association for securities traded in the over-the-counter market, prices calculated from yields announced by the Securities Industry Association and stated in the over-the-counter quotation (standard) table for publicly subscribed bonds, and the standard prices for beneficiary certificates of securities investment trusts.

5. The table below lists the balance sheet values of the main types of securities that are excluded from the disclosure of market price information.

(in ¥100 million)

		(as of March 31, 2000)
Investment Securities	Unlisted Domestic Bonds Other than Those Issued by Public Offering	2,164
	Unlisted Bonds Other than Domestic	1,293
	Unlisted Public Offering Bonds Maturing within 1 Year	4,573

6. Trading securities and special transaction securities, which are accounted for in special transaction accounts, are shown at market values. Valuation gains and losses are shown in the income statements. For this reason, these items are not shown in the above tables.

MARKET VALUE OF MONETARY TRUSTS AND RELATED INFORMATION (in ¥100 million)

		(as of March 31, 2000)			
		Book Value	Market Value	Unrealized Gain & Loss	
				Gain/Loss	
Monetary Trusts		700	705	5	0

Note: Market value is based on prices calculated impartially by the trustee of the monetary trust, as shown below:

1. The market values of listed securities are based on closing prices on the principal stock exchange in the case of stocks. For bonds, values are calculated on the basis of quotations, etc., announced by the Securities Industry Association in the over-the-counter quotation (standard) table for public and corporate bonds.

2. The market values of the unlisted securities are determined according to prices or quotations announced by the Securities Industry Association for securities traded on the over-the-counter market, and prices computed from yields announced by the Securities Industry Association and stated in the over-the-counter quotation (standard) table in the case of publicly subscribed securities.

CLASSIFICATION BY THE TIME TO MATURITY OF THE OUTSTANDING BALANCE OF SECURITIES (in ¥100 million)

	1 year or less	3 years or less but more than 1 year	5 years or less but more than 3 years	7 years or less but more than 5 years	10 years or less but more than 7 years	More than 10 years	Not time limited	Total
as of March 31, 2000								
Government Bonds	3,541	1,712	3,344	2,230	2,627	—	—	13,457
Municipal Bonds	49	271	377	384	860	—	—	1,944
Corporate Bonds	1,063	799	855	735	1,151	—	—	4,605
Stocks							324	324
Others	564	603	251	48	127	471	—	2,067
Securities Loaned	—	—	—	—	—	—	—	—
Total	5,219	3,387	4,829	3,399	4,767	471	324	22,398

INTERNATIONAL OPERATIONS
FOREIGN EXCHANGE TRANSACTIONS BY TYPE (in U.S.\$ million)

	(Fiscal 2000)	(Fiscal 1999)
Trade Exchange Transactions	2,004	1,852
Trade Foreign Exchange Transactions	831	721
Capital Transactions	9,766	9,929
Total	12,603	12,503

Note: Overseas branches are included.

BALANCE OF FOREIGN CURRENCY ASSETS (in U.S.\$ million)

	(as of March 31, 2001)	(as of March 31, 2000)
Balance of Assets Denominated in Foreign Currencies	2,997	3,237

Note: The above amounts include the assets denominated in foreign currencies held by domestic branches and assets held by overseas branches.

OTHERS
OFF-BALANCE-SHEET TRANSACTIONS

Off-balance-sheet transactions are those of derivatives including futures, swap contracts and options and those related to the grant of credit including commitments and guarantees. Further details are shown below:

FINANCIAL DERIVATIVES AND FORWARD FOREIGN EXCHANGE TRANSACTIONS (in ¥100 million)

	(as of March 31, 2001)		(as of March 31, 2000)	
	Contractual Amount/ Notional Principal Amount	Credit Risk Amount	Contractual Amount/ Notional Principal Amount	Credit Risk Amount
Interest Rate Swap	44,531	954	47,268	502
Currency Swap	499	43	513	81
Forward Foreign Exchange	608	17	1,202	26
Interest Rate Options (Bought)	—	—	—	—
Currency Options (Bought)	—	—	—	—
Other Financial Derivatives	—	—	—	—
Credit Risk Reduction by Netting		-363		-220
Total	45,639	651	48,984	389

Note: 1. The current-exposure method is used in computing the credit risk equivalents according to the BIS guidelines.

2. The amounts of public exchange transactions that are excluded for capital adequacy guidelines and foreign exchange-related transactions for which the original contract has a duration of 14 days or less are shown below.

(in ¥100 million)

	(as of March 31, 2001)	(as of March 31, 2000)
	Contract Amount/Notional Principal Amount	
Forward Foreign Exchange Contracts	115	118
Interest Rate Options (Sold)	200	250
Interest Rate Options (Bought)	—	—
Currency Options (Sold)	—	—
Currency Options (Bought)	—	—
Other Financial Derivatives	16	154
Total	332	522

TRANSACTIONS RELATING TO THE EXTENDING OF CREDIT (in ¥100 million)

	(as of March 31, 2001)	(as of March 31, 2000)
	Contract Amount	
Commitments	6,489	6,862
Guarantees	579	565
Others	1,743	2,095
Total	8,811	9,523

TRANSACTIONS RELATING TO INTEREST (in ¥ million)

			(as of March 31, 2001)			
			Contractual Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss
Traded on the Exchange	Interest-Rate Futures	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
	Interest-Rate Options	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
Traded on the Over-the-Counter Market	Forward-Rate Agreements	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
	Interest-Rate Swap Contracts	Fixed Rate Receiving/ Floating Rate Paying	1,215,890	925,559	30,382	30,382
		Floating Rate Receiving/ Fixed Rate Paying	1,213,808	832,012	-26,426	-26,426
Traded on the Over-the-Counter Market	Interest-Rate Options	Floating Rate Receiving/ Floating Rate Paying	—	—	—	—
		Selling Position	24,396	4,326	-6	66
	Others	Buying Position	—	—	—	—
		Selling Position	—	—	—	—
Total			/	/	3,950	4,022

Note: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the statement of income. Derivative transactions subject to hedge accounting are excluded from the above amounts.

2. Determination of Market Value

For contracts traded on exchanges, closing prices on the Tokyo International Financial Futures Exchange or other exchange are used.

Market values for contracts traded on the over-the-counter market are calculated according to discounted present value, the option pricing model and other appropriate methods.

TRANSACTIONS RELATING TO FOREIGN EXCHANGES (in ¥ million)

(as of March 31, 2001)

		Contract Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss	
Traded on the Over-the-Counter Market	Currency Swap	21,919	17,211	48	48	
	Currency Futures	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
	Currency Options	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
	Others	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
Total				48	48	

Note: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the statement of income. Derivative transactions subject to hedge accounting and transactions subject to Note 3 below are excluded from the above amounts.

2. Determination of Market Value

Market values are calculated using discounted present value or other appropriate methods.

3. Currency swap transactions for which current gains and losses are calculated are excluded from the above amounts, in accordance with the recommendations of the Japanese Institute of Certified Public Accountants in *Temporary Treatment for Auditing of Continuous Application of "New Accounting Standard for Foreign Exchange Transactions" in Banking Industry* (April 10, 2000).

The contract amounts, etc., for currency swaps that are subject to calculation of current gains and losses are shown below. The amounts stated below include currency swaps used for fund raising and investment in other currencies (fund-related swaps, ¥39,486 million).

(in ¥100 million)

(as of March 31, 2001)

	Contract Amount, etc.	Market Value	Unrealized Gain & Loss
Currency Swap	67,521	-2,051	-2,051

Also excluded from the above amounts are forward currency contracts and options, etc., that are marked to market at the fiscal year end so that gains and losses can be shown in the statement of income, and items that relate to foreign currency money claims and liabilities, etc., that are reflected in the amounts shown in the balance sheet. The contract amounts for currency-related derivatives that have been marked to market are as follows.

(in ¥100 million)

(as of March 31, 2001)

		Contractual Amount, etc.	
Traded on the Exchange	Currency Futures	Selling Position	—
		Buying Position	—
	Currency Options	Selling Position	—
		Buying Position	—
Traded on the Over-the-Counter Market	Foreign Exchange	Selling Position	16,655
	Forward Contracts	Buying Position	16,291
	Currency Options	Selling Position	—
		Buying Position	—
		Buying Position	—
	Other Contracts	Selling Position	—
		Buying Position	—

TRANSACTIONS RELATING TO STOCKS

No Transaction

TRANSACTIONS RELATING TO BONDS (in ¥ million)

(as of March 31, 2000)

			Contract Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss
Traded on the Exchange	Bond Futures	Selling Position	974	—	973	1
		Buying Position	—	—	—	—
	Bond Futures Options	Selling Position	—	—	—	—
		Buying Position	715	—	0	-0
Traded on the Over-the- Counter Market	Over-the- Counter Bond Options	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
	Others	Selling Position	—	—	—	—
		Buying Position	—	—	—	—
Total					973	1

Note: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the statement of income. Derivative transactions subject to hedge accounting are excluded from the above amounts.

2. Determination of market value

For contracts traded on a stock exchange, closing prices on the Tokyo International Financial Futures Exchange or other exchange are used.

Market values for contracts traded on the over-the-counter market are calculated according to discounted present value, the option pricing model and other appropriate methods.

TRANSACTIONS RELATED TO PRODUCTS

No Transaction

CREDIT DERIVATIVE TRANSACTIONS

No Transaction

(REFERENCE)

TRANSACTIONS RELATING TO INTEREST (in ¥ million)

(as of March 31, 2000)

		Contractual Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss
Traded on the Exchange	Interest-Rate Futures	Selling Position	—	—	—
		Buying Position	—	—	—
	Interest-Rate Options	Selling Position - Call	(—)	—	—
		Selling Position - Put	(—)	—	—
		Buying Position - Call	(—)	—	—
		Buying Position - Put	(—)	—	—
Forward-Rate Agreements	Selling Position	—	—	—	
	Buying Position	—	—	—	
Traded on the Over-the-Counter Market	Interest-Rate Swap Contracts	Fixed Rate Receiving/ Floating Rate Paying	2,619,248	1,632,437	31,929
		Floating Rate Receiving/ Fixed Rate Paying	1,144,625	669,234	-18,468
	Interest-Rate Options	Floating Rate Receiving/ Floating Rate Paying	—	—	—
		Selling Position - Call	5 (—)	—	—
		Selling Position - Put	(—)	—	—
		Buying Position - Call	5,717 (54)	5,667	64
	Other Contracts	Buying Position - Put	(—)	—	—
		Selling Position	(—)	—	—
	Other Contracts	Buying Position	(—)	—	—
		Buying Position	(—)	—	—
Total					13,471

Note: 1. Contract amounts, etc.

The amounts stated under "Contract Amount, etc." represent the notional principal for swaps and the contract amounts for futures, options and other derivative transactions. The amount shown in parentheses for options represents the option premium stated in the balance sheet.

2. Interest Rate Options

The over-the-counter interest rate options shown are cap, floor and swaption contracts.

3. Determination of market value

For contracts traded on exchanges, closing prices on the Tokyo International Financial Futures Exchange or other exchange are used.

Market values for contracts traded on the over-the-counter market are calculated according to discounted present value, the option pricing model and other appropriate methods.

4. Derivatives included in special transactions (trading transactions) are valued at market, and valuation gains or losses are stated in the statement of income . These transactions are therefore excluded from the above amounts.

The contract amounts, etc., for derivatives included in special transactions are listed below.

(in ¥ million)

		(as of March 31, 2000)		
		Contract Amount, etc.	Market Value	
Traded on the Exchange	Interest-Rate Futures	Selling Position	2,491	
		Buying Position	—	
	Interest-Rate Options	Selling Position - Call	(—)	—
		Selling Position - Put	(—)	—
		Buying Position - Call	(—)	—
		Buying Position - Put	(—)	—
Traded on the Over-the-Counter Market	Forward-Rate Agreements	Selling Position	—	
		Buying Position	—	
	Interest-Rate Swap Contracts	Fixed Rate Receiving/ Floating Rate Paying	689,881	4,439
		Floating Rate Receiving/ Fixed Rate Paying	1,064,614	-4,801
		Floating Rate Receiving/ Floating Rate Paying	—	—
	Interest-Rate Options	Selling Position - Call	30,717 (93)	83
		Selling Position - Put	(—)	—
		Buying Position - Call	5 (—)	—
		Buying Position - Put	(—)	—
	Other Contracts	Selling Position	(—)	—
Buying Position		(—)	—	

Note: In the column titled "Contract Amount, etc.," the premium for the option contract is stated in parentheses.

TRANSACTIONS RELATING TO FOREIGN EXCHANGES (in ¥ million)

		(as of March 31, 2000)			
		Contract Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss
Traded on the Over-the-Counter Market	Currency Swap Contracts	148,255	19,111	-2,123	-2,123
	US\$ Contracts	124,542	11,782	-397	-397
	SFR Contracts	22,712	6,328	-1,706	-1,706
	DEM Contracts	—	—	—	—
	Other Currencies Contracts	1,000	1,000	-20	-20

Note: 1. Determination of Market Value

Market values are calculated using discounted present value or other appropriate methods.

2. Most of these transactions are used to hedge on-balance-sheet transactions.

3. Derivatives included in special transactions (trading transactions) are valued at market, and valuation gains or losses are stated in the statement of income . These transactions are therefore excluded from the above amounts.

Contract amount, etc., of derivative transactions in trading account are as follows:

		(in ¥ million)	
		(as of March 31, 2000)	
		Contract Amount, etc.	Market Value
Traded on the Over-the-Counter Market	Currency Swap Contracts	4,353	-2
	US\$ Contracts	2,123	-17
	SFR Contracts	—	—
	DEM Contracts	—	—
	Other Currencies Contract	2,230	14

4. Foreign currency forward contracts, currency options and other contracts are marked to market at the fiscal year end, and any gains or losses are included in the statement of income. For this reason, they are excluded from the above table. "Subtotal: U.S. dollars" in the above table includes the value of contracts for currency swaps (fund-related swaps, ¥101,236 million) implemented to raise or invest funds in other currencies. The contract values, etc., for currency-related derivative transactions marked to market are as follows.

		(in ¥ million)	
		(as of March 31, 2000)	
		Contract Amount, etc.	
Traded on the Exchange	Currency Futures	Selling Position	—
		Buying Position	—
	Currency Options	Selling Position - Call	—
			(—)
		Selling Position - Put	—
			(—)
	Buying Position - Call	—	
		(—)	
	Buying Position - Put	—	
		(—)	
Traded on the Over-the-Counter Market	Foreign Exchange Forward Contracts	Selling Position	17,057
		Buying Position	13,780
	Currency Options	Selling Position - Call	—
			(—)
		Selling Position - Put	—
			(—)
		Buying Position - Call	—
			(—)
	Buying Position - Put	—	
		(—)	
Other Contracts	Selling Position	—	
		(—)	
	Buying Position	—	
		(—)	

Note: In the column titled "Contract Amount, etc.," the premium for the option contract that has been entered in the balance sheet is stated in parentheses.

TRANSACTIONS RELATING TO STOCKS

No Transaction

TRANSACTIONS RELATING TO BONDS (in ¥ million)

(as of March 31, 2000)

		Contract Amount, etc.	Maturity Over 1 Year (included in the Left Column)	Market Value	Unrealized Gain & Loss	
Traded on the Exchange	Bond Futures	Selling Position	1,581	—	1,611	-30
		Buying Position	—	—	—	—
	Bond Futures Options	Selling Position - Call	— (—)	—	—	—
		Selling Position - Put	— (—)	—	—	—
		Buying Position - Call	— (—)	—	—	—
		Buying Position - Put	— (—)	—	—	—
Traded on the Over-the-Counter Market	Over-the- Counter Bond Options	Selling Position - Call	— (—)	—	—	—
		Selling Position - Put	— (—)	—	—	—
		Buying Position - Call	— (—)	—	—	—
		Buying Position - Put	— (—)	—	—	—
	Others	Selling Position	— (—)	—	—	—
		Buying Position	— (—)	—	—	—
Total		/	/	/	-30	

Note: 1. Contract amounts, etc.

Amounts stated in parentheses for option transactions under "Contract Amount, etc." represent option premiums that are shown in the balance sheet.

2. Determination of Market Value

The market value of contracts traded on stock exchanges is based on closing prices on the Tokyo Stock Exchange or other exchange. The market value for contracts traded on the over-the-counter market is determined by using the option pricing model or another applicable formula.

3. Derivatives included in special transactions (trading transactions) are valued at market, and valuation gains or losses are stated in the statement of income. These transactions are therefore excluded from the above amounts.

(in ¥ million)

		(as of March 31, 2000)		
		Contract Amount, etc.	Market Value	
Traded on the Exchange	Bond Futures	Selling Position	3,843	
		Buying Position	—	
	Bond Futures Options	Selling Position - Call	— (—)	—
		Selling Position - Put	— (—)	—
		Buying Position - Call	— (—)	—
		Buying Position - Put	— (—)	—
Traded on the Over-the-Counter Market	Over-the-Counter	Selling Position - Call	— (—)	—
		Selling Position - Put	— (—)	—
	Bond Options	Buying Position - Call	— (—)	—
		Buying Position - Put	— (—)	—
	Others	Selling Position	— (—)	—
		Buying Position	— (—)	—

Note: In the column titled "Contract Amount, etc.," the premium for the option contract that has been entered in the balance sheet is stated in parentheses.

TRANSACTIONS RELATING TO PRODUCTS

No Transaction

Reference

Market values and valuation gains or losses on swaps other than trading transactions (interest rate swaps and currency swaps) include ¥5,472 million of accrued interest that is shown in the statement of income.

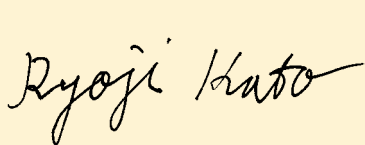
Mr. Tadashi Ezaki
President
The Shoko Chukin Bank
10-17, Yaesu 2-chome
Chuo-ku, Tokyo 104-0028

We have audited the balance sheets of The Shoko Chukin Bank as of March 31, 2001, and the related statements of income for the fiscal year then ended. The audit was made in accordance with the Shoko Chukin Bank Law.

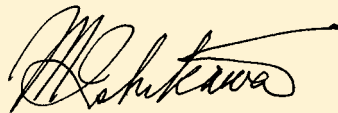
The accounting principles and procedures followed by The Shoko Chukin Bank are those generally followed by banks in Japan, and the aforesaid balance sheets and statements of income have been prepared in conformity with such accounting principles and procedures.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of The Shoko Chukin Bank as of March 31, 2001, and the results of its operations for the fiscal year then ended.

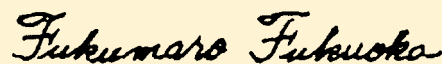
May 11, 2001



Ryoji Kato
Auditor



Mitsukazu Ishikawa
Auditor



Fukumaro Fukuoka
Auditor

DIRECTORS AND AUDITORS



Tadashi Ezaki
President



Shigenori Shioda
Deputy President



Yoshinori Goto
Senior Managing Director

President

Tadashi Ezaki

Deputy President

Shigenori Shioda

Senior Managing Director

Yoshinori Goto

Managing Directors

Toshio Nanaeda

Yoshiyuki Fujinaga

Norio Tanaka

Chikuhei Miura

Hayashi Nakajima

Iwao Ihara

Toshiro Mori

Takashi Kanemaru

Auditors

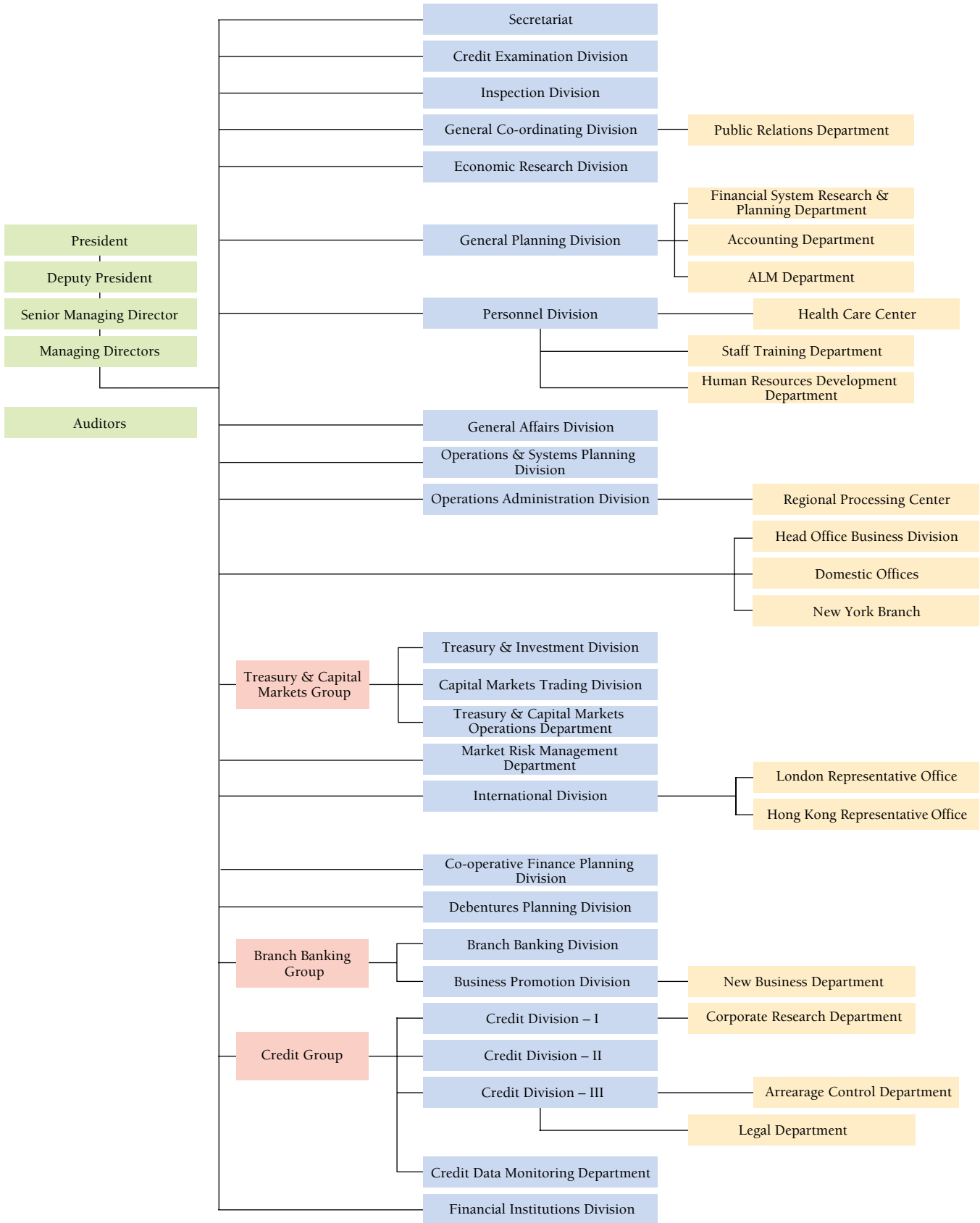
Ryoji Kato

Mitsukazu Ishikawa

Fukumaro Fukuoka

(As of June 21, 2001)

ORGANIZATION CHART

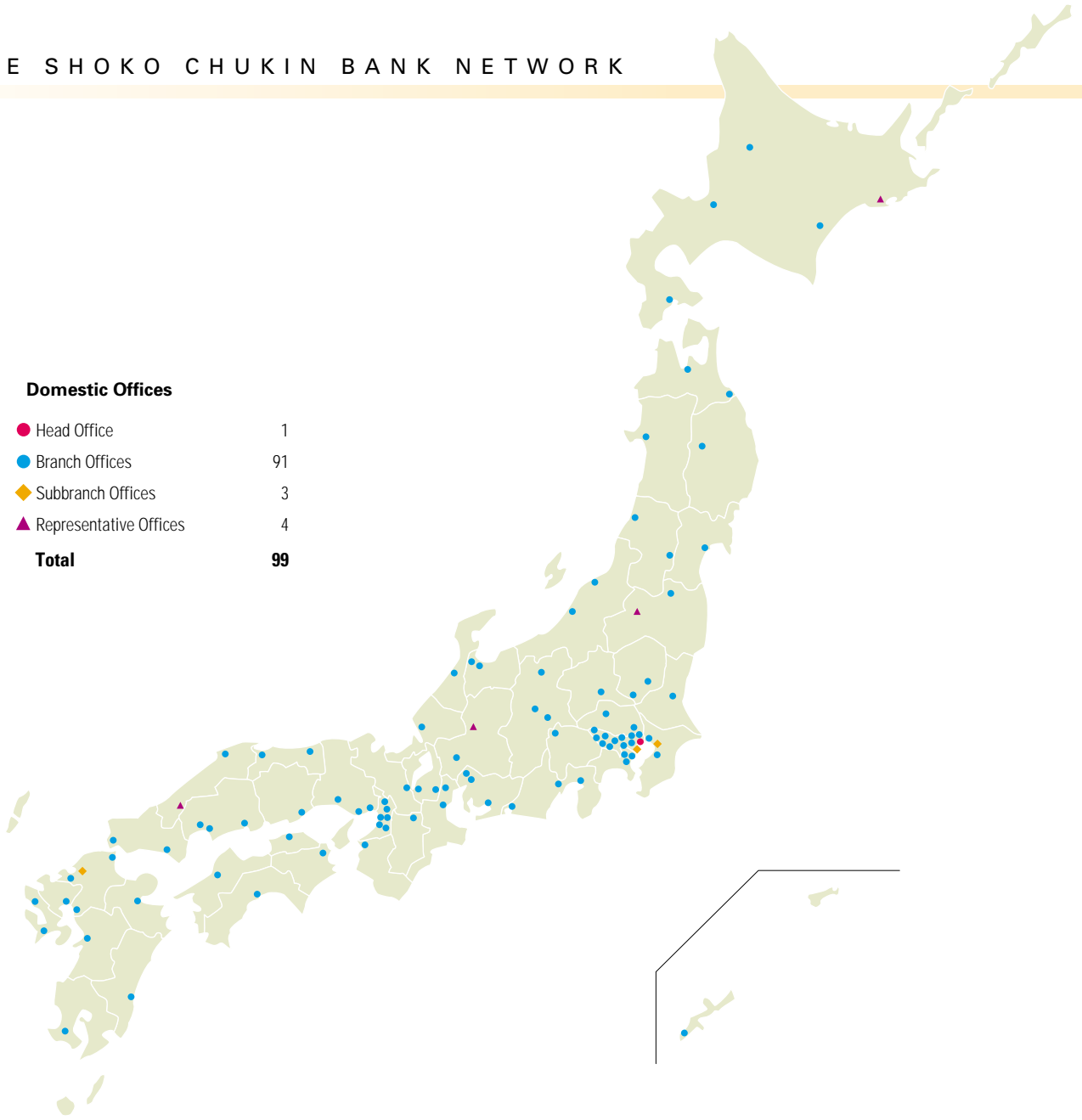




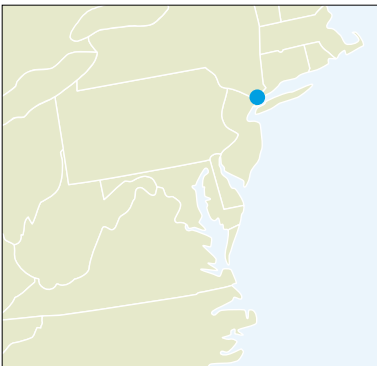
THE SHOKO CHUKIN BANK NETWORK

Domestic Offices

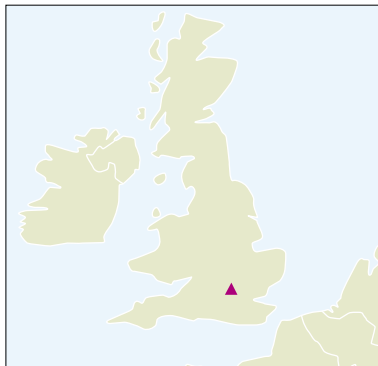
● Head Office	1
● Branch Offices	91
◆ Subbranch Offices	3
▲ Representative Offices	4
Total	99



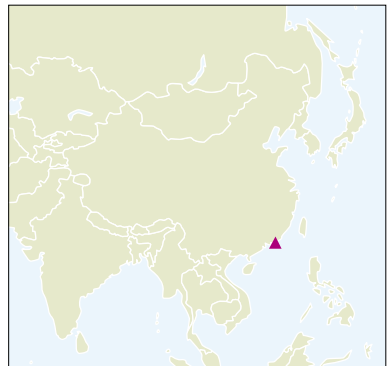
Overseas Offices



New York



London



Hong Kong

Head Office

10-17, Yaesu 2-Chome
Chuo-ku, Tokyo 104-0028, Japan
Tel: (03)3272-6111
Telex: J25388, J33253 CHUKIN
(International Division)
J25679 CHUKIN
(Treasury & Capital
Markets Group)
Fax: (03)3272-6169
(International Division)
(03)3274-3910
(Treasury & Capital
Markets Group)
SWIFT Code: SKCK JPJT
Homepage Address:
<http://www.shokochukin.go.jp/>

Established

November 30, 1936, based on the Shoko Chukin Bank Law, promulgated May 27, 1936, and revised May 17, 1985, and June 26, 1992

Capital

¥493,965 million:
¥394,067 million subscribed by the government;
¥99,897 million subscribed by member cooperatives

No. of Member Cooperatives

27,757

No. of Employees

5,003

Domestic Offices

99

Overseas Offices

NEW YORK BRANCH
666 Fifth Avenue, 9th Floor
New York, NY 10103, U.S.A.
Tel: (212)581-2800
Telex: 6801392 CHUKIN
Fax: (212)581-4850
SWIFT Code: SKCK US33

LONDON REPRESENTATIVE OFFICE
Bow Bells House, Bread Street
London EC4M 9BQ, United Kingdom
Tel: (207)236-2805
Fax: (207)236-3446

HONG KONG REPRESENTATIVE OFFICE
Suite 4004, Two Exchange Square
8 Connaught Place, Central
Hong Kong
Tel: (852)2524-5111
Fax: (852)2523-6452

Affiliates

JAPAN INSTITUTE OF COMMERCE, INDUSTRY AND ECONOMICS, LTD.

- Publishes Shoko Journal
(Commerce and industry journal)
- Presents lectures and seminars
- Undertakes commissioned research in various fields
- Produces advertising and other publications
- Conducts various research, analysis, and consultancy work
- Engages in venture-capital activities

SHOCHU CAPITAL MANAGEMENT, INC.

- Offers investment advisory services relating to negotiable securities and financial instruments
- Provides asset management consultancy services
- Undertakes research in domestic and overseas economic and investment fields

SHOKO FINANCE, LTD.

- Provides factoring and finance

JAPAN SHOKO LEASE CO., LTD.

- Lease

SHOCHU CARD CO., LTD.

- Offers a variety of credit card services for general and cooperate use

(As of March 31, 2001)



THE SHOKO CHUKIN BANK



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