

Outline of Operations

Loans

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

Eligible Entity for Borrowers

- 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 arranges loans to joint investment companies and affiliated organizations established mainly by SMEs and to SMEs' overseas subsidiaries.

Form of Loan Transactions

The Shoko Chukin Bank provides three forms of loan transactions in terms of the purpose of the funding. The first form of loan transaction is to provide funds necessary for joint undertakings by member cooperatives. 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 form of transaction is to provide loans through the member cooperatives for the purpose of supplying the funds necessary for the members' business operations. This 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.

The third form of transaction is to extend loans directly to member companies.

Meeting Diverse Business Finance Needs

The Shoko Chukin Bank contributes to the growth and development of SMEs by providing the following types of finance based on its integrated financial capabilities.

◆ General Loans

Loans in this category include loans on deeds, loans on bills and current account overdrafts.

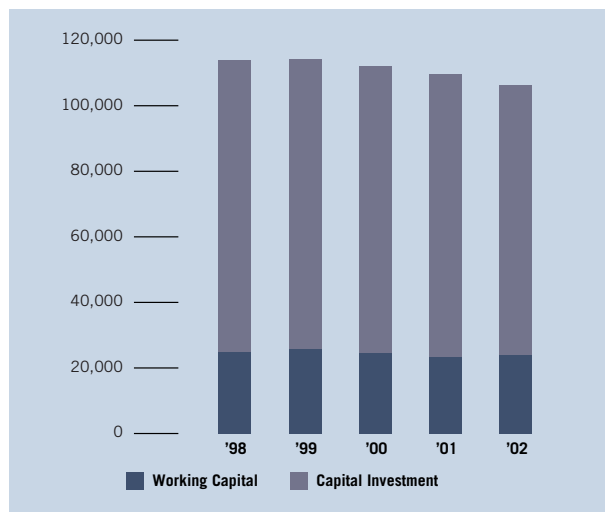
◆ Acceptances and Guarantees

These are debt guarantees for various purposes, including bank loans, trade accounts payable, and expressway toll accounts payable.

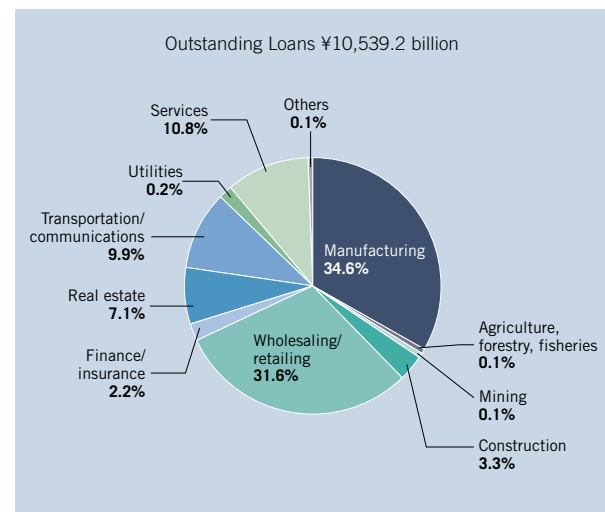
◆ Securities Loans

These loans can be used for various purposes, including collateral for general commercial transactions or delayed tax payments.

Loans Outstanding by Funds Usage (as of March 31)



Sector Breakdown of Outstanding Loans (as of March 31)

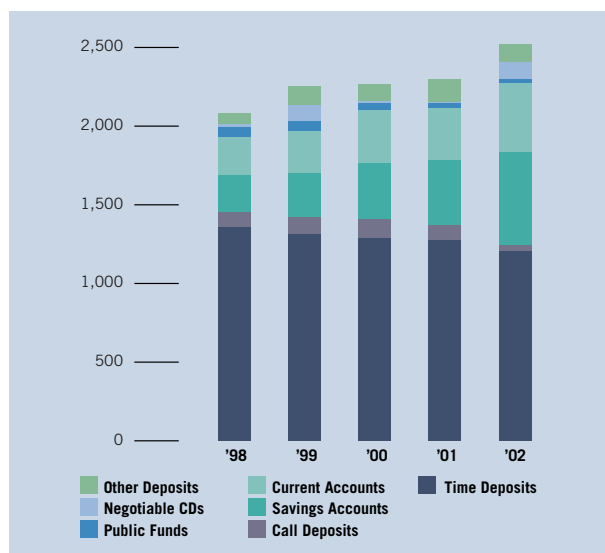


Deposits and Public Funds

Deposits

The Shoko Chukin Bank collects deposits from various sources, including SME cooperatives and other SME organizations and their members, executives of affiliated cooperatives and their members, local government organizations, non-profit organizations, financial institutions, and debenture holders. These deposits are an important source of funds for the loans that the Bank provides to its customers.

Composition of Deposits (as of March 31)



Public Funds

The Shoko Chukin Bank collects deposits of fiscal funding from local governments throughout Japan. These funds are used to assist the development of SMEs and to promote regional economic growth. As of March 31, 2002, these deposits with the Shoko Chukin Bank amounted to ¥38.3 billion. These funds are used extensively to meet the financing needs of SMEs.

Payment Services for Public Utility Charges and Other Official Payments

The Shoko Chukin Bank provides payment services of central and local government taxes, social insurance premiums, contributions to the SME mutual aid retirement

scheme, utility charges, NHK broadcast reception charges, and telephone charges. It can also arrange automatic monthly payments of stipulated amounts from accounts specified by customers.

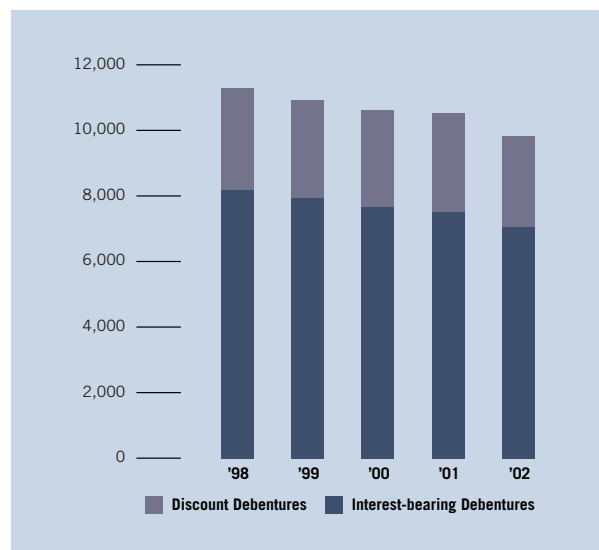
Stocks and Capital Subscription Payments, Dividend Payments

Affiliated organizations and their members can use the Shoko Chukin Bank as a payment agent for capital subscription payments, equity payments and share dividend payments.

Debentures

The Shoko Chukin Bank maintains a reliable supply of funds for SMEs by issuing bank debentures, as provided in the Shoko Chukin Bank Law. The balance of debentures outstanding as of March 31, 2002 was ¥9,779.3 billion. The Bank issues both subscription debentures and over-the-counter debentures, which are available for purchase at any time. Two-year, three-year and five-year interest-bearing debentures are offered for subscription by financial institutions and institutional investors. These debentures are also subscribed by the government and public institutions.

Debenture Issues (as of March 31)



Over-the-counter debentures are offered mainly to individual investors. The range consists of Warisho discount bonds, and Rissho and Rissho Wide interest-bearing bonds. With Rissho Wide the interest is accrued and paid as a lump-sum at maturity. With principal security and fixed returns, these debentures are very popular with the public as an easy method of saving. They can be purchased in units of ¥10,000, with a minimum amount of ¥10,000. Further details can be found in the overview of the Bank's products and services on Page 33. Applications for Shoko Chukin Bank debentures are accepted at any of the Bank's branches or sub-branches.

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 offshore markets and futures.

Note: Offshore Market

An offshore market is a market that is isolated from domestic financial markets. It is used for lending transactions with non-residents. A number of special provisions apply to these markets. For example, transactions in offshore markets are exempted from interest rate regulations and the deposit insurance system, and interest paid to non-residents is not subject to withholding tax and other requirements.

International Operations

The Shoko Chukin Bank offers a variety of international services to meet the needs of SMEs, including foreign currency deposits and loans (impact loans).

Export-Import Services

The Shoko Chukin Bank provides a wide range of import-export services, including the purchase and collection of export bills and the establishment of import letters of credit (L/C), as well as services relating to import usances and overseas remittances. It also offers advice on importing and exporting.

Other Trade Transactions

The Shoko Chukin Bank provides bid bonds, contract guarantees and advance payment redemption guarantees for trade transactions.

Advice and Finance for Overseas Expansion

The Shoko Chukin Bank provides information on investment environments to customers with plans for overseas expansion. It also provides financial support to finance expansion projects and guarantees for loans from local banks. Under the "Overseas 21" program, the Bank offers a package of support services to assist trade transactions.

Overseas Network

New York Branch

The New York branch provides advisory services to assist SMEs with the establishment of business operations in the United States. It also helps them to obtain finance after expanding into the United States.

London Representative Office

The London Representative Office is an important source of local information about Europe, which is moving increasingly toward economic integration under the EU.

Hong Kong Representative Office and Information Centers in Asia

The expansion of SMEs into Asia, especially China and ASEAN, has started to accelerate again. The Hong Kong Representative Office provides information and support

to customers moving into the region. It also offers wide-ranging advice and other assistance to SMEs after the establishment of their Asian business operations. In addition, the Office assigns staff to partner financial institution and other organizations in China and ASEAN to obtain current information for distribution to customers. (As of March 31, 2002, staff were stationed in Shanghai, Dalian, Shenzhen, Bangkok, Kuala Lumpur, Singapore and Jakarta.)

Overseas “Chukinkai” — An SME Network in China and ASEAN

This organization was formed by Shoko Chukin Bank customers in Malaysia, Hong Kong and Thailand. Members enjoy timely access to business information through seminars and meetings, as well as opportunities to participate in information exchanges with customers and suppliers.

Comprehensive Financial Services

1. Business Information Services

a) Business Transfer Measures

The Bank helps companies with stock measures, including stock price valuations and the planning of stock transfers.

b) Support for Public Share Issues

The Bank offers customer-focused advice, including the proposal of capital policies, information about the establishment of internal systems, and the introduction of securities firms and audit corporations.

c) M&A, Business Alliances

Assistance in this area ranges from the introduction of companies and the calculation of acquisition prices to the final fulfillment of purchase conditions.

d) Introduction of Business Partners

The Shoko Chukin Bank uses its nationwide branch network to introduce business partners. It also provides spaces for the promotion of new products.

e) Effective Use of Real Estate

The Shoko Chukin Bank helps customers to make effective use of idle land, including the introduction of franchisers and tenants and the planning of leased buildings.

f) Other Services

Other services include specialist management advice and consultation by the Japan Institute Of Commerce, Industry & Economics. It also hosts a variety of seminars.

The “Site”—the Official Homepage of the Shoko Chukin Bank

Since September 2000, the Shoko Chukin Bank has opened a homepage for SME cooperatives and their members. A variety of free-of-charge information services are available to the users. Visit the homepage at: <http://www.shokochukin.go.jp/>

2. Support for Venture Business Businesses Companies and Others

Equity and Bond Underwriting by Investment Syndicates

In addition to finance and information services under the “Innovation 21” program, the Shoko Chukin Bank also supports companies planning to implement IPO through the First Shochu Investment Syndicate, which was jointly established with the Japan Institute of Commerce, Industry & Economics.

Economic Research Activities

Over 99% of all companies in Japan are classified as small- and medium-sized enterprises (SMEs). Trends in the SME sector have an influence on the Japanese economy as a whole. The Shoko Chukin Bank maintains current data about SME trends through its research activities and surveys of client companies. It returns the results of this work to SMEs by publishing its findings in the mass media and on its web site as reference information for analyses of economic and industrial trends.

Monthly Survey of SME Business Sentiments

This publication is based on monthly surveys of 800 companies selected from the Shoko Chukin Bank's nationwide customer base. As Japan's only comprehensive survey of trends in the economic situation of SMEs, the survey is used by the Japanese government and attracts considerable interest in Japan overseas. In June 2000 the Bank began to conduct trial surveys of sample of 1,000 companies, including an additional 200 businesses in emerging sectors and other areas. The aim of this project is to provide a more precise picture that reflects changes in Japan's economic structure.

SME Capital Investment Survey

There is an extremely close link between capital investment and economic trends. The Shoko Chukin Bank surveys capital investment trends among SMEs biannually.

Regional Analyses of SME Business Sentiment

Twice each year, the Shoko Chukin Bank classifies its branches into nine regional blocks and conducts comprehensive studies and analyses of regional business sentiment based on information from its branches.

Economic Forecasts

The Shoko Chukin Bank regularly publishes forecasts for the current and next financial years, based on its own surveys.

Trends in the SME Sector

This survey is based on results from the Monthly Survey of SME Business Sentiment, together with findings from other Shoko Chukin Bank surveys and statistics published by government agencies and other organizations. It provides a general overview of quarterly trends in the SME sector.

Other Research

From time to time, the Shoko Chukin Bank conducts surveys and research and publishes results relating current trends in the economic situation. For example, in FY2001, it conducted a survey on Internet use by SMEs.

Sector Breakdown of Outstanding Loans

