

Loans

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

Borrowers

The Shoko Chukin Bank lends principally to its member cooperatives—the affiliated organizations of SMEs subscribing its capital—and to their member companies. The Bank also takes inquiries from joint investment companies and affiliated organizations established mainly by SMEs and SMEs' overseas subsidiaries.

Forms of Loan Transactions

The Shoko Chukin Bank provides loans to cooperatives and their members as follows.

Funds for member cooperatives:

For joint undertakings: The Bank provides funds necessary for joint undertakings by member cooperatives, such as joint production, joint processing, and joint sales operations. The Bank also responds positively to applications for loans required for organizational upgrade programs.

For loans through cooperatives: The Bank provides loans through member cooperatives to supply funds necessary for members' business operations.

Funds for member companies: The Bank extends loans directly to member companies.

Meeting Diverse Business Finance Needs

The Shoko Chukin Bank utilizes its integrated financial capabilities to contribute to the growth and development of SMEs by providing the following types of financing.

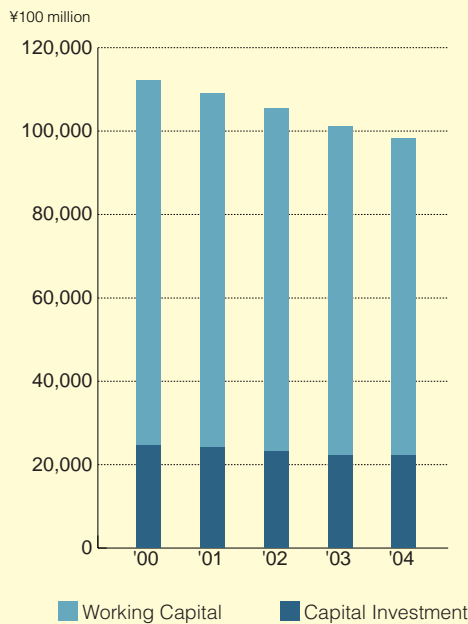
General Loans: loans on deeds, loans on bills, bill discounting and current account overdrafts.

Acceptances and Guarantees: debt guarantees for various purposes such as bank loans, trade accounts payable, and expressway toll accounts payable.

Securities Loans: loans to be used for various purposes, such as collateral for general commercial transactions or delayed tax payments.

Outstanding Loans by Funds Usage

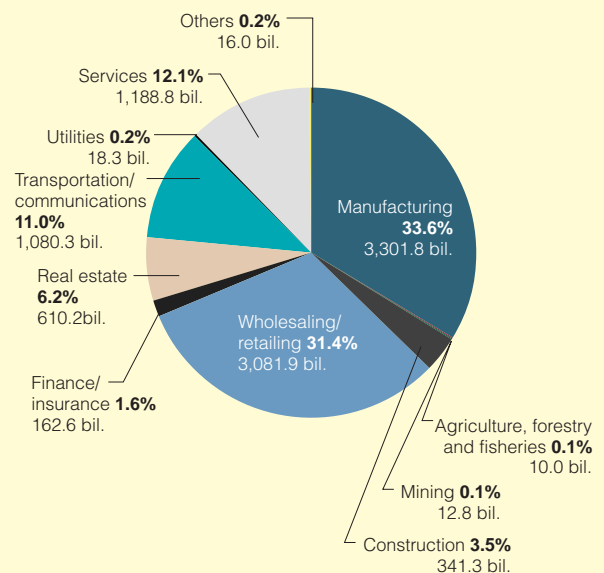
(as of March 31)



Outstanding Loans by Sector

(as of March 31, 2004)

Outstanding Loans: ¥9,824.4 billion



Deposits and Public Funds

Deposits

The Shoko Chukin Bank accepts 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.

Public Funds

The Shoko Chukin Bank accepts 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, 2004, these deposits with the Shoko Chukin Bank amounted to ¥27.4 billion. These funds are used extensively to meet the financing needs of SMEs.

Payment Services for Public Charges

The Shoko Chukin Bank provides payment services for public charges such as national 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, 2004 was ¥8,244.3 billion. The Bank's debentures include both subscription debentures and over-the-counter debentures, which are available for purchase at any time. One-year, two-year, three-year, five-year, seven-year and ten-year interest bearing debentures are offered for subscription by financial institutions and institutional investors and for subscription by government and public institutions as well. Over-the-counter debentures offered mainly to individual investors include Warisho discount bonds, and Rissho and Rissho Wide (interest paid as a lump sum at maturity) interest-bearing bonds. These debentures provide security of principal and a fixed return and 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. 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, investing 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.

International Operations

The Shoko Chukin Bank, as the sole government affiliated financial organization offering correspondent services overseas, supports the international business needs of SMEs as they become increasingly active overseas.

Trade Finance

The Shoko Chukin Bank provides a wide range of import and 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 Finance

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 various types of information such as investment environments to customers that are planning overseas expansion. It also provides financial support to finance expansion projects and guarantees for loans from local overseas banks. Under "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 to establish business operations in the United States and helps them to obtain financing after expanding into the United States.

Hong Kong Representative Office and Information Centers in Asia

The Hong Kong Representative Office provides information and support for the expansion of SMEs into Asia, which has started to accelerate again, especially into China. 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 allied financial institutions and other organizations in China and ASEAN to obtain current information for distribution to customers. (As of March 31, 2004, the Bank stationed staff in Shanghai, Dalian, Shenzhen, Bangkok, and Kuala Lumpur.)

Overseas "Chukin Kai" –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

Business Information Services	a) Business Transfers	The Bank helps companies manage stock, including stock price valuation and planning stock transfers.
	b) Support for Public Share Issues	The Bank offers customer-focused advice, including proposals for capital policies, information about the establishment of internal systems, and introductions of securities firms and audit corporations.
	c) M&A and Business Alliances	Assistance in this area ranges from providing introductions of companies and the calculation of acquisition prices to the final fulfillment of purchase conditions.
	d) Introductions of Business Partners	The Shoko Chukin Bank uses its nationwide branch network to introduce potential business partners and provides space 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 introductions of franchisers and tenants and planning for leased buildings.
	f) Other Services	Other services include specialist management advice and consultation by Japan Institute of Commerce, Industry & Economics, Ltd. The Bank also hosts a variety of seminars.
"The SITE" –the Official Homepage of the Shoko Chukin Bank		The Shoko Chukin Bank hosts an Internet homepage for SME cooperatives and their members, providing a variety of free-of-charge information services to users. Visit our homepage: http://www.shokochukin.go.jp/
Support for Venture Businesses	Equity and Bond Underwriting by Investment Syndicates	In addition to finance and information services provided under the Innovation 21 program, the Shoko Chukin Bank also supports companies planning to implement IPOs through the First Shochu Investment Syndicate, which was jointly established with Japan Institute of Commerce, Industry & Economics, Ltd.

Support for the Chukin Kai and Youth Kai

	Organizational Outline	Activities & the Bank's Involvement
Chukin Kai	An association made up of our customers with 107 chapters in Japan, and 3 overseas in Thailand, Malaysia and Hong Kong. There are over 17,000 members.	Dispatches lecturers and helps with support and planning for lecture, study and social meetings. Also provides member companies a variety of information helpful to management on mediation, industry trends, products and technology.
Youth Kai	An association made up of young businessmen among our customers, with 88 chapters in Japan and about 5,300 members.	Dispatches lecturers and helps with support and planning for lecture, study and social meetings. Also provides a variety of information helpful to the conduct of member company business on subjects such as mediation, expansion of sales via different industries, joint development and technical cooperation.
All-Japan	An organization that makes use of the network of 88 Youth Kai chapters and supports Youth Kai activities throughout the country.	Helps with support and planning of national conferences and representative seminars, and dispatches lecturers and coordinators. Provides information on mediation, participation in International Small Business Congress (ISBC), Youth Kai Personal Computer Network and the Youth Kai Mailing List. Also supports business exchanges and publishes the All-Japan Youth Kai Report.

Economic Research Activities

Over 99% of all companies in Japan are classified as small- and medium-sized enterprises (SMEs) and trends in the SME sector have an important influence on the Japanese economy as a whole. The Shoko Chukin Bank obtains timely information about SME trends through its research activities and surveys of client companies and returns the results of this work to SMEs by publishing the resulting information on economic and industrial trends in the mass media and on its website.

Monthly Survey of SME Business Sentiment

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 economic trends among SMEs, the survey results are used not just within Japan but also attract considerable interest overseas as well. In June 2000 the Bank began to conduct trial surveys of a 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

Capital investment and economic trends are closely linked. 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 all of its branches.

Economic Forecasts

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

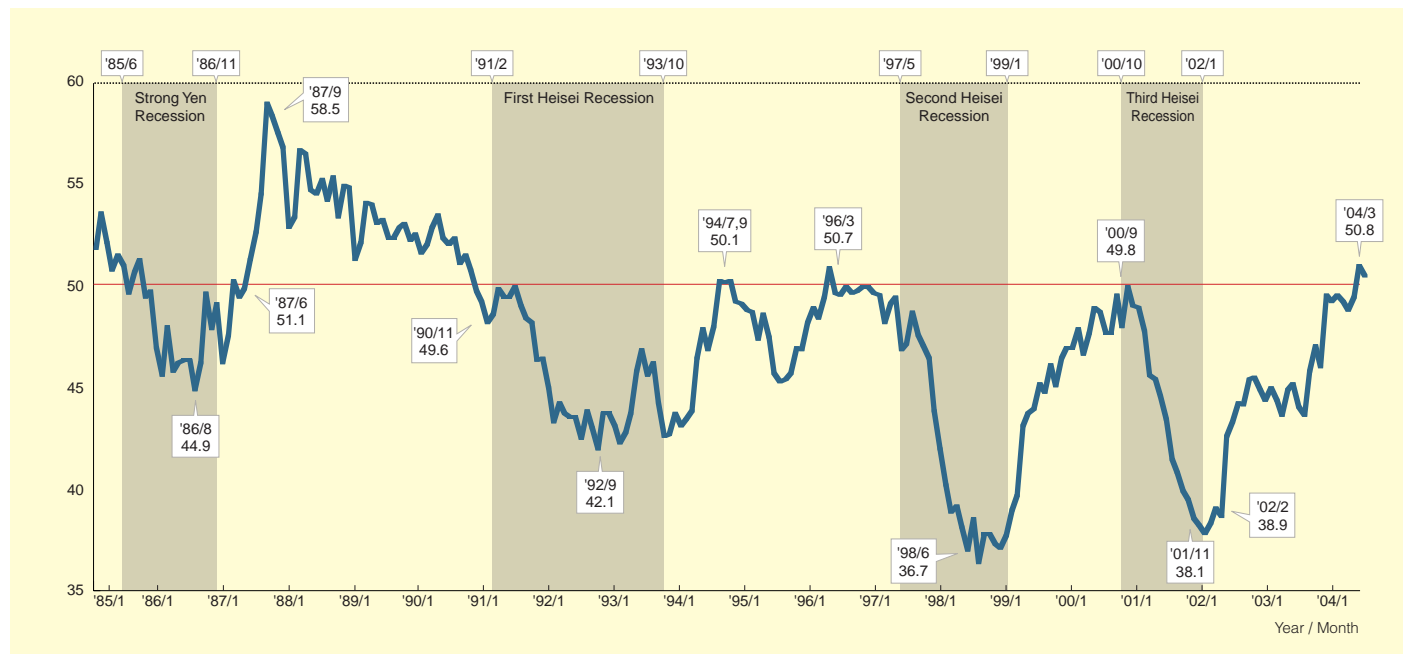
Trends in the SME Sector

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 economic trends. For example, in fiscal 2002, it conducted a survey on Internet use by SMEs.

Graph of the SME Business Sentiment Index



Notes: 1. Business Sentiment Index = ((Number of companies expecting an improvement x 1 + number of companies expecting no change x 0.5) / number of companies surveyed) x 100

2. An index above 50 indicates that companies expect economic conditions to improve compared with the situation in the previous month, while a result below 50 indicates that deterioration is anticipated.

Source: Shoko Chukin Bank, Monthly Survey of SME Business Sentiment