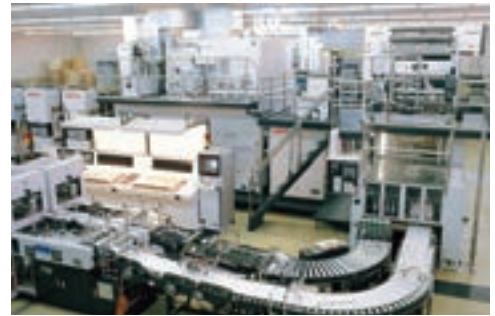




SHOKO CHUKIN BANK

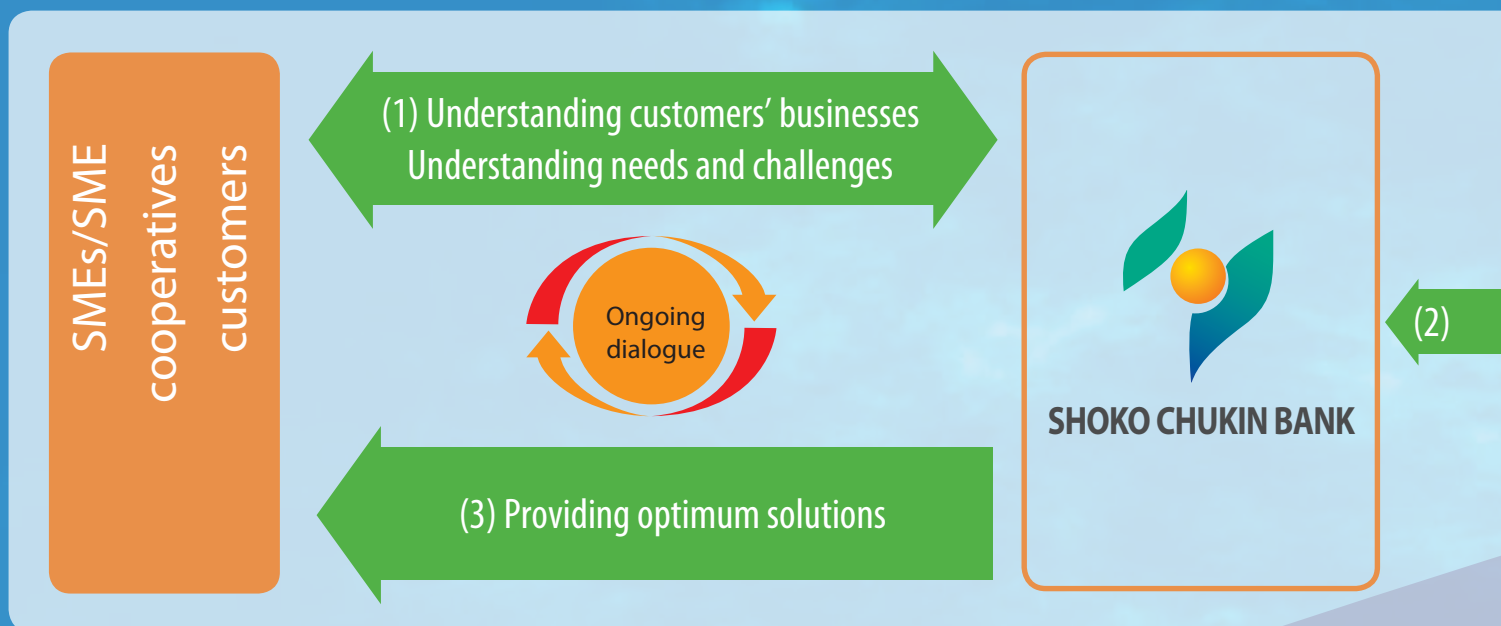
Annual Report 2020

Year Ended March 31, 2020



Shoko Chukin Bank Management Reform Plan

Development of “Comprehensive financial services business to support management”



FY2019 results

Loan balance in priority areas

A	¥907.4 billion
B	¥938.4 billion
C	¥166.8 billion
D	¥58.5 billion
Total	¥1,928.0 billion

Target management indicators

Gross operating profit	¥100.7 billion
Operating profit	¥28.2 billion
Net income	¥13.7 billion
OHR	72%

* There is some overlap in the loan balances in priority areas, so the zone total does not match the priority area total.

Features of the Bank

- Financial stance that is not influenced by economic fluctuations
- Area-wide support functionalities through SME cooperatives
- Capable of providing solutions using nationwide and overseas networks
- Wide range of financial functions including short-term funding
- Coordinator functions using neutrality



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▶ Establishing a sustainable financing process

▶ Streamlining management

▶ Condition maintenance

- Toward the establishment of a sustainable business model -

Thinking about people.
Thinking about the future.

FY 2021

Cooperation



Loan balance in priority areas

A	¥1,600 billion
B	¥960 billion
C	¥350 billion
D	¥200 billion
Total	¥3,110 billion

Target management indicators

Gross operating profit	¥115 billion
Operating profit	Approx. ¥46 billion
Net income	Approx. ¥17.5 billion
OHR	Approx. 60%

Issues experienced by Japanese industry

- Low birthrate and aging population/Decrease in population
- Use of IoT, Big Data, AI, and other technologies
- Diversification of consumer needs and economic globalization

Regional Economic Challenges

- Industry consolidation and reorganization is inevitable
- Facilitation of productivity improvements
- New business developments and overseas expansion to eliminate subcontracting
- Expanding business opportunities through increased awareness of SDGs

Challenges for Financial Institutions

- Intensified competition between financial institutions influenced by negative interest rates
- Integration at management level in regional financial institutions
- Expansion of Fin-Tech market (such as use of virtual currency and social lending)
- Competition and cooperation with other types of industries

Areas of focus

- A Financial restructuring support
- B Business revitalization and management improvement support
- C Industrial structure transformation challenge support
- D New industry challenges and establishment support

Structure to facilitate the business model

- Promoting sales of recruitment bonds
- Promoting non-face-to-face transactions for retail deposits and diversifying campaigns
- Promoting the acceptance of corporate deposits
- Improving the productivity of sales contact point operations
- Reviewing branch functions
- Redistributing resources
- Reviewing back office operations
- Optimizing personnel and costs
- Restoring compliance awareness and strengthening efforts to prevent fraud
- Refining credit risk management
- Reviewing our personnel system
- Restructuring performance assessment of business offices
- Strengthening personnel development

Message from the President

On behalf of the Shoko Chukin Bank, I would like to take this opportunity to thank all of our stakeholders for their continued support and understanding.

Shoko Chukin Bank provides comprehensive financial services business to support the management of SMEs and SME cooperatives, which are its business partners, and provides appropriate solutions by fully leveraging the characteristics of its financial stance, which is not affected by the economy, starting with a business prospects evaluation undertaken to understand various issues and needs through in-depth dialogue. We will contribute to increasing the corporate value of SMEs that support the local economy, by providing solutions that lead to the fundamental resolution of issues, including in-depth financial support, hands-on business improvement support, and M&A and business succession support for SMEs that (1) have a heavy borrowing burden and cash flow concerns, (2) have financial problems and balance challenges such as insolvencies or capital deficits, (3) plan overseas expansion or new business expansion that involves risks, or (4) have concerns regarding financing issues just after establishment. In addition, by steadily implementing future-oriented structural reforms, we will establish an appropriate personnel structure and cost structure, with the aim of sustainable growth.

Financial and Economic Environment

Although Japan's economy in fiscal 2019 was strong in the first half, primarily due to domestic demand, there was an increasing slowdown in the second half due to factors including a hike in the consumption tax rate and the spread of Covid-19.

In terms of business sentiment among SMEs, sentiment deteriorated for the manufacturing industry and improved for non-manufacturing industries in the first half of the fiscal year. However, towards the end of the fiscal year, the spread of Covid-19 caused the sentiment to worsen sharply for both the manufacturing industry and non-manufacturing industries. Going forward, there are concerns that business conditions may continue to deteriorate due to the spread of Covid-19.

In particular, a prolongation of the disruption of the global supply chain and a slowdown in overseas economies could lead to a further deterioration of business conditions in the manufacturing industry. In addition to the negative impact on tourism-related industries due to a sharp decline in the number of foreign visitors to Japan, negative impacts could also be felt across a wide range of industries, including the restaurant and service industries, as people in Japan refrain from going out. These customer trends could affect the earnings of domestic financial institutions due to factors such as increased credit-related expense.

Overview of Fiscal 2019

The Shoko Chukin Bank Management Reform Plan, which is our Medium-term Business Plan, defines

focused support for SMEs that have low productivity and are in need of management improvement, business revitalization, or business succession support, as well as SMEs that are about to embark on a high-risk business but are struggling, as priority areas in Zone A to Zone D.

Because initiatives in priority areas form the basis of our Medium-term Business Plan and are essential to its progress, the number of loans executed and loan balance are set as KPIs (key performance indicators; quantitative measure of target achievement) and released.

Although progress in fiscal 2019 was generally favorable, we believe we need to concentrate more on initiatives in priority areas in order to establish them as a business model.

In Zone A, which is a volume zone, while the loan balance was generally in line with our plan, we recognize the need to increase the corporate value of customer SMEs by providing more in-depth support, such as financial restructuring support and core business support.

In Zone B, where we provide management improvement support, we will continue to focus on supporting business revitalization and management improvement so that as many customers as possible can improve the level of their management.

In Zones C and D, although the loan balance fell short of the estimated pace in the plan due to the time required to disseminate the approach to our initiatives, the number of loans executed and the amount of loans executed began to follow an upward trend in the second half of the fiscal year, due in part to the development of a structure for implementation.

As a result of these initiatives, regarding our income and expenditure for fiscal 2019, income before income taxes and others was ¥20.5 billion while net income was ¥13.7 billion.

We are grateful for the support of our shareholders and clients in enabling us to achieve these results.

Future Operating Performance and Management

With long-term interest rates remaining at low levels, there has been downward pressure on the earnings of financial institutions in Japan, including the Shoko Chukin Bank. In order to secure stable earnings under these conditions, it is necessary to further accelerate the sharing of issues and needs through dialogue with customer SMEs, which is the foundation of our Medium-term Business Plan, as well as the provision of high value-added solutions through in-depth support. To this end, we will steadily build relationships with customer SMEs to discuss their issues and concerns, strengthen our business prospects evaluation capabilities to understand the background and nature of their problems and concerns, and provide more sophisticated solutions to help solve their problems.

The majority of our borrowers are SMEs that are susceptible to the external environment, and because the impact of Covid-19 is spreading to SMEs, in addition

to structural problems such as labor shortages, we will take all possible measures to support the cash flows of customer SMEs. In particular, for the time being, in light of the severity of the impact of Covid-19, we will respond promptly to affected SMEs in a cordial, courteous, and individualized manner, as a designated financial institution for crisis response operations. We will also reflect on the occurrence of misconduct in crisis response operations and operate systems appropriately.

At the same time, we need to strengthen our hands-on support systems and enhance the management of warning signs to identify impacts due to the external environment at an early stage, and provide advice and solutions to handle challenges in an appropriate manner. For SMEs with financial problems and balance challenges that require business revitalization or management improvement, we will collaborate with local financial institutions and utilize solutions that leverage the features of the Shoko Chukin Bank, in order to assist in management improvement of the customer SMEs that support the local economy, from a medium- to long-term perspective.

We will strive to make future-oriented business innovations and thoroughly reduce expenses in order to make these initiatives sustainable. While effectively utilizing non-face-to-face channels such as the Internet and smartphone apps to ensure customer convenience, we will also work to establish sustainable procurement methods and reduce store operating costs by consolidating stores and downsizing store functions. As we promote digitization, we will strengthen our efforts to support the core businesses of customer SMEs by digitizing and upgrading information, while increasing the amount of time we are able to spend on engagement with customer SMEs, by centralizing and streamlining paperwork through paperless and systematization processes.

In addition, we will continue to work on establishing compliance awareness as the backbone of our business model and strengthening our internal management systems, while also working on promoting diversity and constructing personnel systems that allow our employees to maximize their capabilities, as we strive to establish the business model that we aim to achieve in our Medium-term Business Plan.

In Closing

As a financial institution run by SMEs for SMEs, all of our employees will continue to work with all of our strength to ensure that we are trusted and supported by everyone, and to make certain that our services are more useful than ever.

We would like to express our gratitude for your patronage thus far, and ask for your continuing strong support.



July 2020
Masahiro Sekine
President
The Shoko Chukin Bank, Ltd.

Medium-term Business Plan (Shoko Chukin Bank Management Reform Plan)

Summary

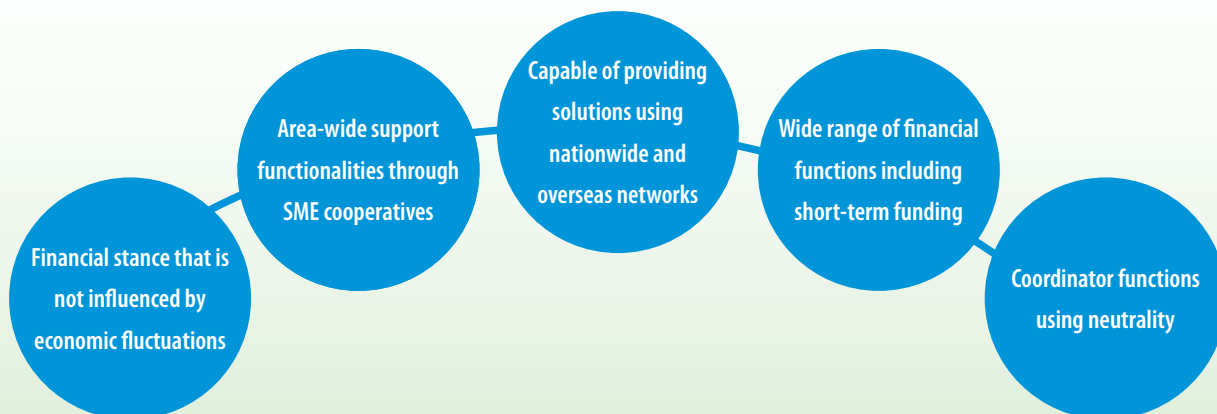
Position of the program

- The Medium-term Business Plan is an action plan for steadily implementing the contents of the Operation Improvement Plan that was submitted to the ministries in charge on May 22, 2018.
- Based on this plan, the Shoko Chukin Bank will return to its original mission and role as a financial institution for SMEs and shift to business operations arising from true of customer needs from a customer perspective.

Setting KPIs

- In order to develop a “comprehensive financial services business to support management” that takes advantage of the features of the Shoko Chukin Bank and establish a sustainable business model based on the Medium-term Business Plan, we have established KPIs regarding principal measures, and will report on our progress.
- The KPIs will be treated as indicators for monitoring our results in responding to the needs of customers, and the PDCA cycle will be implemented on these KPIs, as appropriate, to establish the business model.

Features of the Shoko Chukin Bank



Development of a Comprehensive Financial Services Business to Support Management

Basic views

Improve corporate value

By strongly supporting SMEs and SME cooperatives and building and deepening relationships of trust from a long-term perspective, without being influenced by economic fluctuations, we will effectively provide optimal solutions in accordance with true needs and challenges, and contribute to improvements in corporate value.

Sustainability

By securing the topline (net interest income, and fees and commissions) through operations with high added value, and pursuing the relentless streamlining of management, we will work to achieve an independent and sustainable business model and improve the corporate value of the Shoko Chukin Bank.

Structural reforms

In light of the increasingly challenging management environment facing the financial industry, officers and employees will share a sense of crisis, as they implement structural reforms in preparation for the future.

Resolution of social issues

We will contribute to the development of Japan through measures in response to regional and social issues, including SDGs.

Sharing issues

- We share issues through careful explanations and business dialogue with customers regarding the Shoko Chukin Bank's stance toward transactions, which is the premise for implementing our Medium-term Business Plan.
- Through this process, we will build strong relationships with our customers.
- Although we finished compiling our KPIs in March 2020 because we shared challenges with nearly all of our customers, we will continue to repeatedly explain the approach of Shoko Chukin Bank, and strive to build relationships with them.

Stance of the Shoko Chukin Bank

- ① Through financing and core business support based on business prospects evaluation for the purpose of contributing to improvements in the corporate value (= creation of shared value) of SMEs and SME cooperatives from a long-term perspective that is truly customer-oriented, we will work toward ongoing improvements in financial and operating cash flows.
- ② We first gain an appropriate understanding of normal working capital (= the source of operating cash flow), which is the starting point for business prospects evaluation based on engagement with customers and field surveys, as we work to improve financing and operating cash flows.
- ③ We work to establish solid relationships of trust with customers in an ongoing manner by providing core business support aimed at improving financial cash flow as well as operating cash flow, with a stable and unwavering principle toward transactions.

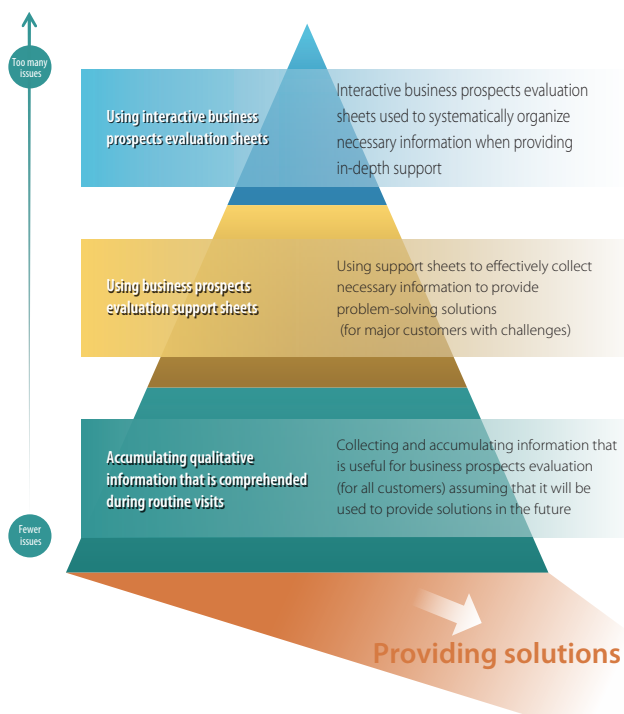
KPIs

- ◆ Number of customers sharing the Bank's business model
65,112/100.0% (Mar. 31/'20)
- ◆ Number of customers obtaining a grasp of their normal working capital, through business prospects evaluation
61,913/95.1% (Mar. 31/'20)

*These figures represent the percentages of customers with whom the Bank has found it necessary to share the Bank's business model.

Strengthening business prospects evaluation

- Business prospects evaluation are positioned as the starting point for the comprehensive financial services business to support management and will be strengthened as a company-wide initiative.



Business prospects evaluation initiatives

- Business prospects evaluation has been redefined as the starting point for the comprehensive financial services business to support management. We are working to refine the solutions provided by sharing challenges arising from the needs of customers, and systematically accumulating issues and information.
- We are strengthening training in collaboration with external organizations, and working to improve the business prospects evaluation skills of our employees, as we work to strengthen business prospects evaluation, such as through the use of business evaluation tools that reference local benchmarks.
- From fiscal 2018 to fiscal 2019, business prospects evaluations (gaining an understanding of normal working capital) were conducted, and challenges were shared with nearly all of our customers. We will continue to provide solutions to solve these shared challenges.

KPIs

- ◆ Number of challenges and needs shared with customers
89,426 (Mar. 31/'20)
- ◆ Number of local benchmark initiatives
33,790 (Mar. 31/'20)
- ◆ Unsecured loan ratio based on the Guidelines for Management Guarantee (long-term loans) **41.2%** (Mar. 31/'20)

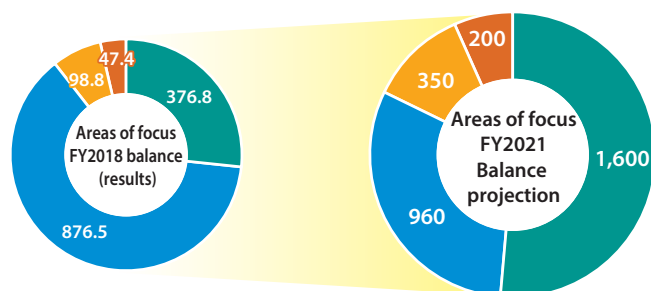
Finance support

Overview of initiatives

- Areas of focus are defined in Zones A through D. We focus on the provision of finance according to the needs and challenges of our customers, while taking advantage of the characteristics of the Shoko Chukin Bank.

<p>Zone A</p> <p>Financial restructuring support</p> <p>We provide support for improving corporate value through core business support after implementing financial restructuring support, starting with business prospects evaluation.</p>	<p>Zone B</p> <p>Business revitalization and management improvement support</p> <p>We provide support for customers facing financial challenges, including insolvency and capital deficits, with business revitalization and management improvements through support including the formulation of management improvement plans.</p>	<p>Zone C</p> <p>Industrial structure transformation challenge support</p> <p>We provide support for industrial reorganization through M&As and overseas expansion, for companies engaged in industry consolidation and business model transformation (eliminating subcontracting, overseas expansion).</p>	<p>Zone D</p> <p>New industry challenges and establishment support</p> <p>We assist customers taking on challenges in frontier fields (aircraft, robots, advanced IT) and recent startup customers by integrating investment/loans and core business support, and work to refine our regional finance functions.</p>
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■ Zone A ■ Zone B ■ Zone C ■ Zone D (¥ billion)



KPI *All results are for Mar. 31/'20

◆ Zone A support cases	16,474
Balance	¥907.4 billion
◆ Zone B support status	
Management improvement planning support cases	642
Refinance support cases	635
◆ Status of rank improvements for Zone B customers	
Customers with rank improvements	544 customers/13.5%
Customers that improved management indicators	2,575 customers/76.0%
◆ Zone C support cases	568
Balance	¥166.8 billion
◆ Zone D support cases	1,048
Balance	¥58.5 billion

List of KPIs

- Solutions provision (finance support)

		FY2018	FY2019	FY2021 forecast
Zone A	Number of initiatives	4,331	16,474	4,000
	Initiative funding	¥433.5 billion	¥1,477.9 billion	¥400 billion
	Loan balance	¥376.8 billion	¥907.4 billion	¥1,600 billion
Zone B	Planning support (cumulative)	543	1,185	2,150
	Refinance (cumulative)	578	1,213	1,400
	Number/ratio of rank improvement	532/13.7%	544/13.5%	—
	Status of management indicator improvement	—	2,575/76.0%	—
	Loan balance	¥876.5 billion	¥938.4 billion	¥960 billion
Zone C	Number of initiatives	238	568	750
	Initiative funding	¥39.4 billion	¥98.5 billion	¥75 billion
	Loan balance	¥98.8 billion	¥166.8 billion	¥350 billion
Zone D	Number of initiatives	309	1,048	800
	Initiative funding	¥11.2 billion	¥37.9 billion	¥40 billion
	Loan balance	¥47.4 billion	¥58.5 billion	¥200 billion

List of KPIs (other)

● Premise/business prospects evaluation

	FY2018	FY2019
Number of customers sharing the Bank's business model	53,698	65,112
Number of customers obtaining a grasp of their normal working capital through business prospects evaluation	26,076	61,913

	FY2018	FY2019
Number of challenges and needs shared with customers	85,491	89,426
Number of local benchmark initiatives	—	33,790
Unsecured loan ratio based on the Guidelines for Management Guarantee	35.8%	41.2%

● Solution provision (core business support)

	FY2018	FY2019
Number of business succession support projects	198	308
Number of M&A support projects	17	20
Number of business matching support projects	383	615
Number of grants of overseas credit	1,106	1,090
Number of cases in which needs and challenges for customers' local subsidiaries overseas have been identified	2,550	2,748
Number of meetings held by the Secretary General of cooperatives	86	160

● Systems/human resources

	FY2018	FY2019	FY2021 target
Number of visits to the bank (Corporate Business Solution Group)	4,469	5,292	—
Percentage having obtained external qualifications for business prospects evaluation	60.2%	75.1%	80.0%
Percentage having obtained external qualifications for business successions	46.4%	71.1%	80.0%
Number of employees obtaining internal qualifications (solutions)	122	134	130
Number of employees obtaining internal qualifications (management improvement)	93	102	80

● Cooperation/collaboration with regional financial institutions

	FY2018	FY2019
Number of visits to regional financial institutions	967	1,458
Number of idea exchange meetings with industry associations	10	7
Number of instances of cooperation and collaborations (solutions provision)	515	583
Number of cooperative loans	1,032	2,160

● Income/expense situation

	FY2018	FY2019
OHR	71%	72%
Income before income taxes and other	¥30.7 billion	¥20.5 billion

● Outcome (cash flow improvements)

	FY2018	FY2019
Number of operating cash flow improvements	147	502
Number of financing cash flow improvements	2,825	7,825

*Numbers represent cumulative totals from fiscal 2018

● Outcome (reduced credit costs)

	FY2018	FY2019
Below risk of bankruptcy ⇨ Above need special attention	¥(4.7) billion	¥(5.3) billion
Need special attention ⇨ Normal	¥(3.7) billion	¥(2.9) billion

Efforts in Areas of Focus

Zone A [Financial restructuring support]

The Shoko Chukin Bank has positioned its business prospects evaluation as a starting point for its comprehensive financial services business to support management. In order to deepen the relationship of mutual trust with customers, understand the businesses and grasp the potential for future growth, we conduct interviews based on the situation and understand sales channels, and utilize the systematically accumulated information to make judgments when determining credit limits or providing solutions.

Via business prospects evaluations through in-depth dialogue, the Shoko Chukin Bank precisely comprehends customers' challenges, and based on their needs, we conduct financial structural reforms through refinance leading to drastic solutions, and improve financing CF through overdrafts according to working capital demand and long-term bullet repayment financing, as well as deal with core business support leading to the improvement of operating CF through business matching.

(1) Financial restructuring support (formation of syndicated loans to perform coordination functions and pump-priming functions)

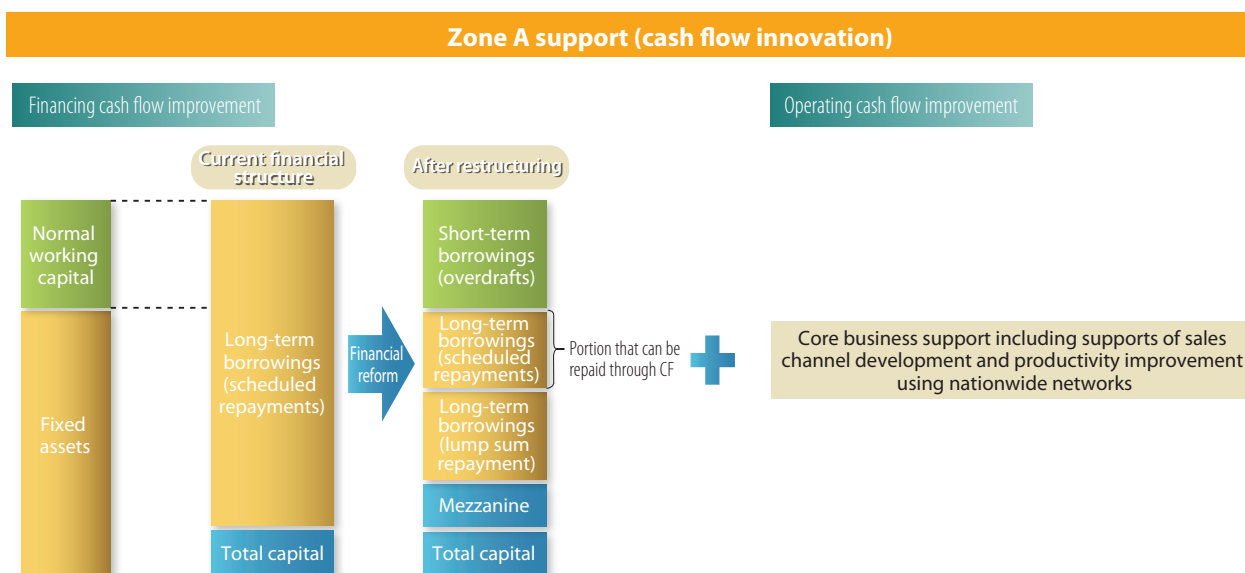
The Shoko Chukin Bank will switch customers' long-term borrowing with scheduled repayments to other types of borrowing, such as commitment lines and long-term bullet repayment financing, resolve mismatches between cash flows and annual repayment amounts, and create an environment in which customers can focus on their core business. In addition, we use syndicated loans in cooperation with regional financial institutions, etc. in response to these types of financial improvement needs such as refinancing. To date, a total of 201 banks have been invited to participate in syndicated loans formed by the Shoko Chukin Bank.

(2) Business matching (support for expansion of sales channels and productivity)

The Shoko Chukin Bank will strive to strengthen business matching services that enhance the corporate value of business partners, by using the Bank's domestic and overseas network, customer organizations (Chukin kai and Youth kai), partner businesses and SME support organizations to increase sales, reduce purchasing costs, etc.

*The Chukin kai is an organization of the Bank's business partners. There are 103 Chukin kai groups in Japan and abroad with approximately 17,000 corporate members.

*The Youth kai is an organization comprising young executives of the Bank's business partners. There are 88 Youth kai branches across Japan with approximately 6,100 members.



Zone B [Business revitalization and management improvement support]

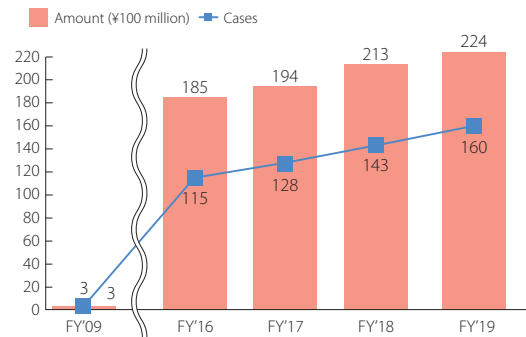
The Shoko Chukin Bank has consistently provided our customers with business revitalization and management improvement support. In addition, in the Medium-term Business Plan, the Shoko Chukin Bank selected roughly 4,000 companies as main and sub-main customers for the provision of active support and guidance. Going forward, we will continue to contribute to improving the corporate value of our customers, through the provision of support for appropriate solutions in consideration of management improvement plan formulation support as well as budget and results management.

In addition, we will strengthen coordination with business revitalization support organizations, such as the SME Revitalization Support Councils, and external organizations including regional support centers and tax accountant advisors, and work to improve the corporate value of our customers, including SMEs in cooperation with regional financial institutions.

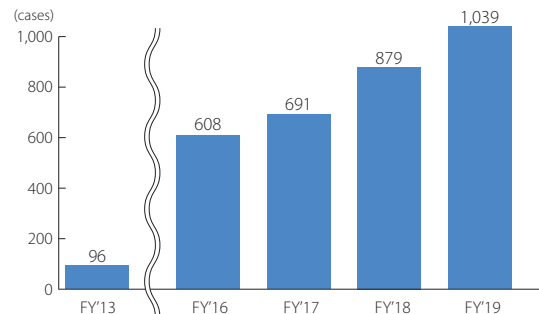
~Past initiatives to support business revitalization~

July 2001	Began providing business revitalization support loans (DIP financing)
January 2004	Established Department for Business Restructuring
March 2004	Conducted DDS Project No. 1 (first in Japan)
March 2006	Began handling conditional redemption DES
November 2012	Established Revitalization Support Program
October 2013	Began handling refinancing system
June 2018	Established Corporate Support Division

Results of DDS efforts (cumulative)



<Results of refinancing system efforts (cumulative)>



Initiatives in the previous fiscal year: Revitalization Support Program (business revitalization know-how in a package)



Zone C [Industrial structure transformation challenge support]

The Shoko Chukin Bank will provide solutions using its nationwide network for efforts by core regional companies that have an influence on the regional economy and are entering high-risk businesses, and industries in which reorganization and new growth can be expected. In addition, to support the increasingly diverse overseas expansion needs of SMEs, the Bank has positioned North and Central America, ASEAN, and China as priority regions, and will strengthen coordination with regional financial institutions through its New York Branch, and strengthen alliances with local government agencies and local banks.

In addition to these efforts, we assist customers taking on challenges in frontier fields (aircraft, robots, advanced IT) and recent startup customers by integrating investment/loans and core business support, and work to refine our regional finance functions.

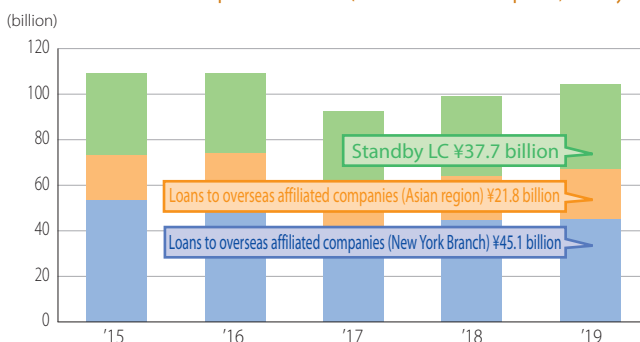
Support for Overseas Expansion

As apart from financial support, the support for information provision also plays an important role in the overseas expansion of the SMEs. From 1996, we have combined "Information Provision" and "Financial Services" and established "Support for Overseas Expansion."

With regard to the information provision, our staff from the headquarter will visit our clients and give advice on overseas expansion, as well as offering informational support such as providing information about the investment environment. In addition, the Shoko Chukin Bank has constructed a co-operative support system with each overseas branch and the corresponding destination for overseas projects.

With regard to financial services, we provide diversified services ranging from financial support such as fundraising support through Standby Credit (utilization of the overseas co-operative financial institutions), direct loans to overseas affiliated companies, parent-subsidiary loans, etc., to the import and export-related trade and finance services.

Balance for financial services provided overseas (loans to affiliated companies, standby LC)



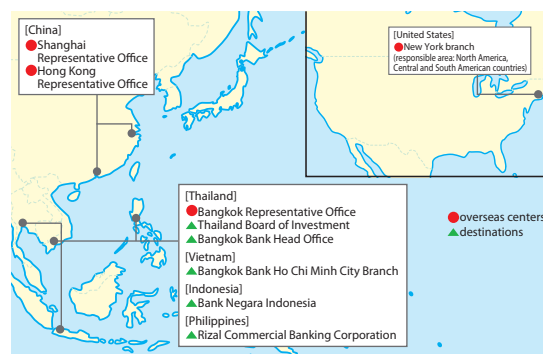
Networks of the Shoko Chukin Bank

The Shoko Chukin Bank has altogether four overseas centers. Also, we collaborate with overseas entities such as government organizations and financial institutions, and provide financial and informational support regarding overseas expansion.

Overseas co-operative financial institutions

- Thailand Board of Investment (BOI) • Department of Trade and Industry, Philippines (DTI)
- Foreign Investment Agency, Vietnam (FIA)
- Indonesia Investment Coordinating Board (BKPM)
- Standard Chartered Bank (United Kingdom) • Bangkok Bank (Thailand)
- Bank of Communications (China) • Bank Negara Indonesia (Indonesia)
- Rizal Commercial Banking Corporation (Philippines)
- Shanghai Foreign Investment Development Board (China)
- Nantong Economical and Technological Development Zone (China)
- Pinghu Economic-Technological Development Zone (China)
- Guangzhou Development District Investment Promotion Bureau (China)
- Nanhai Economy Promotion Bureau, Foshan City (China)
- Danyang Economic Development Zone (China) • Canadian Department of Commerce

Overseas Centers and Destinations



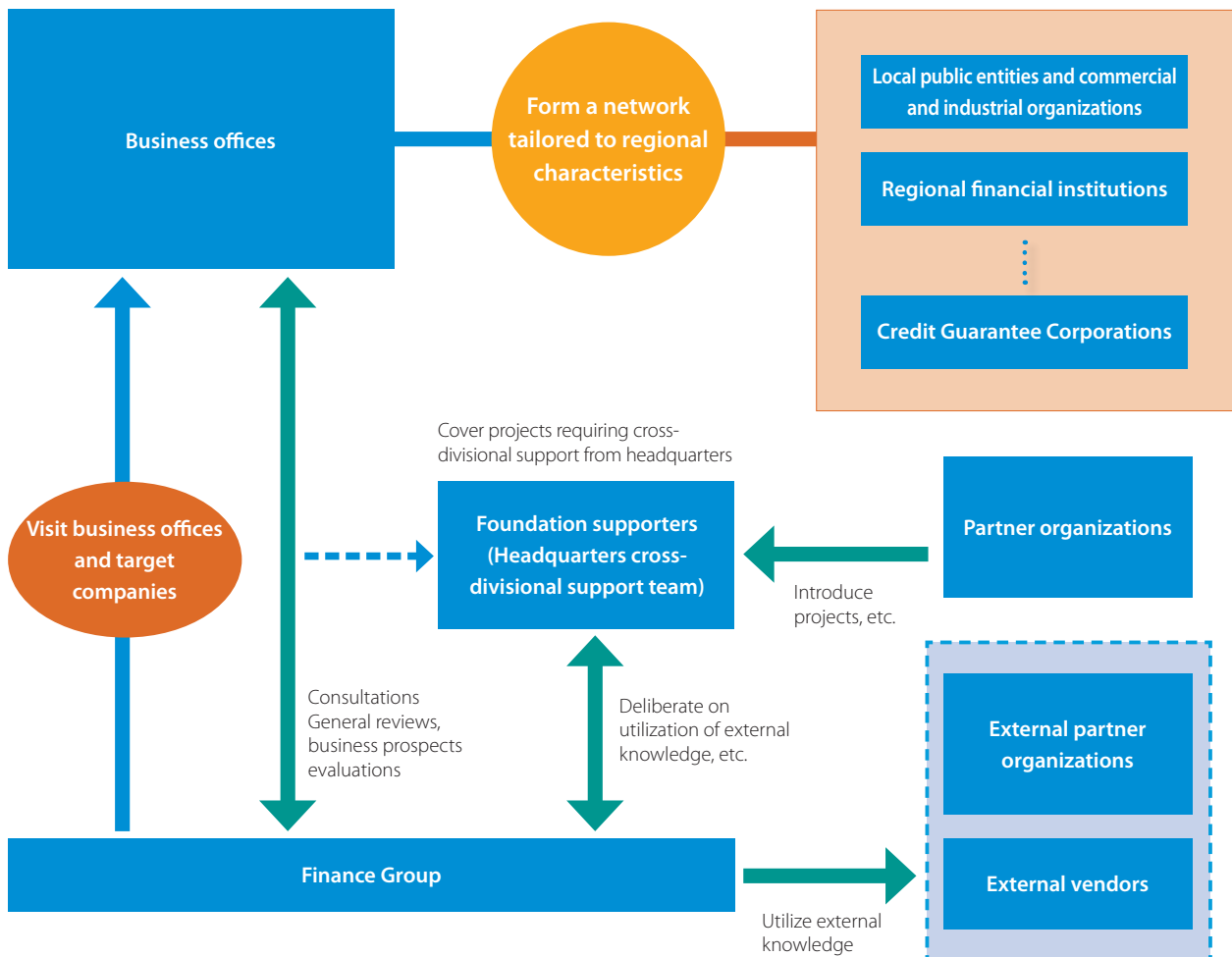
Zone D [New industry challenges and establishment support]

We assist recent startup customers and customers who are taking on challenges in frontier fields (aircraft, robotics, or advanced IT), by integrating investment/loans and core business support, and work to refine our regional finance functions.

Since providing support for frontier fields such as robotics and biotechnology in many cases requires supporting information and advanced knowledge, we work on enhancing business intelligence, including industry trends and industry analysis, as well as strengthening support in coordination with policies of external organizations and national and local governments.



Scheme for new industry challenges and establishment support

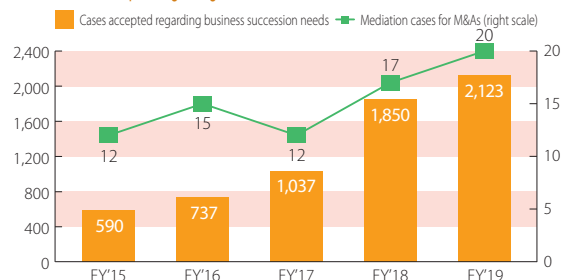


Business succession, M&A

The Shoko Chukin Bank has been actively working on support for business succession and M&As, through its national networks and relationships with business partners.

Recent years has seen the surfacing need for business succession and M&A support due to the aging of corporate managers and the absence of successors. In response to the needs of the business partners, we provide various information and support for financing the business succession, and also take an active approach to offer comprehensive support, including M&As, to solve these issues in collaboration with certified tax accountants and other external specialists.

Number of cases accepted regarding business succession needs and mediation cases for M&As



Support for business succession and M&A

The Shoko Chukin Bank strives to address the business succession issues faced by SMEs and small business owners. In some cases, resolution of business succession issues requires a lengthy preparation period, and measures must be taken as part of the business owner's management plan.

The Shoko Chukin Bank will leverage the comprehensive capabilities of the Group to support smooth business succession of our customers through all the phases of support process.



Approaches to Guidelines for Management Guarantee

The Shoko Chukin Bank has been proactively supporting SMEs by utilizing financing methods that are not overly reliant on management guarantees. The Study Group on Guidelines for Management Guarantee released the Guidelines for Management Guarantee on December 5, 2013, and the Special Provisions on Guidelines for Management Guarantee, which focus on business succession, on December 24, 2019. The Shoko Chukin Bank will respond appropriately in accordance with the Guidelines and Special Provisions.

[Response at the time of a change of the representative]

(Cases, %)

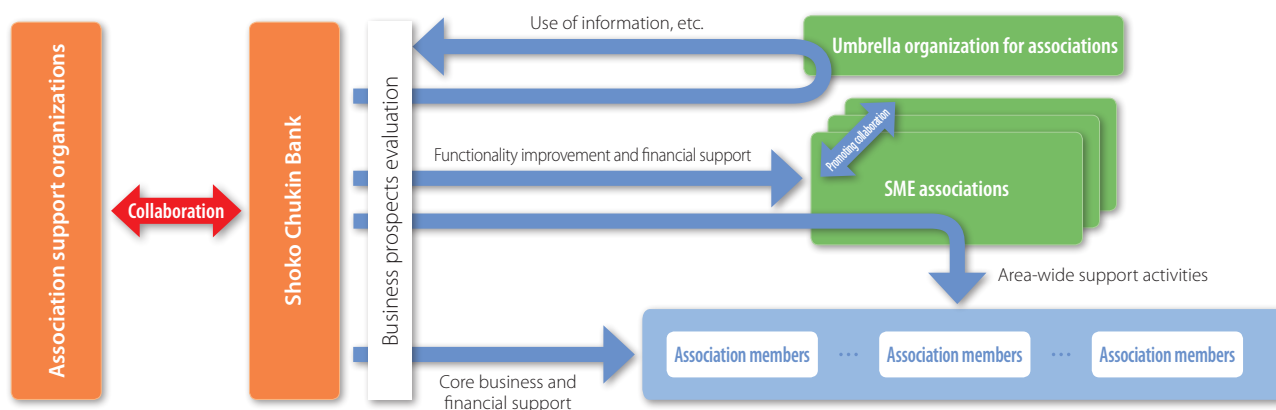
	FY2018		FY2019	
	No. of cases	Composition ratio	No. of cases	Composition ratio
1. Number of cases in which a guarantee contract with the former management was canceled and no guarantee contract was signed with the new management	718	11.0%	495	10.7%
2. Number of cases in which a guarantee contract with the former management was canceled and a guarantee contract was signed with the new management	1,192	18.3%	785	17.0%
3. Number of cases in which a guarantee contract with the former management was not canceled and no guarantee contract was signed with the new management	4,582	70.5%	3,309	71.7%
4. Number of cases in which a guarantee contract with the former management was not canceled and a guarantee contract was signed with the new management	6	0.1%	27	0.6%

Support for Associations

The Association of SMEs plays an effective role in resolving challenges for revitalization of the regional economy, including increases in the productivity of individual members through the association of joint enterprises, development of external demand using regional resources, and dissemination of information.

While sharing challenges with SME associations and members through efforts to evaluate business prospects, the Shoko Chukin Bank works to enhance value for associations and members by providing solutions unique to the Shoko Chukin Bank in response to various needs, such as the smooth succession of businesses, productivity improvements, business revitalization, financial improvements, and expansion into new businesses.

In addition to responding to the above mentioned challenges and needs, in cooperation with association support organizations, such as the Federations of Small Business Associations and the Organization for Small and Medium Enterprises and Regional Innovation, we will engage in regional revitalization unique to the Shoko Chukin Bank while also supporting funding needs, including reconstruction and redevelopment for apartment associations.



Cooperation/Collaboration with Regional Financial Institutions

The Shoko Chukin Bank treats regional financial institutions and their industry groups as “partners who help to achieve the revitalization of the regional economy as well as the facilitation of regional finance, on the basis of coexistence and complementarity within the region.” We have pursued efforts based on collaboration with regional financial institutions as one of the fundamental parts of our business operations.

We will promote further collaboration and cooperation by building relationships of trust with regional financial institutions through the “Contact Points” for regional financial institutions and local public entities established in each business office, with the Regional Collaboration Department playing the leading role.

Specifically, we will promote risk sharing through a review of the financial transactions in business revitalization support, new business development, large-scale investment, and management improvement support. In addition, we will pursue collaborations by using our operational know-how regarding syndicate loan agency, M&A, etc., sharing platforms for business matching and M&A, and leveraging our overseas centers.



*Figures in circles indicate the number of comprehensive cooperation agreements in each area, as of March 2020.

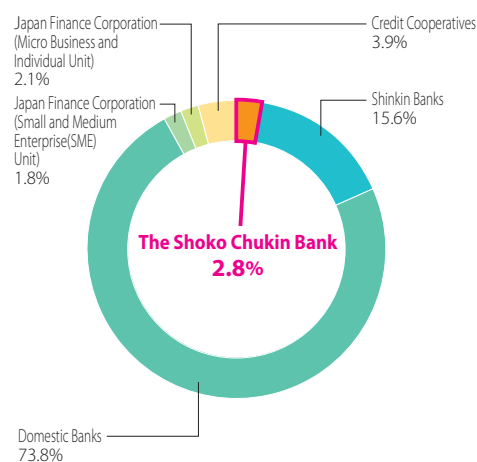
Fulfilling a Safety Net Function, Mainly in Crisis Response Measures

The Shoko Chukin Bank has been devoting its full efforts to supporting the cash flows of SMEs in response to natural disasters such as earthquakes and typhoons, as well as bankruptcies and business restrictions involving contractors, and other large-scale economic changes.

A Stable Transaction Stance

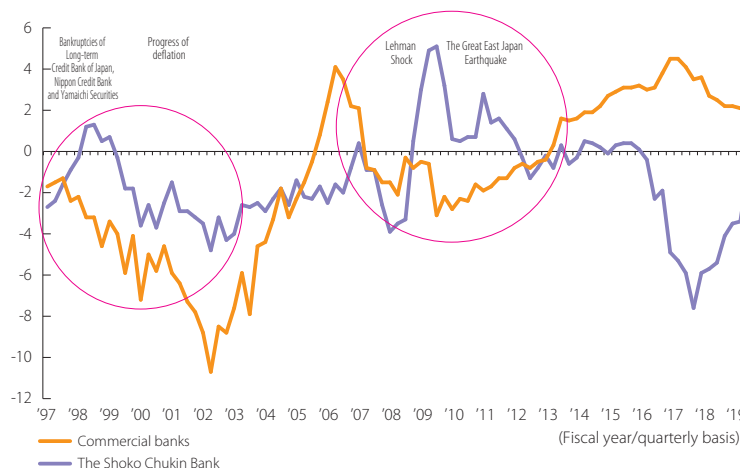
The Shoko Chukin Bank, through its day-to-day transactions with SMEs, not only looks at financial matters, but also takes the clients' operations, technology, and the abilities and enthusiasm of the executives into consideration. In this way, we strive to provide services that respond flexibly to corporate needs, not focusing on temporary management setbacks, but maintaining a stable transaction stance over the long-term.

The Shoko Chukin Bank's share of financing to SMEs and middle-market enterprises (as of the end of December 2019)



· Domestic banks include city banks, regional banks, second-tier regional banks, trust banks, etc.
 Sources: Bank of Japan "Loans and Bills Discounted by Sector," Japan Finance Corporation, Community Bank Shinyo Kumiai

Year-on-year change in the Shoko Chukin Bank loans and commercial banks loans to SMEs and middle-market enterprises (year-on-year change, %)



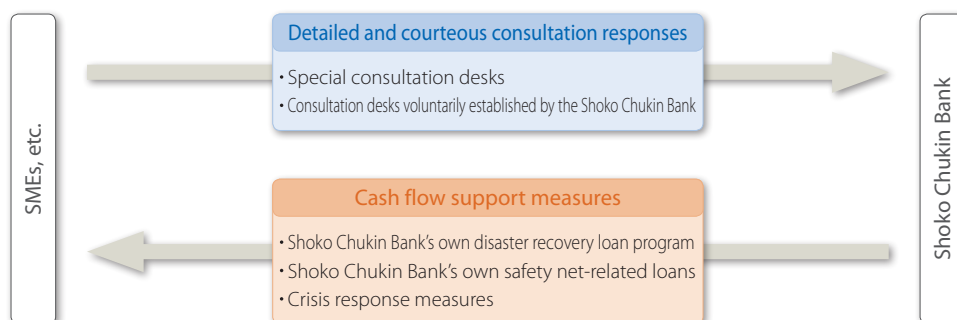
· Commercial banks include total for domestic banks, shinkin banks, and credit cooperatives. Figures used for domestic banks represent loans to SMEs and middle-market enterprises; for shinkin banks, corporate loans; for credit cooperatives, total loans.
 · Graph shows changes up to third quarter of fiscal 2019.
 Sources: Bank of Japan "Loans and Bills Discounted by Sector," Community Bank Shinyo Kumiai

Efforts by the Shoko Chukin Bank

The fiscal year ended March 31, 2020 was plagued with many disasters, including a heavy rainfall disaster in August 2019, Typhoon No. 15 in 2019 (Typhoon Faxai), and Typhoon No. 19 in 2019 (Typhoon Hagibis).

In addition, the business environment surrounding SMEs has been changing rapidly, as the spread of Covid-19 has constrained economic activities.

Faced by these disasters and changes in the external environment, the Shoko Chukin Bank has established special consultation desks at the request of the ministries in charge, in addition to consultation desks established voluntarily by the Shoko Chukin Bank, in order to provide detailed and courteous support for businesses affected by these disasters and changes, and to fulfill a safety net function through the establishment of financing programs, including our own disaster recovery loan program.



Shoko Chukin Bank Enabler Business

The Shoko Chukin Bank has named its core business support-integrated financial frontier business, which revives local economies and core regional industries, as the Shoko Chukin Bank Enabler Business (*), and commenced full-scale operation from the fall of 2019.

By providing advanced solutions such as the development of sales channels that take advantage of the features of the Shoko Chukin Bank, providing thorough hands-on support to SMEs, and supplying more risk money than ever before, we will help to solve the problems of SMEs in order to revitalize the Japanese economy, improve industrial competitiveness, and sustain the growth of the region.

In Shoko Chukin Bank's new business model as a comprehensive financial services business to support management, through initiatives that exhibit strong ripple effects on the entire region, the Headquarters and business offices will work together to create a standard framework (platform), and expand it nationwide.

*An enabler is a companion who makes the impossible possible.

Background of the enabler business

We are implementing the Medium-term Business Plan to support individual companies centered on our priority areas, while taking advantage of the five features of the Shoko Chukin Bank. As part of these efforts, through the three perspectives of an enabler, we will support initiatives that have strong ripple effects on the entire region, which will lead to economic revitalization, regional revitalization, and improvement in industrial competitiveness.



Round 1 projects

1. Revitalization support for core regional companies, etc.

Support core regional companies that are trying to recover from past difficulties, by providing them with another chance to normalize financial transactions.

2. Support for value creation in the hospitality and tourism industry

Provide comprehensive support for the creation of value in areas that have good tourism resources, but are struggling with the branding and marketing of the entire area for tourism.

3. Branding and marketing support for regional products

Provide comprehensive support for SMEs that have quality local products, but are unable to promote sales due to a lack of branding and marketing skills.

4. Support for productivity improvements through the promotion of IT

Support productivity improvements through the promotion of IT, by solving fundamental issues such as the development and utilization of specialized human resources.

5. Strategic support for SDGs

Promote awareness-raising activities regarding the SDGs for SMEs, and support initiatives with strong ripple effects throughout the region, through means such as impact evaluations.

Round 2 projects

Support for improving logistics productivity through warehouse sharing

Support for the stabilization of regional medical care through conversions of the functions of medical institutions, etc.

Support for SME business category transformations, including supply chain reform

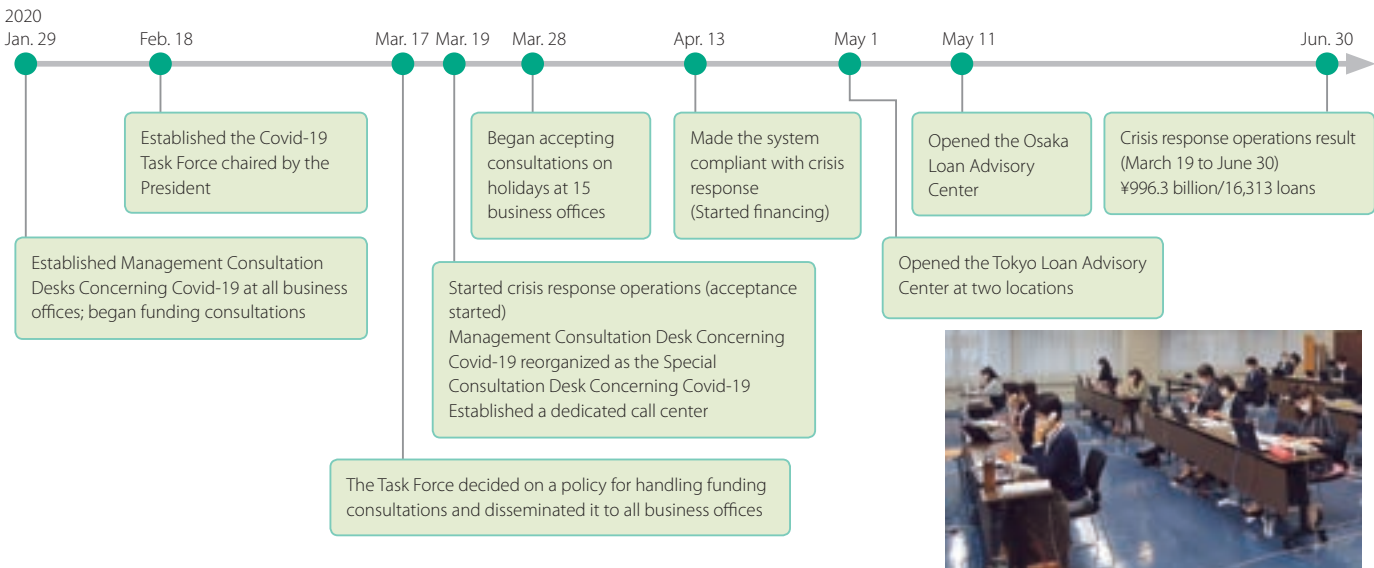
Measures in Response to Covid-19 and Crisis Response Measures

A new program for crisis response was developed after October 1, 2008, in order to deal with times of crisis, such as disasters and economic or financial turmoil. The Shoko Chukin Bank is a designated financial institution (*1) to implement financing for SMEs and middle-market enterprises in response to crisis.

In response to the spread of Covid-19, which has had a significant impact on global economic trends, the Shoko Chukin Bank established the Management Consultation Desk Concerning Covid-19 on January 29, to provide financial counseling to affected SMEs, and began the crisis response operations on March 19. Through this consultation, the Bank does its utmost to fulfill its safety net function by providing prompt, detailed, and courteous responses to consultations from SMEs and middle-market enterprises. Crisis response operations are limited to truly critical situations, based on the recommendations of the Board to Examine the Shoko Chukin Bank's Way of Being (*2), and we strictly distinguish such situations as a public service, and carry out appropriate business operations while ensuring compliance from the perspective of preventing fraud.

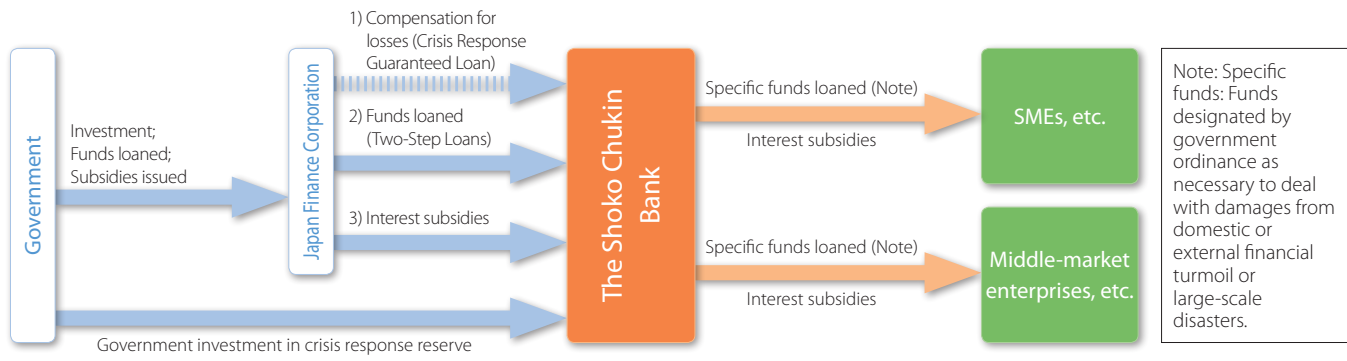
*1. Designated financial institution: From private financial institutions that apply, the minister in charge designates those that meet certain criteria (the Shoko Chukin Bank and Development Bank of Japan) to implement loans and other crisis response measures when the minister in charge has declared a crisis, and to receive risk supplements and other support from the treasury.
 *2. Consultation desks for other crisis response operations: The Shoko Chukin Bank has established ten Special Consultation Desks in response to the request of the ministries in charge, including consultation desks for the Kumamoto Earthquake and the Great East Japan Earthquake, in addition to six consultation desks that were voluntarily established by the Shoko Chukin Bank.

Flow of consultations for funding in response to Covid-19



Dedicated call center

Schematic diagram of crisis response measures



- 1) **Crisis Response Guaranteed Loan** : A system to loan specific funds, with supplemental credit from Japan Finance Corporation (partial compensation for amount of loss). Percentage of compensation: SME 80%; middle-market enterprise 70%
- 2) **Two-Step Loans** : The program to loan specific funds, with back finance based on resources from fiscal investment and loans, etc., from Japan Finance Corporation.
- 3) **Interest subsidies** : The program of loans offered to customers at special interest rates by the Shoko Chukin Bank, or of paying the interest subsidies to customers at a later date, on the condition of receiving interest subsidies from Japan Finance Corporation.

Overview of the Shoko Chukin Bank Limited Act

In October 2008, the Shoko Chukin Bank shifted status from that of a jointly owned financial institution to a special company (a joint stock company) in accordance with the Shoko Chukin Bank Limited Act while maintaining the purpose and function of facilitating financing for SME cooperatives and their members.

Subsequently, the Act was amended in June 2009 in response to the chaos caused by the unprecedented economic and financial crisis and in March 2011 in response to the Great East Japan Earthquake. Following that, the Act for Partial Revision of the Shoko Chukin Bank Limited Act and the Small and Medium-sized Enterprise Credit Insurance Act was enacted in May 2015.

Objective of the Shoko Chukin Bank

Objective of the Shoko Chukin Bank, Ltd. is to conduct businesses necessary to facilitate smooth financing for SME cooperatives, other organizations that primarily consist of SMEs and their members, while ensuring the Bank's autonomy in management toward its goal of complete privatization.

Business

Alongside becoming a joint stock company, the Bank enhanced its full banking services, which include loans, deposits, currency exchange and guarantees. In addition, under the revised act enacted in May 2015, the measures to adequately implement the crisis response measures have been adopted.

[Measures to maintain the core of the Shoko Chukin Bank's SME financing functions]

- Borrowers are primarily limited to SME member companies (cooperatives and their members).
- The Bank will continue to issue bank debentures.
- SME cooperatives will continue to conduct business as a proxy for the Bank.

[Measures to provide more diverse services to SMEs, etc.]

- Scope of eligible borrowers will be expanded (Domestic subsidiaries of member companies, people succeeding member companies' businesses, etc.).
- Relevant limitations on guaranty operation will be eliminated.
- With the lifting of depositor eligibility restrictions, the Bank's products will be covered by the deposit insurance system.

[Measures to adequately implement the crisis response measures]

- The Shoko Chukin Bank, for the time being, carries responsibility for implementing crisis response measures, to fulfill its objectives. Furthermore, to ensure effective implementation of the crisis response measures, the term of the additional government funding has been extended, while submission of the business plan on crisis response measures has become mandatory.
- In the period to come, the government shall review as appropriate the strategic position of the crisis response measures, along with its involvement in the Shoko Chukin Bank, and take measures as necessary.

[Ensuring an appropriate competitive relationship]

- The Shoko Chukin Bank is especially required, for the time being, not to disturb its appropriate competitive relationship with other operators.

Organization, oversight and disclosure

- Shareholders of the Shoko Chukin Bank are restricted to the government, SME cooperatives, and their members.
- Supervision by the minister in charge will be limited to the bare minimum.
- The organization is to provide and release disclosure publications, etc.

Policies on government-owned shares

- It has been stipulated that the government shall dispose all of its shares in the Shoko Chukin Bank at an earliest possible date, accelerating the announced specific disposal schedule, with due consideration to the impact of such disposal on the Shoko Chukin Bank's achievement of the objectives, along with market trends.
- On the other hand, the government will, for the time being, hold the necessary shares in the Shoko Chukin Bank for adequately carrying out the crisis response measures in consideration of the factors including the status of commercial banks responsible for implementing crisis response measures, contribution to the crisis response reserve, implementation status of the crisis response measures by the Shoko Chukin Bank, financial base of the Shoko Chukin Bank, funding surplus of SMEs and changes in the socio-economic environment.

(Reference) Revisions of the Shoko Chukin Bank Limited Act

	The Shoko Chukin Bank Limited Act of 2008	Revision of the Shoko Chukin Bank Limited Act in 2009	Revision of the Shoko Chukin Bank Limited Act in 2011	Revision of the Shoko Chukin Bank Limited Act in 2015
Additional government funding	—	Possible <u>until March 2012</u>	Possible <u>until March 2015</u>	Possible <u>for the time being</u>
Review of the content	—	Subject to review <u>by March 2012</u>	Subject to review <u>by March 2015</u>	Subject to review <u>as appropriate</u>
Government-owned shares	Scheduled to <u>dispose all shares within five to seven years from October 2008</u>	Scheduled <u>not to dispose until March 2012</u> Scheduled to <u>dispose all shares within five to seven years from April 2012</u>	Scheduled <u>not to dispose until March 2015</u> Scheduled to <u>dispose all shares within five to seven years from April 2015</u>	Scheduled to <u>dispose all shares as soon as possible</u> Scheduled, <u>for the time being, to retain shares as necessary</u>

■ Business Operation Policies for Fiscal 2020

- With long-term interest rates remaining at low levels, in order to secure stable earnings amidst the current situation, we will further accelerate the sharing of issues and needs through dialogue with customer SMEs, along with the provision of high value-added solutions through in-depth support.
- To this end, we will steadily build relationships with customer SMEs to discuss their issues and concerns, strengthen our business prospects evaluation capabilities to understand the background and nature of their problems and concerns, and provide solutions to help solve their problems.
- For the time being, in light of the severity of the impact of Covid-19 over the near term, we will appropriately operate systems as a designated financial institution for crisis response operations, and respond quickly to the situations of those affected by Covid-19.
- At the same time, we will strengthen our hands-on support systems and enhance the management of warning signs to identify impacts due to the external environment at an early stage, and provide advice and solutions to handle challenges in an appropriate manner.
- For SMEs that require business revitalization or management improvement, we will collaborate with local financial institutions, and utilize solutions that leverage the features of the Shoko Chukin Bank to assist in management improvement of the customer SMEs.
- In order to make these efforts sustainable, we will pursue fundamental operational reforms in our sales and back office divisions, including the adoption of paperless and digitalized operations, reductions in branch operation costs through means such as office consolidation, and the establishment of sustainable financing methods.
- In addition, we will continue to work to establish compliance awareness as the backbone of our business model and strengthen internal management systems, while also establishing human resources systems that allow employees to perform to the best of their abilities, and promoting diversity.
- Through these efforts, as a financial institution run by SMEs for SMEs, the Shoko Chukin Bank strives to be trusted and supported by, and be of even greater service to our customers. All of the officers and employees of the Bank will continue to enthusiastically work as one to achieve this goal.

Misconduct in Crisis Response Operations

We would like to once again offer our sincere apology for causing a great deal of inconvenience and concern to our customers and shareholders, as well as to the people, concerning the misconduct in our crisis response operations.

The Shoko Chukin Bank received a second Administrative Order on October 25, 2017 from the Ministry of Economy, Trade and Industry, the Ministry of Finance, the Financial Services Agency, and the Ministry of Agriculture, Forestry and Fisheries of Japan, due to the widespread occurrence of misconduct, including falsification of the requisite documents for screening of the eligibility requirements for crisis response operations, in addition to inappropriate business operations in other areas.

Background regarding the Misconduct

- October 24, 2016 : Discovered that employees had falsified trial balance sheets and other documents of customers by replacing or changing figures and/or dates, when confirming loan eligibility requirements in crisis response operations at the Shoko Chukin Bank.
 - December 12, 2016 : Established an Independent Committee tasked with conducting an investigation to uncover the causes of the incident and make recommendations to prevent recurrence.
 - April 25, 2017 : Published the "Investigation Report" of the Independent Committee.
 - May 9, 2017 : Business operations improvement order (to conduct a full investigation, establish and implement recurrence prevention measures to be carried out immediately) from the ministries in charge (Ministry of Economy, Trade and Industry; Ministry of Finance; Financial Services Agency; and Ministry of Agriculture, Forestry and Fisheries of Japan)
- From May onward : Full investigation by the Shoko Chukin Bank; inspection by the ministries in charge.
- October 25, 2017 : Second business operations improvement order in response to the inspection by the ministries in charge and report of the investigation results of all incidents, etc. Submitted the "Business Operations Improvement Plan" to the ministries in charge. Established the "Board to Examine the Shoko Chukin Bank's Way of Being."
 - January 11, 2018 : Received the recommendations of the "Board to Examine the Shoko Chukin Bank's Way of Being."
 - March 26, 2018 : Published results of additional investigations after publication of the Investigation Report.
 - March 27, 2018 : Established the "Evaluation Committee Regarding Management and Crisis Response Operations at Shoko Chukin Bank."
 - May 22, 2018 : Submitted the "Operation Improvement Plan Related to Our Business Model, etc." to the ministries in charge.
 - October 18, 2018 : Release of the Management Reform Plan (Medium-term Business Plan)

Results of the investigation on misconduct in our crisis response operations

In order to clarify the details of the misconduct in its crisis response operations, the Bank conducted a full investigation of all 220,000 cases of crisis response loans. The results revealed 4,637 incidents of misconduct by 446 employees at 97 business offices (out of a total 100 domestic business offices). (Published the Investigation Report on October 25, 2017, and results of additional investigation on March 26, 2018. If any misconduct, including falsification is discovered through an internal audit or whistleblowing, it will subsequently be announced under the advisory and guidance of the Compliance Committee. The above counts and numbers of individuals reflect the announcements made up to January 2020.

Fundamental causes of the incident

The four fundamental causes of the incident were as follows: (1) a lack of internal control and excessive pressure for business performance in crisis response operations; (2) the use of crisis response loan facilities as a dominant tool; (3) the attitude of the Bank's Headquarters and management, as well as a decline in compliance awareness that led to misconduct; and, (4) a lack of governance.

Main content of the business operations improvement order

* Thoroughly re-examine the Bank's legal compliance, management system, internal management system, etc., in order to prevent the occurrence of any misconduct or inappropriate business operations. The re-examination shall include:

- (1) Clarification of the responsibilities of the Bank's officers and employees during the period from time the incident occurred to the present;
- (2) Creation and implementation of an in-depth recurrence prevention plan, which includes measures to strengthen audit functions and ensure appropriate organizational management;
- (3) Development and implementation of a sustainable business model based on the Bank's purpose of complementing private-sector business; and,
- (4) Construction of the Bank's new operational and management system, including strengthening of the rights and privileges of the Board of Directors and employment of external human resources.

Financial highlights of the fiscal year ended March 31, 2020

Figures are on a non-consolidated basis (hereinafter, the same)

(¥100 million)

	Mar. 31/'18	Mar. 31/'19	Mar. 31/'20	Year-on-year change
Gross operating profit	1,165	1,061	1,007	(53)
Net interest income	1,056	946	886	(59)
Fees and commissions	67	76	82	5
Trading revenue	25	29	38	9
Other operating income	15	8	0	(8)
Core gross operating profit	1,163	1,057	1,016	(41)
General and administrative expenses (excluding nonrecurring items)	752	754	725	(29)
Operating profit (before deduction of provision for the general reserve for possible loan losses)	413	306	282	(24)
Core operating profit (before deduction of provision for the general reserve for possible loan losses)	411	303	290	(12)
Provision for (reversal of) the general reserve for possible loan losses (a)	—	(73)	44	117
Nonrecurring loss (including nonrecurring expenses)	156	(71)	(31)	39
Disposal amount of problem loans (b)	(194)	93	27	(66)
Income (loss) before income taxes and others	569	307	205	(102)
Other gains and losses	(6)	(61)	(45)	16
Provision for income taxes	131	113	22	(90)
Adjustment for income taxes	68	(12)	0	12
Net income (loss)	362	144	137	(7)

Credit-related expense (reversal of the general reserve for possible loan loss) (a)+(b)	(194)	20	71	51
ROA (on a net income basis)	0.29%	0.12%	0.12%	(0.00)%
ROE (on a net income basis)	3.80%	1.49%	1.42%	(0.07)%
Total capital ratio	13.57%	13.02%	12.38%	(0.64)%
Tier 1 (common stock, etc.) ratio	12.75%	12.34%	11.69%	(0.65)%
Ratio of problem loans	3.7%	3.5%	3.2%	(0.3)%

- Core gross operating profit is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from gross operating profit.
- Core operating profit is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from operating profit.
- No net gains (losses) on cancellation of investment trusts, normally included in core operating profit, were recorded in the fiscal years ended March 31, 2018 and 2019.

- ROE: Total capital is the average of the opening balance and ending balance.
- Ratio of problem loans: Ratio of problem loans other than loss classification loans against total loans.

Points to be noted for the fiscal year ended March 31, 2020

Gross operating profit: Down ¥5.3 billion year-on-year

As a result of focusing on priority areas, fees and commissions increased, while loans started to increase. However, gross operating profit decreased by ¥5.3 billion year-on-year, due to a decrease in net interest income attributable mainly to a decline in lending rates.

General and administrative expenses (excluding nonrecurring items): Down ¥2.9 billion year-on-year

General and administrative expenses (excluding nonrecurring items) decreased by ¥2.9 billion year-on-year, due to decreases in both personnel expenses and non-personnel expenses, as a result of management rationalization initiatives under the Medium-term Business Plan, including the streamlining in back office operations and the productivity enhancement in sales departments.

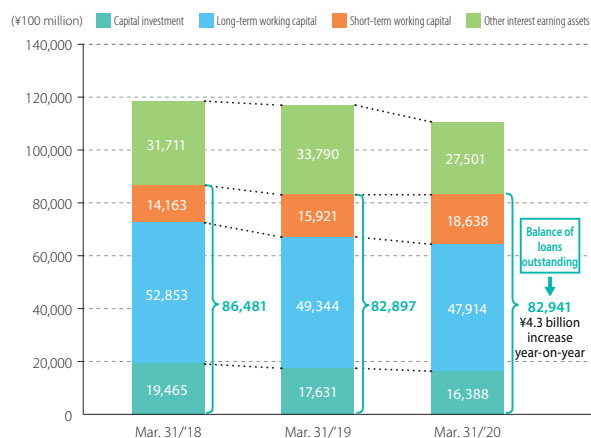
Credit-related expenses: ¥7.1 billion recorded

Credit-related expenses increased by ¥5.1 billion year-on-year, as a result of necessary amendments to forecasts, in anticipation of significant changes in the economic environment attributable to the spread of Covid-19.

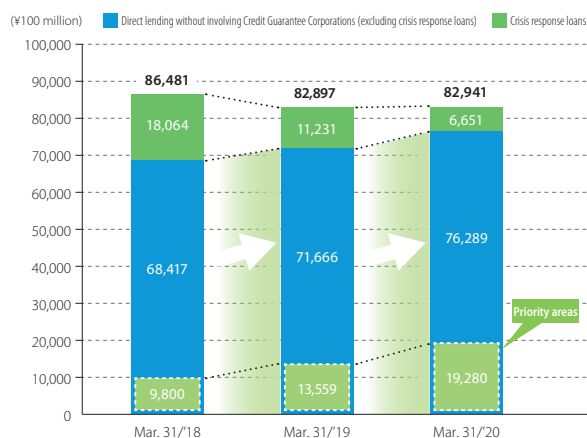
Balance of interest earning assets

- The balance of loans outstanding increased by ¥4.3 billion year-on-year, as a result of responding to customer needs through initiatives in priority areas.

Balance of interest earning assets (fiscal year-end balance)

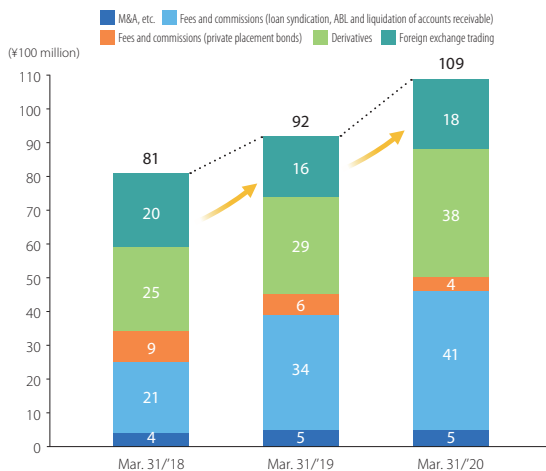


Balance of loans outstanding



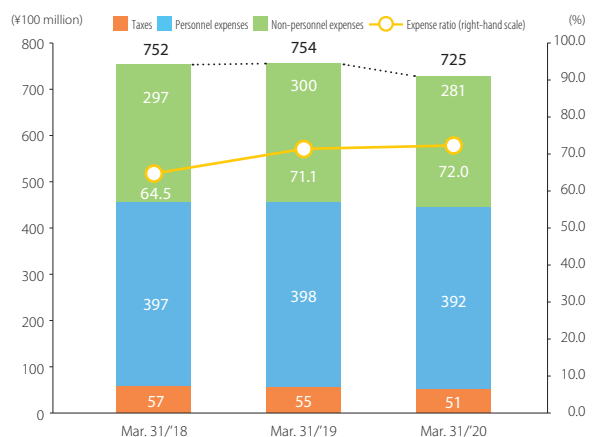
Profit from the business solutions operation

- Profit increased due to the development of a framework for providing business solutions, along with enhanced solutions proposing capabilities



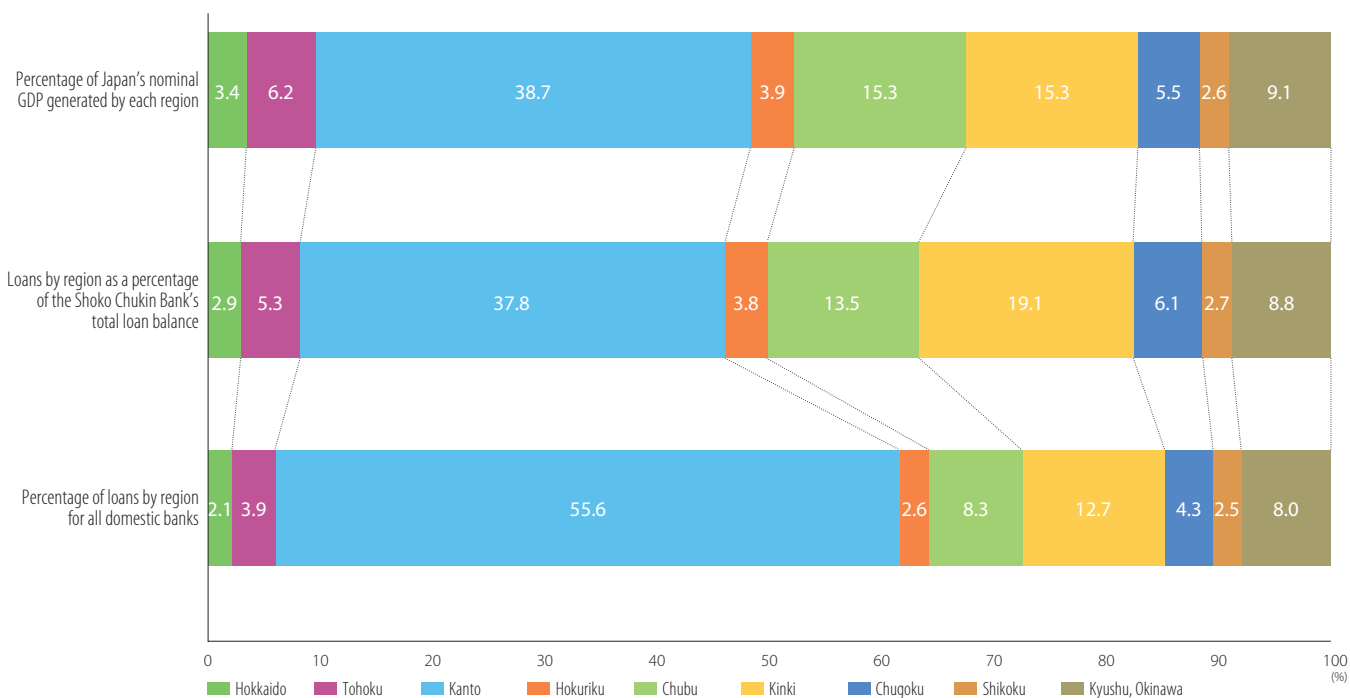
General and administrative expenses

- General and administrative expenses (excluding nonrecurring items) decreased by ¥2.9 billion year-on-year, due to decreases in both personnel expenses and non-personnel expenses, as a result of management rationalization initiatives under the Medium-term Business Plan, including the streamlining in back office operations and the productivity enhancement in sales departments.



• Expense ratio (overhead ratio) = General and administrative expenses (excluding nonrecurring items) / Gross operating profit (after deduction of revenue and expenditures from trading of Japanese government bonds and other bonds)

Breakdown of loan balance by region



Note: Figures for nominal GDP by region are for Fiscal 2015. Figures for loans by the Shoko Chukin Bank and loans by all domestic banks are as of March 31, 2020.

Sources: Annual Report on Prefectural Economies, Cabinet Office; Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture (Domestically Licensed Banks), Bank of Japan.

Status of the Bank's self-assessment of assets and the trend of credit-related expense

- Occurrence of bankruptcy remained at low levels during the fiscal year ended March 31, 2020.
- Credit-related expenses amounted to ¥7.1 billion, including provision for possible loan losses of ¥5.5 billion, as a result of necessary amendments to forecasts, in anticipation of significant changes in the economic environment attributable to the spread of Covid-19.

Breakdown of loan balance by borrower category, under the Bank's self-assessment

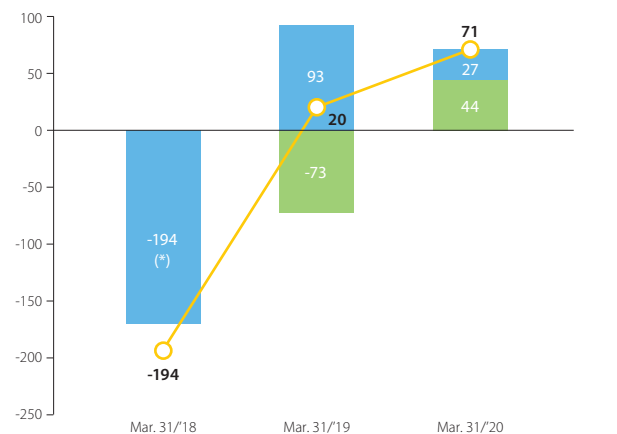
(¥100 million)

	Mar. 31/19		Mar. 31/20	
	Amount	%	Amount	%
Legally Bankrupt	565	0.7%	585	0.7%
Virtually Bankrupt	899	1.1%	780	0.9%
Risk of Bankruptcy	1,950	2.3%	1,773	2.1%
Need Special Attention	22,866	26.9%	23,441	27.7%
Borrowers receiving special management	274	0.3%	316	0.4%
Other need for special attention	22,591	26.6%	23,124	27.3%
Normal	58,635	69.0%	58,094	68.6%
Total	84,917	100.0%	84,676	100.0%

*The breakdown of loan balance by borrower category under the Bank's self-assessment is disclosed according to the same disclosure standards that are applicable to loans disclosed under the Financial Reconstruction Act. Loans disclosed under the Financial Reconstruction Act include loans and assets equivalent to loans, such as private placement bonds guaranteed by the Shoko Chukin Bank, foreign exchange, acceptances and guarantees, uncollected interest, and suspense payments.

Credit-related expense

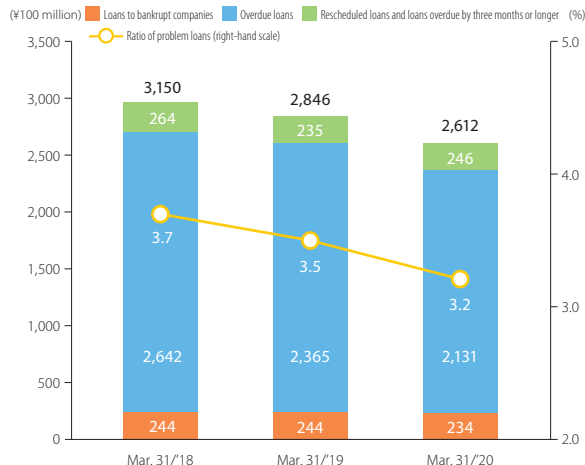
(¥100 million)



(* The disposal amount of problem loans in the fiscal year ended March 31, 2018 included ¥10.5 billion of reversal of the general reserve for possible loan losses.

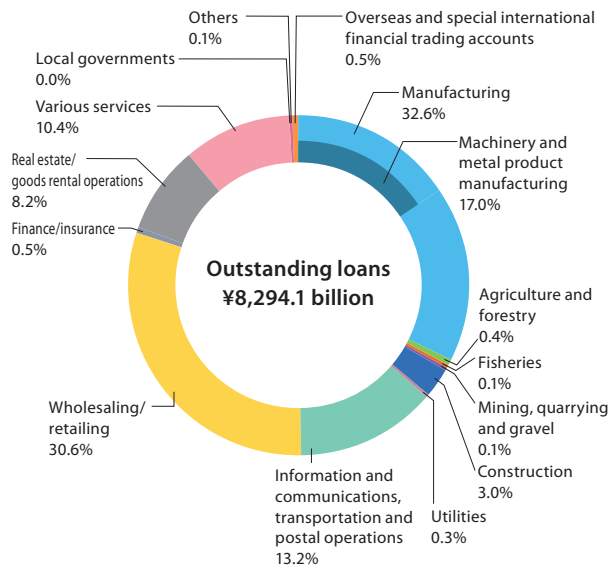
Problem loans and ratio of problem loans

- Problem loans decreased by ¥23.3 billion year-on-year, while the ratio of problem loans declined by 0.3 percentage points year-on-year.
- Approximately 80% of problem loans are covered by reserve provisions and collateral.



(Remark) The amount of problem loans refers to problem loans after the deduction of loss classification loans.

Breakdown of loan balance by sector (as of March 31, 2020)



Basel-related regulatory ratios

- The Bank's capital maintains superior quality, with a high ratio of Tier 1 capital (common stock, etc.).
- The Bank maintains Basel-related regulatory ratios at adequate levels as compared to the minimum requirements.

Total capital

(¥100 million)

	Mar. 31/'18	Mar. 31/'19	Mar. 31/'20
Total capital	10,055	9,805	9,777
Tier 1 capital (common stock, etc.)	9,447	9,296	9,229
Non-government portion of shares held	1,170	1,170	1,170
Government portion of shares held	1,016	1,016	1,016
Crisis response reserves	1,500	1,350	1,295
Special reserves	4,008	4,008	4,008
Retained earnings	1,775	1,875	1,968

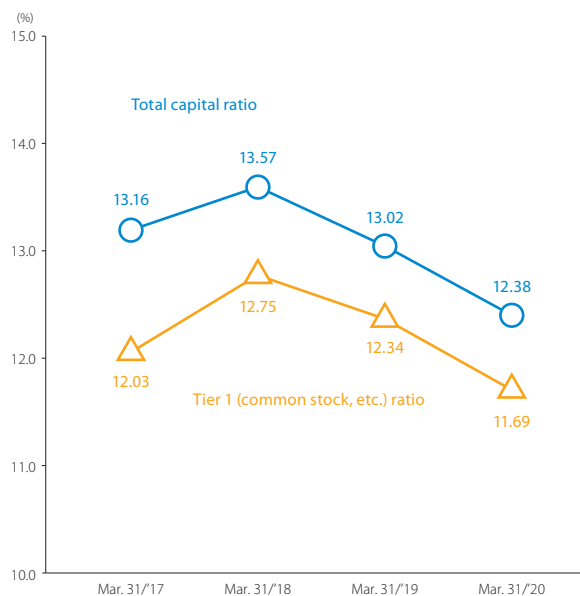
Leverage ratio

	Mar. 31/'19	Mar. 31/'20
Non-consolidated leverage ratio	7.72%	8.06%
Consolidated leverage ratio	7.73%	8.08%

Liquidity coverage ratio

	4th quarter of Mar. 31/'19	4th quarter of Mar. 31/'20
Non-consolidated liquidity coverage ratio	245.1%	195.0%
Consolidated liquidity coverage ratio	233.4%	189.0%

Capital ratio and Tier 1 ratio

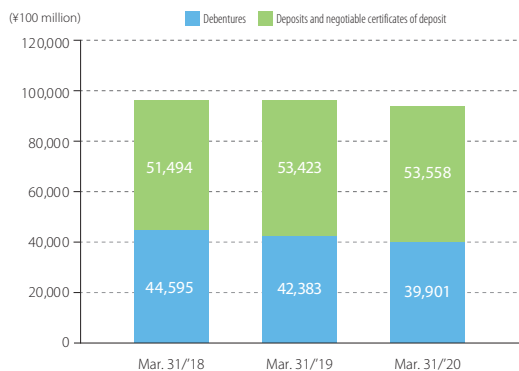


* Shoko Chukin Bank's targeted total capital ratio is 8% or over, under the capital adequacy regulations imposed by the notice of the Financial Services Agency, the Ministry of Finance, and the Ministry of Economy, Trade and Industry.

Status of fund-raising and actual bond issuance

- Sufficient funds are secured through corporate deposits, retail deposits, and recruitment bonds.
- Recruitment bonds will continue to be issued flexibly, based on close monitoring of fund position.

Breakdown of fund-raising



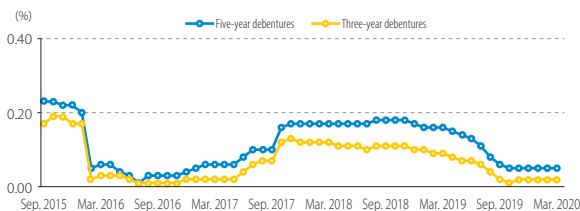
Depositors by type

(¥100 million)

	Mar. 31/'19	Mar. 31/'20	Change
General corporations, etc.	29,115	29,785	669
Individuals	24,307	23,773	(534)
“My harvest”	19,218	18,417	(801)
Total	53,423	53,558	135

New time deposits for individual depositors

Issue terms



Publicly offered debentures issued each fiscal year

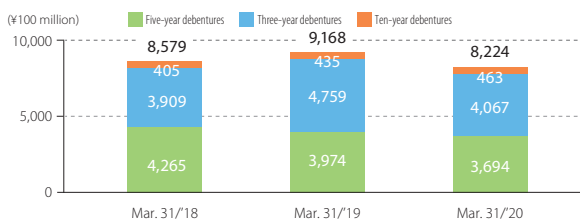
<Issuance policy>

- To be issued flexibly based on close monitoring of fund position, with a view to attaining optimum fund operation efficiency

<Issuance results>

- Three-year and five-year debentures are issued every month, in principle.
- Issuance of ten-year debentures are considered as necessary, based on close monitoring of fund position.

Amount of debentures issued by type



The Shoko Chukin Bank's Governance System

With the change in status from that of a government-affiliated financial institution to a special company (a joint-stock company established pursuant to a special act), the Bank established the Board of Directors and Audit & Supervisory Board and appointed an independent auditor under the governance of its shareholders SME cooperatives and their members-the government, market and relevant laws including the Companies Act and the Shoko Chukin Bank Limited Act. The Bank also established the Management Advisory Committee made up of select representatives from SME loan recipient companies to ensure that the opinions and voices of its core client base are accurately reflected in the Bank's management, Human Resources Committee made up of external directors, representatives from SME loan recipient companies and knowledgeable outside individuals to ensure that the opinions and advices of SMEs regarding executive appointment are accurately reflected in the Bank's management, Compensation Committee made up of external directors, representatives from SME loan recipient companies and knowledgeable outside individuals to ensure that the opinions and advices of SMEs regarding directors' compensation and retirement benefits are accurately reflected in the Bank's management, and Compliance Committee as an advisory body regarding compliance in general, as it works to further reinforce and update its corporate governance structure and systems, while maintaining its basic role as a financial institution run for SMEs by SMEs.

In addition, to establish a new business model, the Bank renewed its management structure in June 2018, by appointing external directors to ensure they account for a majority of directors. The Bank will improve the functions of the Board of Directors, especially by strengthening it through development of reporting and support system for the external directors, as well as through the implementation of active discussions at the Board of Directors' meetings multiple times.

The Composition and Functions of Corporate Governance Organizations and Systems

A. Board of Directors

As of June 30, 2020, the Shoko Chukin Bank's Board of Directors was comprised of seven members, four of whom are external directors. The Board of Directors deliberates on and decides important matters pertaining to the execution of the Bank's business activities while at the same time supervising the duties of directors and executive officers. Through these means, every effort is made to ensure that the Bank's overall operations continue to function in an appropriate and effective manner.

B. Audit & Supervisory Board, Audit & Supervisory Board Members

As of June 30, 2020, the Shoko Chukin Bank's Audit & Supervisory Board was comprised of four members, including non-standing Audit & Supervisory Board Members. Of the aforementioned four Audit & Supervisory Board Members, three were appointed from outside the Bank. Audit & Supervisory Board Members monitor and audit the execution and performance of each director's duties. Moreover, the Audit & Supervisory Board prepares audit reports, appoints and removes standing Audit & Supervisory Board Members and determines the Bank's overall audit policy.

C. Details of criteria or policy concerning the independence of external directors and external Audit & Supervisory Board Members in selecting them

In selecting external directors and external Audit & Supervisory Board Members, we have established Independence Standards for External Officers, in order to appoint individuals who can properly execute their duties while maintaining independence. All of the external directors and external Audit & Supervisory Board Members meet the Independence Standards for External Officers.

D. Management Advisory Committee

To ensure that the opinions and voice of its core client base are accurately reflected in the Bank's management, a management advisory committee has been established comprising select representatives from SME loan recipient companies. The Management Advisory Committee provides comments and advice on the Bank's operating activities.

E. Human Resources Committee

Human Resources Committee comprising representatives from SME loan recipient companies, knowledgeable outside individuals, and external directors has been established to seek comments and advice in respect of directors appointment.

F. Compensation Committee

The Compensation Committee comprising representatives from SME loan recipient companies, knowledgeable outside individuals, and external directors, has been established to voice opinions and provide advice on the evaluation of performance with respect to directors' compensation and retirement benefits.

G. Business Operation Committee

In order to ensure that the advices regarding the review of status to ensure appropriate competitive relations with other operators and the principle of diverse collaboration and cooperation with regional financial institutions is reflected in the Bank's management, the Business Operation Committee has been established.

H. Compliance Committee

In order to verify countermeasure policies and other matters related to individual cases such as misconduct, and to provide the Compliance Division/Departments with guidance and checks, as well as to grasp the occurrence/response status of cases related to compliance, and to provide advice on general matters regarding the appropriateness of the execution of duties at the Compliance Division/Departments, the Compliance Committee including external lawyers has been established to seek comments and advice.

I. Management Meetings

Management meetings attended by the President and Executive Officer, Deputy President and Executive Officer, and other officers are convened as a consultative organization to deliberate on and discuss issues and proposals to be put forward to the Board of Directors, and for certain matters to be decided by the President and Executive Officer.

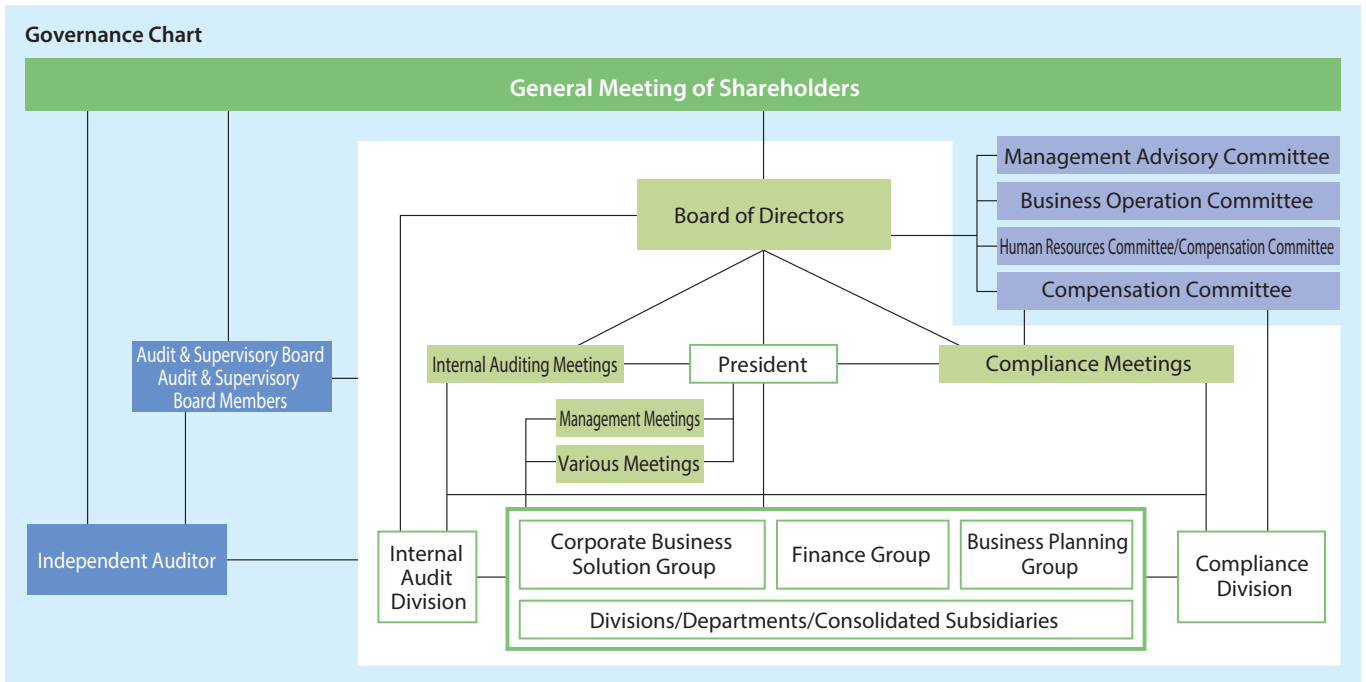
J. Internal Auditing Meetings and Compliance Meetings

Based on the basic policy formulated by the Board of Directors, Internal Auditing Meetings and Compliance Meetings have been established as bodies to discuss and decide on matters related to internal audits and compliance delegated by the Board of Directors, respectively.

K. Other Meeting

In order to support efficient business execution, various meetings concerning matters such as investment and lending, CS promotion, and credit risk management, etc. have been established.

Governance Chart



The Board of Directors, the majority of which is comprised by external directors, has established the Compliance Meetings and Internal Auditing Meetings under the immediate control of the Board of Directors, in order to share and consider detailed information regarding compliance and internal audits, with the aim of strengthening the functions of the Board of Directors.

In addition, the Compliance Committee has been established as an organization to verify countermeasure policies and other matters related to individual cases such as misconduct, and to provide the Compliance Division/Departments with guidance and checks, as well as to review matters concerning the appropriateness of the execution of duties by the Compliance Division/Departments.

The system and function of the Internal Audit Division have been strengthened by ensuring independence, reviewing auditing methods based on a risk-based approach, and allocating audit resources mainly to areas with higher risks.

Furthermore, in order to contribute to improving the corporate value of SMEs from a truly customer-oriented viewpoint, the Bank reorganized its structure based on support for business offices, and established the Management Group.

Risk Management

Financial institutions are exposed to diverse and complex risk factors, such as credit risk, market risk, liquidity risk and operational risk. This reflects the liberalization and internationalization of the financial sector, and advances in financial technology. It is critical for financial institutions to manage these risks appropriately in order to maintain their financial soundness while responding to the increasingly diverse and sophisticated needs of their customers.

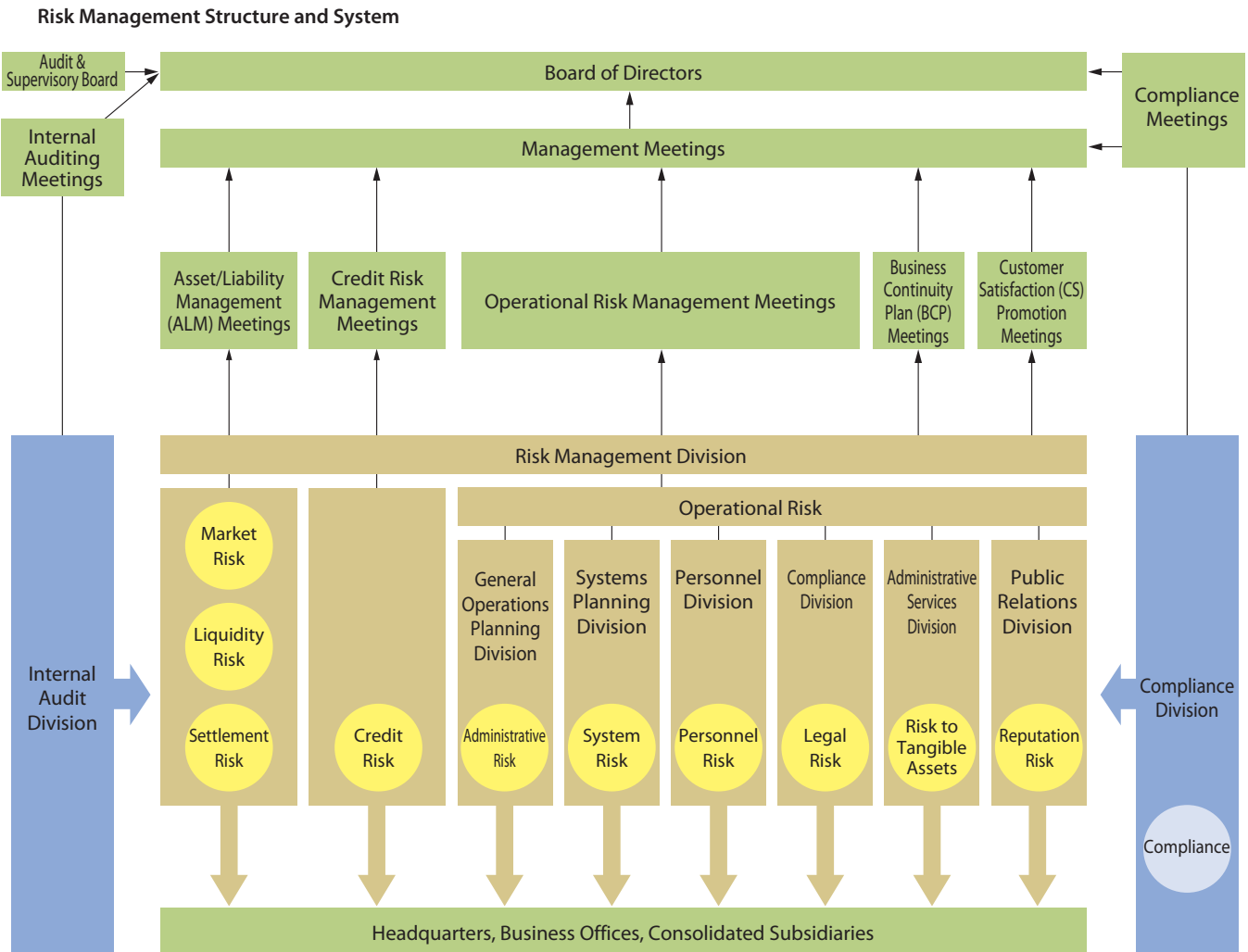
Responding to this environment, the Bank continues to bolster its risk management systems by clearly identifying individual risk management departments, further strengthening management capabilities with respect to specific types of risk and delegating to the Risk Management Division overall responsibility for monitoring and overseeing risk management.

The most important risk management issues are deliberated and decided by the Board of Directors or the Management

Meeting. Risk management is conducted with the full interest of the management team, with regular reports on risk management status, issues, and response measures given to the Board of Directors.

Moreover, in order to comprehensively evaluate the impact of overall risk based on an assessment of individual categories, the Risk Management Division manages risks by comparing and contrasting the risks assessed for each risk category with capital (integrated risk management).

The Risk Management Division coordinates the capital-at-risk limit determined by the Board of Directors and periodically submits reports to the Asset/Liability Management (ALM) Meetings and management meetings.



Risk Definitions

Market Risk	The risk of loss resulting from fluctuations in asset values due to changes in interest rates, exchange rates or the prices of marketable securities.
Liquidity Risk	The risk that cash flows will become insufficient due to the inability to secure the required funds (cash flow risk), and the risk that market transactions will become impossible due to market disruptions (market liquidity risk).
Settlement Risk	The risk of loss resulting from failure to settle by the due date (broadly categorized into credit risk, liquidity risk, administrative risk, system risk, and legal risk, according to the cause and characteristics of the problem).
Credit Risk	The risk of loss due to the partial or complete loss of asset value, owing to such factors as deterioration in the financial position of the borrower.
Operational Risk	The risk of loss due to inappropriate work processes, management/employee activities, or systems, or external events.
Administrative Risk	The risk of loss by financial institutions resulting from administrative failures, accidents, or management or staff fraud (includes information security risk (*1) that falls out of the scope of system risk).
System Risk	The risk of loss by financial institutions due to computer system failures, errors, or inadequacies, and the risk of loss by financial institutions due to the unauthorized use of computers (includes information security risk (*1) and cyber security incidents (*2) due to system inadequacies and system fraud).
Legal Risk	The risk of loss resulting from legal uncertainty about transactions or failure to comply with laws and regulations.
Reputation Risk	The risk that losses will be suffered due to decline of reputation and the spread of false information.
Personnel Risk	Risk occurring because of unjust and unfair human resource management (problems with compensation and dismissals) and discriminatory acts (sexual harassment, etc.).
Risk to Tangible Assets	The risk of impairment and damage to tangible assets as a result of disasters and other accidents.

(*1) Information security risk

The risk of loss of the validity and reliability of essential information assets due to serious threats such as leaks, fraudulent use, erroneous operations, and failures

(*2) Cyber security incidents

Issues that threaten cyber security through the use of so-called cyber-attacks, including unauthorized access, information theft, information alteration or destruction, information system operation suspension or interruption, execution of unauthorized programs, and DDoS attacks via cyberspace through the abuse of information communication networks, information systems, etc.

Credit Risk Management

Based on its expertise in working with SMEs, the Bank’s credit risk management system is designed to maintain and improve the soundness of its loan assets by setting appropriate lending criteria and ensuring that screening systems are properly applied.

Credit Risk Management System

The Risk Management Division is responsible for overseeing the Bank’s credit risk management system. It works to enhance this system by monitoring the Bank’s credit portfolio and quantifying risk.

Senior management, through the Credit Risk Management Meetings, analyzes the credit portfolio from various perspectives, such as by credit rating, business sector and geographical region, as it aims to diversify risk as a means of maintaining and improving the soundness of the Bank’s assets.

The Bank undertakes self-assessment of its assets to identify and control credit risk in an appropriate manner and has introduced an internal credit rating system for this purpose. This internal credit rating system uses an optimal set of financial indicators to assess the creditworthiness of SMEs and also incorporates a range of qualitative assessment criteria.

Credit screening is the responsibility of the Finance Group, which works to maintain and enhance the soundness of the Bank’s assets through appropriate screening and management. The Bank has also established the Corporate Support Division as a specialist unit to provide customers with support for management improvement and revitalization. This department proactively works with customers in this area.

Screening

Owing to the large impact that external factors—including general economic conditions—can exert on SMEs, the Bank endeavors to carry out screening based on the medium- to long-term outlook for the customer’s business. Specifically, the Bank is making efforts to fully understand customers’ businesses, including not only financial factors but also management talent and technological capabilities, which do not show up in a firm’s financial statements.

Consequently, in the event that a customer suffers a temporary business slump owing to external factors, the Bank focuses on the future outlook for the customer’s core business and cash flows. Through this process, the Bank works closely with the customer’s management team to obtain a shared understanding of (1) the customer’s current situation, and (2) the best approach for putting the business back on a positive track. This type of management support based on an appropriate assessment of business potential is a key part of the Bank’s mission, and the Bank remains committed to actively cooperating with regional financial institutions, the SME Revitalization Support Councils and other related institutions to fulfill this role.

To further promote the support of its customers, the Bank runs training programs for its staff, which are aimed at enhancing their ability to make proposals for solving issues.

Market and Liquidity Risk Management

The Bank has laid down basic policies on market and liquidity risk management, which define organizational structures, authority and management methodologies, and form the basis of strict operational management and control.

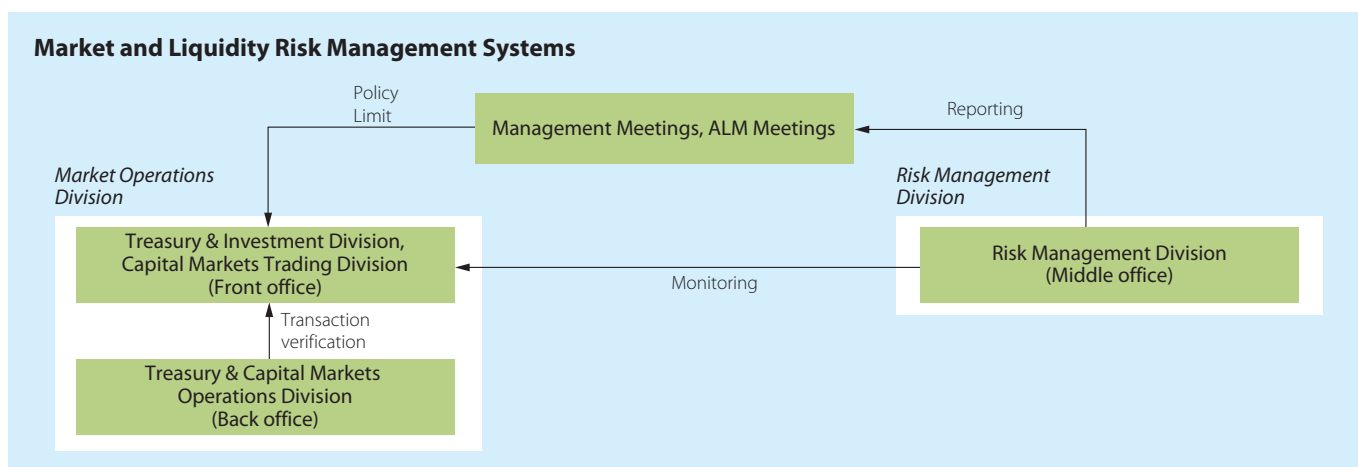
Risk Management Structure

Under the Bank's market risk management structure, market operations are separated into front office and back office departments. In addition, a middle office fulfills a specialist role in managing market risk, with the overall structure providing a system of checks and balances between each of the functions.

The middle office monitors operations on a daily basis to ensure strict compliance with the market risk and liquidity risk limits set after deliberation by the Management Meetings and ALM Meetings. The results of these monitoring activities are reported on a regular basis.

Asset/Liability Management (ALM)

The Shoko Chukin Bank strives for stable earnings while appropriately managing market and liquidity risk. The Bank achieves this balance between profitability and risk control by analyzing its asset and liability portfolios using interest rate forecasts, 10 basis point value and VaR (Value at Risk) methods, and conducting simulations using multiple interest rate scenarios.



Market Risk (Banking) (Note 1)

10bpv												(¥100 million)
Mar. 31/'18				Mar. 31/'19				Mar. 31/'20				
1 year or less	More than 1 year, 5 years or less	More than 5 years	Total	1 year or less	More than 1 year, 5 years or less	More than 5 years	Total	1 year or less	More than 1 year, 5 years or less	More than 5 years	Total	
8	(32)	(37)	(60)	8	(22)	(40)	(53)	14	(32)	(52)	(70)	

VaR (Note 2)			(¥100 million)
Mar. 31/'18	Mar. 31/'19	Mar. 31/'20	
139	123	142	

Notes: 1. Financial products for purposes other than trading, excluding stocks and foreign currency operations.
 2. Historical simulation method, observation period: 5 years, VaR holding period: 1 month, confidence interval: 99%

Operational Risk Management

The Shoko Chukin Bank manages operational risk by dividing it into the following sub-risk categories: administrative risk, system risk, legal risk, reputation risk, personnel risk, and risk to tangible assets.

In its role of overseeing operational risk, the Risk Management Division is responsible for managing and minimizing operational risk, as it relates to the Bank as a whole. In this context, the Division has formulated the Basic Guidelines on Operational Risk Management. In addition, we have established a department in charge of each sub-risk along with management regulations, in an effort to reduce risk.

In addition, the Operational Risk Management Meetings deliberates on matters relating to operational risk. These include efforts to clearly identify risk and to establish countermeasures to ensure their reduction.

A Risk Control Self-Assessment (RCSA) has been introduced for risk management, whereby the department in charge of operations monitors losses that occur, and also identifies and evaluates inherent risk. By making improvements based on this evaluation, the Bank strives to reduce risk.

In the area of information security, which impacts on operational risk, the Bank has formulated an Information Security Basic Policy, as well as specific standards and management procedures for handling information security. The Bank has also implemented appropriate measures to protect its information assets, and maintain the security of these assets. These measures involve the classification of assets by importance, as well as risk assessments.

Improvement of Internal Auditing Systems

To ensure the adequacy and effectiveness of the internal control system, the Internal Audit Division, which operates independently of all other Headquarters divisions under the direct control of the President and Executive Officer, carries out audits of the Bank's risk management systems, etc.

Operational audits are implemented to ensure that risk management and other processes at business offices and Headquarters departments, as well as management system for compliance, customer protection and other factors, are

functioning adequately and effectively. They also make statements for further improvement of internal audit systems.

Asset audits look into whether self-assessments, write-offs and reserves are appropriate, and whether credit ratings are accurate.

The results of internal audits are reported at Internal Auditing Meetings or Management Meetings attended by Audit and Supervisory Board Members, and are then reported periodically at Board of Directors' meetings.

The Structure and Systems That Facilitate Reporting to the Audit and Supervisory Board and Audit and Supervisory Board Members by Directors and Officers; Other Structures and Systems That Facilitate Reporting to the Audit and Supervisory Board and Audit and Supervisory Board Members

- (1) Audit and Supervisory Board Members are able to attend meetings of the Board of Directors as well as Management Meetings and individual committees.
- (2) Directors and other officers report to the Audit and Supervisory Board and Audit and Supervisory Board Members in an effective and appropriate manner on all matters prescribed under the law, the status of business execution and relevant peripheral issues.

■ Crisis Management System

The Bank established the “BCP Basic Guidelines” to set forth responsive measures to be taken by the Shoko Chukin Bank and all of its officers and employees with respect to disaster prevention as well as a system ensuring the smooth operation of business activities by restoring its functions immediately upon the occurrence of disasters so as to minimize management risk associated with the suspension of business.

Response to Covid-19

We established the Covid-19 Task Force chaired by the President in February 2020, and are implementing measures to prevent the

spread of Covid-19, in order to ensure smooth operations.

■ Compliance Systems

Ensuring full compliance is seen as a crucial aspect of the Bank’s operations. In all its business operations and other activities, the Bank must comply with all accepted rules and social norms, use disclosure to fulfill its obligation of accountability, and maintain a high degree of transparency.

Thorough Awareness of the Importance of Compliance

The Shoko Chukin Bank has established the Code of Ethics as its basic policy on compliance. The Bank has established and distributed to officers and employees a Compliance Manual summarizing the Code of Ethics, the action standards for putting the Code in practice, and the laws and ordinances that must be

observed in the pursuit of business activities. Furthermore, specific initiatives to raise compliance awareness include group training programs as well as regular branch-level training programs, in order to thoroughly ensure compliance.

Compliance Structure

Compliance Committee

Delegated by the Board of Directors, the Compliance Committee has been established as an organization to provide the Compliance Division/Departments with guidance and checks, and to provide advice regarding general matters concerning compliance.

Organizations Established to Deliberate on Matters Relating to Compliance

Matters relating to compliance are reported to and deliberated by the Compliance Meetings, which is chaired by President and Executive Officer. Results of the Compliance Meetings' deliberations are reported to the Board of Directors. The Board of Directors makes decisions on important compliance matters such as compliance-oriented programs.

The Compliance Coordination Division

- (1) The Compliance Division has been designated as the organizational unit responsible for compliance-related planning and management. The Department works closely with other departments and divisions to establish and further develop the Bank's compliance structure and systems.
- (2) In the Compliance Division, the Area Compliance Officer has been assigned to grasp the degree of understanding of compliance and give instructions on site.

Organizational units

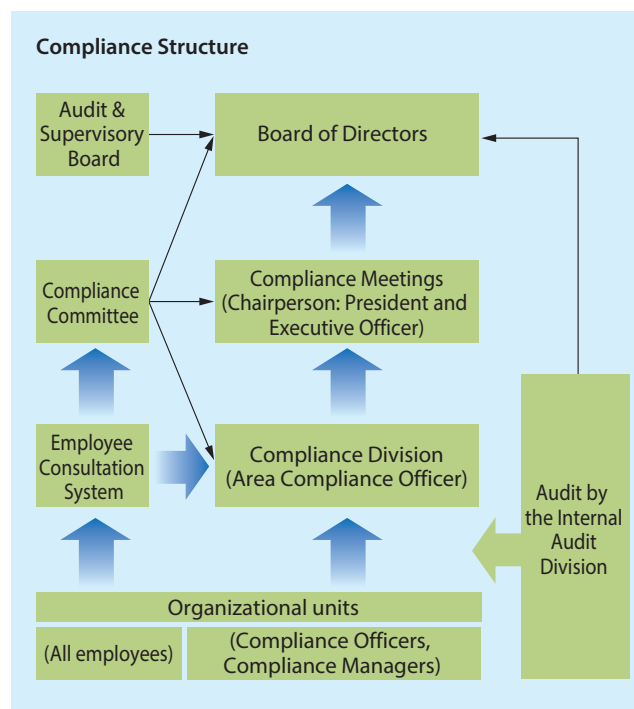
Headquarters divisional managers and business office managers have been designated as compliance officers, and Headquarters and business office staff have been designated as compliance managers to ensure stringent compliance. In addition to conducting regular checks to ensure employees are not contravening laws or regulations, these compliance officers and managers provide guidance and training for employees as necessary. In cases where compliance managers from the Headquarters draw up or amend internal regulations, these amendments are examined to ensure that they comply with all laws, ordinances and rules and pose no problems from the viewpoint of social norms. Where necessary, outside specialists are consulted.

Compliance Inspections

Headquarters divisions and business offices are required to conduct self-assessments to ensure thoroughgoing compliance. The Internal Audit Division, which is independent of other Headquarters divisions, also conducts thorough compliance inspections of Headquarters divisions and business offices. The results of audits are reported at Internal Auditing Meetings or Management Meetings attended by Audit and Supervisory Board Members, and are then reported periodically at Board of Directors' meetings.

Employee Consultation System

The Bank has set up the employee consultation system (internal alert system) to prevent further escalation and swiftly resolve any compliance problems that occur. The system has been set up so that both executives and employees can easily make reports, with consultation contacts established in the offices of external lawyers and external businesses as well as the Compliance Division.



Zero tolerance of Anti-social Forces

As a financial institution, to maintain public confidence and ensure the adequacy and soundness of our business activities, the Bank is required to eliminate anti-social forces from financial transactions.

The Shoko Chukin Bank develops its system aimed at the elimination of anti-social forces by taking initiatives such as

designating the Compliance Division as a coordinating division and assigning a compliance officer associated with in each organizational unit, thereby working on to cut off the relationships and eliminate transactions with anti-social forces, in cooperation with external professional bodies including the police and lawyers.

Code of Ethics and Code of Behavior

1. Ensuring Full Compliance

The Shoko Chukin Bank is strictly compliant with all laws, regulations and rules, and always acts with a high sense of morality and ethics, in order not to violate social norms.

[Code of Behavior]

- (1) We understand that there is a possibility of misconduct for every single person and in any type of business operations, and always engage in business with the prevention of misconduct in mind.
- (2) We correctly understand provisions and rules, and conduct business without omitting procedures. In addition, we do not interpret provisions and rules arbitrarily and conveniently with vague conjecture.
- (3) The Headquarters prepares understandable notifications and manuals, and makes improvements and reviews, as necessary.
- (4) We hold compliance review meetings on a regular basis and conduct repeated training sessions as well as discussions to improve the normative consciousness.

2. Attitude Toward Customers

We constantly return to the starting point, being a comprehensive financial institution solely for SMEs, and give primary consideration to customer trust and satisfaction.

[Code of Behavior]

- (1) We work close to, and strive to build relationships with our customers.
- (2) We deepen dialogue with our customers, understand their businesses, and make efforts share issues with them.
- (3) We work to provide solutions to solve our customers' issues.
- (4) Our Offices, in cooperation with Headquarters, respond promptly to our customers' needs.

3. Responsibility to Society

As a member of a financial institution, a public institution that must maintain transparency, and a member of a local community, we are always aware of our social responsibility to act fairly and faithfully.

[Code of Behavior]

- (1) We are always aware that each behavior of every employee is regarded as the Shoko Chukin Bank's behavior, and act fairly and faithfully.
- (2) We collaborate and cooperate with local governments and regional financial institutions and seek to contribute to local community.
- (3) If we discover misconduct by other employees, we do not turn a blind eye, but promptly report such behavior to our superiors or the employee consultation contact.
- (4) The superiors who receive reports regarding misconduct report such incidents to Headquarters, without concealment.
- (5) We take a resolute stance against anti-social forces and organizations, and sever any relationship with them.
- (6) We strive to prevent the products and services of the Shoko Chukin Bank from being used for money laundering or financial support for terrorist activities.

4. The Organization We Aim to Be

We respect everyone's human rights and the diversity, and strive to create a workplace with an open atmosphere, and with no harassment or discrimination.

[Code of Behavior]

- (1) We eliminate harassment to create a workplace where opinions and discussions can freely take place.
- (2) If we have any troubles, we seek consultation, not being saddled with them.
- (3) We actively speak to anyone who appears to be in trouble.
- (4) If we have difficulties in consulting with our superiors or colleagues, we consider consulting with the Area Compliance Officer or the employee consultation contact.
- (5) Superiors always pay attention to whether their subordinates are in trouble, always listen to them, and actively speak to them.
- (6) The Headquarters listens to the opinions of business offices with sincerity, and responds promptly and faithfully.

■ Addressing the Financial Alternative Dispute Resolution System

The Financial Alternative Dispute Resolution (ADR) System (a system for out-of-court resolution of disputes in the financial field) was launched on October 1, 2010. The operational management system and internal regulations of the Shoko Chukin Bank were developed in order to deal with complaints from customers and to resolve disputes with customers in a fair and appropriate manner. Details can be found on our website or in our brochures.

Financial Data (Consolidated)

Year Ended March 31, 2020

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Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Operating Income	¥ 153.8	¥ 181.2	¥ 204.7	¥ 195.3	¥ 204.4
Income before Income Taxes and Other	21.6	32.1	58.4	50.8	34.9
Net Income Attributable to Owners of Parent	14.5	15.4	37.3	32.4	12.4
Comprehensive Income	5.3	11.2	41.5	35.9	6.1
Net Assets	959.4	964.0	972.3	935.3	903.8
Total Assets	11,219.5	11,818.5	11,957.3	12,845.0	12,570.4
Net Assets per Share (Yen)	195.44	195.04	191.95	174.92	160.48
Net Income per Share (Yen)	6.68	7.08	17.15	14.90	5.72
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	8.51	8.12	8.10	7.25	7.16
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.67	12.30	12.69	11.97	12.00
Consolidated Tier 1 Ratio (%)	11.67	12.30	12.69	11.97	12.00
Consolidated Total Capital Ratio (%)	12.37	12.99	13.53	13.12	13.37
Return on Equity (%)	1.51	1.59	3.93	3.54	1.38
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	(582.5)	223.9	(165.6)	535.3	(121.3)
Cash Flows from Investing Activities	73.7	113.5	16.6	149.5	218.6
Cash Flows from Financing Activities	(10.0)	(24.5)	(24.5)	(10.5)	(4.5)
Cash and Cash Equivalents at the End of the Year	1,302.7	1,821.5	1,508.5	1,682.0	1,007.6
Number of Employees (Persons)	4,020	4,113	4,083	4,080	4,102
[Average Number of Temporary Employees excluded from Above]	[1,018]	[1,036]	[1,058]	[1,047]	[1,018]

- Notes: 1. The Shoko Chukin Bank and its domestic consolidated subsidiaries account for national and local consumption taxes by way of the tax-exclusion method.
2. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.
3. The Capital Ratio is calculated as follows:
(Total Net Assets as of the fiscal period-end - Stock acquisition rights as of the fiscal period-end - Minority Interests as of the fiscal period-end)/Total Assets as of the fiscal period-end × 100
4. The Consolidated Capital Ratio is calculated in accordance with Announcement No. 2 of 2008 from the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry pursuant to Article 23, Paragraph 1 of the Shoko Chukin Bank Law. The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.
5. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered.
6. Number of Employees refers to the number of persons employed (excluding seconded workers).

Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
ASSETS				
Cash and Due from Banks	¥ 1,327,060	¥ 1,856,792	\$ 12,193	\$ 16,729
Call Loans and Bills Purchased	37,719	45,347	346	408
Monetary Claims Purchased	22,355	26,573	205	239
Trading Assets	14,843	14,132	136	127
Investment Securities	1,279,992	1,380,634	11,761	12,439
Loans	8,285,149	8,280,606	76,129	74,606
Foreign Exchange	15,900	16,571	146	149
Other Assets	191,046	178,060	1,755	1,604
Tangible Fixed Assets	39,454	37,276	362	335
Buildings	17,287	16,276	158	146
Land	18,653	18,733	171	168
Construction in Progress	1,680	740	15	6
Other Tangible Fixed Assets	1,832	1,526	16	13
Intangible Fixed Assets	9,808	11,880	90	107
Software	7,742	6,468	71	58
Other Intangible Fixed Assets	2,066	5,411	18	48
Net Defined Benefit Asset	17,795	14,563	163	131
Deferred Income Taxes	45,667	41,732	419	375
Customers' Liabilities for Acceptances and Guarantees	110,779	104,966	1,017	945
Reserve for Possible Loan Losses	(178,065)	(190,601)	(1,636)	(1,717)
Total Assets	¥ 11,219,507	¥ 11,818,536	\$ 103,092	\$ 106,482

Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2020 and 2019

Pursuant to Article 396-1 of the Companies Act, the material that the Shoko Chukin Bank makes public in accordance with Article 52-2 of the Shoko Chukin Bank Law has been audited by an audit and supervisory board member.

In addition, the Bank's consolidated financial statements — the balance sheets, statements of operations, and statements of changes in net assets — have been certified by an audit and supervisory board member pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
LIABILITIES				
Deposits	¥ 5,076,561	¥ 5,051,357	\$ 46,646	\$ 45,511
Negotiable Certificates of Deposit	273,818	284,360	2,516	2,562
Shoko Chukin Bank Debentures	3,989,750	4,237,910	36,660	38,182
Payables under Securities Lending Transactions	336,938	593,243	3,096	5,345
Trading Liabilities	8,367	8,404	76	75
Borrowed Money	315,066	404,589	2,895	3,645
Foreign Exchange	30	30	0	0
Other Liabilities	78,797	90,346	724	814
Reserve for Bonuses	4,609	4,616	42	41
Net Defined Benefit Liability	13,229	24,062	121	216
Reserve for Retirement Benefits for Directors	76	41	0	0
Reserve for Losses on Refund for Dormant Bonds	51,776	50,243	475	452
Reserve for Environmental Measures	116	144	1	1
Other Reserves	86	84	0	0
Deferred Tax Liabilities	52	52	0	0
Acceptances and Guarantees	110,779	104,966	1,017	945
Total Liabilities	10,260,057	10,854,453	94,275	97,796
NET ASSETS				
Capital	218,653	218,653	2,009	1,970
Crisis Response Reserve	129,500	135,000	1,189	1,216
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,682	3,611
Capital Surplus	0	0	0	0
Retained Earnings	207,952	197,906	1,910	1,783
Treasury Stock	(1,072)	(1,061)	(9)	(9)
Total Shareholders' Equity	955,844	951,309	8,782	8,571
Unrealized Gains on Other Securities	11,884	21,333	109	192
Deferred Hedge Gains	85	5	0	0
Remeasurements of Defined Benefit Plans	(12,160)	(12,362)	(111)	(111)
Total Accumulated Other Comprehensive Income	(191)	8,976	(1)	80
Non-controlling Interests	3,796	3,796	34	34
Total Net Assets	959,450	964,082	8,816	8,686
Total Liabilities and Net Assets	¥ 11,219,507	¥ 11,818,536	\$ 103,092	\$ 106,482

Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
Operating Income	¥ 153,835	¥ 181,244	\$ 1,413	\$ 1,632
Interest Income	95,018	101,915	873	918
Interest on Loans	87,233	92,432	801	832
Interest and Dividends on Securities	4,399	5,606	40	50
Interest on Call Loans and Interest on Bills Purchased	1,022	1,264	9	11
Interest on Deposits	1,218	1,247	11	11
Interest on Interest Swaps	28	21	0	0
Other Interest Income	1,114	1,343	10	12
Fees and Commissions	10,212	10,173	93	91
Trading Revenue	3,871	2,948	35	26
Other Operating Income	37,817	35,844	347	322
Other Income	6,915	30,362	63	273
Collection of Written-off Claims	10	46	0	0
Other Income	6,904	30,315	63	273
Operating Expenses	132,170	149,045	1,214	1,342
Interest Expenses	6,519	7,435	59	66
Interest on Deposits	3,108	2,971	28	26
Interest on Negotiable Certificates of Deposit	1,014	1,080	9	9
Interest on Debentures	1,006	1,554	9	14
Interest on Call Money and Interest on Bills Sold	(2)	(1)	(0)	(0)
Interest on Payables under Repurchase Agreements	0	—	0	—
Interest on Securities Lending Transactions	44	57	0	0
Interest on Borrowed Money	1,310	1,732	12	15
Other Interest Expenses	37	38	0	0
Fees and Commissions	1,574	2,072	14	18
Trading Expenses	31	9	0	0
Other Operating Expenses	35,628	32,490	327	292
General and Administrative Expenses	76,274	78,897	700	710
Other Expenses	12,142	28,140	111	253
Provision for Possible Loan Losses	6,006	1,538	55	13
Other Expenses	6,135	26,601	56	239
Profit before Income Taxes and Other	21,664	32,199	199	290
Other Gains	0	686	0	6
Gains on Disposal of Fixed Assets	0	686	0	6
Other Losses	4,433	6,850	40	61
Losses on Disposal of Fixed Assets	19	89	0	0
Impairment Losses	4,413	6,760	40	60
Profit before Income Taxes	17,231	26,034	158	234
Provision for Income Taxes	2,597	11,757	23	105
Adjustment for Income Taxes	86	(1,156)	0	(10)
Total Income Taxes	2,684	10,601	24	95
Profit	14,546	15,433	133	139
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 14,543	¥ 15,430	\$ 133	\$ 139

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
Profit	¥ 14,546	¥ 15,433	\$ 133	\$ 139
Other Comprehensive Income	(9,167)	(4,223)	(84)	(38)
Unrealized Gains on Other Securities	(9,448)	(4,209)	(86)	(37)
Deferred Hedge Gains	79	(18)	0	(0)
Remeasurements of Defined Benefit Plans	201	5	1	0
Comprehensive Income	5,379	11,210	49	101
Total Comprehensive Income Attributable to Owners of Parent	5,375	11,206	49	100
Non-controlling Interests	¥ 3	¥ 3	\$ 0	\$ 0

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2020 and 2019

Millions of yen

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2019	¥ 218,653	¥ 135,000	¥ 400,811	¥ 0	¥ 197,906	¥ (1,061)	¥ 951,309
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(5,500)					(5,500)
Dividends from Surplus					(4,496)		(4,496)
Profit Attributable to Owners of Parent					14,543		14,543
Acquisition of Treasury Stock						(10)	(10)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	(5,500)	—	0	10,046	(10)	4,535
Balance, March 31, 2020	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 207,952	¥ (1,072)	¥ 955,844

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance, April 1, 2019	¥ 21,333	¥ 5	¥ (12,362)	¥ 8,976	¥ 3,796	¥ 964,082	
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve						(5,500)	
Dividends from Surplus						(4,496)	
Profit Attributable to Owners of Parent						14,543	
Acquisition of Treasury Stock						(10)	
Disposition of Treasury Stock						0	
Net Changes of Items Other Than Shareholders' Equity	(9,448)	79	201	(9,167)	—	(9,167)	
Total Changes during the Period	(9,448)	79	201	(9,167)	—	(4,632)	
Balance, March 31, 2020	¥ 11,884	¥ 85	¥ (12,160)	¥ (191)	¥ 3,796	¥ 959,450	

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2020 and 2019

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2018	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 186,973	¥ (1,049)	¥ 955,388
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(15,000)					(15,000)
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					15,430		15,430
Acquisition of Treasury Stock						(11)	(11)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	(15,000)	—	0	10,932	(11)	(4,078)
Balance, March 31, 2019	¥ 218,653	¥ 135,000	¥ 400,811	¥ 0	¥ 197,906	¥ (1,061)	¥ 951,309

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2018	¥ 25,543	¥ 24	¥ (12,367)	¥ 13,199	¥ 3,796	¥ 972,384
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						(15,000)
Dividends from Surplus						(4,497)
Profit Attributable to Owners of Parent						15,430
Acquisition of Treasury Stock						(11)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(4,209)	(18)	5	(4,223)	—	(4,223)
Total Changes during the Period	(4,209)	(18)	5	(4,223)	—	(8,302)
Balance, March 31, 2019	¥ 21,333	¥ 5	¥ (12,362)	¥ 8,976	¥ 3,796	¥ 964,082

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2019	\$ 2,009	\$ 1,240	\$ 3,682	\$ 0	\$ 1,818	\$(9)	\$ 8,741
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(50)					(50)
Dividends from Surplus					(41)		(41)
Profit Attributable to Owners of Parent					133		133
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	(50)	—	0	92	(0)	41
Balance, March 31, 2020	\$ 2,009	\$ 1,189	\$ 3,682	\$ 0	\$ 1,910	\$(9)	\$ 8,782

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2019	\$ 196	\$ 0	\$(113)	\$ 82	\$ 34	\$ 8,858
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						(50)
Dividends from Surplus						(41)
Profit Attributable to Owners of Parent						133
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(86)	0	1	(84)	—	(84)
Total Changes during the Period	(86)	0	1	(84)	—	(42)
Balance, March 31, 2020	\$ 109	\$ 0	\$(111)	\$ (1)	\$ 34	\$ 8,816

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2020 and 2019

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2018	\$ 1,970	\$ 1,351	\$ 3,611	\$ 0	\$ 1,684	\$(9)	\$ 8,607
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve		(135)					(135)
Dividends from Surplus					(40)		(40)
Profit Attributable to Owners of Parent					139		139
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	(135)	—	0	98	(0)	(36)
Balance, March 31, 2019	\$ 1,970	\$ 1,216	\$ 3,611	\$ 0	\$ 1,783	\$(9)	\$ 8,571

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2018	\$ 230	\$ 0	\$(111)	\$ 118	\$ 34	\$ 8,761
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						(135)
Dividends from Surplus						(40)
Profit Attributable to Owners of Parent						139
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(37)	(0)	0	(38)	—	(38)
Total Changes during the Period	(37)	(0)	0	(38)	—	(74)
Balance, March 31, 2019	\$ 192	\$ 0	\$(111)	\$ 80	\$ 34	\$ 8,686

BASIS OF PRESENTATION

The accompanying financial statements of the Shoko Chukin Bank, Ltd. (the "Bank") and its consolidated subsidiaries (the "Group") have been prepared in accordance with the provisions set forth in the Shoko Chukin Bank Law and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are presented solely for the convenience of readers. The exchange rate of ¥108.83=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2020, has been used for translation purposes for the year ended March 31, 2020, and ¥110.99=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2019, has been used for translation purposes for the year ended March 31, 2019. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

The yen figures disclosed in the financial statements are expressed in millions of yen and have been rounded down.

SIGNIFICANT BASIC ITEMS FOR CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidation

(1) Consolidated subsidiaries: 7 companies

Names of consolidated subsidiaries:

YAESU SHOKO, LTD.
SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD.
SHOKO SERVICE, LTD.
YAESU KOSAN CO., LTD.
THE SHOKO CHUKIN BANK INSTITUTE of
COMMERCE, INDUSTRY & ECONOMICS, LTD.
SHOKO CHUKIN LEASE CO., LTD.
SHOKO CHUKIN CARD CO., LTD.

(2) Non-consolidated subsidiary: 1 company

Names of non-consolidated subsidiary:

YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI

Non-consolidated subsidiary is excluded from the scope of consolidation because its total amounts in terms of total assets, operating income and profit (the amounts equivalent to equity shareholdings), retained earnings (the amounts equivalent to equity shareholdings) and accumulated other comprehensive income (the amounts equivalent to equity shareholdings) are immaterial and do not hinder a rational judgment of the Shoko Chukin Bank, Ltd. Group's financial position and results of operations when excluded from the scope of consolidation.

2. Application of the equity method
 - (1) Non-consolidated subsidiaries accounted for by the equity method:
 - None
 - (2) Affiliated companies accounted for by the equity method:
 - None
 - (3) Non-consolidated subsidiary that is not accounted for by the equity method: 1 company
 - Names of non-consolidated subsidiary that is not accounted for by the equity method:
 - YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
 - (4) Affiliated companies that are not accounted for by the equity method:
 - None
 - Non-consolidated subsidiary that is not accounted for by the equity method is excluded from the scope of the equity method because its total amounts in terms of profit (the amounts equivalent to equity shareholdings), retained earnings (the amounts equivalent to equity shareholdings) and accumulated other comprehensive income (the amounts equivalent to equity shareholdings) do not have a material impact on consolidated financial statements when excluded from the scope of the equity method.
3. Fiscal period-end of consolidated subsidiaries

The fiscal period-end of consolidated subsidiaries is as follows:

March 31	7 companies
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4. Special purpose entities subject to disclosure
 - (1) Overview of special purpose entities subject to disclosure and transactions with these special purpose entities:
 - None
 - (2) Transaction amounts with special purpose entities subject to disclosure:
 - None
5. Accounting policies
 - (1) Basis for valuation of Trading Assets/Liabilities and calculation of Revenue/Expenses

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 Consolidated Balance Sheets as "Trading Assets" or "Trading Liabilities" based on values at the time of contract, while gains and losses from the said transactions are shown in the Consolidated Statements of Operations as "Trading Revenue" or "Trading Expenses".

Trading Assets and Trading Liabilities are valued at market prices on the consolidated balance sheet date for securities and monetary claims, etc., and at deemed settlement prices on the consolidated balance sheet date for derivative products such as swaps, futures and options.

In the Consolidated Statements of Operations, Trading Revenue and Trading Expenses are arrived at by adding interest received and paid and other items during the fiscal period, amounts equivalent to the changes in valuation between the ends of the previous and fiscal periods for securities and monetary claims, etc., and amounts equivalent to changes in deemed settlements between the ends of the previous and current fiscal periods for derivatives.

- (2) Basis and methods for valuation of securities
The following valuation methods are applied, depending on the type of security. Bonds intended to be held until maturity are amortized using the moving average cost method (straight-line method). Stocks for which market values are available are valued at the average market price during one month before this fiscal period end. Marketable securities with market values other than stocks are valued using the mark-to-market method based on market prices at the fiscal period end (cost of sales are primarily calculated with the moving average method). Marketable securities for which market values are extremely difficult to be obtained are valued using the cost method on the basis of a moving average.
Unrealized Gains on Other Securities are all directly incorporated into Net Assets.
- (3) Basis and methods for valuation of derivative transactions
Derivative transactions other than Trading Transactions are stated using the mark-to-market method.
- (4) Amortization of Fixed Assets
 - (a) Tangible Fixed Assets (excluding Leased Assets)
Tangible Fixed Assets are subject to declining balance depreciation.
Expected useful lives for major items are as follows:
Buildings: 2 to 60 years
Other Tangible Fixed Assets: 2 to 20 years
Tangible Fixed Assets owned by consolidated subsidiaries are depreciated using primarily the straight-line method over the estimated useful lives of the respective Tangible Fixed Assets.
 - (b) Intangible Fixed Assets (excluding Leased Assets)
Intangible Fixed Assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over its estimated useful life determined by the Bank and its consolidated subsidiaries (principally 5 years).
 - (c) Leased Assets
Leased Assets relating to finance lease transactions that do not involve transfer of ownership are depreciated under the straight-line method, with zero residual value, over the lease term.
- (5) Accounting standard for Reserve for Possible Loan Losses:
The Reserve for Possible Loan Losses is calculated in accordance with the predetermined standards for write-offs and reserve provisions as follows.

Normal loans and the loans that require special attention are defined in "Operational Guidelines for Self-Assessment of Assets and Audits on Write-Offs and Reserves for Possible Loan Losses in Banks and Other Financial Institutions" (JICPA Bank Auditing Special Committee Report No. 4, March 17, 2020). They are classified into secured loans relating to crisis response operations and other loans, and reserve provisions are made mainly based on the amount of expected loss for the subsequent year or the amount of expected loss for the subsequent 3 years. The amount of expected loss is determined by calculating a loss rate based on the average default rate over a specific period based on defaults over 1 year or 3 years, to which necessary adjustments are made including reflecting future estimates. Amounts reserved for loans to debtors at risk of bankruptcy are determined as the amounts deemed necessary on the basis of the balance remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees. Amounts reserved for loans to debtors that are legally or virtually bankrupt are determined to be the balance remaining after deducting the estimated amounts to be collected through disposal of collateral and execution of guarantees.

Reserve for Loans to Debtors at Risk of Bankruptcy with Restructured Loans is provided based on the discounted cash flow (DCF) method if the loan balance exceeds a specific amount and the future cash flows of the principal and interest of the loan can be reasonably estimated. Under the DCF method, the reserve is calculated as the difference between the book value of the loan and the present value of its expected future cash flows, discounted by the contractual interest rate before the terms of the loan were restructured.

For normal loans (excluding secured loans), the necessary adjustments including future estimates are provided based on the default rate of a specific fiscal year in which a large-scale loan defaulted. In addition, for specific normal loans and loans that require special attention, in light of the drastic changes in the economic environment due to the spread of coronavirus disease (COVID-19), the future economic outlook and other factors are analyzed and deliberated, and various information related to credit risk that has not been reflected in individual business partner categories as of the consolidated balance sheet date is taken into consideration in a multi-faceted manner. Accordingly, the Reserve for Possible Loan Losses to which the necessary adjustments are made including reflecting future estimates is calculated by incorporating the risks of fluctuations of the business partner categories after the consolidated balance sheet date based on the results during the time of the financial crisis of 2007-08.

All loan assets have been assessed by the business departments and audited by the division in charge of asset examination, which is independent from the business departments, to comply with the standard for self-assessment of assets.

Reserve for Possible Loan Losses of consolidated subsidiaries for general claims is provided in the amount deemed necessary based on historical loan loss ratios, and for doubtful claims in the amount deemed uncollectible based on an assessment of each individual claim.

- (6) Accounting standard for Reserve for Bonuses
Reserves for Bonuses are set up for the payment of employees' bonuses and appropriate an amount for this fiscal period out of the amount of bonuses estimated to be paid to employees.
- (7) Accounting standard for Reserve for Retirement Benefits for Directors
Reserves for Retirement Benefits for Directors are set up for the payment of directors' retirement benefits. It represents amounts that have accrued through the end of this fiscal period out of the retirement benefits amount estimated to be paid to directors.
- (8) Accounting standard for Reserve for Losses on Refund for Dormant Bonds
Reserves for Losses on Refunds for Dormant Bonds are recorded for bonds that are no longer recognized as liabilities in an amount equivalent to the estimated losses arising from future demands for refunds.
- (9) Accounting standard for Reserve for Environmental Measures
Reserves for Environmental Measures are set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.
- (10) Accounting standard for Other Reserves
Other Reserve is the estimated amount of Reserve for Sales Promotion to provide for the exchange of items.
- (11) Accounting method for Retirement Benefits
Upon the calculation of retirement benefit obligations, the estimated retirement benefit obligation attributable up to the end of this fiscal period are accounted for by the benefit formula basis.
Unrecognized past service costs and unrecognized actuarial difference are amortized as follows:
Unrecognized past service costs:
By the straight-line method over a fixed number of years that does not exceed the remaining service years (14 years) of employees of the fiscal period when the past service costs were incurred.
Unrecognized actuarial difference:
By the straight-line method over a fixed number of years that does not exceed the average remaining service years (14 years) of employees at each fiscal period when the actuarial difference was incurred.
This amortization starts from the subsequent fiscal period.

Moreover, consolidated subsidiaries have adopted the simplified method, where retirement benefit obligations are the amount to be paid when all the employees voluntarily retired at the end of the fiscal periods, to calculate Net Defined Benefit Liability and retirement benefit expenses.

- (12) Translation standard for assets and liabilities denominated in foreign currencies
Assets and liabilities of the Bank denominated in foreign currencies and accounts of the Bank's overseas branches are translated into Japanese yen mainly at exchange rates prevailing as of the consolidated balance sheet date.
Assets and liabilities of consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing as of their respective balance sheet dates.
- (13) Accounting method for significant hedge transactions
 - (a) Interest rate risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of interest fluctuations arising from financial assets and liabilities of the Bank, as stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). Interest swap transactions are carried out for the purpose of offsetting the risk of market fluctuations arising from financial assets and liabilities. The effectiveness of the hedge is identified and evaluated by grouping the loans as hedged items and interest rate swap transactions as hedged instruments by a certain remaining period.
 - (b) Currency risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated financial assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.
 - (c) Transactions between consolidated subsidiaries
Interest rate swap transactions designated as hedges for those derivatives transactions that are internal transactions between consolidated subsidiaries, special transaction accounts and other accounts (or between internal departments) were

executed in conformity with external cover transaction standards for which strict hedge operations that eliminate arbitrary decision-making were recognized as possible under the JICPA Industry Audit Committee Report No. 24. For this reason, revenue and expenses arising from said interest rate swap transactions have been recognized as gains/losses without being eliminated.

The special treatment for deferred hedge or interest rate swaps is applied to certain assets and liabilities.

The special treatment for interest rate swaps is applied to certain assets and liabilities of consolidated subsidiaries.

(14) Accounting for consumption taxes

With respect to the Bank and its domestic consolidated subsidiaries, national and local consumption taxes are accounted for with the tax exclusion method.

UNAPPLIED ACCOUNTING STANDARDS

“Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

“Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as “Fair Value Measurement Standard, etc.”) and the guidance, etc. on fair value measurement method have been set forth to improve the comparability with international accounting standards. The Fair Value Measurement Standard, etc. will be applied to the fair value of financial instruments under the “Accounting Standard for Financial Instruments.” In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to stipulate notes on the breakdown of financial instruments for each level of fair value.

(2) Date of adoption

The Accounting Standards and Guidances are scheduled to be adopted from the beginning of the year ending March 31, 2022.

(3) Effect of adopting the accounting standards, etc.

The effect is under evaluation when consolidated financial statements are prepared.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of the accounting standard is to disclose information that will facilitate the understanding of users of

financial statements, regarding what kind of accounting estimates are made for items based on accounting estimates in the consolidated financial statements of the current fiscal year that may materially impact the consolidated financial statements of the following fiscal year.

(2) Date of adoption

The Accounting Standard is scheduled to be adopted from the end of the year ending March 31, 2021.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

The purpose of the accounting standard is to provide an overview of principles and procedures of the adopted accounting treatment, in cases where the provisions of the related accounting standards, etc. are not clear.

(2) Date of adoption

The Accounting Standard is scheduled to be adopted from the end of the year ending March 31, 2021.

CHANGES IN ACCOUNTING ESTIMATES

In the fiscal year ended March 31, 2020, the Bank has changed estimates on restoration expenses incurred when vacating a property related to Asset Retirement Obligations, which had been recorded as *restitutio in integrum* restoration obligations based on the real estate leasing contract, because new information has been obtained on restoration expenses for stores, etc. that have been relocated, consolidated or closed in recent years.

The increase of ¥2,690 million resulting from this change in estimates has been added to the balance of Asset Retirement Obligations prior to the change.

In line with this change, impairment losses have been recognized on ¥511 million of Tangible Fixed Assets.

ADDITIONAL INFORMATION

1. Special Reserve

Accompanying privatization on October 1, 2008, a transfer was made from capital and retained earnings to special reserve pursuant to the Article 5 of the Supplementary Provisions of the Shoko Chukin Bank Law (hereinafter referred to as “Supplementary Provisions”).

The special reserve has the following characteristics.

- (1) Pursuant to the provisions of Article 43 of the Shoko Chukin Bank Law (hereinafter referred to as “Law”), in the calculation of the amount of surplus, the amount of special reserve shall be included in the total amount of capital and reserves.
- (2) Pursuant to the provisions of Article 44, Paragraph 1 of the Law, the amount of special reserve may be reduced in the event a deficit is compensated, if the total amount of capital reserve and earnings reserve becomes zero. When the amount of the surplus comes

to exceed zero following the reduction of the special reserve, the amount of special reserve must be increased pursuant to the provisions of Article 44, Paragraph 3 of the Law.

- (3) Pursuant to the provisions of Article 45 of the Law, when the state of the capital adequacy and the soundness of other finances have improved and when it is deemed that the financial soundness has been secured, all or a portion of the amount of special reserve may, pursuant to a resolution of the general meeting of shareholders, be paid to the national treasury.
 - (4) When, supposing the Bank is liquidated, obligations have been repaid and there are residual assets, the amount of special reserve shall be paid to the national treasury pursuant to the provisions of Article 46 of the Law.
2. Crisis Response Reserve
- Pursuant to the Article 2-6 of the Supplementary Provisions, in order for smooth implementation of crisis response operations, the Bank accounts for capital contributed by the government as crisis response reserve.
- The crisis response reserve has the following characteristics.
- (1) Pursuant to the provisions of Article 43 of the Law, which is applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions, in the calculation of the amount of surplus, the amount of crisis response reserves shall be included in the total amount of capital and reserves.
 - (2) Pursuant to the Article 2-7 of the Supplementary Provisions, the amount of crisis response reserves may be reduced in the event a deficit is compensated, if the total amount of special reserve becomes zero. When the amount of the surplus comes to exceed zero following the reduction of the crisis response reserves, the amount of crisis response reserves must be increased pursuant to the provisions of Article 44, Paragraph 3 of the Law, which is applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions. The increase in the amount of the crisis response reserves shall, pursuant to the Article 2-9, Paragraph 2 of the Supplementary Provisions, be undertaken prior to the increase in the amount of the special reserve.
 - (3) Pursuant to the provisions of Article 45 of the Law, which is applied with a replacement of the terms pursuant to the Article 2-8 and 2-9, Paragraph 1 of the Supplementary Provisions, when the Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response operations, an amount of money equivalent to all or a portion of the amount of crisis response reserves may, pursuant to a resolution of the general meeting of shareholders, be repaid to the national treasury.
 - (4) When, supposing the Bank is liquidated, obligations have been repaid and there are residual assets, the amount of crisis response reserves shall be paid to the

national treasury pursuant to the provisions of Article 46 of the Law, which are applied with a replacement of the terms pursuant to the Article 2-9, Paragraph 1 of the Supplementary Provisions, and the Article 2-9, Paragraph 3 of the Supplementary Provisions.

CONSOLIDATED BALANCE SHEETS

1. The total amount of Investment Securities lent through unsecured loan agreements, which are included in Government Bonds under "Investment Securities," is ¥90,185 million.
2. In Loans, loans to bankrupt companies total ¥57,949 million and overdue loans total ¥254,526 million.

Loans to bankrupt companies are loans for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off, and hereinafter referred to as "loans for which accrued interest is not shown in the accounts"), where the loans in question are affected by the circumstances defined in Article 96, Paragraph 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, excluding loans to bankrupt companies, and loans for which the interest payments have been rescheduled to support financial restructuring of the borrowers.
3. Loans overdue by three months or longer total ¥959 million.

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. Loans that are classified as loans to bankrupt companies or overdue loans are excluded from this category.
4. Rescheduled loans total ¥23,702 million.

Rescheduled loans are loans for which the terms have been eased to support financial restructuring 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, excluding loans to bankrupt companies or overdue loans and loans overdue by three months or longer.
5. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥337,138 million.

The amounts of loans stated in Notes 2 through 5 are the amounts before the deduction of Reserve for Possible Loan Losses.
6. Bills discounted are handled as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. With regards to bills accepted through the transactions, the Bank has the right to freely sell or use as

Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2020

collateral any bank acceptance bills, trade bills, documentary bills, or foreign bills bought, the aggregate face value of which is ¥144,759 million.

7. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥741,359 million

Liabilities corresponding to collateral assets:

Deposits ¥5,997 million

Payables under Securities Lending Transactions

¥336,938 million

Borrowings ¥152,879 million

In addition to the above amounts, securities worth ¥2,519 million have been substituted for futures margin money, etc.

Other Assets include ¥87,458 million of Cash Collateral Received for Financial Instruments and ¥2,293 million of guarantees and deposits.

8. Overdraft contracts and commitment line contracts on loans are the agreements under which the Bank grants a loan up to a designated credit limit when the customer requests, unless there is a breach of the conditions stipulated in the relevant contract. The outstanding credit facility ready for claims under such agreements is ¥1,380,750 million. Of this amount, ¥1,287,198 million has original contract duration of one year or less (or can be dissolved without condition at any point in time).

Most of these contracts are terminated before the amount of the credit facility determined in the agreement is fully utilized. Accordingly, the outstanding credit facility itself does not always affect the future cash flows of the Bank and its consolidated subsidiaries. Most of these agreements have provisions that allow the Bank and its consolidated subsidiaries to cancel customers' claims and / or to reduce the credit limit for appropriate reasons such as changes in financial situation and protection of credit standing. Moreover, when necessary, the Bank and its consolidated subsidiaries require customers to provide property, securities and other collateral when signing the contract. After the Bank and its consolidated subsidiaries enter into the agreement, periodical checks of customers' business condition are undertaken in accordance with internally established procedures as well as reviews of the conditions of the agreement where necessary. In this context, measures are taken to protect the assets of the Bank and its consolidated subsidiaries.

9. Accumulated depreciation of Tangible Fixed Assets is ¥70,160 million.

10. Advanced depreciation of Tangible Fixed Assets is ¥17,367 million.

(There is no advanced depreciation for the current fiscal period.)

11. Borrowings include loans payable under subordination covenant totaling ¥15,000 million.

12. Within Corporate Bonds, presented as a sub-item of Investment Securities, the Bank's guarantee liabilities relating to privately-offered corporate bonds (Financial

Instruments and Exchange Act, Article 2, Paragraph 3) amounted to ¥52,966 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

1. Other Income includes ¥5,162 million of revenue from dormant bonds.
2. General and Administrative Expenses include ¥40,289 million of salaries and allowances.
3. Other Expenses include ¥87 million of Write-off of Loans, ¥220 million of Write-off of Stocks, ¥4,732 million of provision for reserves for losses on refund for dormant bonds.
4. Regarding the following assets held by the Bank in Tokyo Metropolitan and other areas, the Bank recognized impairment losses because the amount invested in the assets are no longer expected to be recovered due to a decrease in cash flows from operating activities, continuous decline in land prices, changes to their intended use, and planned disposal of the assets. Similarly, in a system investment project under development, the Bank recognized impairment losses on systems-related assets that became subject to a major revision in the plan. The impairment losses on Land and Buildings, etc. consist of ¥829 million for 12 branch offices and ¥58 million for assets planned for disposal and idle assets in 2 locations. The impairment losses on Other Intangible Fixed Assets consist of ¥3,525 million for systems-related assets. Upon the calculation of impairment losses on Tangible Fixed Assets, the Bank groups the assets based on individual branch unit, which is the smallest unit used in managerial accounting. Each asset planned for disposal and idle asset is treated as individual unit, and head office, administration centers, and residences are treated as jointly used assets since they do not generate cash flow independently. The Bank groups systems-related assets according to each development project. The recoverable amount of Tangible Fixed Assets is principally calculated based on net realizable value. The net realizable value is calculated by deducting the estimated disposal cost from appraisal value determined in accordance with the real estate appraisal standards. While the recoverable amount used to measure impairment losses on systems-related assets is calculated based on value in use, due to a major revision in the plan, value in use was deemed to be zero. The impairment losses of ¥829 million on branch offices include the ¥511 million of impairment losses stated in "CHANGES IN ACCOUNTING ESTIMATES."

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification Adjustments and Tax Effects allocated to each component of Other Comprehensive Income

	Millions of yen	
	2020	2019
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ (14,512)	¥ (5,824)
Reclassification Adjustments	919	(231)
Before adjustment of Deferred Income Tax	(13,593)	(6,056)
Deferred Income Tax	4,144	1,846
Unrealized Gains on Other Securities	(9,448)	(4,209)
Deferred Hedge Gains		
Amount arising during the current fiscal year	143	(5)
Reclassification Adjustments	(28)	(21)
Before adjustment of Deferred Income Tax	114	(27)
Deferred Income Tax	(34)	8
Deferred Hedge Gains	79	(18)
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(2,090)	(2,202)
Reclassification Adjustments	2,380	2,210
Before adjustment of Deferred Income Tax	290	8
Deferred Income Tax	(88)	(2)
Remeasurements of Defined Benefit Plans	201	5
Total Other Comprehensive Income (Loss)	¥ (9,167)	¥ (4,223)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Matters relating to the type and number of shares issued

	(Thousand shares)				
	Number of Shares as of April 1, 2019	Increase	Decrease	Number of Shares as of March 31, 2020	Remarks
Number of shares issued and outstanding					
Common stock	2,186,531	—	—	2,186,531	
Total	2,186,531	—	—	2,186,531	
Treasury stock					
Common stock	10,204	54	0	10,258	(Note)
Total	10,204	54	0	10,258	

Note: The increase in the common stock is due to claims by shareholders for repurchase of shares less than one unit. The decrease in common stock is due to claims by shareholders for additional purchase of shares less than one unit.

(2) Matters Relating to Dividends

(a) Amount of cash dividends paid during the fiscal year

Resolution	Type of Capital Subscription Unit	Total Amount of Cash Dividends Paid (Millions of Yen)	Cash Dividend per Capital Subscription Unit (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2019	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2019	June 24, 2019
	Common stock (nongovernment portion)	3,480	3.0		

Note: With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).

(b) Cash dividends for which the effective date falls after the fiscal year ended March 31, 2020 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2020

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 23, 2020	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2020	Ordinary General Meeting of Shareholders held on June 23, 2020 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,480		3.0		

Notes:

1. With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).

2. Pursuant to Article 49 of the Shoko Chukin Bank Law, resolutions with regard to the dividends from surplus and the appropriation of other retained earnings come into effect following authorization by the competent minister.

2. Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Matters relating to the type and number of shares issued

	(Thousand shares)				
	Number of Shares as of April 1, 2018	Increase	Decrease	Number of Shares as of March 31, 2019	Remarks
Number of shares issued and outstanding					
Common stock	2,186,531	—	—	2,186,531	
Total	2,186,531	—	—	2,186,531	
Treasury stock					
Common stock	10,142	62	0	10,204	(Note)
Total	10,142	62	0	10,204	

Note: The increase in the common stock is due to claims by shareholders for repurchase of shares less than one unit. The decrease in common stock is due to claims by shareholders for additional purchase of shares less than one unit.

(2) Matters Relating to Dividends

(a) Amount of cash dividends paid during the fiscal year

Resolution	Type of Capital Subscription Unit	Total Amount of Cash Dividends Paid (Millions of Yen)	Cash Dividend per Capital Subscription Unit (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2018	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2018	June 25, 2018
	Common stock (nongovernment portion)	3,481	3.0		

Note: With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).

Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2020

- (b) Cash dividends for which the effective date falls after the fiscal year ended March 31, 2019 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2019

	Type of Shares	Total Amount of Cash Dividends Paid (Millions of Yen)	Source of Cash Dividend Payment	Cash Dividend per Common Stock (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2019	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2019	Ordinary General Meeting of Shareholders held on June 20, 2019 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,480		3.0		

Notes:

- With respect to the payment of cash dividends applicable to shares held by the government, the amount that must be paid per share is stipulated under Article 50 of the Shoko Chukin Bank Law. This cash dividend amount is obtained by multiplying the amount that does not exceed a ratio of one the cash dividend paid for each share held by subscribers other than the government by the ratio stipulated under the Regulation Enforcing the Shoko Chukin Bank Law. This ratio stipulated under Article 15 of the Regulation Enforcing the Shoko Chukin Bank Law is 1:3 (one-third).
- Pursuant to Article 49 of the Shoko Chukin Bank Law, resolutions with regard to the dividends from surplus and the appropriation of other retained earnings come into effect following authorization by the competent minister.

Capital Account Details (Consolidated)

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2020

CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2020)
1. Total Risk-weighted Capital Ratio (4/7)	12.37
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.67
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.67
4. Total Capital	9,878
5. Tier 1 Capital	9,318
6. Common Equity Tier 1 Capital	9,318
7. Risk-weighted Assets	79,811
8. Total Required Capital	6,384

LEVERAGE RATIO (Uniform International Standards)

(%)

	(As of March 31, 2020)
Leverage Ratio	8.08

Financial Data (Non-Consolidated)

Year Ended March 31, 2020

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Trends in Principal Financial Indicators (Non-Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Total Operating Income	¥ 119.0	¥ 146.4	¥ 170.1	¥ 160.2	¥ 170.2
Income (Loss) before Income Taxes and Other	20.5	30.7	56.9	49.1	33.5
Net Income (Loss)	13.7	14.4	36.2	31.3	11.5
Capital	218.6	218.6	218.6	218.6	218.6
[Total Number of Shares Issued in Thousands of Units]	[2,186,531]	[2,186,531]	[2,186,531]	[2,186,531]	[2,186,531]
Total Capital Funds	956.6	962.3	971.5	937.7	909.1
Total Assets	11,149.3	11,749.8	11,890.2	12,778.8	12,507.4
Outstanding Deposits	5,082.0	5,057.9	4,892.2	5,109.0	5,164.8
Outstanding Debentures	3,990.1	4,238.3	4,459.5	4,744.1	4,816.8
Outstanding Loans	8,294.1	8,289.7	8,648.1	9,356.8	9,539.5
Balance of Investment Securities	1,283.3	1,383.9	1,514.6	1,543.1	1,703.5
Net Assets per Share (Yen)	195.91	195.97	193.32	177.79	164.61
Dividends per Share (Yen)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)
	3.00	3.00	3.00	3.00	3.00
Net Income per Share (Yen)	(government portion)	(government portion)	(government portion)	(government portion)	(government portion)
	1.00	1.00	1.00	1.00	1.00
Net Income per Share (Diluted) (Yen)	6.31	6.65	16.67	14.38	5.31
Capital Ratio (%)	8.58	8.18	8.17	7.33	7.26
Non-consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.69	12.34	12.75	12.03	12.07
Non-consolidated Tier 1 Ratio (%)	11.69	12.34	12.75	12.03	12.07
Non-consolidated Total Capital Ratio (%)	12.38	13.02	13.57	13.16	13.41
Return on Equity (%)	1.43	1.49	3.80	3.39	1.28
Price Earnings Ratio	—	—	—	—	—
Dividend Payment Ratio (%)	32.73	31.04	12.39	14.36	38.88
Number of Employees (Persons)	3,703	3,798	3,765	3,753	3,773
[Average Number of Temporary Employees excluded from Above]	[879]	[895]	[917]	[908]	[884]

Notes: 1. National and local consumption taxes are accounted for with the tax exclusion method.

2. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.

3. Dividends per Share are classified and presented in two separate categories, namely, Cash Dividend per Common Stock (government portion) and Cash Dividend per Common Stock (non-government portion). This separate classification is pursuant to Article 50 of the Shoko Chukin Bank Limited Act, which stipulates that the dividend per share applicable to Common Stock held by the government shall not exceed the dividend per share applicable to Common Stock held by parties other than the government. Furthermore, pursuant to Article 15 of the Regulation Enforcing the Shoko Chukin Bank Limited Act, the dividend per share applicable to Common Stock held by the government is set at a ratio of one-third in relation to the dividend per share applicable to Common Stock held by parties other than the government.

4. The Capital Ratio is calculated as follows:

(Total Net Assets as of the fiscal period-end - Stock acquisition rights as of the fiscal period-end)/Total Assets as of the fiscal period-end × 100.

5. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered.

6. The Non-consolidated Capital Ratio is calculated in accordance with Announcement No. 2 of 2008 from the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry pursuant to Article 23, Paragraph 1 of the Shoko Chukin Bank Limited Act. The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.

7. Dividend Payment Ratio is calculated by dividing average dividends per share (as calculated by dividing dividends by the number of shares outstanding at the end of the period) by net income per share.

8. Number of employees refers to the number of persons employed (excluding seconded workers).

Non-Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. As of March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
ASSETS				
Cash and Due from Banks	¥ 1,327,016	¥ 1,856,751	\$ 12,193	\$ 16,728
Cash	21,655	26,559	198	239
Due from Banks	1,305,360	1,830,192	11,994	16,489
Call Loans	37,719	45,347	346	408
Monetary Claims Purchased	22,355	26,573	205	239
Trading Assets	14,843	14,132	136	127
Trading-related Financial Derivatives	14,843	14,132	136	127
Investment Securities	1,283,350	1,383,976	11,792	12,469
Government Bonds	502,984	606,776	4,621	5,466
Local Government Bonds	466,498	442,781	4,286	3,989
Corporate Bonds	215,730	233,223	1,982	2,101
Stocks	34,409	38,358	316	345
Other Securities	63,727	62,836	585	566
Loans	8,294,116	8,289,724	76,211	74,688
Bills Discounted	144,160	192,881	1,324	1,737
Loans on Notes	392,095	341,666	3,602	3,078
Loans on Deeds	6,437,338	6,703,553	59,150	60,397
Overdrafts	1,320,522	1,051,622	12,133	9,474
Foreign Exchange	15,900	16,571	146	149
Due from Foreign Banks	8,365	7,932	76	71
Foreign Exchange Bills Purchased	598	686	5	6
Foreign Exchange Bills Receivable	6,936	7,952	63	71
Other Assets	100,627	89,254	924	804
Unsettled Account of Transfer on Receiving Bank	2	2	0	0
Prepaid Expenses	1,084	1,656	9	14
Accrued Income	4,227	4,918	38	44
Financial Derivatives	1,185	257	10	2
Cash Collateral Received for Financial Instruments	87,458	77,944	803	702
Other Assets	6,669	4,474	61	40
Tangible Fixed Assets	38,404	36,198	352	326
Buildings	16,794	15,762	154	142
Land	18,130	18,210	166	164
Construction in Progress	1,680	740	15	6
Other Tangible Fixed Assets	1,797	1,484	16	13
Intangible Fixed Assets	9,754	11,854	89	106
Software	7,661	6,317	70	56
Other Intangible Fixed Assets	2,093	5,536	19	49
Prepaid Pension Cost	32,228	28,697	296	258
Deferred Income Taxes	39,491	35,446	362	319
Customers' Liabilities for Acceptances and Guarantees	110,779	104,966	1,017	945
Customers' Liabilities for Acceptances and Guarantees	109,681	103,730	1,007	934
Customers' Liabilities for Guaranteeing Agency Loans	1,098	1,236	10	11
Reserve for Possible Loan Losses	(177,239)	(189,665)	(1,628)	(1,708)
Total Assets	¥ 11,149,348	¥ 11,749,830	\$ 102,447	\$ 105,863

Non-Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. As of March 31, 2020 and 2019

Pursuant to Article 396-1 of the Companies Act, the material that the Shoko Chukin Bank makes public in accordance with Article 52-1 of the Shoko Chukin Bank Law has been audited by an audit and supervisory board member.

In addition, the Bank's financial statements — the balance sheets, statements of operations, and statements of changes in net assets — have been certified by an audit and supervisory board member pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act.

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
LIABILITIES				
Deposits	¥ 5,082,048	¥ 5,057,977	\$ 46,697	\$ 45,571
Current Deposits	490,927	525,729	4,510	4,736
Ordinary Deposits	1,273,425	1,127,315	11,701	10,156
Deposits at Notice	35,759	35,239	328	317
Time Deposits	3,195,222	3,288,142	29,359	29,625
Other Deposits	86,713	81,550	796	734
Negotiable Certificates of Deposit	273,818	284,360	2,516	2,562
Shoko Chukin Bank Debentures	3,990,150	4,238,310	36,664	38,186
Shoko Chukin Bank Debentures Issued	3,990,150	4,238,310	36,664	38,186
Payables under Securities Lending Transactions	336,938	593,243	3,096	5,345
Trading Liabilities	8,367	8,404	76	75
Trading-related Financial Derivatives	8,367	8,404	76	75
Borrowed Money	251,106	341,129	2,307	3,073
Borrowings	251,106	341,129	2,307	3,073
Foreign Exchange	30	30	0	0
Due to Foreign Banks	—	13	—	0
Foreign Exchange Bills Sold	22	2	0	0
Foreign Exchange Bills Payable	8	14	0	0
Other Liabilities	73,530	84,490	675	761
Corporate Taxes Payable	669	6,066	6	54
Accrued Expenses	5,890	5,696	54	51
Unearned Income	6,254	4,747	57	42
Deposits by Employees	4,091	3,988	37	35
Financial Derivatives	696	823	6	7
Cash Collateral Received for Financial Instruments	14,943	16,083	137	144
Asset Retirement Obligations	2,684	196	24	1
Debenture Principal Payable	106	5,679	0	51
Other Liabilities	38,192	41,209	350	371
Reserve for Bonuses	4,380	4,390	40	39
Reserve for Retirement Benefits	9,582	19,812	88	178
Reserve for Retirement Benefits for Directors	44	17	0	0
Reserve for Losses on Refund for Dormant Bonds	51,776	50,243	475	452
Reserve for Environmental Measures	116	144	1	1
Acceptances and Guarantees	110,779	104,966	1,017	945
Acceptances and Guarantees	109,681	103,730	1,007	934
Guarantees for Agency Loans	1,098	1,236	10	11
Total Liabilities	¥ 10,192,669	¥ 10,787,521	\$ 93,656	\$ 97,193
NET ASSETS				
Capital	218,653	218,653	2,009	1,970
Crisis Response Reserve	129,500	135,000	1,189	1,216
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,682	3,611
Capital Surplus	0	0	0	0
Other Capital Surplus	0	0	0	0
Retained Earnings	196,822	187,583	1,808	1,690
Earnings Reserve	23,310	22,411	214	201
Other Retained Earnings	173,511	165,171	1,594	1,488
Reserve for Advanced Depreciation of Noncurrent Assets	404	433	3	3
Reserve for Particular Purposes	49,570	49,570	455	446
Retained Earnings Brought Forward	123,536	115,167	1,135	1,037
Treasury Stock	(1,072)	(1,061)	(9)	(9)
Total Shareholders' Equity	944,714	940,986	8,680	8,478
Unrealized Gains on Other Securities	11,879	21,317	109	192
Deferred Hedge Gains	85	5	0	0
Total Valuation and Translation Adjustments	11,964	21,323	109	192
Total Net Assets	956,679	962,309	8,790	8,670
Total Liabilities and Net Assets	¥ 11,149,348	¥ 11,749,830	\$ 102,447	\$ 105,863

Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
Operating Income	¥ 119,021	¥ 146,437	\$ 1,093	\$ 1,319
Interest Income	95,032	101,929	873	918
Interest on Loans	87,250	92,450	801	832
Interest and Dividends on Securities	4,397	5,603	40	50
Interest on Call Loans	1,022	1,264	9	11
Interest on Deposits	1,218	1,247	11	11
Interest on Interest Swaps	28	21	0	0
Other Interest Income	1,114	1,342	10	12
Fees and Commissions	9,741	9,668	89	87
Domestic and Foreign Exchange Commissions	1,384	1,450	12	13
Other Fees and Commissions	8,356	8,218	76	74
Trading Revenue	3,871	2,948	35	26
Income from Securities and Derivatives Related to Trading Transactions	—	1	—	0
Revenue from Trading-related Financial Derivatives	3,871	2,946	35	26
Other Operating Income	3,424	1,479	31	13
Revenue from Foreign Exchange Trading	1,163	943	10	8
Revenue from Sales of Government and Other Bonds	2,261	536	20	4
Other Income	6,951	30,411	63	273
Collection of Written-off Claims	10	46	0	0
Revenue from Sales of Stocks and Other Securities	127	454	1	4
Other Income	6,813	29,910	62	269
Operating Expenses	98,440	115,645	904	1,041
Interest Expenses	6,355	7,277	58	65
Interest on Deposits	3,109	2,971	28	26
Interest on Negotiable Certificates of Deposit	1,014	1,080	9	9
Interest on Debentures	1,006	1,555	9	14
Interest on Call Money	(2)	(1)	(0)	(0)
Interest on Payables under Repurchase Agreements	0	—	0	—
Interest on Debenture Rental Transactions	44	57	0	0
Interest on Borrowed Money	1,145	1,574	10	14
Other Interest Expenses	37	38	0	0
Fees and Commissions	1,522	2,016	13	18
Domestic and Foreign Exchange Commissions	382	405	3	3
Other Fees and Commissions	1,139	1,611	10	14
Trading Expenses	31	9	0	0
Expenses on Trading Securities and Derivatives	—	9	—	0
Expenses on Securities and Derivatives Related to Trading Transactions	31	—	0	—
Other Operating Expenses	3,384	611	31	5
Losses on Sales of Government and Other Bonds	2,955	77	27	0
Amortization of Government and Other Bonds	130	143	1	1
Amortization of Debenture Issue Expenses	16	17	0	0
Expenses on Financial Derivatives	281	373	2	3
Other Operating Expenses	0	—	0	—
General and Administrative Expenses	74,983	77,715	688	700
Other Expenses	12,163	28,014	111	252
Provision for Possible Loan Losses	6,040	1,419	55	12
Write-off of Loans	86	349	0	3
Losses on Sales of Stocks and Other Securities	16	30	0	0
Write-off of Stocks	220	152	2	1
Other Expenses	5,800	26,062	53	234
Profit before Income Taxes and Other	20,581	30,791	189	277

Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2020 and 2019

	Millions of yen		Millions of U.S. dollars	
	2020	2019	2020	2019
Other Gains	—	686	—	6
Gains on Disposal of Fixed Assets	—	686	—	6
Other Losses	4,520	6,850	41	61
Losses on Disposal of Fixed Assets	19	89	0	0
Impairment Losses	4,501	6,760	41	60
Profit before Income Taxes	16,060	24,628	147	221
Provision for Income Taxes	2,265	11,342	20	102
Adjustment for Income Taxes	60	(1,200)	0	(10)
Total Income Taxes	2,325	10,142	21	91
Profit	¥ 13,735	¥ 14,485	\$ 126	\$ 130

PRINCIPAL SHAREHOLDERS
Common Stock

Shareholder Name	Number of Stocks Held (Thousand shares)	Percentage of Total Common Stock Issued and Outstanding (%)
The Minister of Finance	1,016,000	46.68
Chubu Automobile Insurance Cooperative for Truck Transport Companies	8,085	0.37
National Federation of Fire Insurance	7,000	0.32
Kantoh Automobile Insurance Cooperative for Truck Transport Companies	6,580	0.30
Koishia Co., Ltd.	6,087	0.27
BOT LEASE CO., LTD.	5,300	0.24
Tokyo Mokuzai Tonya Kyoudou Kumiai	5,000	0.22
Kyodokumiai Koyama Kyoiku Sangyo Group	4,823	0.22
OSAKA SEMBA FASHION CO-OPERATIVE ASSOCIATION	4,810	0.22
Hokuoh Shinyo Kumiai	4,662	0.21
Total	1,068,347	48.86

Notes: 1. As of March 31, 2020.

2. In addition to the principal shareholder information presented in the preceding chart, the Shoko Chukin Bank holds 10,258 thousand shares of treasury stock, representing 0.46% of total common stock issued and outstanding.

CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2020)
1. Total Risk-weighted Capital Ratio (4/7)	12.38
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.69
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.69
4. Total Capital	9,777
5. Tier 1 Capital	9,229
6. Common Equity Tier 1 Capital	9,229
7. Risk-weighted Assets	78,940
8. Total Required Capital	6,315

LEVERAGE RATIO (Uniform International Standards)

(%)

	(As of March 31, 2020)
Leverage Ratio	8.06

The Bank's Capital Ratio, etc.:

The Bank's capital ratio is calculated in accordance with the formula stipulated in "Standard for Assessment of Management Soundness under Announcement No. 2 of 2008 from the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry pursuant to Article 23, Paragraph 1 of the Shoko Chukin Bank Law." In addition to applying the uniform international standard, the Bank adopts the standard method for Credit Risk-weighted Assets calculation and the basic method for Operational Risk calculation. Market Risk is not calculated according to special provision for exclusion.

In addition, the Bank's leverage ratio, an indicator that supplements the capital ratio, is calculated in accordance with the formula stipulated in "Standard for Assessment of Soundness Concerning Leverage that is Stipulated as Indicator that Supplements Standard for Assessment of Management Soundness under Announcement No. 3 of 2019 from the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry pursuant to Article 23, Paragraph 1 of the Shoko Chukin Bank Law."

SUMMARY OF INCOME			(¥100 million)
Fiscal period ended	March 31, 2020	March 31, 2019	
Gross Operating Profit	1,007	1,061	
General and Administrative Expenses (Excluding Nonrecurring Items)	725	754	
Net operating profit	282	306	
Provision for the General Reserve for Possible Loan Losses	44	(73)	
Operating Profit	237	379	
Nonrecurring Loss (Including Nonrecurring Expenses)	(31)	(71)	
Income before Income Taxes and Other	205	307	
Other Gains and Losses	(45)	(61)	
Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax	22	113	
Adjustment of Income Taxes	0	(12)	
Net Income	137	144	

Note: Operating Profit is income generated by the Bank's primary businesses and is calculated using the following formula:

Operating Profit = Gross Operating Profit - (Provision for the General Reserve for Possible Loan Losses + General and Administrative Expenses (Excluding Nonrecurring Items))

Net operating profit = (Gross operating profit) - (General and administrative expenses (excluding nonrecurring items))

GROSS OPERATING PROFIT							(¥100 million, %)
Fiscal period ended	March 31, 2020			March 31, 2019			
	Domestic	International	Total	Domestic	International	Total	
Net Interest Income	858	28	886	914	32	946	
Fees and Commissions	75	7	82	69	6	76	
Trading Revenue	23	14	38	18	10	29	
Other Operating Income	(8)	9	0	2	5	8	
Gross Operating Profit	948	59	1,007	1,005	55	1,061	
Gross Operating Profit Ratio (%)	0.84	2.56	0.89	0.87	2.27	0.91	

Notes: 1. Domestic departments handle transactions in yen with Japanese residents through the domestic offices. International departments handle 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 offices and those operated through the New York branch.

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

Operating profit, etc.			(¥100 million)
	March 31, 2020	March 31, 2019	
Operating profit	237	379	
Net operating profit	282	306	
Core operating profit	290	303	
Core operating profit (excluding gains (losses) on cancellation of investment trusts)	290	303	

(Note) Core operating profit = (Gross operating profit) - (General and administrative expenses (excluding nonrecurring items)) - (Net gains (losses) related to bonds, including Japanese government bonds)

BALANCE OF LOANS

(¥100 million)

Fiscal period ended	March 31, 2020			March 31, 2019		
	Domestic	International	Total	Domestic	International	Total
Loans on Deeds	63,084	1,289	64,373	65,698	1,336	67,035
Loans on Notes	3,537	383	3,920	3,078	338	3,416
Overdraft	13,205	—	13,205	10,516	—	10,516
Bills Discounted	1,441	—	1,441	1,928	—	1,928
Total	81,268	1,672	82,941	81,222	1,674	82,897
Average Balance						
Loans on Deeds	63,755	1,281	65,036	68,102	1,331	69,433
Loans on Notes	3,197	349	3,546	2,849	328	3,177
Overdraft	11,656	—	11,656	9,273	—	9,273
Bills Discounted	1,454	—	1,454	1,604	—	1,604
Total	80,063	1,630	81,694	81,829	1,659	83,489

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

BREAKDOWN OF LOAN BALANCE BY INDUSTRY

(¥100 million, %)

	As of March 31, 2020	As of March 31, 2019
Manufacturing	27,004 (32.6)	27,199 (32.8)
Machinery and Metal Product Manufacturing	14,088 (17.0)	14,133 (17.0)
Agriculture and Forestry	313 (0.4)	304 (0.4)
Fisheries	48 (0.1)	50 (0.1)
Mining and Quarrying of Stone and Gravel	114 (0.1)	125 (0.2)
Construction	2,457 (3.0)	2,359 (2.9)
Electricity, Gas, Heat Supply and Water	255 (0.3)	262 (0.3)
Information and Communications, Transport and Postal Activities	10,944 (13.2)	11,035 (13.3)
Wholesale and Retail	25,342 (30.6)	25,719 (31.0)
Finance and Insurance	443 (0.5)	437 (0.5)
Real Estate and Goods Rental and Leasing	6,831 (8.2)	6,563 (7.9)
Various Services	8,616 (10.4)	8,273 (10.0)
Local Governments	2 (0.0)	2 (0.0)
Others	115 (0.1)	118 (0.1)
Overseas and Special International Financial Accounts	451 (0.5)	444 (0.5)
Total	82,941	82,897

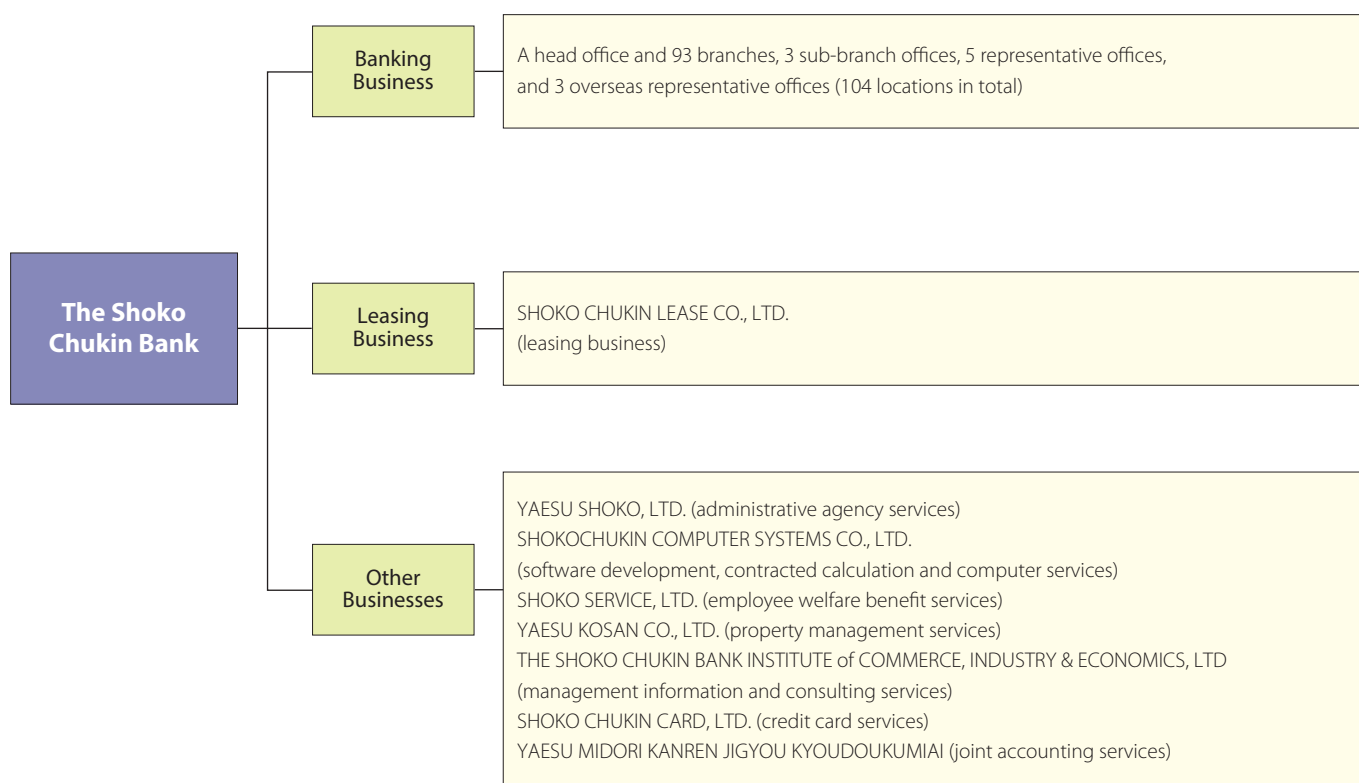
Note: The figures in parentheses represent percentages of the total.

PROBLEM LOANS		(¥100 million, %)	
		As of March 31, 2020	As of March 31, 2019
Loans to Bankrupt Companies	(A)	579	560
(Loans to Bankrupt Companies other than Loss Classification Loans)	(B)	(234)	(244)
Overdue Loans	(C)	2,545	2,839
(Overdue Loans other than Loss Classification Loans)	(D)	(2,131)	(2,365)
Loans Overdue for 3 Months or Longer	(E)	9	4
Rescheduled Loans	(F)	237	231
Total Problem Loans	(G) = (A) + (C) + (E) + (F)	3,371	3,635
Loss Classification Loans in Loans to Bankrupt Companies	(H)	345	316
Loss Classification Loans in Overdue Loans	(I)	413	473
Problem Loans other than Loss Classification Loans	(J) = (B) + (D) + (E) + (F)	2,612	2,846
Loans other than Loss Classification Loans	(K)	82,182	82,109
Percentage of Loans (%)	(J)/(K)	3.2	3.5

- Notes: 1. Loans to Bankrupt Companies are loans for which accrued interest is not shown in the accounts* based on the assumption that principal or interest is likely to be unrecoverable (because interest or principal payments have been long overdue or for other reasons), 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).
2. Overdue Loans are loans of which accrued interest is not shown in the accounts, excluding loans to bankrupt companies and loans of which the rescheduling of interest payments have been granted to support the financial restructuring of the borrowers.
3. Loans Overdue for 3 Months or Longer are defined as loans on which principal or interest payments are overdue by 3 months or longer reckoning from the payment date stipulated in the contract. The loans that are classified as loans to bankrupt companies and overdue loans are excluded.
4. Rescheduled Loans are loans other than in Loans to Bankrupt Companies, Overdue Loans or Loans Overdue for 3 Months or Longer for which the terms have been eased to support the financial restructuring of the borrower through measures agreed in favor of the borrower, such as reduction of interests payments, postponement of interest or principal repayments and abandonment of claims.
5. Loss Classification Loans are those that are classified as unrecoverable based on our self-assessment of assets. The full amount of these loans is included in the Reserve for Possible Loan Losses.
6. Problem loans other than loss classification loans equal the amount of problem loans minus the amount of the loans defined in Note 5. (The amount of loss classification loans deducted from problem loan balances at the end of March 2019 was ¥78.9 billion out of the provision for possible loan losses of ¥150.2 billion and at the end of March 2020 was ¥75.8 billion out of the provision for possible loan losses of ¥133.3 billion.)
- * Loans for which accrued interest is not shown in the accounts: loans to bankrupt companies for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off.)

Business Activities

The Shoko Chukin Bank Group is comprised of the Shoko Chukin Bank and 8 subsidiary companies. In addition to its mainstay banking operations, the Group collectively provides a wide range of leasing and other financial services. A diagrammatic chart of the Shoko Chukin Bank Group's principal activities is presented as follows (As of March 31, 2020).



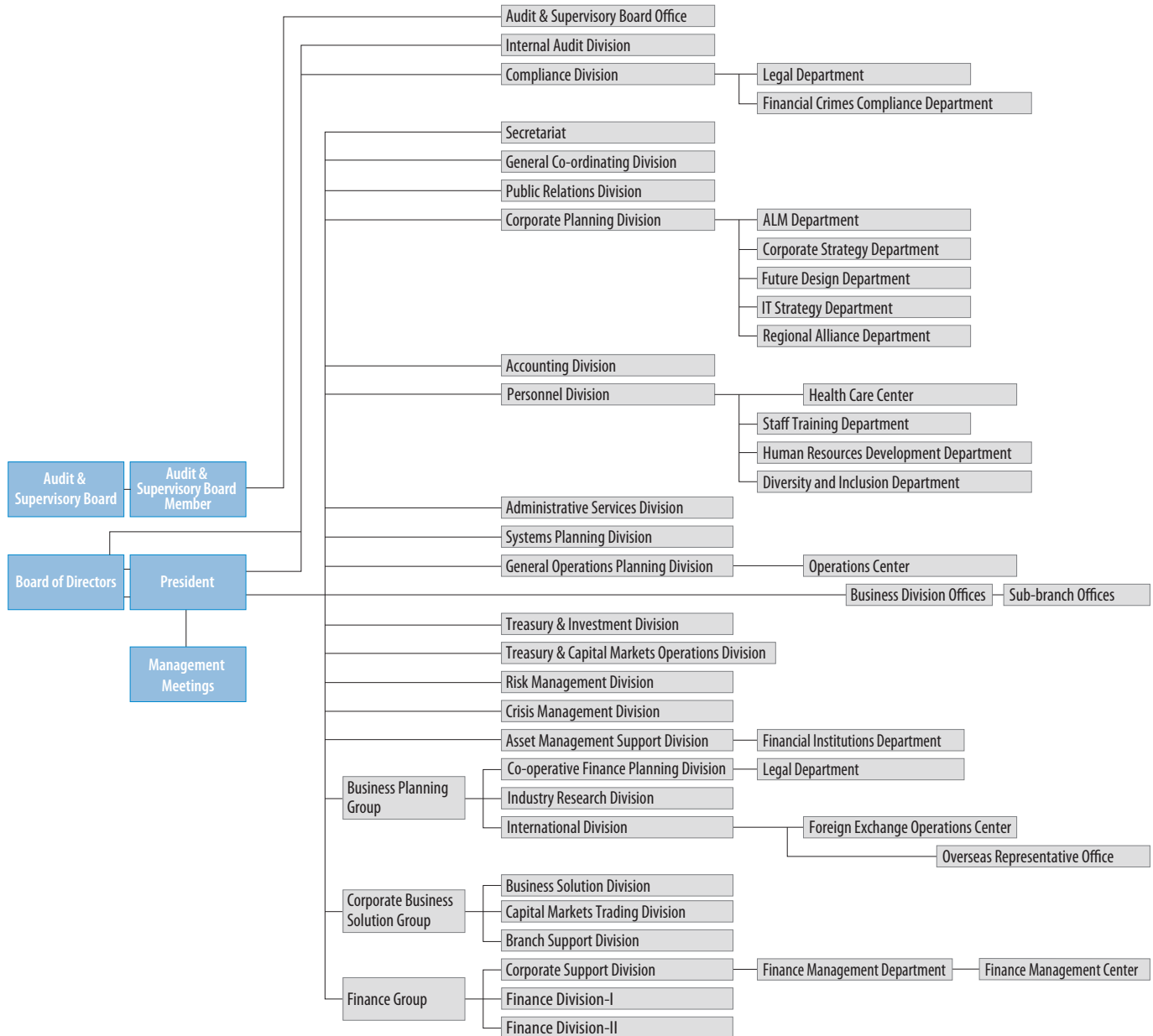
Subsidiaries

Subsidiaries (As of March 31, 2020)

Company Name	Address	Principal Business Activities	Date of Establishment	Paid-in Capital or Capital Subscription (Millions of Yen)	Percentage of Voting Rights Held by the Bank (%)	Percentage of Voting Rights Held by the Group (%)
YAESU SHOKO, LTD.	2-12-18 Shiba-Daimon, Minato-ku, Tokyo	Administrative agency services	Sep. 8, 1962	90	100.00	—
SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD.	2-10-1 Misumicho, Higashi Murayama-shi, Tokyo	Software development, contracted calculation and computer services	Dec. 14, 1973	70	—	100.00
SHOKO SERVICE, LTD.	3-3-2 Kyobashi, Chuo-ku, Tokyo	Employee welfare benefit services	Nov. 25, 1982	32	62.50	37.50
YAESU KOSAN CO., LTD.	2-12-18 Shiba-Daimon, Minato-ku, Tokyo	Property management services	Jun. 22, 1972	35	100.00	—
THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD	2-12-18 Shiba-Daimon, Minato-ku, Tokyo	Management information and consulting services	Dec. 10, 1974	80	23.08	76.92
SHOKO CHUKIN LEASE CO., LTD.	1-10-12 Ueno, Taito-ku, Tokyo	Leasing business	Oct. 8, 1982	1,000	100.00	—
SHOKO CHUKIN CARD CO., LTD.	2-12-18 Shiba-Daimon, Minato-ku, Tokyo	Credit card services	Jan. 22, 1991	70	100.00	—
YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI	2-12-18 Shiba-Daimon, Minato-ku, Tokyo	Joint accounting services	Jun. 11, 1982	10	—	100.00

>>> Organization

Organization Chart



(As of April 1, 2020)

》》》 Directors and Audit and Supervisory Board Members

(As of June 23, 2020)

Directors

President (Representative Director) & President and Executive Officer	Masahiro Sekine	Overall execution of business, Internal Audit Division, Compliance Division, Branch and Operational Reform Promotion PT
Director & Senior Managing Executive Officer	Katsuhiko Kaji	Corporate Planning Division
Director & Managing Executive Officer	Ichiro Kawano	Accounting Division, Treasury & Capital Markets Operations Division, Crisis Management Division
Director	Hideto Tago	
Director	Shigeharu Nakamura	
Director	Junko Okawa	
Director	Kazutaka Okubo	

Note: Hideto Tago, Shigeharu Nakamura, Junko Okawa and Kazutaka Okubo are external directors as stipulated under Article 2, Paragraph 15 of the Company Law.

Audit and Supervisory Board Members

Audit & Supervisory Board Member (Full-time)	Taiichiro Okamoto	
Audit & Supervisory Board Member (Full-time)	Fujio Okada	
Audit & Supervisory Board Member	Kazumine Terawaki	
Audit & Supervisory Board Member	Hiroko Kaneko	

Notes: Fujio Okada, Kazumine Terawaki and Hiroko Kaneko are external Audit & Supervisory Board Members as stipulated under Article 2, Paragraph 16 of the Company Law.

Deputy President, Senior Managing Executive Officer, Managing Executive Officer

Deputy President and Executive Officer	Koushirou Umeda	Secretariat, General Co-ordinating Division, Personnel Division, Administrative Services Division
Senior Managing Executive Officer	Hajimu Nakatani	Dedicated District Manager Resident Officer in Osaka
Managing Executive Officer	Tetsuya Onogi	Finance Group (Corporate Support Division, Finance Division-I, Finance Division-II)
Managing Executive Officer	Tsuyoshi Aoki	Corporate Business Solution Group (Business Solution Division, Capital Markets Trading Division, Branch Support Division)
Managing Executive Officer	Minoru Mabune	Systems Planning Division, General Operations Planning Division, Treasury & Investment Division, Asset Management Support Division
Managing Executive Officer	Katsuya Motohata	Public Relations Division, Risk Management Division
Managing Executive Officer	Masato Hane	Dedicated District Manager
Managing Executive Officer	Hideyuki Makino	Business Planning Group (Co-operative Finance Planning Division, Industry Research Division, International Division)

Executive Officers

Executive Officer	Shuichi Kurosawa	General Manager of Internal Audit Division
Executive Officer	Hideki Kawasaki	General Manager of Osaka Office, Umeda Office and Minoo Senba Office
Executive Officer	Atsushi Ishio	General Manager of Systems Planning Division
Executive Officer	Takeo Ogawa	General Manager of Branch Support Division
Executive Officer	Yoichi Nakamura	General Manager of General Operations Planning Division
Executive Officer	Futoshi Hagio	General Manager of Corporate Support Division
Executive Officer	Takehiko Nokami	General Manager of Nagoya Office and Atsuta Office
Executive Officer	Manabu Abe	General Manager of Tokyo Office
Executive Officer	Shinichiro Morino	
Executive Officer	Shigetada Iwashita	General Manager of Business Division and General Manager of Kanda Office
Executive Officer	Masami Kidoguchi	General Manager of Business Solution Division
Executive Officer	Kazuya Sato	General Manager of General Co-ordinating Division
Executive Officer	Hiroyuki Nakashio	General Manager of Personnel Division and Administrative Services Division
Executive Officer	Shinya Yamada	General Manager of Corporate Planning Division

»»» Stock Information

- **Number of Authorized Shares**
(As of March 31, 2020)
Common stock 4,000,000,000 shares
Crisis response reserve stock 10 shares
- **Number of Issued and Outstanding Shares**
(As of March 31, 2020)
Common stock 2,186,531,448 shares
- **End of Each Accounting Term**
March 31
- **Record Dates**
Ordinary General Meeting of Shareholders
March 31
Date for Determining Shareholders of Record for the Distribution of Accounting Term-End Dividends
March 31
Record dates for other matters shall be determined individually and publicly announced in advance when required
- **Period during which the Ordinary General Meeting of Shareholders Shall Be Held**
Late June
- **Number of Shares per Trading Unit**
Common stock 1,000 shares
Crisis response reserve stock 1 share
- **Method of Public Notifications**
Public notifications are made by electronic means. In the event that notifications cannot

be made by electronic means due to unavoidable circumstances and reasons, notifications shall be published in the *Nihon Keizai Shimbun*.

»»» Matters Relating to the Administration of Shares

- **Administrator of the Shareholder Register**
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
- **Handling Office**
Mitsubishi UFJ Trust and Banking Corporation
Securities Agency Division
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
- **Contact**
Mitsubishi UFJ Trust and Banking Corporation
Securities Agency Division
Tel: 0120-232-711 (Toll free)
9:00 to 17:00 Tokyo local time (Excluding Saturdays, Sundays and public holidays)
- **Mailing Address**
Mitsubishi UFJ Trust and Banking Corporation
Securities Agency Division
Shin-Tokyo Post Office Box No. 29
137-8081
- **Agencies**
All Mitsubishi UFJ Trust and Banking Corporation branches nationwide

»»» Shareholder Eligibility

- Under the Shoko Chukin Bank Limited Act, the primary mission of the Shoko Chukin Bank is to serve as a stable source of finance to small and medium-sized enterprises. As a government-affiliated financial institution, the Bank's shareholders are defined and stipulated under Article 6 of the aforementioned Shoko Chukin Bank Limited Act. In addition to the government, other joint subscribers to the Bank's capital include SME cooperatives and their SME shareholder members.
- While it is the responsibility of the head office and domestic branches of Mitsubishi UFJ Trust and Banking Corporation to receive and process requests for the registration and transfer of the Bank's shares, please be advised that said requests may be denied subject to the screening of shareholder eligibility.

»»» Message to all SME Cooperatives

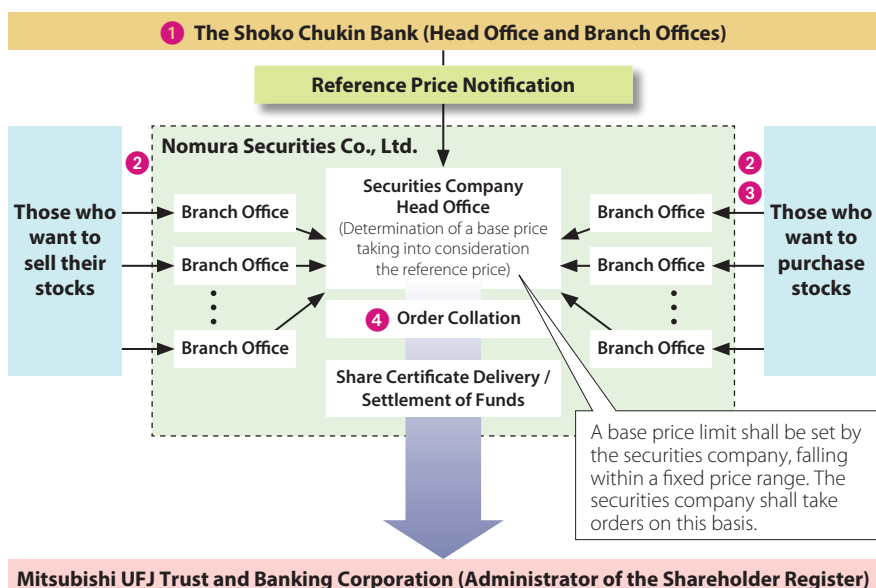
- When a cooperative member applies for loans at the Shoko Chukin Bank, certificate of membership of the cooperative is required. We ask for your understanding on this matter.

»»» The Purchase and Sale of Shares

Shares of the Shoko Chukin Bank can be purchased and sold utilizing the following methods.

- (1) Negotiated purchase and sale
Negotiated purchase and sales with other SME cooperatives or their SME shareholder members
- (2) Securities company over-the-counter share purchase and sale
The head office and domestic branches of Nomura Securities Co., Ltd. shall receive and process over-the-counter purchase and sale orders with respect to the Bank's shares. Over-the-counter purchases and sales shall be affected by collating the aforementioned orders.

▼ The mechanism and structure for securities company over-the-counter purchase and sale of the Bank's shares



1 Notification of Share Purchase and Sale Mechanism

- The Shoko Chukin Bank shall notify SME cooperatives and their SME shareholder members of the mechanism relating to the acquisition of shares. Advice shall also be provided with regard to such cautionary items as restrictions on the eligibility of shareholders.

2 The Taking of Orders

- Orders for the purchase and sale of shares shall be accepted at the head office and domestic branches of Nomura Securities Co., Ltd. (Postal applications also accepted).
- With regard to the order price, a base price limit shall be set to fall within a fixed price range.
Note: Nomura Securities Co., Ltd. shall determine the base price taking into consideration the reference price set by the Shoko Chukin Bank based on the opinions of specialists.
- Nomura Securities Co., Ltd. shall provide details of the base price and recent transaction prices.
- Eligibility with regard to share acquisition orders shall be restricted to SME cooperatives and their SME shareholder members, who are in turn shareholders of the Shoko Chukin Bank.

3 Certification of Shareholder Eligibility

- In placing an order to acquire shares, the intended purchaser shall submit to Nomura Securities Co., Ltd. a "Certificate of Shareholder Eligibility," designated by the Shoko Chukin Bank, together with supporting documentation (Certificate of Registration in the case of an SME cooperative; Certificate of Registration as an SME member and a copy of the Members' Register in the case of an SME shareholder member). Submission of the aforementioned documentation is in principle not required in the case of intended purchasers whose details are already recorded in the shareholders' register.

4 Order Collation

- The collation of sale and purchase orders shall be undertaken on the 15th day of each month (in the event the 15th is not a business day, collation shall be undertaken on the next business day). The closing date for sale orders shall be 14 business days prior to the collation date and five business days prior to the collation date for purchase orders.
- Both a price and time priority (Note) shall be determined. However, for order collation from February 2020 onward, we have followed the stock exchange system, and adopted the "stop allocation method" if the price reaches the upper or lower limit of the range.
Note: Purchase orders with a higher price shall have priority. Sale orders with a lower price shall have priority. Orders with the same price shall be prioritized in the order in which they are received.
- Stock trading commission rates shall be equivalent to the rates applied by Nomura Securities Co., Ltd. with respect to the purchase and sale of publicly listed shares.

History

June	1936	The Shoko Chukin Bank Act enforced
November	1936	Inaugural general meeting held; Toyotaro Yuki, President of the Industrial Bank of Japan, Limited appointed as the Bank's first president
December	1936	Registration of establishment completed; Operations commenced; Network established comprising head office in Marunouchi, Kojimachi-ku, Tokyo and six branches including an office in Sapporo
March	1937	First series interest-bearing debentures issued
July	1940	First series discount debentures issued
August	1952	Establishment of a nationwide branch network encompassing every prefecture in Japan completed
December	1962	Construction of a new head office in Yaesu, Chuo-ku, Tokyo completed
May	1973	Foreign currency loan operations commenced
June	1985	The Shoko Chukin Bank Limited Act revised (perpetuation of the Bank by abolishing the initial 50-year term of existence)
August	1985	New York Representative Office established
February	1988	All-Japan Youth Kai launched
November	1990	Hong Kong Representative Office established
January	1995	The Great Hanshin Awaji Earthquake Task Force established
September	2003	Sales of certificates including discount bonds ended
March	2005	Shanghai Representative Office established
February	2006	New time deposit (currently "my harvest") operations commenced
June	2006	The Administrative Reform Promotion Law (The Law Concerning the Promotion of Administrative Reform for the Purpose of Realizing Small and Efficient Government) enforced, calling for the complete privatization of the Shoko Chukin Bank over a period of approximately five to seven years commencing October 2008
February	2007	Individual annuity and personal pension insurance operations commenced at certain branches
April	2007	Testamentary trust and estate liquidation operations commenced at certain branches
May	2007	The Shoko Chukin Bank Limited Act approved, stipulating the position, role and scope of operations of the Shoko Chukin Bank after commencing its transition to a new structure in October 2008 (company pursuant to a special act)
May	2008	Investment trust operations commenced at certain branches
October	2008	The Shoko Chukin Bank Limited Act enforced (transition from a jointly owned financial institution to a joint-stock company)
October	2008	YAESU SHOKO, LTD., SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD., SHOKO SERVICE, LTD., YAESU KOSAN CO., LTD., JAPAN INSTITUTE OF COMMERCE, INDUSTRY AND ECONOMIC, LTD. (currently THE SHOKO CHUKIN BANK INSTITUTE OF COMMERCE, INDUSTRY & ECONOMICS, LTD.), JAPAN SHOKO LEASE CO., LTD (currently SHOKO CHUKIN LEASE CO., LTD.), and SHOCHU CARD CO., LTD. (currently SHOKO CHUKIN CARD CO., LTD.) converted to consolidated subsidiaries
October	2008	The Shoko Chukin Bank designated under the law as a government-appointed financial institution charged with the responsibility of undertaking special responses should a crisis occur
June	2009	The Shoko Chukin Bank Limited Act revised (newly established provision for the additional government funding, while postponing the starting point for complete-privatization deadline by three years and a half)
July	2009	The Shoko Chukin Bank posted ¥150.0 billion for crisis response reserve
March	2011	Tohoku Pacific Earthquake Task Force (name changed to Great East Japan Earthquake Task Force on May 13, 2011) established
May	2011	The Shoko Chukin Bank Limited Act revised (postponement of starting point for complete-privatization deadline by three years)
September	2012	Bangkok Representative Office established
November	2012	Revitalization Support Program established
December	2012	Issuance of new Warisho, Rissho and Rissho Wide ended
May	2015	The Shoko Chukin Bank Limited Act revised (the government will, for the time being, hold the shares as necessary to ensure adequate implementation of crisis response measures while maintaining the policy for complete privatization)
December	2016	Crisis Response Measures Management Department was newly established in the Co-operative Finance Planning Division
December	2016	The Crisis Response Measures Management Department was newly established in the Co-operative Finance Planning Division (Reorganized as the Crisis Management Division in October 2017, as an independent organization at Headquarters)
October	2017	Reorganized the Compliance Department into the Compliance Division as an independent organization at Headquarters
June	2018	Restructured organizations at Headquarters (Established the Corporate Business Solution Group, Finance Group, and Business Planning Group as the Management Group. Established the Audit & Supervisory Department. Established the Corporate Strategy Department, IT Strategy Department, and Regional Cooperation Department in the Corporate Planning Division, etc.).
June	2018	Introduced mandated executive officer system
April	2019	Diversity and Inclusion Department was newly established in the Personnel Division
April	2020	Risk Management Division established. Financial Crimes Compliance Department established in the Compliance Division. Future Design Department established in the Corporate Planning Division.

>>> The Shoko Chukin Bank Network

Head Office			(As of June 30, 2019)		
Head Office	2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028, Japan	+81-3-3272-6111	Kofu Office	2-2-1, Marunouchi, Kofu-shi, Yamanashi 400-0031, Japan	+81-55-233-1161
Hokkaido			(Moved to the above address on February 17, 2020)		
Sapporo Office	3-1-20, Kita-2jonishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0002, Japan	+81-11-241-7231	Nagano Office	1483-11, Nishitsuruga-machi, Nagano-shi, Nagano 380-0814, Japan	+81-26-234-0145
Hakodate Office	33-1, Goryokaku-cho, Hakodate-shi, Hokkaido 040-0001, Japan	+81-138-35-5022	Suwa Office	1-14-6, Ote, Suwa-shi, Nagano 392-0026, Japan	+81-266-52-6600
Obihiro Office	9-23, Nishi-3jominami, Obihiro-shi, Hokkaido 080-0013, Japan	+81-155-23-3185	Matsumoto Office	2-1-27, Chuo, Matsumoto-shi, Nagano 390-0811, Japan	+81-263-35-6211
Kushiro Representative Office	1-1-1, Omachi, Kushiro-shi, Hokkaido 085-0847, Japan	+81-154-42-0671	Tokai		
Asahikawa Office	9-1703-81, Sjodori, Asahikawa-shi, Hokkaido 070-0035, Japan	+81-166-26-2181	Gifu Office	9-16, Wakamiya-cho, Gifu-shi, Gifu 500-8828, Japan	+81-58-263-9191
Tohoku			Takayama Representative Office	5-1, Tenman-machi, Takayama-shi, Gifu 506-0025, Japan	+81-577-32-3353
Aomori Office	2-1-7, Nagashima, Aomori-shi, Aomori 030-0861, Japan	+81-17-734-5411	Shizuoka Office	6-3, Oute-machi, Aoi-ku, Shizuoka-shi, Shizuoka 420-0853, Japan	+81-54-254-4131
Hachinohe Office	40-2, Youka-machi, Hachinohe-shi, Aomori 031-0086, Japan	+81-178-45-8811	Hamamatsu Office	133-1, Tokiwa-cho, Naka-ku, Hamamatsu-shi, Shizuoka 430-0917, Japan	+81-53-454-1521
[Will move to the below address on August 24, 2020. There is no change in the phone number]			Numazu Office	6-5, Yoneyama-cho, Numazu-shi, Shizuoka 410-0046, Japan	+81-55-920-5000
Morioka Office	3-4-6, Chuodori, Morioka-shi, Iwate 020-0021, Japan	+81-19-622-4185	Atsuta Office	(Inside the Nagoya Office) 3-23-18, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-52-951-7581
Sendai Office	2-10-30, Chuo, Aoba-ku, Sendai-shi, Miyagi 980-0021, Japan	+81-22-225-7411	(Consolidated and moved to the above address on May 18, 2020)		
Akita Office	2-4-19, Nakadori, Akita-shi, Akita 010-0001, Japan	+81-18-833-8531	Nagoya Office	3-23-18, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-52-951-7581
Yamagata Office	2-1, Saiwai-cho, Yamagata-shi, Yamagata 990-0038, Japan	+81-23-632-2111	Toyohashi Office	3-71-2, Matsuba-cho, Toyohashi-shi, Aichi 440-0897, Japan	+81-532-52-0221
Sakata Office	2-6-22, Naka-machi, Sakata-shi, Yamagata 998-0044, Japan	+81-234-24-3922	Tsu Office	4-254-1, Sakae-machi, Tsu-shi, Mie 514-0004, Japan	+81-59-228-4155
Fukushima Office	11-5, Mikawakita-machi, Fukushima-shi, Fukushima 960-8054, Japan	+81-24-526-1201	Yokkaichi Office	1-3-20, Unomori, Yokkaichi-shi, Mie 510-0074, Japan	+81-59-351-4871
Aizuwakamatsu Representative Office	6-5, Minamisengoku-machi, Aizuwakamatsu-shi, Fukushima 965-0816, Japan	+81-242-26-2617	Hokuriku		
Kanto-Koshinetsu			Toyama Office	6-11, Sakurabashidori, Toyama-shi, Toyama 930-0004, Japan	+81-76-444-5121
Mito Office	3-5-7, Minami-machi, Mito-shi, Ibaraki 310-0021, Japan	+81-29-225-5151	Takaoka Office	2-6, Marunouchi, Takaoka-shi, Toyama 933-0912, Japan	+81-766-25-5431
Utsunomiya Office	1-1-15, Nishi, Utsunomiya-shi, Tochigi 320-0861, Japan	+81-28-633-8191	Kanazawa Office	3-1-25, Honda-machi, Kanazawa-shi, Ishikawa 920-0964, Japan	+81-76-221-6141
Ashikaga Office	2-2751, Tori, Ashikaga-shi, Tochigi 326-0814, Japan	+81-284-21-7131	Fukui Office	3-14-9, Ote, Fukui-shi, Fukui 910-0005, Japan	+81-776-23-2090
Maebashi Office	1-1-11, Hon-machi, Maebashi-shi, Gunma 371-0023, Japan	+81-27-224-8151	Kinki		
Saitama Office	4-25-13, Kishi-cho, Urawa-ku, Saitama-shi, Saitama 330-0064, Japan	+81-48-822-5151	Otsu Office	1-2-22, Hamaotsu, Otsu-shi, Shiga 520-0047, Japan	+81-77-522-6791
Kumagaya Office	2-95, Hon-cho, Kumagaya-shi, Saitama 360-0042, Japan	+81-48-525-3751	Hikone Office	9-3, Asahi-machi, Hikone-shi, Shiga 522-0073, Japan	+81-749-24-3831
Chiba Office	3-13, Shin-machi, Chuo-ku, Chiba-shi, Chiba 260-0028, Japan	+81-43-248-2345	Kyoto Office	159-1, Ayanokoji Dori Karasuma Nishi-iru Dojisha-cho, Shimogyo-ku, Kyoto-shi, Kyoto 600-8421, Japan	+81-75-361-1120
Matsudo Office	1846-2, Matsudo, Matsudo-shi, Chiba 271-0092, Japan	+81-47-365-4111	Osaka Office	1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
Hachioji Office	2-5, Yokoyama-cho, Hachioji-shi, Tokyo 192-0081, Japan	+81-42-646-3131	Sakai Office	2-1-2, Ryujinbashi-cho, Sakai-ku, Sakai-shi, Osaka 590-0972, Japan	+81-72-232-9441
Ueno Office	1-10-12, Ueno, Taito-ku, Tokyo 110-0005, Japan	+81-3-3834-0111	Umeda Office	(Inside the Osaka Office) 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
Omori Office	1-1-10, Omori-Kita, Ota-ku, Tokyo 143-0016, Japan	+81-3-3763-1251	(Consolidated and moved to the above address on May 7, 2020)		
Keihinjima Sub-branch	2-10-2, Keihinjima, Ota-ku, Tokyo 143-0003, Japan	+81-3-3799-0331	Senba Office	1-18-17, Minamisenba, Chuo-ku, Osaka-shi, Osaka 542-0081, Japan	+81-6-6261-8431
Oshiage Office	3-10-8, Narihira, Sumida-ku, Tokyo 130-0002, Japan	+81-3-3624-1161	Minoo Senba Office	(Inside the Osaka Office) 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
Urayasu Sub-branch	2-1-6 Tekkadori, Urayasu-shi, Chiba 279-0025, Japan	+81-47-355-8011	(Consolidated and moved to the above address on May 7, 2020)		
Shinjuku Office	1-22-2, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan	+81-3-3340-1551	Senba Office	2-5-55, Senbahigashi, Minoo-shi, Osaka 562-0035, Japan	+81-72-729-9181
[Will be consolidated and move to the below address from July 20, 2020 (Inside the Fukutoshin Business Division) 6-11-3, Nishishinjuku, Shinjuku-ku, Tokyo]			(*Deposits and other counter operations consolidated with the Osaka Office, operated as a new Minoo Senba Office)		
Fukagawa Office	5-11-17, Kiba, Koto-ku, Tokyo 135-0042, Japan	+81-3-3642-7131	Higashiosaka Office	2-1-32, Nagatanaka, Higashiosaka-shi, Osaka 577-0013, Japan	+81-6-6746-1221
Tokyo Office	2-12-18, Shibadaimon, Minato-ku, Tokyo 105-0012, Japan	+81-3-3437-1231	Kobe Office	111, Ito-machi, Chuo-ku, Kobe-shi, Hyogo 650-0032, Japan	+81-78-391-7541
Ikebukuro Office	1-21-10, Minamiikebukuro, Toshima-ku, Tokyo 171-0022, Japan	+81-3-3988-6311	Himeji Office	111, Soushahon-machi, Himeji-shi, Hyogo 670-0015, Japan	+81-79-223-8431
Shibuya Office	2-17-5, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan	+81-3-3486-6511	Amagasaki Office	5-19-8, Higashinaniwa-cho, Amagasaki-shi, Hyogo 660-0892, Japan	+81-6-6481-7501
[Will be consolidated and move to the below address from July 20, 2020 (Inside the Fukutoshin Business Division) 6-11-3, Nishishinjuku, Shinjuku-ku, Tokyo]			Nara Office	8-1, Hayashikoji-cho, Nara-shi, Nara 630-8227, Japan	+81-742-26-1221
Kanda Office	(Inside the Head Office Business Division) 2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028, Japan	+81-3-3272-6111	Wakayama Office	2-1, Juban-cho, Wakayama-shi, Wakayama 640-8152, Japan	+81-73-432-1281
(Consolidated and moved to the above address on February 25, 2020)			Chugoku		
Shinkiba Office	1-18-6, Shinkiba, Koto-ku, Tokyo 136-0082, Japan	+81-3-5569-1711	Tottori Office	2-218, Katahara, Tottori-shi, Tottori 680-0023, Japan	+81-857-22-3171
Yokohama Office	4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952	Yonago Office	168, Higashi-cho, Yonago-shi, Tottori 683-0067, Japan	+81-859-34-2711
Kawasaki Office	26-4, Ekimaehon-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0007, Japan	+81-44-244-1101	Matsue Office	210, Tono-machi, Matsue-shi, Shimane 690-0887, Japan	+81-852-23-3131
Yokohama-Nishiguchi Office	1-11-1, Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa 220-0004, Japan	+81-45-314-3211	Hamada Representative Office	2886, Takezako-cho, Hamada-shi, Shimane 697-0015, Japan	+81-855-23-3033
Sagamihara Representative Office	4-3-14, Sagamiyama, Chuo-ku, Sagamiyama-shi, Kanagawa 252-0231, Japan	+81-42-786-6230	Okayama Office	4-1, Banzan-cho, Kita-ku, Okayama-shi, Okayama 700-0818, Japan	+81-86-225-1131
Niigata Office	2-4-4, Higashiodori, Chuo-ku, Niigata-shi, Niigata 950-0087, Japan	+81-25-255-5111	Hiroshima Office	2-1-2, Ote-machi, Naka-ku, Hiroshima-shi, Hiroshima 730-0051, Japan	+81-82-248-1151
Nagaoka Office	1-2-10, Jonai-cho, Nagaoka-shi, Niigata 940-0061, Japan	+81-258-35-2121	Fukuyama Office	1-1-30, Konan-cho, Fukuyama-shi, Hiroshima 720-0814, Japan	+81-84-922-6830
			Hiroshima Seibu Office	1-14-1, Shoko Center, Nishi-ku, Hiroshima-shi, Hiroshima 733-0833, Japan	+81-82-277-5421
			Shimonoseki Office	1-1-13, Hosoe-cho, Shimonoseki-shi, Yamaguchi 750-0016, Japan	+81-83-223-1151
			Tokuyama Office	1-10, Miyukidori, Shunan-shi, Yamaguchi 745-0034, Japan	+81-834-21-4141

Shikoku

● Tokushima Office	2-30, Nishisenba-cho, Tokushima-shi, Tokushima 770-0901, Japan	+81-88-623-0101
● Takamatsu Office	1-3-8, Kawara-machi, Takamatsu-shi, Kagawa 760-0052, Japan	+81-87-821-6145
● Matsuyama Office	3-3-8, Chifune-machi, Matsuyama-shi, Ehime 790-0001, Japan	+81-89-921-9151
● Kouchi Office	4-2-46, Hon-machi, Kouchi-shi, Kouchi 780-0870, Japan	+81-88-822-4481

Kyushu/Okinawa

● Fukuoka Office	1-13-21, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka 810-0001, Japan	+81-92-712-6551
■ Fukuoka Distribution Center Sub-branch	1-7-1, Tanotsu, Higashi-ku, Fukuoka-shi, Fukuoka 813-0034, Japan	+81-92-712-6551

[* Over-the-counter operation was integrated into the Fukuoka Office, and this sub-branch operates the ATMs only.]

● Kitakyushu Office	2-1-2, Kome-machi, Kokurakita-ku, Kitakyushu-shi, Fukuoka 802-0003, Japan	+81-93-533-9567
● Kurume Office	42-21, Higashi-machi, Kurume-shi, Fukuoka 830-0032, Japan	+81-942-35-3381
● Saga Office	1-6-23, Ekimaechuo, Saga-shi, Saga 840-0801, Japan	+81-952-23-8121
● Nagasaki Office	2-13, Doza-machi, Nagasaki-shi, Nagasaki 850-0841, Japan	+81-95-823-6241
● Sasebo Office	4-21, Tokiwa-cho, Sasebo-shi, Nagasaki 857-0053, Japan	+81-956-23-8141
● Kumamoto Office	2-23, Joto-machi, Chuo-ku, Kumamoto-shi, Kumamoto 860-0846, Japan	+81-96-352-6184
● Oita Office	2-1-6, Miyako-machi, Oita-shi, Oita 870-0034, Japan	+81-97-534-4157
● Miyazaki Office	1-10, Nishikimachi, Miyazaki-shi, Miyazaki 880-0811, Japan	+81-985-24-1711
● Kagoshima Office	17-24, Nishisengoku-cho, Kagoshima-shi, Kagoshima 892-0847, Japan	+81-99-223-4101
● Naha Office	2-22-10, Kumoiji, Naha-shi, Okinawa 900-0015, Japan	+81-98-866-0196

Overseas

● New York Branch	527 Madison Avenue, 17th Floor, New York, N.Y. 10022 U.S.A.	+1-212-581-2800
◆ Hong Kong Representative Office	Suite 804, 8/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	+852-2524-5111
◆ Shanghai Representative Office	Room 1706, Shanghai International Trade Center, 2201 Yan-An Xi Road, Shanghai, China	+86-21-6275-3860
◆ Bangkok Representative Office	Unit 6, 10th Floor CRC Tower, All Seasons Place, 87/2 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	+66-2-654-0588

Others

■ Tokyo Loan Advisory Center Ikebukuro Branch Office	(Inside the Ikebukuro Office) 1-21-10, Minamiikebukuro, Toshima-ku, Tokyo 171-0022, Japan	0120-542-711
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(* Loan Advisory Centers have been established at the Head Office Business Division, Ikebukuro Office, and Osaka Office in order to provide quick responses to financial consultations related to Covid-19.)

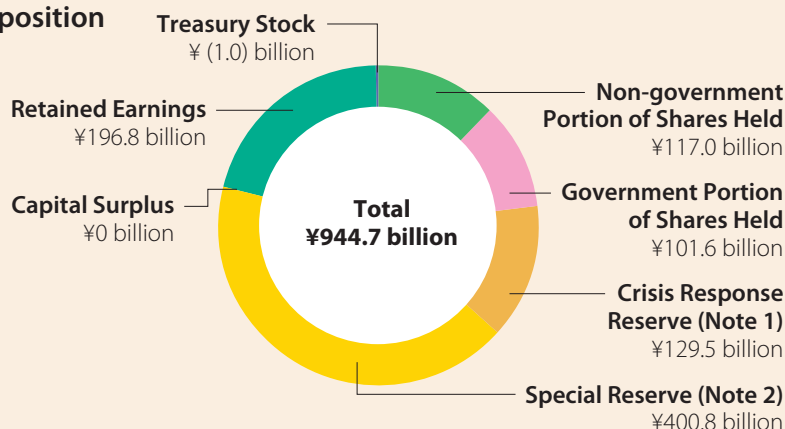
- Head Office and Branch Offices 93 (including 1 overseas branch office)
 - Sub-branch Offices 3 ▲ Representative Offices 5
 - ◆ Overseas Representative Offices 3
- Total 104 (including 4 overseas offices)

Outline of the Bank

(As of March 31, 2020)

- ▶ **Company Name** The Shoko Chukin Bank, Ltd.
(Transition toward privatization commenced on October 1, 2008)
- ▶ **Establishment Date** October 8, 1936
- ▶ **Objective** Objective of the Shoko Chukin Bank, Ltd. is to conduct businesses necessary to facilitate financing for SME cooperatives, other organizations that primarily consist of SMEs and their members, while ensuring the Bank's autonomy in management toward its goal of complete privatization.
- ▶ **Commencement of Operations** December 10, 1936
- ▶ **Capital** ¥218.6 billion (including ¥101.6 billion government subscription)

▶ Capital Composition



Notes: 1. A Tier 1 Capital (common stock etc.) reserve for crisis response has been created to ensure financial basis which is necessary for smooth implementation of crisis response measures.

2. In accordance with the transition to a company structure limited by shares, a special Tier 1 Capital (common stock etc.) reserve has been created to facilitate the continuous and smooth provision of funds to SMEs. An aggregate amount totaling ¥400.8 billion has been transferred to a special reserve, which is comprised of ¥303.7 billion and ¥97.0 billion transferred from the government's subscription and retained earnings, respectively.

- ▶ **Funds Held** Deposits: ¥5,082.0 billion
Negotiable Certificates of Deposit: ¥273.8 billion
Debentures: ¥3,990.1 billion
- ▶ **Loans Outstanding** ¥8,294.1 billion
- ▶ **Offices** Domestic: 100
Overseas: 4
- ▶ **Number of Employees (Persons)** 3,810

▶ Rating

	R&I	JCR	Moody's
Long-term	AA ⁻ (stable)	AA ⁺ (negative)	A1 (stable)

▶ Outline of business

1. Lending operation We are providing various kinds of loans to small and medium-sized enterprises (SMEs) in need of fund to finance their business, from capital investment and long-term working capital, to short-term working capital including typically by bills discounted. We are also engaged in development and provision of innovative technique for raising finance, to cater for the diversifying needs of SMEs, including private placement bonds, loan syndication, asset-based lending (ABL) and liquidation of accounts receivable.
2. Deposit affairs and exchange operation
 - (1) Deposits We are handling current deposits, saving account, deposits at notice, time deposits, specified deposits, deposits for tax payment, non-resident yen deposits and foreign currency deposits.
 - (2) Negotiable certificates of deposit We are handling negotiable deposits.
 - (3) Exchanges We are handling both domestic exchanges and foreign exchanges.
3. Bond issuance We are issuing bank debentures called Shoko-sai, with the purpose to provide finance to SMEs on a constant basis.
4. Treasury and investment We are engaged in market operations in the financial markets both at home and abroad, to streamline our own financing and investment activities.
5. International business As an all-round financial institution supporting business activities of SMEs, we are actively engaged in every aspect of overseas transactions including support for clients' overseas business expansion and loans to clients' local subsidiaries overseas, let alone overseas remittance, and business concerning export and import.
6. Others We are also providing other services as follows.
 - Derivative transactions with respect to interest rate and currencies
 - Business concerning M&A
 - Provision of management information
 - Management support for client associations such as Chukin kai and Youth kai
 - Industrial/economic research
 - Fiduciary services
 - Other services incidental or related to the above, etc.

SHOKO CHUKIN BANK

10-17, 2-Chome, Yaesu, Chuo-ku, Tokyo 104-0028, Japan
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URL: <https://www.shokochukin.co.jp/>

