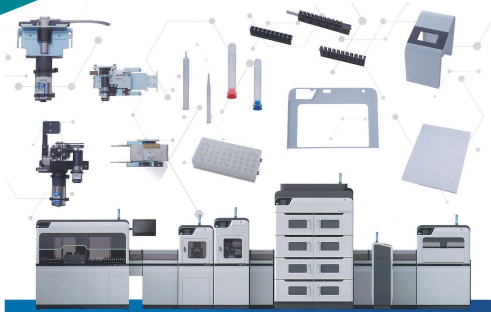




# SHOKO CHUKIN BANK

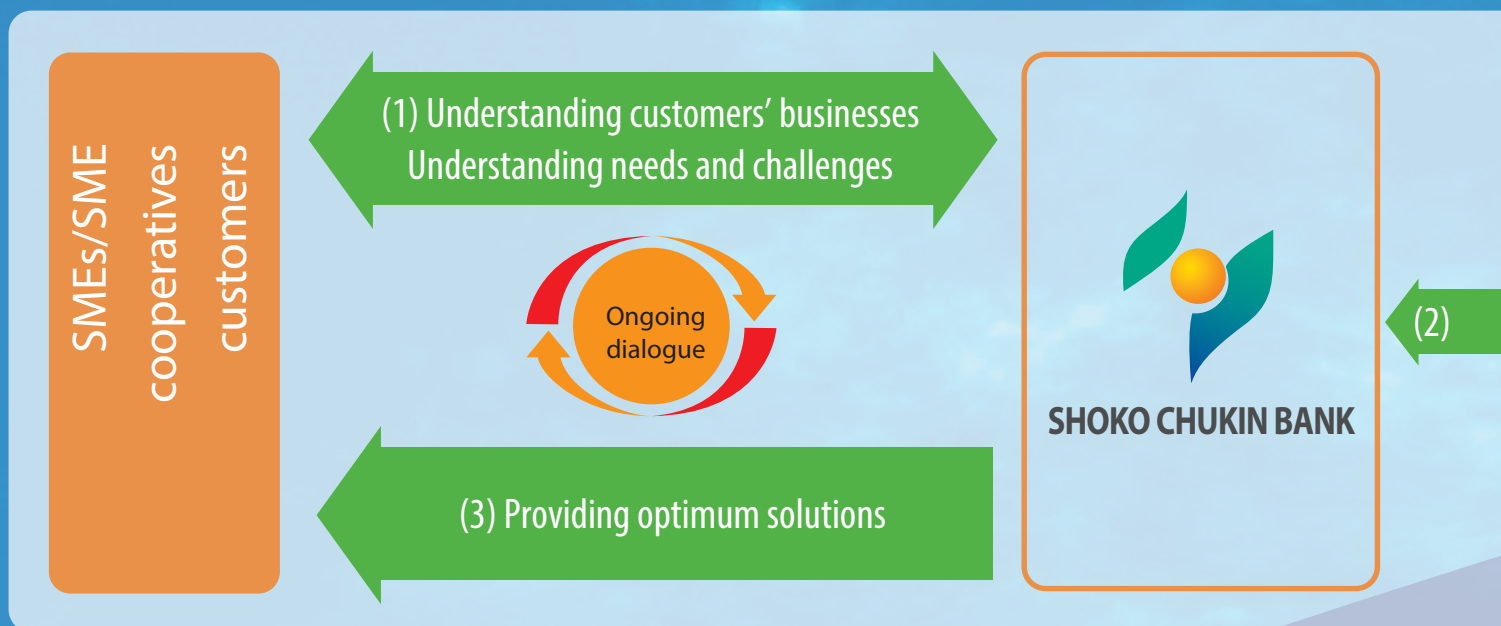
## Annual Report 2021

Year Ended March 31, 2021



# Shoko Chukin Bank Management Reform Plan

Development of “Comprehensive financial services business to support management”



## FY2020 results

### Loan balance in priority areas

A	¥975.8 billion
B	¥1,029.7 billion
C	¥264.0 billion
D	¥61.5 billion
Total	¥2,137.6 billion

### Target management indicators

Gross operating profit	¥105.4 billion
Operating profit	¥32.9 billion
Net income	¥8.7 billion
OHR	69%

### 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.

Cooperation

Regional financial institutions

External institutions

# FY 2021\*

## Loan balance in priority areas

<b>A</b>	¥1,600 billion
<b>B</b>	¥960 billion
<b>C</b>	¥350 billion
<b>D</b>	¥200 billion
<b>Total</b>	¥3,110 billion

## Target management indicators

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

\*The forecast figures for FY2021, announced on May 18, 2021, are shown on page 5.

## 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.

The 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

In fiscal 2020, the Japanese economy showed signs of a recovery in the second half following a sharp deterioration in the first half in the wake of the global Covid-19 pandemic.

Looking at the business sentiment among SMEs, the business conditions index in the Shoko Chukin Bank's Quarterly Survey of SME Business Sentiment dropped dramatically in the June survey, but then started to pick up from the September survey onwards as the decline in sentiment hit a floor. On the other hand, the Bank's Survey of SME Capital Investment Trends suggests SMEs' persistently cautious approach to capital investment as uncertainties about future economic conditions continue to increase.

Conditions remain particularly severe for face-to-face service sectors, such as the restaurant and tourism-related industries. These customer trends could affect the earnings of domestic financial institutions due to factors such as increased credit-related expenses.

### Overview of Fiscal 2020

In fiscal 2020, the performance of many SMEs deteriorated sharply in the wake of the Covid-19 pandemic. We, therefore, worked extremely hard to support the cash flows of affected business operators as a designated financial institution for crisis response operations.

The Shoko Chukin Bank Management Reform Plan, which is our Medium-term Business Plan, defines focused support for SMEs that 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 the initiatives in the 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.

Responding to newly emerged issues and changing needs sparked by the impact of Covid-19 falls squarely under the remit of "providing comprehensive financial services business to support management" and, as such, we believe it is necessary to focus more firmly on priority area initiatives and establish them as our new business model.

In Zone A, which is a volume zone, we recognize the need to provide more in-depth support to SME customers who are witnessing worsening cash flows due to Covid-19.

In Zone B, where we provide management improvement support, we decided to take a medium- to long-term view and provide active support to SMEs, including those who have started experiencing problems with their finances, income and expenditure manifest in the wake of Covid-19. We will also utilize capital strengthening support measures designed to shrink the increased debt and encourage other management improvements by boosting SME income and expenditure position and increasing operating cash flow.

With regard to Zones C and D, given the large number of SMEs that have been forced to change their business and procurement plans due to the Covid-19 impact, we will strive to grasp the new needs that will enable SMEs to cope with these changes.

In terms of our own income and expenditure in fiscal 2020, the Shoko Chukin Bank reported income before income taxes and others of ¥7.6 billion and net income of ¥8.7 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 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.

SMEs, which make up the majority of our borrowers, are inherently susceptible to external factors and are now experiencing a worsening in their business

performance not only due to structural problems such as labor shortages, but also to the impact of Covid-19. We will continue to 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, while ensuring the accurate operation of systems, including the equity subordinated loans that we began offering in August 2020.

Furthermore, the challenges facing SMEs and their consequent needs are becoming increasingly diverse, amid a sharp increase in borrowings, changing new-normal business models and sales channels, or the necessity to adapt to industry reorganizations. Now more than ever, we need to 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. Also, 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, instilling a stronger awareness of inclusion, 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 2021

**Masahiro Sekine**

President

The Shoko Chukin Bank, Ltd.

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

Summary

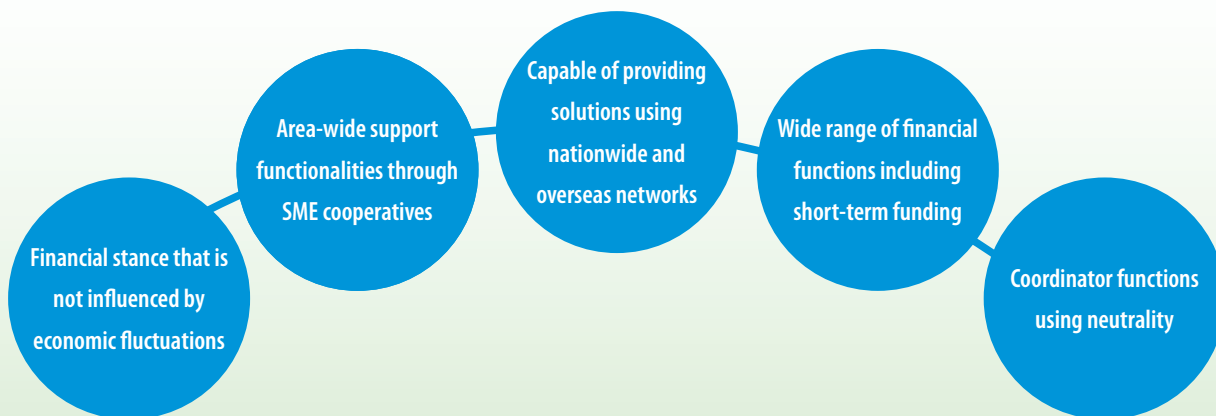
Position of the program

- 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.

## Management Reform Plan: Initial Targets and Forecasts for the Final Year of the Plan

### Forecasts for Fiscal 2021

- We forecast the loan balance of ¥9,480.0 billion, ¥660.0 billion higher than our initial target.
- In fiscal 2020, we focused on providing funds to SMEs hit by Covid-19. We, therefore, expect the loan balance in priority areas to be ¥2,620.0 billion at the end of fiscal 2021. While that would be ¥490.0 billion short of the target of our Medium-term Business Plan, we are committed to working harder than ever to support their core businesses and providing hands-on support with the aim of helping SMEs tackle challenges they face amid the Covid-19 pandemic.
- On the earnings front, we expect gross operating profit of ¥110.0 billion in fiscal 2021, down ¥5.0 billion from our initial target on the back of declining market-related earnings caused by external changes such as the introduction of negative interest rates in Japan and the decline in U.S. interest rates.
- General and administrative expenses are expected to be in line with the Medium-term Business Plan target of ¥69.0 billion following our review of office functions and the implementation of rationalization measures on schedule as well as the carrying out of additional measures in response to changes in the business environment. We also advanced the transition to remote transactions for financing further than initially planned and established a low-cost and stable framework for the procurement of funds.
- Income before income taxes and other is expected to be ¥14.5 billion in fiscal 2021, down ¥10.5 billion from our initial target, on the above factors and our conservative estimates of customer SME business performance during COVID-19 pandemic in relation to credit-related expenses

### Loan Balance in Priority Areas

(¥ billion)

	FY2019 results	FY2020 results	FY2021 forecast	FY2021 initial target	Difference
<b>Total</b>	<b>8,358.9</b>	<b>9,561.6</b>	<b>9,480.0</b>	<b>8,820.0</b>	<b>660.0</b>
<b>Priority area</b>	<b>1,928.0</b>	<b>2,137.6</b>	<b>2,620.0</b>	<b>3,110.0</b>	<b>(490.0)</b>
Zone A	907.4	975.8	1,260.0	1,600.0	(340.0)
Zone B	938.4	1,029.7	1,200.0	960.0	240.0
Zone C	166.8	264.0	330.0	350.0	(20.0)
Zone D	58.5	61.5	80.0	200.0	(120.0)
<b>Other areas</b>	<b>6,430.9</b>	<b>7,424.0</b>	<b>6,860.0</b>	<b>5,710.0</b>	<b>1,150.0</b>

Note: The loan balance includes private placement bonds. Due to some overlaps in the priority areas, there are differences between the sums of the loan balances of Zones A to D and the figures for the Priority Area.

### Target Management Indicators

(¥ billion)

	FY2020 results	FY2021 forecast	FY2021 initial target	Difference
Gross operating profit	105.4	<b>110.0</b>	Approx. 115.0	(5.0)
Operating profit	32.9	<b>41.0</b>	Approx. 46.0	(5.0)
Income before income taxes and other	7.6	<b>14.5</b>	Approx. 25.0	(10.5)
Net income	8.7	<b>9.0</b>	Approx. 17.5	(8.5)
OHR	69%	<b>63%</b>	Approx. 60%	+3%

The forecasts are presented to show the degree of achievement in the final year of the Medium-term Business Plan. The forecasts presented by the Shoko Chukin Bank, a company that is not publicly listed, should not be treated as financial forecasts that publicly listed companies present in their quarterly financial reports. We currently have no plan to disclose revised forecasts even if an event that can alter our current forecasts happens.

## Sharing issues

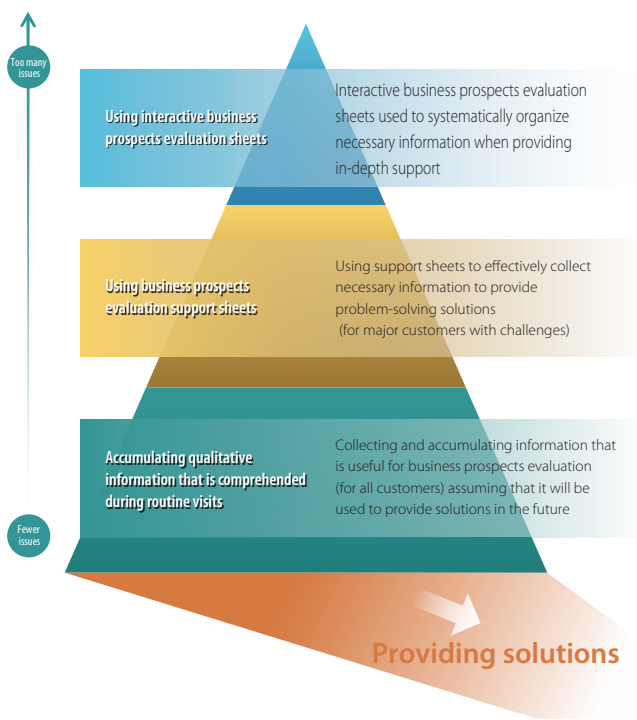
- We share issues through careful explanations and business dialogue with customers regarding the Shoko Chukin Bank's stance toward transactions, which is the premise for implementing our Medium-term Business Plan.
- Through this process, we will build strong relationships with our customers.
- Although 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.

## 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 106,532 (Mar. 31/'21)
- ◆ Number of local benchmark initiatives 40,031 (Mar. 31/'21)
- ◆ Unsecured loan ratio based on the Guidelines for Management Guarantee (long-term loans) 84.3% (Mar. 31/'21)

\*Cumulative number since the initiative was launched in FY2019.



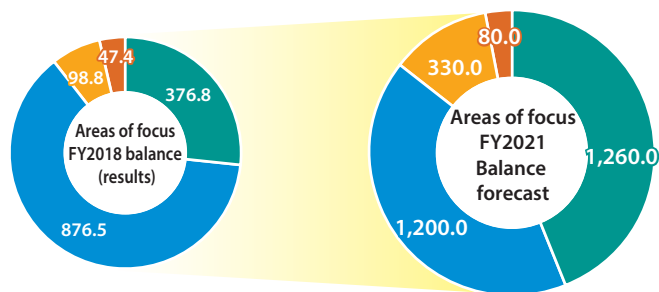
## Finance support

### 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.

Zone A	Zone B	Zone C	Zone D
<b>Financial restructuring support</b>	<b>Business revitalization and management improvement support</b>	<b>Industrial structure transformation challenge support</b>	<b>New industry challenges and establishment support</b>
We provide support for improving corporate value through core business support after implementing financial restructuring support, starting with business prospects evaluation.	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.	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).	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.

■ Zone A ■ Zone B ■ Zone C ■ Zone D (¥ billion)



### KPI \*All results are for Mar. 31/21

◆ Zone A support cases	13,725
Balance	¥975.8 billion
◆ Zone B support status	
Management improvement planning support cases	466
Refinance support cases	328
◆ Status of rank improvements for Zone B customers	
Customers with rank improvements	418 customers/7.7%
Customers that improved management indicators	2,354 customers/68.4%
◆ Zone C support cases	493
Balance	¥264.0 billion
◆ Zone D support cases	742
Balance	¥61.5 billion

## List of KPIs

- Solutions provision (finance support)

		FY2019	FY2020	FY2021 forecast (*)
Zone A	Number of initiatives	16,474	13,725	—
	Initiative funding	¥1,477.9 billion	¥1,303.6 billion	—
	Loan balance	¥907.4 billion	¥975.8 billion	¥1,260.0 billion
Zone B	Planning support (cumulative)	1,185	1,651	—
	Refinance (cumulative)	1,213	1,541	—
	Number/ratio of rank improvement	544/13.5%	418/7.7%	—
	Status of management indicator improvement	2,575/76.0%	2,354/68.4%	—
	Loan balance	¥938.4 billion	¥1,029.7 billion	¥1,200.0 billion
Zone C	Number of initiatives	568	493	—
	Initiative funding	¥98.5 billion	¥134.3 billion	—
	Loan balance	¥166.8 billion	¥264.0 billion	¥330.0 billion
Zone D	Number of initiatives	1,048	742	—
	Initiative funding	¥37.9 billion	¥33.8 billion	—
	Loan balance	¥58.5 billion	¥61.5 billion	¥80.0 billion

\*The forecast loan balances for Zones A to D have been revised based on actual performance through FY2020.

## List of KPIs (other)

### ● Premise/business prospects evaluation

	FY2019	FY2020
Number of customers sharing the Bank's business model	65,112	—
Number of customers obtaining a grasp of their normal working capital through business prospects evaluation	61,913	—

	FY2019	FY2020
Number of challenges and needs shared with customers	89,426	106,532
Number of local benchmark initiatives	33,790	40,031
Unsecured loan ratio based on the Guidelines for Management Guarantee	41.2%	84.3%

### ● Solution provision (core business support)

	FY2019	FY2020
Number of business succession support projects	308	193
Number of M&A support projects	20	21
Number of business matching support projects	615	607
Number of grants of overseas credit	1,090	1,041
Number of cases in which needs and challenges for customers' local subsidiaries overseas have been identified	2,748	2,010
Number of meetings held by the Secretary General of cooperatives	160	35

### ● Systems/human resources

	FY2019	FY2020	FY2021 target
Number of visits to the bank (Corporate Business Solution Group)	5,292	3,614	—
Percentage having obtained external qualifications for business prospects evaluation	75.1%	90.2%	80.0%
Percentage having obtained external qualifications for business successions	71.1%	84.8%	80.0%
Number of employees obtaining internal qualifications (solutions)	134	146	130
Number of employees obtaining internal qualifications (management improvement)	102	117	80

### ● Cooperation/collaboration with regional financial institutions

	FY2019	FY2020
Number of visits to regional financial institutions	1,458	1,001
Number of idea exchange meetings with industry associations	7	3
Number of instances of cooperation and collaborations (solutions provision)	583	438
Number of cooperative loans	2,160	1,549

### ● Income/expense situation

	FY2019	FY2020
OHR	72%	69%
Income before income taxes and other	¥20.5 billion	¥7.6 billion

### ● Outcome (cash flow improvements)

	FY2019	FY2020
Number of operating cash flow improvements	502	980
Number of financing cash flow improvements	7,825	8,812

\*Numbers represent cumulative totals from fiscal 2018

### ● Outcome (reduced credit costs)

	FY2019	FY2020
Below risk of bankruptcy ⇔ Above need special attention	¥(5.3) billion	¥(1.3) billion
Need special attention ⇔ Normal	¥(2.9) billion	¥(1.5) billion

## ■ Business Operation Policies for Fiscal 2021

- Taking into account the current situation where major changes in the industrial structure are having a significant impact on the business environment surrounding customer SMEs, we will adapt to constant changes to create a truly customer-oriented organization and establish a sustainable business model.
- Considering the prolonged impact of Covid-19 over the near term, for the time being, we will appropriately operate systems, including equity subordinated loans as a designated financial institution for crisis response operations, and respond quickly to the situations of those affected by Covid-19.
- In order to help solve excessive debt and other problems that customer SMEs face, we will provide funds and high value-added solutions designed to optimize overall SME balance sheets, including equity.
- For SMEs that require business revitalization or management improvement, we will form leading partnerships 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.
- To ensure that these efforts to establish our business model are 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.
- Furthermore, as well as reforming the Bank's business and organizational culture, we will promote digital transformation (DX) using data and digital technologies to support productivity improvements at customer SMEs.
- 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 and instilling inclusion to help further consolidate our efforts to date.
- 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.

## Measures in Response to Covid-19 and Crisis Response Measures

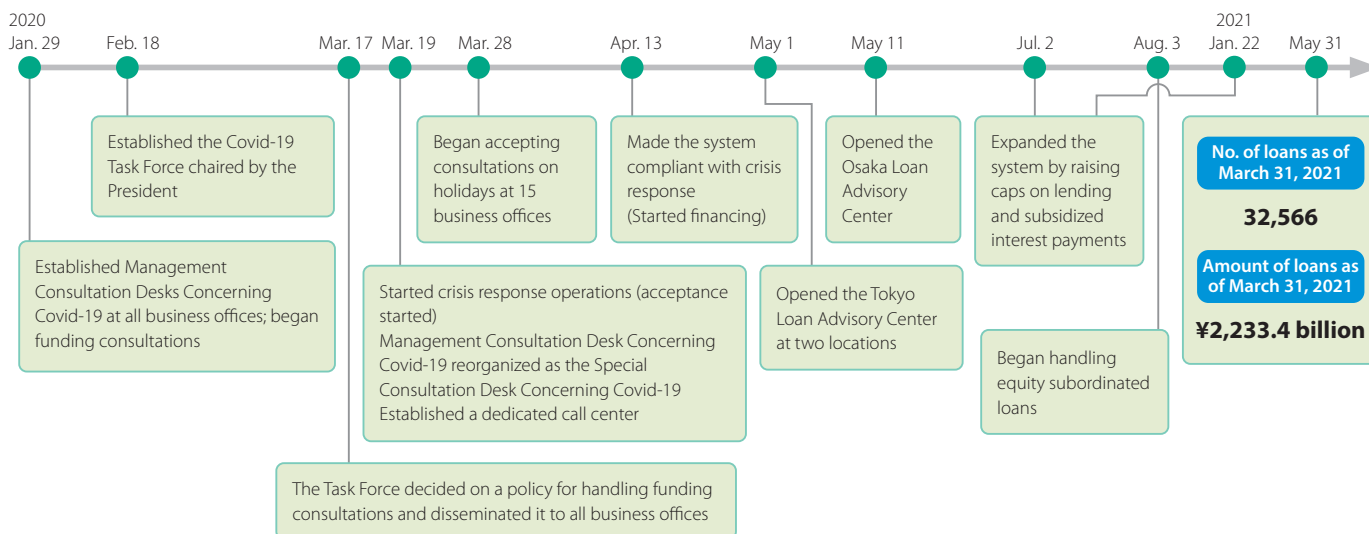
A new program for crisis response was developed after October 1, 2008, in order to deal with times of crisis, such as disasters and economic or financial turmoil. The Shoko Chukin Bank is a designated financial institution (\*1) to implement financing for SMEs and middle-market enterprises in response 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. Also on August 3, we began handling equity subordinated loans (\*2) and continued to work with private financial institutions to provide financial support to business owners who need to increase their capital in order to stabilize their finances. 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, 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.

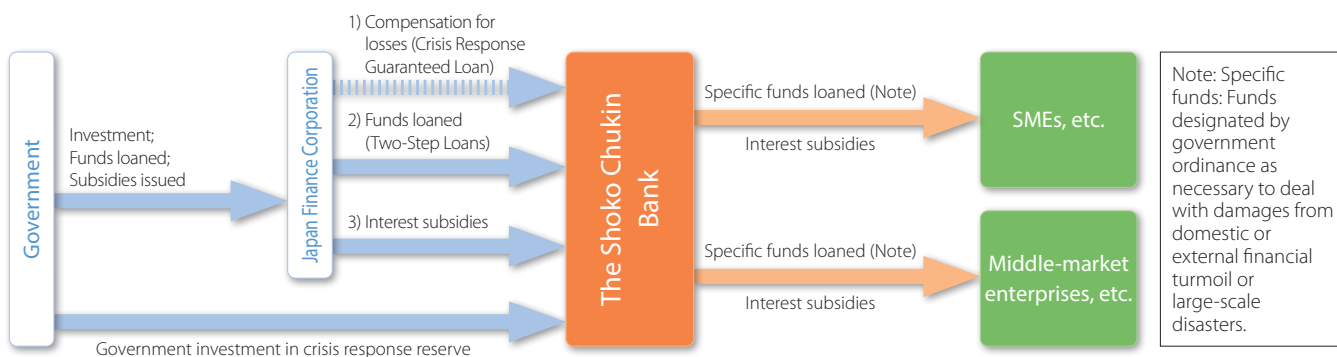
\*1. Designated financial institution: From private financial institutions that apply, the minister in charge designates those that meet certain criteria (the Shoko Chukin Bank and Development Bank of Japan) to implement loans and other crisis response measures when the minister in charge has declared a crisis, and to receive risk supplements and other support from the Japan Finance Corporation.

\*2. An equity subordinated loan is a subordinated loan with a capital flavor that ranks after other debts in the event of legal bankruptcy. Even if SMEs take out such loans, financial institutions view them as equity.

## Flow of consultations for funding in response to Covid-19



## 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.

## 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.

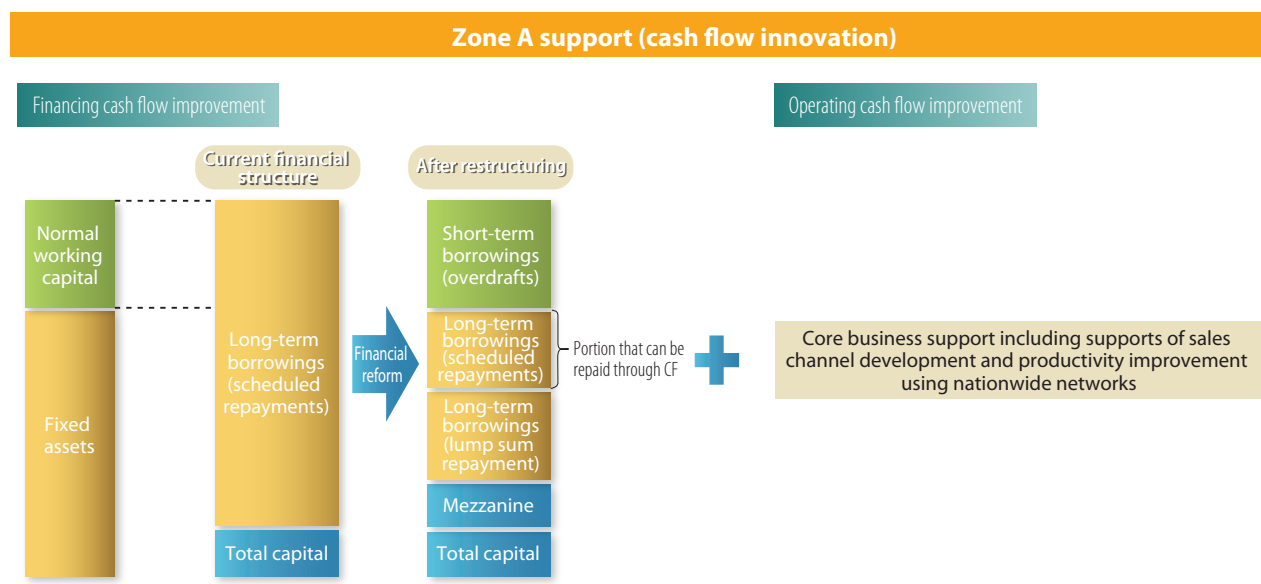
#### (1) Financial restructuring support (formation of syndicated loans to perform coordination functions and pump-priming functions)

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 212 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 17,600 corporate members.  
 \*The Youth kai is an organization comprising young executives of the Bank's business partners. There are 87 Youth kai branches across Japan with approximately 6,000 members.



## Zone B [Business revitalization and management improvement support]

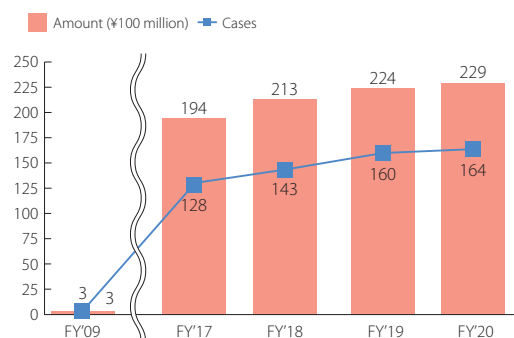
The Shoko Chukin Bank has consistently provided our customers with business revitalization and management improvement support. In addition, in the Medium-term Business Plan, the Shoko Chukin Bank selected roughly 4,000 companies as main and sub-main customers for the provision of active support and guidance. 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.

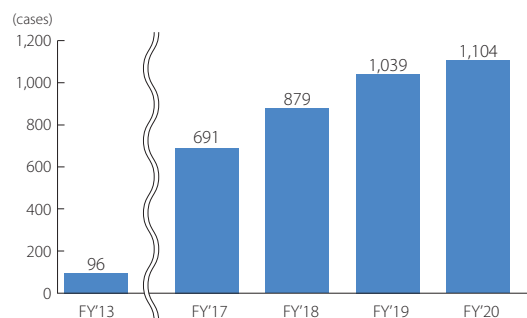
### ~Past initiatives to support business revitalization~

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.

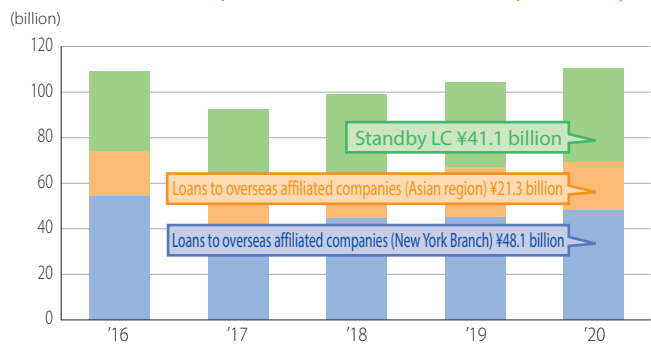
### ■ Support for Overseas Expansion

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)



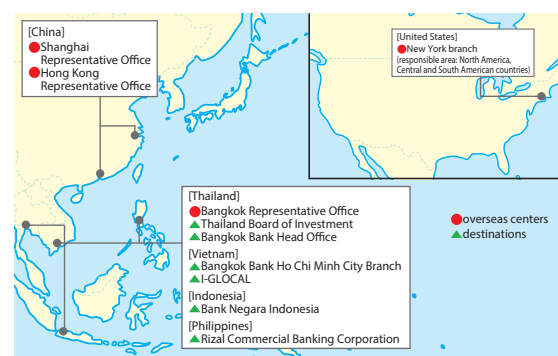
### ■ Networks of the Shoko Chukin Bank

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



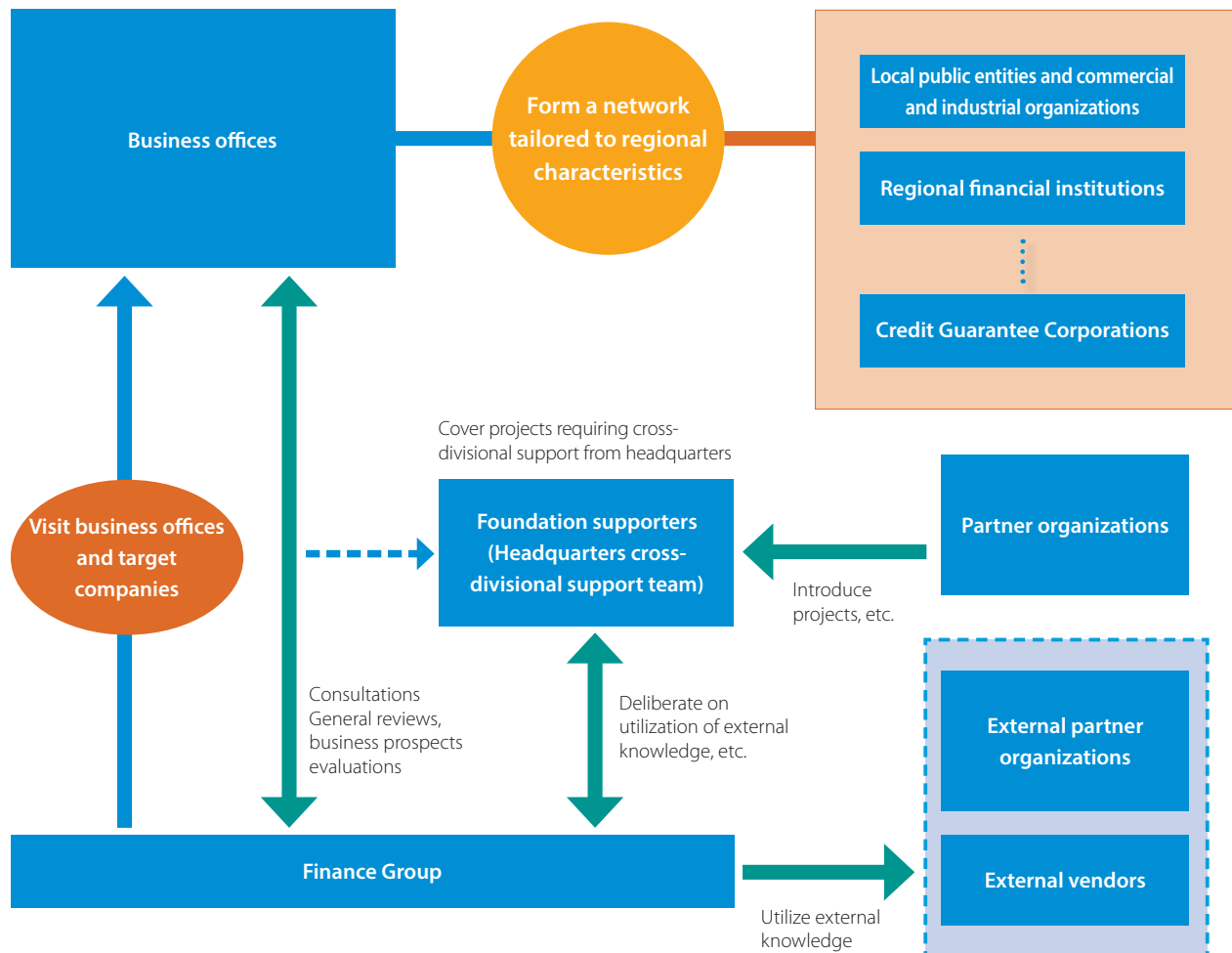
## Zone D [New industry challenges and establishment support]

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



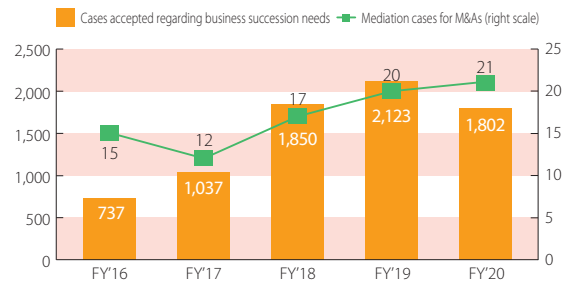


## Business succession, M&A

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.

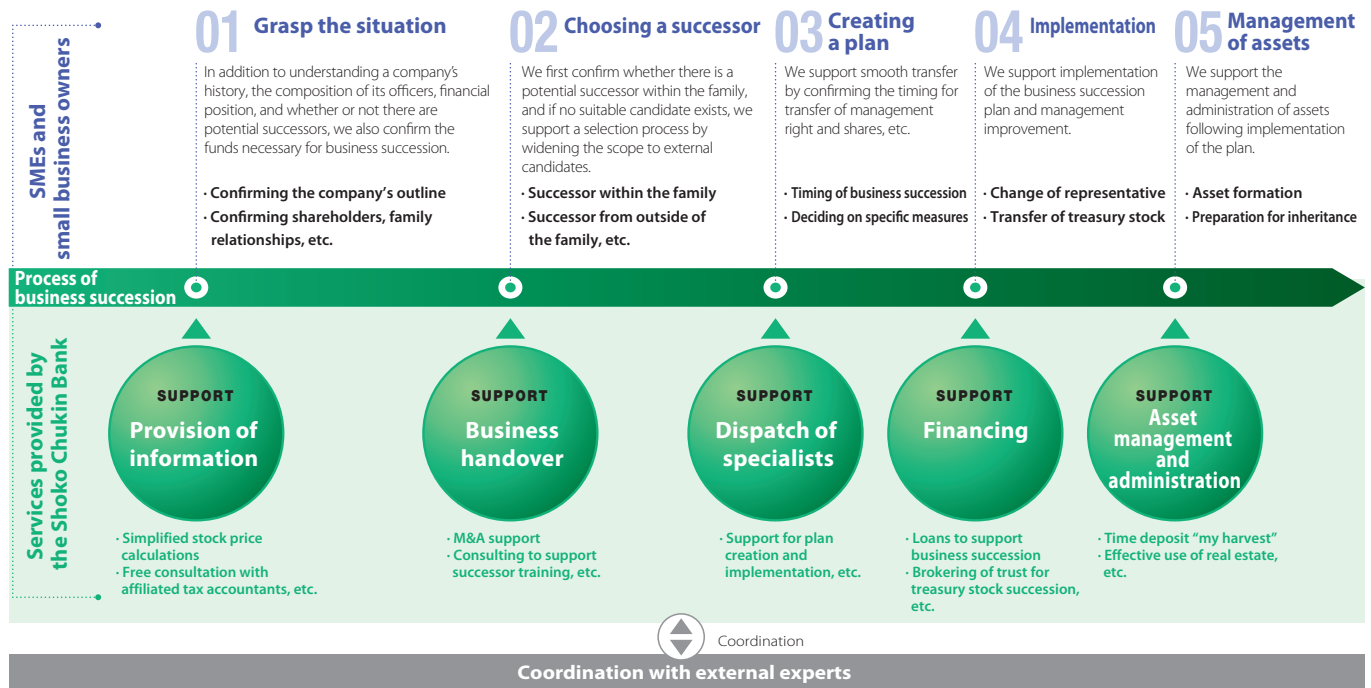
Number of cases accepted regarding business succession needs and mediation cases for M&As



### 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, %)

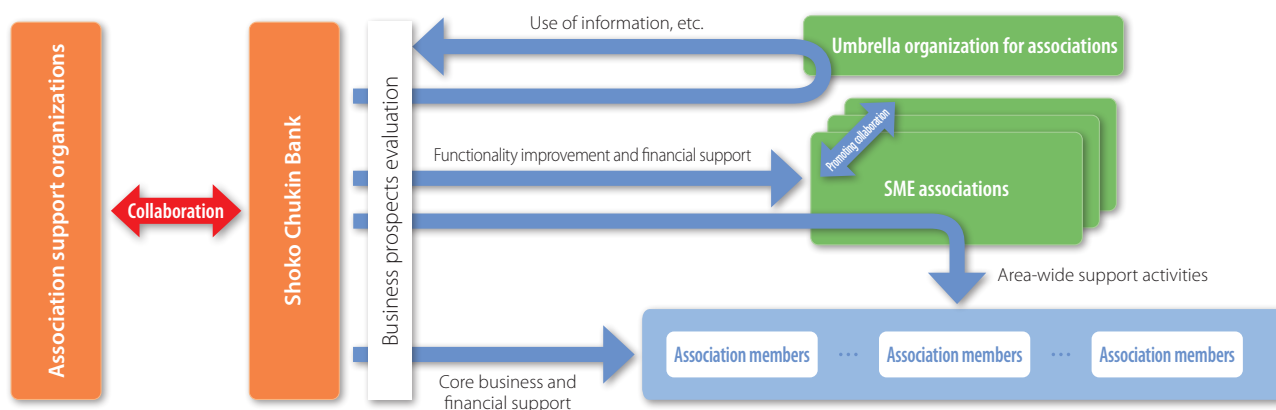
	FY2019		FY2020	
	No. of cases	Composition ratio	No. of cases	Composition ratio
1. Number of cases in which a guarantee contract with the former management was canceled and no guarantee contract was signed with the new management	495	11.0%	664	17.3%
2. Number of cases in which a guarantee contract with the former management was canceled and a guarantee contract was signed with the new management	785	17.4%	567	14.8%
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	3,198	71.0%	2,600	67.9%
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	27	0.6%	0	0.0%

## 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 2021.

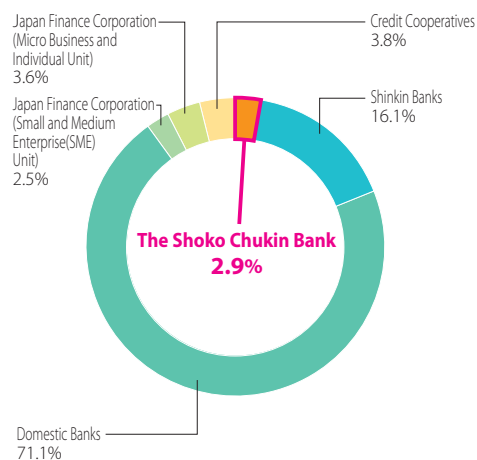
## Fulfilling a Safety Net Function, Mainly in Crisis Response Measures

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

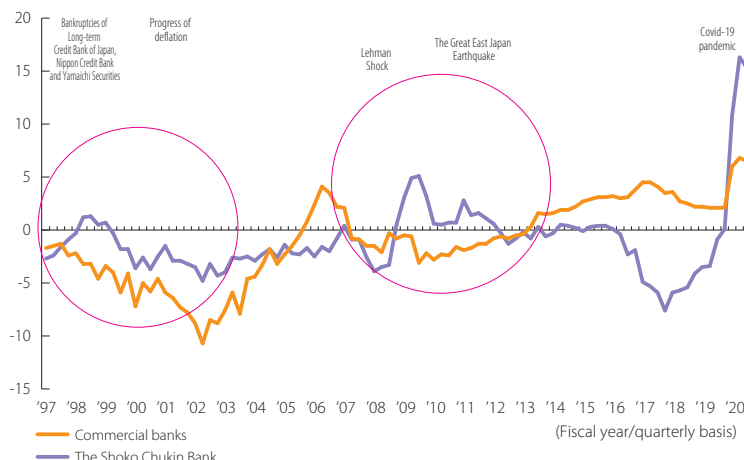
The Shoko Chukin Bank, through its day-to-day transactions with SMEs, not only looks at financial matters, but also takes the clients' operations, technology, and the abilities and enthusiasm of the executives into consideration. In this way, we strive to provide services that respond flexibly to corporate 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 2020)**



· 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, %)**

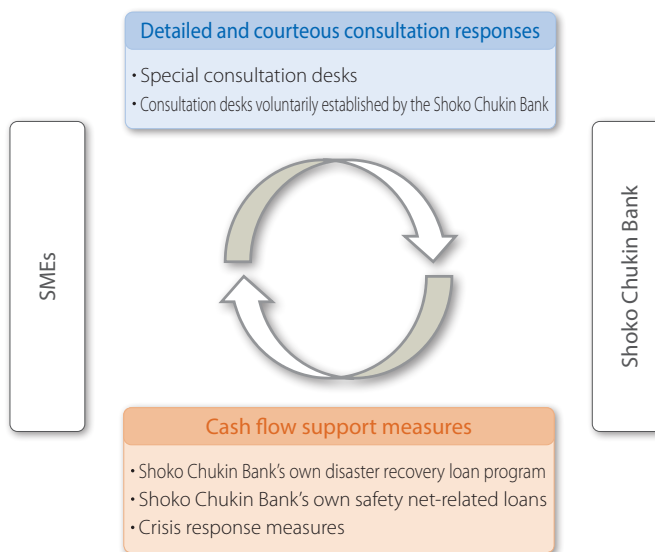


· Commercial banks include total for domestic banks, shinkin banks, and credit cooperatives. Figures used for domestic banks represent loans to SMEs and middle-market enterprises; for shinkin banks, corporate loans; for credit cooperatives, total loans.  
· Graph shows changes up to third quarter of fiscal 2020.  
Sources: Bank of Japan "Loans and Bills Discounted by Sector," Community Bank Shinyo Kumiai

## Efforts by the Shoko Chukin Bank

The Japanese economy has been deteriorating as the Covid-19 pandemic spread globally. Meanwhile, the country have been stricken by natural disasters in various parts of its territory over the past two years, including the July 2020 floods in the Kyushu region and the 2020 Typhoon No. 10 (Haishen). Many fear that the risk of further weather-related disasters will increase due to climate change.

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.

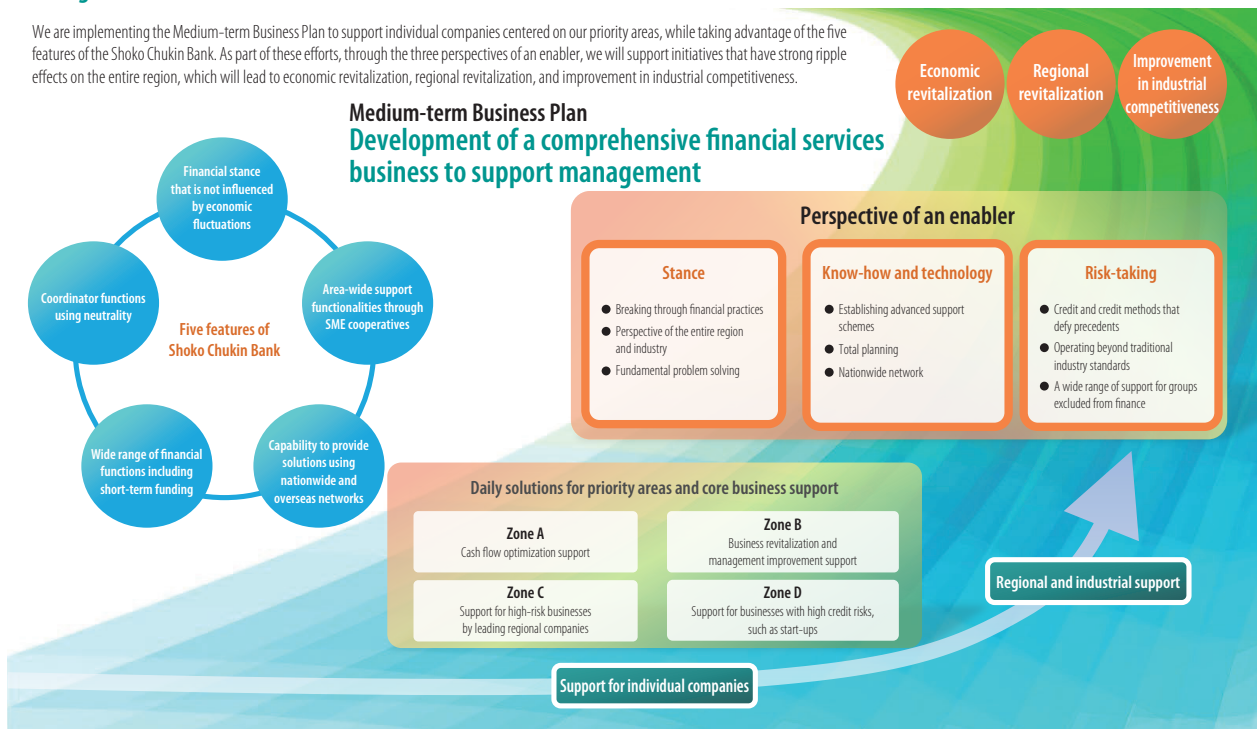
By providing advanced solutions such as the development of sales channels that take advantage of the features of the Shoko Chukin Bank, providing thorough hands-on support to SMEs, and supplying more risk money than ever before, we will help to solve the problems of SMEs in order to revitalize the Japanese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



## Development of the enabler business in the with-Covid era

- In order to promote future development even in a with-Covid era, we (1) reviewed our system to help us accelerate the provision of advanced solutions and the accumulation of vital expertise, and (2) restructured projects based on changing business needs of SMEs, etc.



## 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
<b>Additional government funding</b>	—	Possible <u>until March 2012</u>	Possible <u>until March 2015</u>	Possible <u>for the time being</u>
<b>Review of the content</b>	—	Subject to review <u>by March 2012</u>	Subject to review <u>by March 2015</u>	Subject to review <u>as appropriate</u>
<b>Government-owned shares</b>	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>

## Financial highlights of the fiscal year ended March 31, 2021

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

(¥100 million)

	Mar. 31/'19	Mar. 31/'20	Mar. 31/'21	Year-on-year change
Gross operating profit	1,061	1,007	<b>1,054</b>	47
Net interest income	946	886	<b>979</b>	92
Fees and commissions	76	82	<b>65</b>	(16)
Trading revenue	29	38	<b>22</b>	(16)
Other operating income	8	0	<b>(11)</b>	(12)
Core gross operating profit	1,057	1,016	<b>1,073</b>	57
General and administrative expenses (excluding nonrecurring items)	754	725	<b>725</b>	(0)
Net operating profit	306	282	<b>329</b>	47
Core operating profit (before deduction of provision for the general reserve for possible loan losses)	303	290	<b>347</b>	57
Provision for (reversal of) the general reserve for possible loan losses (a)	(73)	44	<b>105</b>	60
Nonrecurring loss (including nonrecurring expenses)	(71)	(31)	<b>(147)</b>	(115)
Disposal amount of problem loans (b)	93	27	<b>90</b>	63
Income (loss) before income taxes and others	307	205	<b>76</b>	(129)
Other gains and losses	(61)	(45)	<b>29</b>	75
Provision for income taxes	113	22	<b>24</b>	1
Adjustment for income taxes	(12)	0	<b>(5)</b>	(5)
Net income (loss)	144	137	<b>87</b>	(49)

Credit-related expense (reversal of the general reserve for possible loan loss) (a)+(b)	20	71	<b>195</b>	123
ROA (on a net income basis)	0.12%	0.12%	<b>0.07%</b>	(0.05)%
ROE (on a net income basis)	1.49%	1.42%	<b>0.91%</b>	(0.51)%
Total capital ratio	13.02%	12.39%	<b>12.68%</b>	0.29%
Tier 1 (common stock, etc.) ratio	12.35%	11.69%	<b>11.74%</b>	0.05%
Ratio of problem loans	3.5%	3.2%	<b>2.7%</b>	(0.5)%

- Core gross operating profit is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from gross operating profit.
- Net operating profit is calculated by deducting general and administrative expenses (excluding nonrecurring items) from gross operating profit.
- Core operating profit (before deduction of provision for the general reserve for possible loan losses) is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from net 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, 2019 and 2020. We recorded net losses of ¥0.0 billion on cancellation of investment trusts in the fiscal year ended March 31, 2021.

- ROE: Net assets are the average of the opening balance and the 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, 2021

#### Gross operating profit: Up ¥4.7 billion year-on-year

Net interest income increased by ¥9.2 billion on the back of an approximately ¥1.2 trillion increase in outstanding loans as we met the funding needs of customers whose businesses were impacted by Covid-19.

On the other hand, fees and commissions declined on persistently sluggish first-half activities in our core business support areas, including priority areas, in the wake of Covid-19. As a result, gross operating profit increased by ¥4.7 billion year on year to ¥105.4 billion.

#### General and administrative expenses (excluding nonrecurring items): Down ¥0.0 billion year-on-year

While we continued to make favorable progress on our business reforms and personnel expenses declined, non-personnel expenses increased as we invested in rationalization measures, such as office consolidation. As a result, general and administrative expenses (excluding nonrecurring items) remained almost unchanged year-on-year.

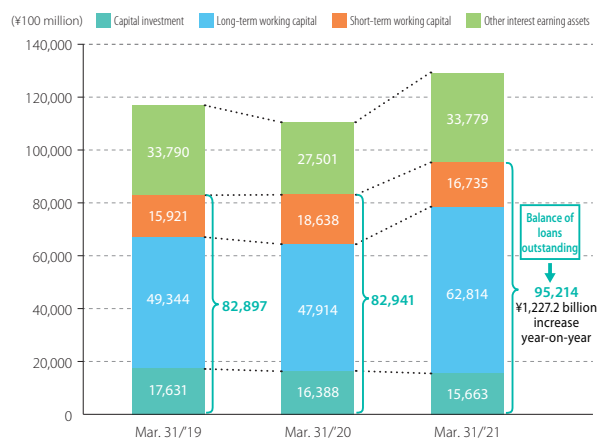
#### Credit-related expenses: ¥19.5 billion recorded

Credit-related expenses increased by ¥12.3 billion year-on-year, as we recorded a ¥8.8 billion provision in a preventative manner, factoring in future portfolio changes in anticipation of significant changes in the economic environment attributable to the spread of Covid-19.

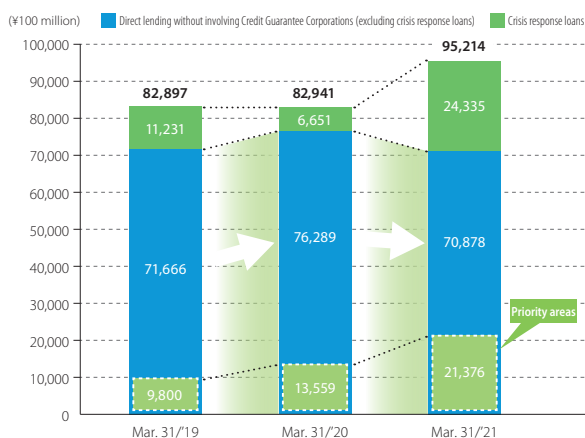
## Balance of interest earning assets

- The balance of loans outstanding increased by approximately ¥1,200 billion as a result of increased funding needs by customers whose businesses were impacted by Covid-19.

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

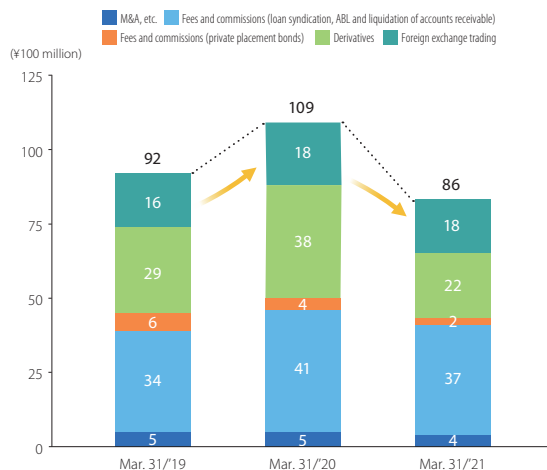


### Balance of loans outstanding



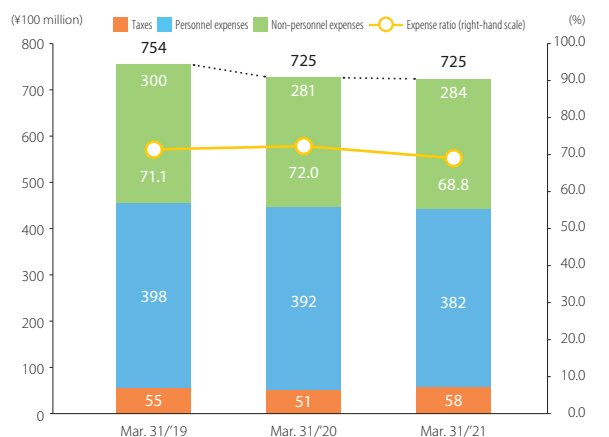
## Profit from the business solutions operation

- We secured profit of ¥8.6 billion. While we restricted our core business support activities at the beginning of fiscal 2020 in response to the spread of Covid-19, we witnessed an increase in customer needs to reform their financial structures and shift their business structures. Our syndicated loan and M&A business remained strong.



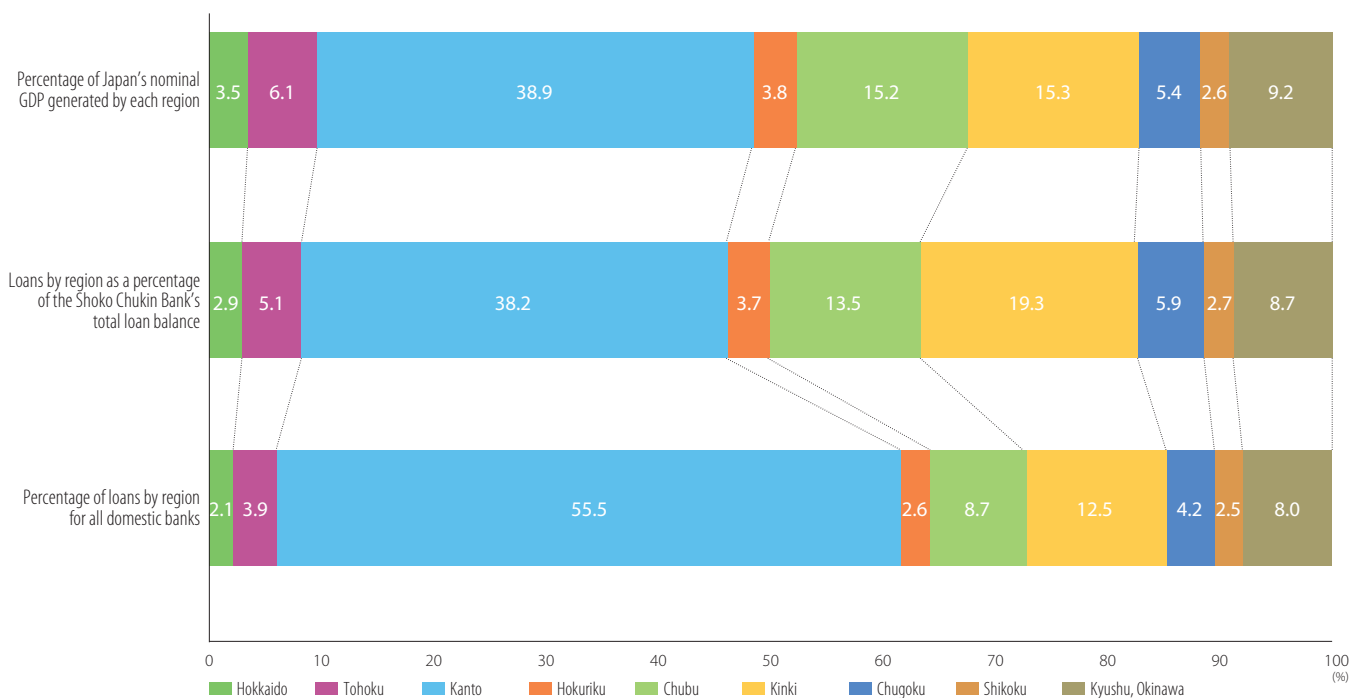
## General and administrative expenses

- Despite favorable progress on business reforms and declining personnel expenses, overall general and administrative expenses (excluding nonrecurring items) remained almost unchanged from the previous year's level on the back of higher non-personnel expenses linked to office consolidation and other rationalization investments.



• 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

- Based on our self-assessment, the amount of loans needing special attention increased by ¥1.8 trillion after we provided ample financial support to customers whose business sentiment deteriorated temporarily due to the impact of Covid-19. The loans requiring special attention account for 43.8% of the total amount of our loans. Going forward, we will strengthen core business support for customers to help improve their ratings.
- Credit-related expenses amounted to ¥19.5 billion, including a ¥8.8 billion preventative provision that factors in future portfolio changes caused by further significant Covid-driven changes in the economic environment and a ¥10.5 billion provision for the general reserve for possible loan losses.

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

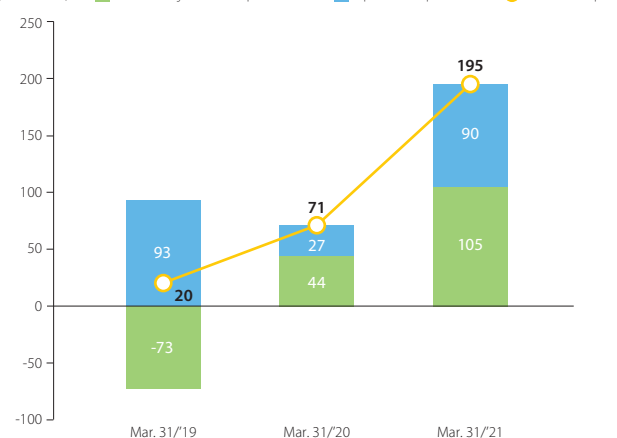
(¥100 million)

	Mar. 31/'20		Mar. 31/'21	
	Amount	%	Amount	%
Legally Bankrupt	585	0.7%	530	0.6%
Virtually Bankrupt	780	0.9%	682	0.7%
Risk of Bankruptcy	1,773	2.1%	1,811	1.9%
Need Special Attention	23,441	27.7%	42,420	43.8%
Borrowers receiving special management	316	0.4%	330	0.3%
Other need for special attention	23,124	27.3%	42,089	43.5%
Normal	58,094	68.6%	51,307	53.0%
Total	84,676	100.0%	96,751	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

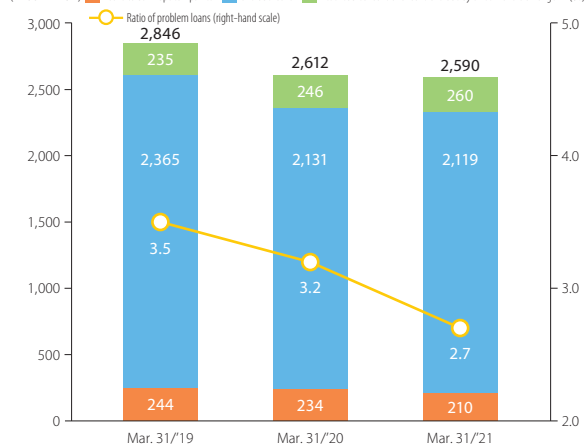
(¥100 million)



## Problem loans and ratio of problem loans

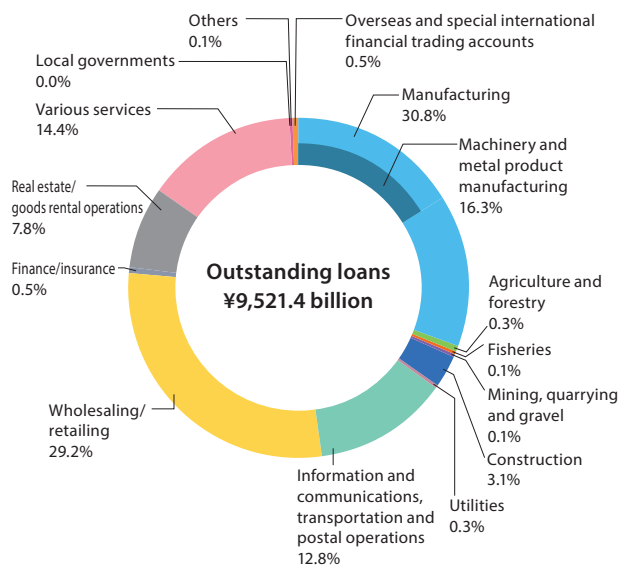
- While the balance of loans requiring special attention increased compared to the previous year, problem loans remained steady year on year.
- However, the ratio of problem loans decreased by 0.5 percentage points year on year on the back of higher loans.
- Approximately 80% of problem loans are covered by reserve provisions and collateral.

(¥100 million)



(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, 2021)



## 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/'19	Mar. 31/'20	Mar. 31/'21
Total capital	9,805	9,777	<b>10,104</b>
Tier 1 capital (common stock, etc.)	9,296	9,229	<b>9,355</b>
Non-government portion of shares held	1,170	1,170	<b>1,170</b>
Government portion of shares held	1,016	1,016	<b>1,016</b>
Crisis response reserves	1,350	1,295	<b>1,295</b>
Special reserves	4,008	4,008	<b>4,008</b>
Retained earnings	1,875	1,968	<b>2,010</b>

### Leverage ratio

	Mar. 31/'20	Mar. 31/'21
Non-consolidated leverage ratio	8.06%	<b>7.96%</b>
Consolidated leverage ratio	8.08%	<b>8.00%</b>

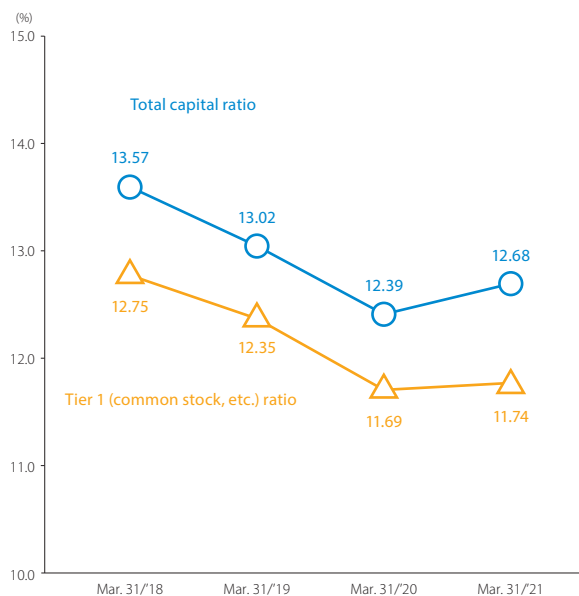
\* Due to a revision of the Japanese Government's regulations, we calculated the total exposure amount as of March 31, 2021 without factoring in money deposited at the Bank of Japan.

### Liquidity coverage ratio

	4th quarter of Mar. 31/'20	4th quarter of Mar. 31/'21
Non-consolidated liquidity coverage ratio	195.0%	<b>397.7%</b>
Consolidated liquidity coverage ratio	189.0%	<b>371.0%</b>

\* For the figures as of March 31, 2021, we reviewed the system specifications for the outflow of funds (the denominator) relating to wholesale unsecured financing. As a result, we revised the scope of inclusion to the amount corresponding to the period spanning 30 days from the base date.

### Capital ratio and Tier 1 ratio

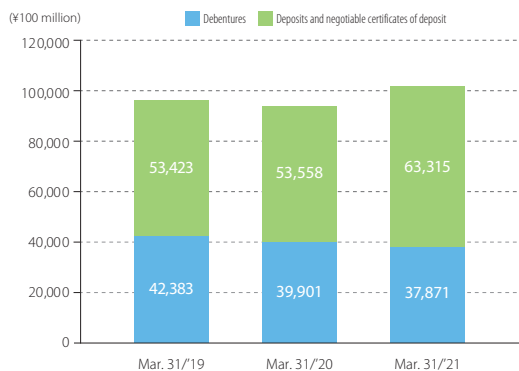


\* Shoko Chukin Bank's targeted total capital ratio is 8% or over, under the capital adequacy regulations imposed by the notice of the Financial Services Agency, the Ministry of Finance, and the Ministry of Economy, Trade and Industry.

## 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



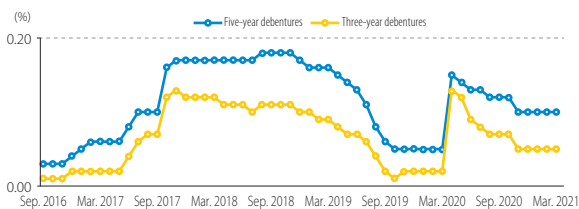
### Depositors by type

(¥100 million)

	Mar. 31/'20	Mar. 31/'21	Change
General corporations, etc.	29,785	<b>38,983</b>	9,198
Individuals	23,773	<b>24,331</b>	558
"My harvest"	18,417	<b>19,083</b>	666
Total	53,558	<b>63,315</b>	9,756

Time deposits for individual depositors

### Issue terms



### Publicly offered debentures issued each fiscal year

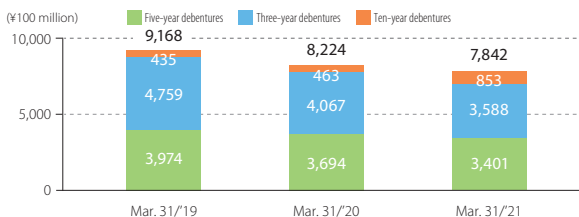
#### <Issuance policy>

- 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.

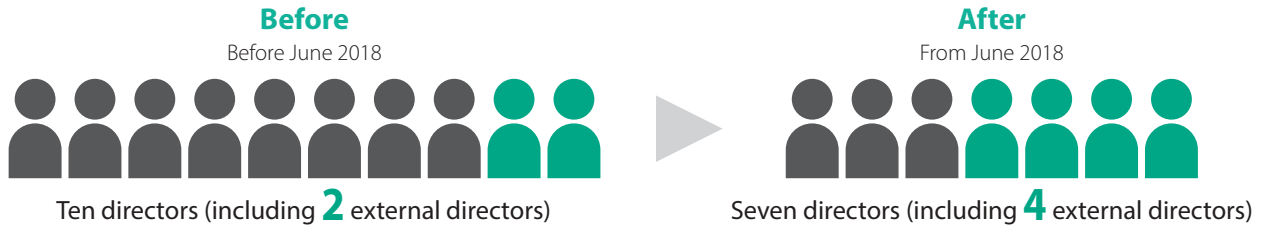
### Amount of debentures issued by type



# The Shoko Chukin Bank's Governance Reform

## We changed our management structure in 2018 to a Board of Directors with a majority of external directors to monitor operation

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.



### I. Our Fundamental Approach to Corporate Governance

In order to ensure our governance system can support our desired business model, we have adopted a management structure that appoints external directors to ensure that they account for a majority of directors. We are working to strengthen the Board of Directors functions by encouraging more vigorous discussions at Board of Directors meetings. Furthermore, to clearly separate the supervisory and execution functions, we have forged an execution system by introducing mandated executive officers and reviewing

various committees that report to the Board of Directors. In addition, in order to strengthen our internal management system, we have placed the departments responsible for internal audit and compliance under the direct control of president (representative director) and established a framework that enables the representative director to obtain a swift and accurate grasp of any pertinent information.

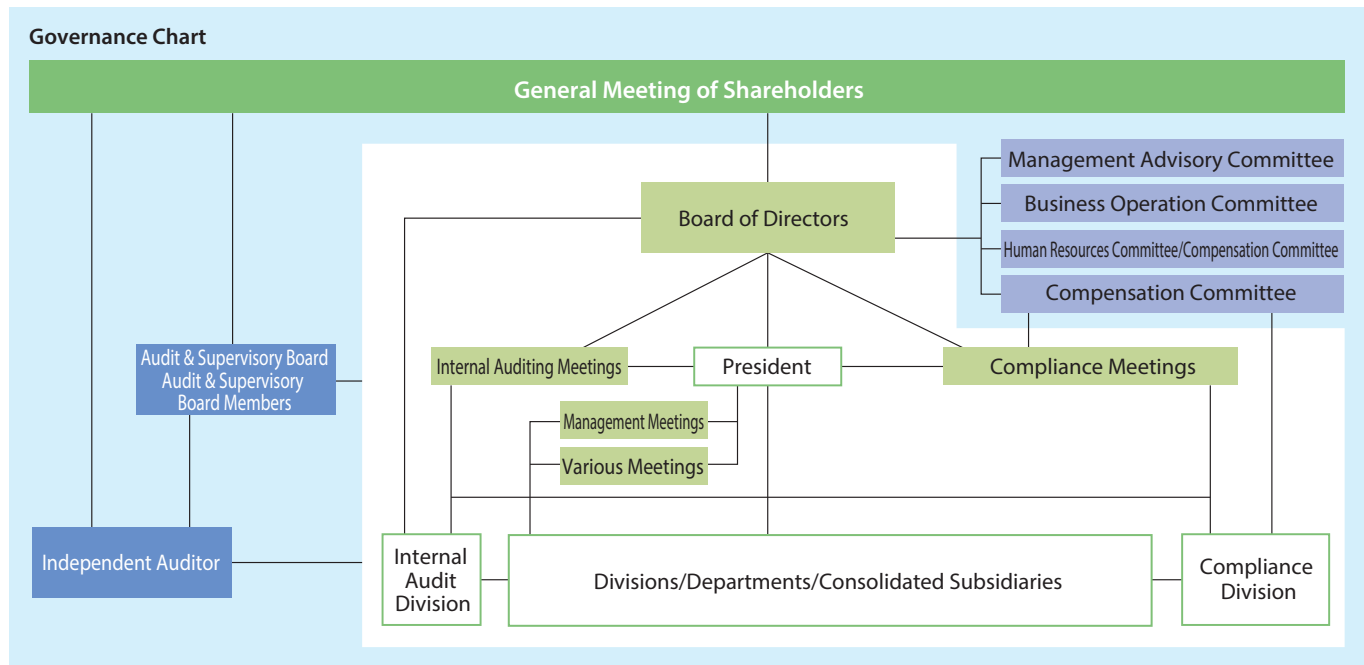
### II. Corporate Governance Framework

#### ■ Board of Directors

The Board of Directors is 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.

#### ■ Audit & Supervisory Board, Audit & Supervisory Board Members

The Audit & Supervisory Board is 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.



# Compliance

## Restoring Compliance Awareness and Strengthening Efforts to Prevent Fraud

### ■ Determined reestablishment of compliance in wake of misconduct in crisis-response operations

Regarding the misconduct announced in 2016 in our crisis response operations, we would like to once again offer our sincere apology for the considerable inconvenience and concern caused to our business partners, shareholders, and the general public.

In light of that incident, we have conducted a fundamental review of our compliance, business management, and internal management systems in order to prevent the future occurrence of misconduct or improper business operations. Officers and employees of the Bank share a deep sense of remorse and are determinedly working together to ensure that such misconduct never happens again.

### ■ Summary of misconduct case in crisis response operations, etc.

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.

In order to clarify the details of these cases of misconduct, the Bank conducted a full investigation of all 220,000 cases of crisis response loans. The results revealed 4,637 incidents of misconduct by 447 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 September 2020.)

The four fundamental causes of the incident were as below. We thoroughly re-examine the Bank's compliance with laws and regulations, management system, internal management system, etc., in order to prevent the occurrence of any misconduct or inappropriate business operations, including main content of the business operations improvement order.

### ■ Fundamental causes of the incident

- A lack of internal control and excessive pressure for business performance in crisis response operations
- The use of crisis response loan facilities as a dominant tool
- The attitude of the Bank's Headquarters and management, as well as a decline in compliance awareness that led to misconduct; and
- A lack of governance

### ■ Main content of the business operations improvement order

- 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.

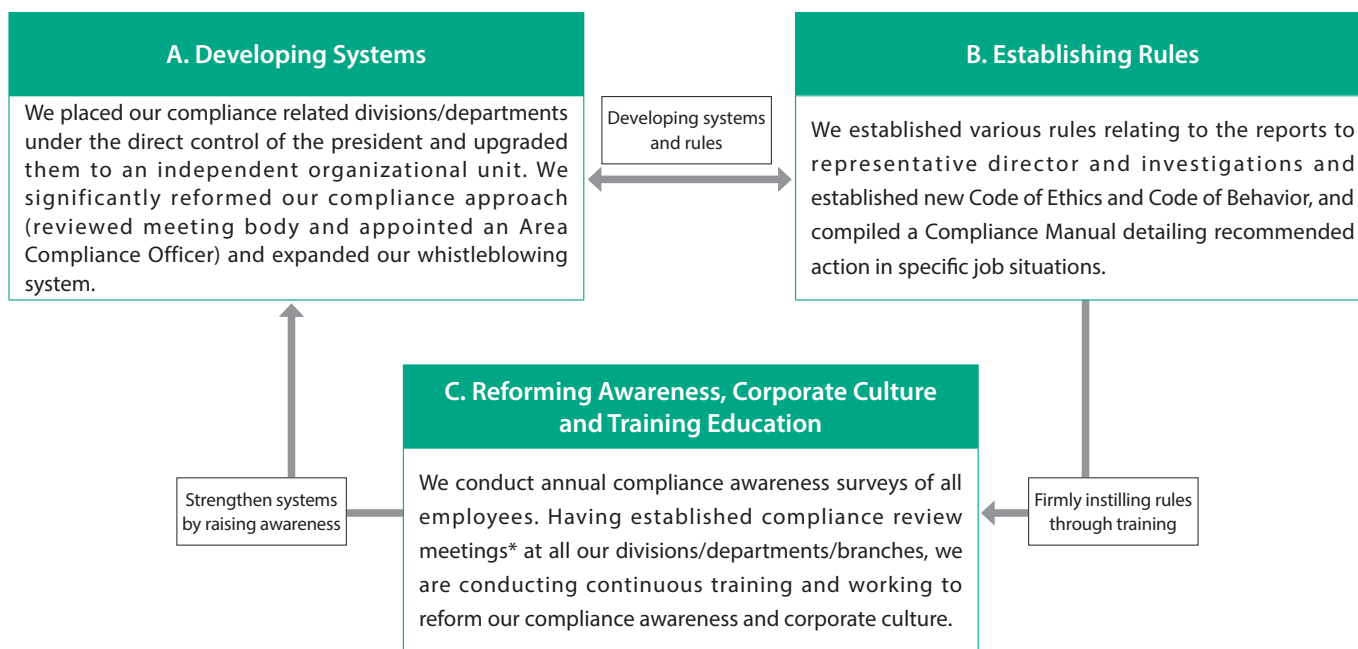
# Status of Compliance System Development

## Initiatives to Develop Compliance Systems

The Shoko Chukin Bank recognizes that the four fundamental causes of the misconduct in the past were: (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.

Based on that recognition, we review our approaches as detailed below and conduct consistent and effective compliance-related training. Going forward, we will continue our unrelenting efforts to prevent the memories of the misconduct from fading, to raise each and every employee's compliance awareness, and to become a fraud-free organization.

## Three Initiatives to Rebuild Organization After the Misconduct Incident

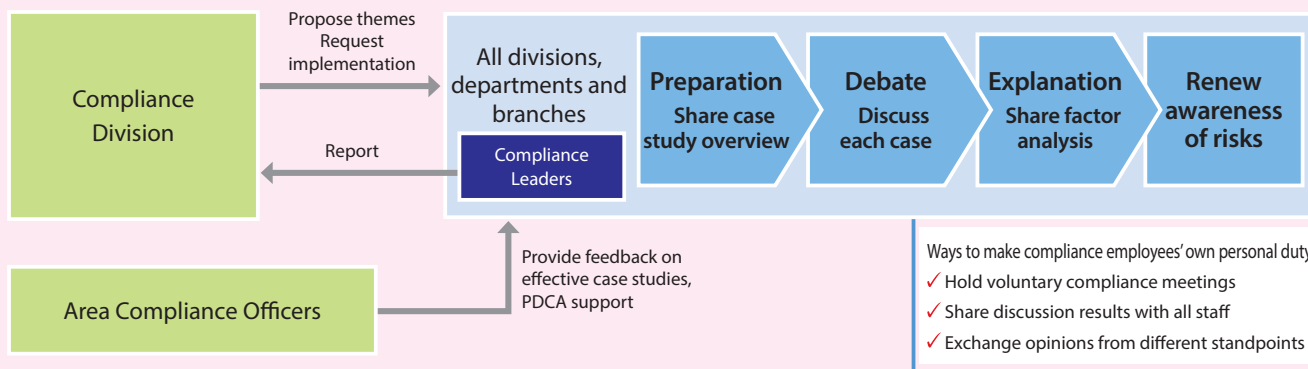


Systems to Ensure Sound Business Operations

### \*Framework of the Compliance Review Meeting

We have established compliance review meetings at all our divisions, departments and branches. Compliance review meetings are regularly held in order to help every employee comprehend the importance of compliance and commit to compliance as a personal duty, and to enable employees to consider compliance before taking any action.

We have also appointed Compliance Leaders who are responsible for compliance management in every division, department and branch. Area Compliance Officers support this framework and consistently strive to improve the effectiveness of the framework.



**A. Establishing Compliance-related Meetings and Divisions** Developing Systems

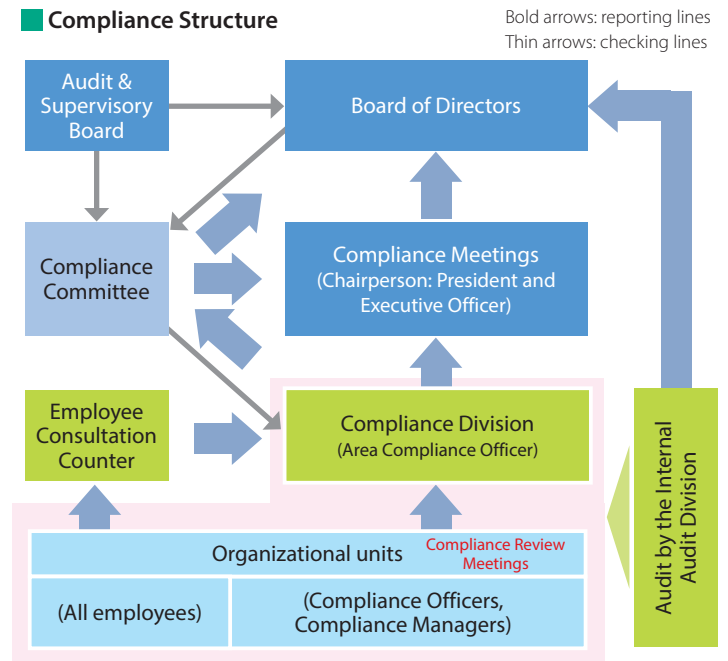
**Developing Systems Following the Misconduct Discovery From April 2017**

- Upgraded the Compliance Meeting to a management meeting (chaired by the President and Executive Officer)
- Upgraded the Compliance Division to an organizational unit to ensure independence and strengthen business execution framework
- Reestablished the Compliance Committee to verify response to individual cases and provide guidance and restraint
- Expanded our employee consultation contact (a whistleblowing system)
- Appointed Area Compliance Officers (ACOs) to provide conduct inspections and provide advice and guidance on compliance frameworks
- Had all executives and employees sign a compliance pledge to uphold social regulations and all other rules and strive to restore trust

**From June 2018**

- Moved the Compliance Division under the direct control of the President and Executive Officer

Compliance Structure



**B. Establishing Various Manuals and Rules** Establishing Rules

**From October 2017**

- Revised compliance regulations, etc. (established a system for prompt reporting to the Compliance Committee and Representative Director, etc. in the event of a serious incident and rules for explaining investigations and reporting to the Compliance Committee and Board of Directors)

**From June 2018**

- Revised compliance implementation guidelines, established the role of Compliance Committee, response to scandals and other events, and measures, etc. that require the Compliance Division to rectify business operations
- Established the Code of Ethics, the Code of Conduct, and the Compliance Manual. Illustrated recommended actions, etc. in specific situations

● **The full text of the Shoko Chukin Bank Code of Ethics and Code of Behavior is available on our website.** ▶▶▶ <https://www.shokochukin.co.jp/english/about/company/introduction/>



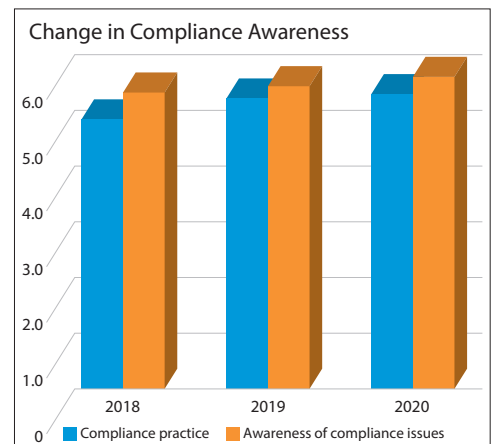
**C. Getting Employees to View Compliance as a Personal Duty** Awareness, Corporate Culture, Education

**From July 2017**

- Conducted consistent compliance training tailored to each employee level and position in all group training sessions
- Conducted consistent compliance training for executives.

**From January 2018**

- Formulated compliance revitalization program and established a framework for improving compliance awareness and consistently conducting compliance training, etc.
- Established compliance review meetings at all divisions, departments and branches, and ensured consistent implementation
- Established the Compliance Leader system to help instill and entrench compliance considerations
- Conducted compliance awareness surveys (annual surveys designed to obtain an objective grasp of the level of compliance awareness among all employees and pinpoint issues)



\*The surveys were conducted by having respondents rate their compliance from 1 to 7 (the higher the number the more positive the action).

# Risk Management

## I. Basic Policy for Risk Management

In order to sufficiently exhibit our role as a financial institution specializing in SMEs, the Shoko Chukin Bank thoroughly understands the importance of solid risk management and seeks to accurately grasp and manage risk by systematically defining the type of risks that should be recognized when executing business, their content, and the way they should be managed.

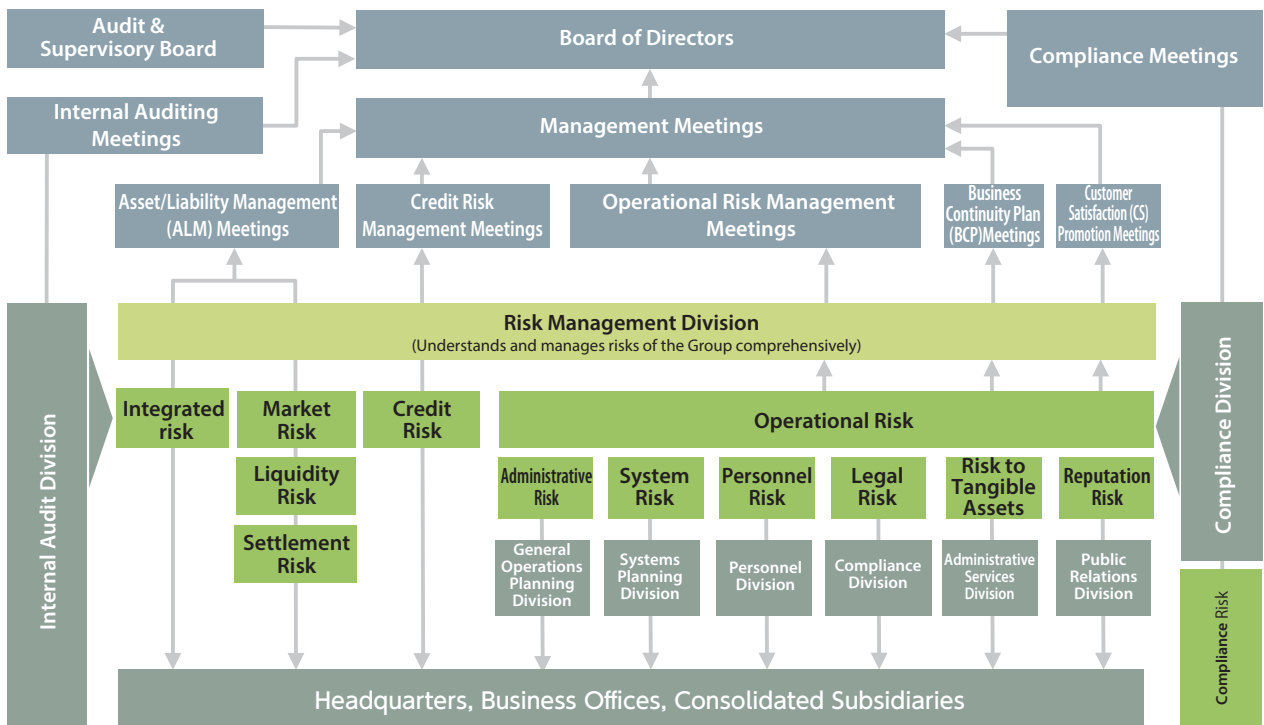
## II. Risk Management Structure

Financial institutions are exposed to increasingly 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 of financial and IT technologies. 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 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.

### Risk Management Structure and System

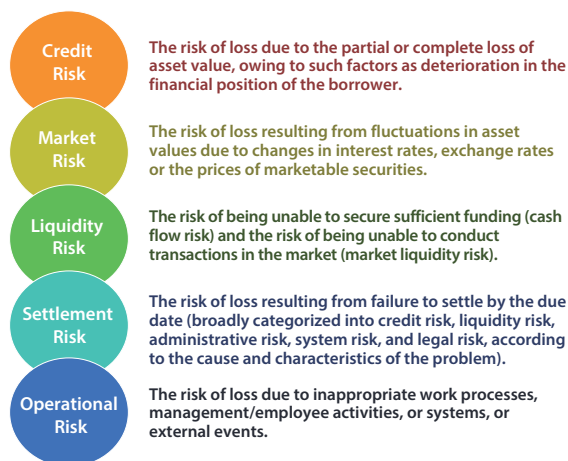


### III. Integrated Risk Management

The Shoko Chukin Bank manages risks by classifying them into credit risk, market risk, liquidity risk, settlement risk, and operational risk categories.

Moreover, in order to comprehensively evaluate the impact of overall risk based on an assessment of individual categories, we manage 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.

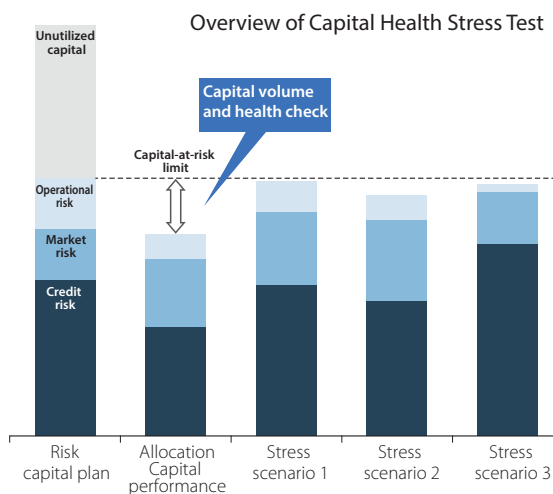


#### Using Stress Testing to Check Capital Health

The Shoko Chukin Bank performs stress tests to evaluate internal capital adequacy and check the health of our capital.

The stress tests targeted mainly credit risk and market risk and involve setting scenarios for stress events based on future outlooks and past stress events and calculating loss totals and value at risk (VaR) based on those scenarios.

In the event of any inconsistencies in our capital-at-risk limit, we will consider countermeasures in asset/liability management (ALM) meetings and revise plans in Board of Directors meetings if necessary.



### IV. Particularly Important Risks

The Bank recognizes the following Especially Important Risks from among the major risks that can exert a significant impact on business operations. Any deliberations on especially important risks are made by the Board of Directors depending on their potential impact and likely occurrence.

We are continuously reviewing the especially important risks and preparing flexible responses.

Particularly important risks	Risk scenario
Compliance risk	The possibility of receiving a business operations improvement order or a business suspension order, to have the permits and licenses relating to your business rescinded, or to lose the trust of your customers and markets in the event of any illegal activity by executives or other employees or the conducting of any other unfair or improper business transactions
Risk of business strategy not working	The possibility that the strategies and measures for building our desired sustainable business models are not successful
Credit risk	The possibility that non-performing loans and credit costs may increase due to development in the global and Japanese economies, fluctuation in land prices, stock prices or interest rates, changing in borrowers' business conditions, and the impact of the Covid-19 pandemic on the economy in particular
System risk	The possibility of incurring losses due to a computer system crash or malfunction the emergence of system deficiencies, or illegal computer usage (including information security risks and cybersecurity incidents caused by system deficiencies or fraudulent system use)



## V. Credit Risk Management System

Credit risk management is a particularly important part of our integrated risk management given that Shoko Chukin Bank lends to small and medium-sized enterprises that employ approximately 70% of Japan's workforce. We strive to maintain and improve the soundness of our loan assets by upholding appropriate loan examination standards and systems based on our SME-lending expertise.

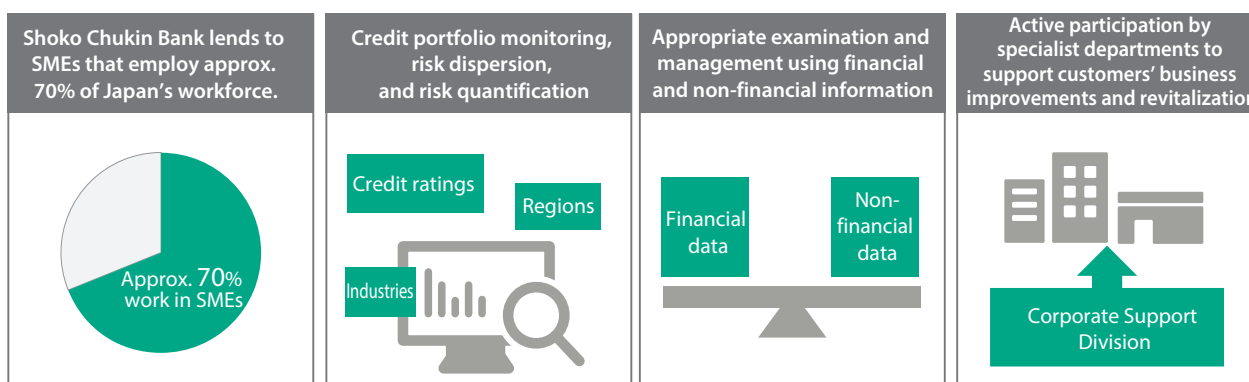
### ■ Credit Risk Management System

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. The Bank's 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.

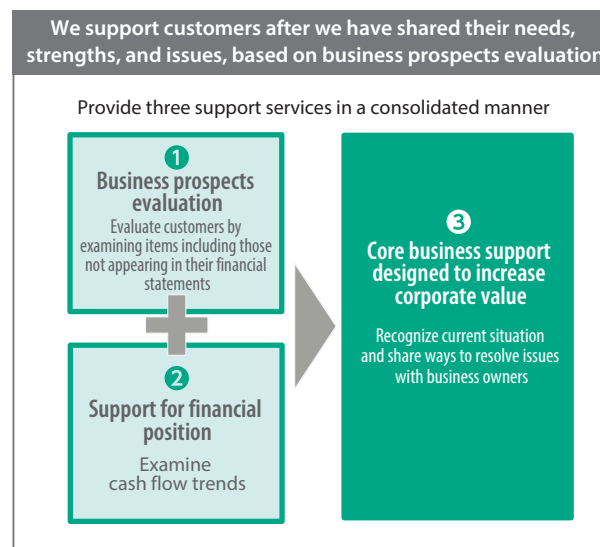


### ■ Screening of Borrowers Affected by the Covid-19 Pandemic

Given that SMEs are greatly affected by external factors such as economic conditions and the Covid-19 pandemic, we take a medium- to long-term view when evaluating the business outlook for our customers. 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.

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.



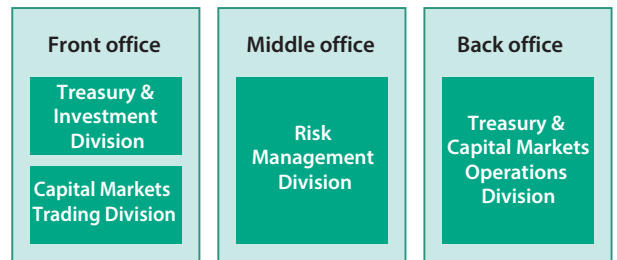
## VI. Management Systems for Market and Liquidity Risks

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.

### Market and Liquidity Risk Management Systems

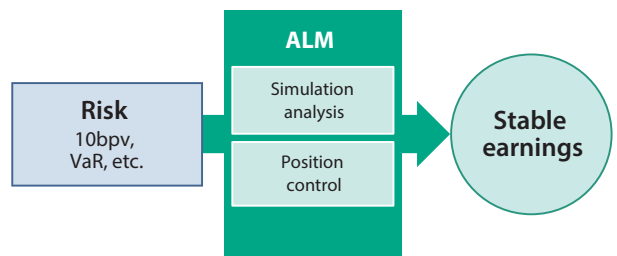
Under the Bank’s market risk management structure, market operations are separated into front office and back office departments. In addition, a middle office fulfills a specialist role in managing market risk, with the overall structure providing a system of checks and balances between each of the functions.

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)

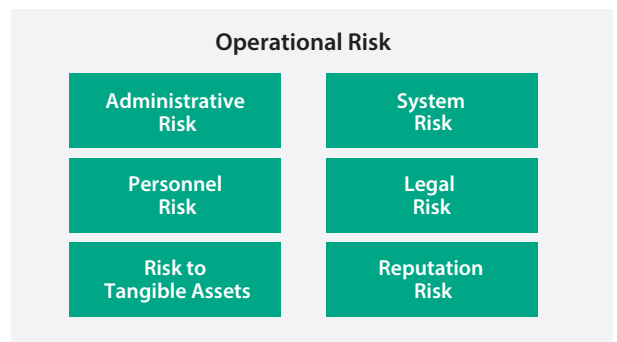
The Bank achieves this balance between profitability and risk control by analyzing its asset and liability portfolios using interest rate forecasts, 10 basis point value and VaR (Value at Risk) methods, and conducting simulations using multiple interest rate scenarios.



## VII. Operational Risk Management System

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 risk, such as administrative risk and system risk along with management regulations, in an effort to reduce risk.

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.



## ■ 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. We listen carefully to any complaints and other comments we receive so that we can investigate and fully grasp the facts and then cooperate with relevant departments to solve issues quickly. Other institutions can also accept complaints and comments from customers and we encourage some customers to contact appropriate institutions\* depending on the content of their complaints or comments.

\* The Dispute Resolution Center and Arbitration and Mediation Center set up and operated by the Tokyo Bar Association, the Dai-ichi Tokyo Bar Association, and the Daini Tokyo Bar Association, or the Financial Instruments Mediation Assistance Center.

## ■ 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.

## ■ 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, and are implementing measures to prevent the spread of Covid-19, in order to ensure smooth operations.

## Shoko Chukin Bank's SDGs Initiatives (Helping Realize a Sustainable Society)

Article I (Objective) of the Shoko Chukin Bank Limited Act stipulates that the objective of the Shoko Chukin Bank, Ltd. is to conduct businesses necessary to facilitate smooth financing for SME cooperatives and other organizations that primarily consist of SMEs and their members.

As such, we recognize that accurately executing this act's objective first and foremost is the Bank's great social responsibility.

More specifically, through our commitment to provide comprehensive financial services business to support management, we aim to help solve customers' issues and enhance customers' corporate value. We also strive to work together with our customers to solve regional and social issues and help realize a sustainable society.

## Environmental Policy

As a nationwide financial institution specializing in SMEs, the Shoko Chukin Bank recognizes the realization of a sustainable society as one of our priority management issues. With that in mind, we seek to contribute to local society and economies by proactively and persistently pursuing initiatives designed to harmonize our corporate activities, which focus on realizing our mission of increasing the corporate value of SMEs, with our duty to conserve the environment.

### 1. Complying with Laws and Regulations

We are committed to upholding laws and regulations pertaining to environment and other requirements agreed to by the Bank.

### 2. Conserving the Environment Through Financial Services

We strive to help reduce society's environment-related risks by fully mobilizing our nationwide network to actively support SMEs groups involved in environmental conservation and the business activities of our customer SMEs through the provision of financial products and services, while also cooperating with national and regional government policies.

### 3. Reducing the Environmental Impact of our Business Activities

The Bank recognizes the environmental impact of resource consumption and waste product emissions and strives to preserve the environment by pursuing resource recycling initiatives and promoting the effective use of energy and other resources.

### 4. Building Awareness Among All Executives and Employees, Promoting Disclosure

We strive to raise environmental awareness in order foster greater recognition of environmental issues among all our executives and employees. We disclose the status of any activities based on this fundamental policy on the Shoko Chukin Bank website.

## ● Conserving the Environment Through Financial Services

In order to encourage a more proactive response to environmental issues, the Bank is implementing an Environmental Measures Support scheme that extends financial and informational support to businesses pursuing environment-conscious management.

We also have a system for financing the purchase of vehicles that comply with the latest national emission regulations in cooperation with the Japan Trucking Association (Shinjuku, Tokyo). The use of this loan system has helped encourage the introduction of new vehicles that conform with Japan's Automotive NOx/PM Law that seeks to reduce nitrogen dioxide (NOx) emissions by 66% compared to pre-enforcement standards as well as the introduction of vehicles that comply with Japan's Post New Long-term Emission Regulation, an even more strict regulation on NOx emissions than the NOx/PM Law. The Post New Long-term Emission Regulation seeks to reduce NOx emissions by 65% compared to pre-enforcement standards.

## ● Reducing the Environmental Impact of our Business Activities

The Bank shares with all its offices power-saving and water-conserving methods and environmental drives and strive to achieve them. We also consider energy-saving effects when replacing and updating any equipment, such as air conditioning.

In terms of external reporting, the Bank has been reporting annual performance results of all facilities that fall under Japan's Act on the Rational Use of Energy and Act on Promotion of Global Warming Countermeasures and the Tokyo Metropolitan Environmental Security Ordinance. However, following some revisions to the acts in fiscal 2009, the amount of energy used by the Shoko Chukin Bank as a whole has been included in the required reporting categories under the rational use of energy and promotion of global warming countermeasures acts. We are working on the actual data reporting and further reducing our energy use.

In addition, in terms of voluntary initiatives, we have been promoting the procurement of products that comply with Japan's Act on Promoting Green Procurement. Since fiscal 2019, we have been encouraging staff at our headquarters and sales offices to wear casual business clothes year round.

## ● Addressing Climate Change (Initiatives on TCFD Recommendations)

The Shoko Chukin Bank supports recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is striving to expand the disclosure of climate-related information.

<b>Governance</b>	<ul style="list-style-type: none"><li>● Any matters that relate to the identification, evaluation, and management of climate-related opportunities and risks are regularly discussed at our Management Meeting, which is attended by the President and Executive Officer. We also submit regular reports on climate-related developments to the Board of Directors.</li></ul>
<b>Strategy</b>	<ul style="list-style-type: none"><li>● We remain committed to promoting initiatives to help solve climate change and other social issues.</li><li>● We analyze qualitative and quantitative scenarios regarding the opportunities and risks that climate change poses to management of the Shoko Chukin Bank. More specifically, we strive to analyze the impact of physical risks in the wake of recent natural disasters caused by climate change, and the impact of transition risks and opportunities created by the development of climate change policies and technological innovations associated with the transition to a low-carbon economy.</li><li>● The Shoko Chukin Bank accounts for 0.3% of loans for carbon-related assets (as of March 31, 2021). *1</li></ul>
<b>Risk Management</b>	<ul style="list-style-type: none"><li>● We commit to appropriately recognizing risks (physical risks and transition risks) that arise as a result of climate change, and striving to build a risk management approach that incorporates these risks.</li><li>● To help realize a sustainable society, we are considering formulating a policy for investment and loans that may have an impact on the environment and society.</li></ul>
<b>Metrics and Targets</b>	<ul style="list-style-type: none"><li>● The Bank's fiscal 2020 CO<sub>2</sub> emissions calculated based on the amount gas, electricity and other utilities used at its offices in Japan totaled 10,939 tons, down 28% from the fiscal 2013 level. *2</li><li>● We aim to reduce CO<sub>2</sub> emissions at our offices in Japan by 50% by fiscal 2030 from the fiscal 2013 level.</li></ul>

\*1 Based on TCFD-recommended definitions, the Bank recognizes any lending to the energy and utility sectors, except water utilities, as carbon-related assets. We periodically review the method for recognizing carbon-related assets.

\*2 Using Scope 1 (direct) and Scope 2 (indirect) CO<sub>2</sub> emissions of the Shoko Chukin Bank included in regular reports under the Act on the Rational Use of Energy.



## Financial Data (Consolidated)

Year Ended March 31, 2021

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## Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Operating Income	¥ 151.7	¥ 153.8	¥ 181.2	¥ 204.7	¥ 195.3
Income before Income Taxes and Other	8.5	21.6	32.1	58.4	50.8
Net Income Attributable to Owners of Parent	9.2	14.5	15.4	37.3	32.4
Comprehensive Income	24.6	5.3	11.2	41.5	35.9
Net Assets	979.5	959.4	964.0	972.3	935.3
Total Assets	13,083.2	11,219.5	11,818.5	11,957.3	12,845.0
Net Assets per Share (Yen)	204.71	195.44	195.04	191.95	174.92
Net Income per Share (Yen)	4.24	6.68	7.08	17.15	14.90
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.45	8.51	8.12	8.10	7.25
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.74	11.67	12.30	12.69	11.97
Consolidated Tier 1 Ratio (%)	11.74	11.67	12.30	12.69	11.97
Consolidated Total Capital Ratio (%)	12.68	12.37	12.99	13.53	13.12
Return on Equity (%)	0.95	1.51	1.59	3.93	3.54
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	502.6	(582.5)	223.9	(165.6)	535.3
Cash Flows from Investing Activities	(184.5)	73.7	113.5	16.6	149.5
Cash Flows from Financing Activities	5.4	(10.0)	(24.5)	(24.5)	(10.5)
Cash and Cash Equivalents at the End of the Year	1,626.2	1,302.7	1,821.5	1,508.5	1,682.0
Number of Employees (Persons)	3,909	4,020	4,113	4,083	4,080
[Average Number of Temporary Employees excluded from Above]	[1,018]	[1,018]	[1,036]	[1,058]	[1,047]

- 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, 2021 and 2020

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>ASSETS</b>				
<b>Cash and Due from Banks</b>	¥ 1,680,626	¥ 1,327,060	\$ 15,180	\$ 12,193
<b>Call Loans and Bills Purchased</b>	143,938	37,719	1,300	346
<b>Monetary Claims Purchased</b>	19,471	22,355	175	205
<b>Trading Assets</b>	15,109	14,843	136	136
<b>Investment Securities</b>	1,461,131	1,279,992	13,197	11,761
<b>Loans</b>	9,511,424	8,285,149	85,912	76,129
<b>Foreign Exchange</b>	24,810	15,900	224	146
<b>Other Assets</b>	175,820	191,046	1,588	1,755
<b>Tangible Fixed Assets</b>	43,522	39,454	393	362
Buildings	17,329	17,287	156	158
Land	22,126	18,653	199	171
Construction in Progress	835	1,680	7	15
Other Tangible Fixed Assets	3,231	1,832	29	16
<b>Intangible Fixed Assets</b>	10,286	9,808	92	90
Software	9,122	7,742	82	71
Other Intangible Fixed Assets	1,163	2,066	10	18
<b>Net Defined Benefit Asset</b>	26,625	17,795	240	163
<b>Deferred Income Taxes</b>	39,298	45,667	354	419
<b>Customers' Liabilities for Acceptances and Guarantees</b>	112,070	110,779	1,012	1,017
<b>Reserve for Possible Loan Losses</b>	(180,864)	(178,065)	(1,633)	(1,636)
<b>Total Assets</b>	¥ 13,083,272	¥ 11,219,507	\$ 118,176	\$ 103,092



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	
	2021	2020	2021	2020
<b>LIABILITIES</b>				
Deposits	¥ 5,886,778	¥ 5,076,561	\$ 53,172	\$ 46,646
Negotiable Certificates of Deposit	437,864	273,818	3,955	2,516
Shoko Chukin Bank Debentures	3,786,770	3,989,750	34,204	36,660
Payables under Securities Lending Transactions	164,811	336,938	1,488	3,096
Trading Liabilities	8,928	8,367	80	76
Borrowed Money	1,558,115	315,066	14,073	2,895
Foreign Exchange	43	30	0	0
Corporate Bonds	10,000	—	90	—
Other Liabilities	80,546	78,797	727	724
Reserve for Bonuses	4,543	4,609	41	42
Net Defined Benefit Liability	3,977	13,229	35	121
Reserve for Retirement Benefits for Directors	94	76	0	0
Reserve for Losses on Refund for Dormant Bonds	48,979	51,776	442	475
Reserve for Environmental Measures	67	116	0	1
Other Reserves	74	86	0	0
Deferred Tax Liabilities	52	52	0	0
Acceptances and Guarantees	112,070	110,779	1,012	1,017
<b>Total Liabilities</b>	<b>12,103,717</b>	<b>10,260,057</b>	<b>109,328</b>	<b>94,275</b>
<b>NET ASSETS</b>				
Capital	218,653	218,653	1,975	2,009
Crisis Response Reserve	129,500	129,500	1,169	1,189
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,620	3,682
Capital Surplus	0	0	0	0
Retained Earnings	212,698	207,952	1,921	1,910
Treasury Stock	(1,136)	(1,072)	(10)	(9)
<b>Total Shareholders' Equity</b>	<b>960,526</b>	<b>955,844</b>	<b>8,676</b>	<b>8,782</b>
Unrealized Gains on Other Securities	21,076	11,884	190	109
Deferred Hedge Gains	(25)	85	(0)	0
Remeasurements of Defined Benefit Plans	(5,820)	(12,160)	(52)	(111)
<b>Total Accumulated Other Comprehensive Income</b>	<b>15,230</b>	<b>(191)</b>	<b>137</b>	<b>(1)</b>
Non-controlling Interests	3,796	3,796	34	34
<b>Total Net Assets</b>	<b>979,554</b>	<b>959,450</b>	<b>8,847</b>	<b>8,816</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 13,083,272</b>	<b>¥ 11,219,507</b>	<b>\$ 118,176</b>	<b>\$ 103,092</b>

## Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2021 and 2020

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>Operating Income</b>	¥ 151,777	¥ 153,835	\$ 1,370	\$ 1,413
Interest Income	102,888	95,018	929	873
Interest on Loans	96,977	87,233	875	801
Interest and Dividends on Securities	3,727	4,399	33	40
Interest on Call Loans and Interest on Bills Purchased	130	1,022	1	9
Interest on Deposits	1,101	1,218	9	11
Interest on Interest Swaps	23	28	0	0
Other Interest Income	928	1,114	8	10
Fees and Commissions	9,518	10,212	85	93
Trading Revenue	2,202	3,871	19	35
Other Operating Income	34,613	37,817	312	347
Other Income	2,554	6,915	23	63
Collection of Written-off Claims	88	10	0	0
Other Income	2,466	6,904	22	63
<b>Operating Expenses</b>	143,274	132,170	1,294	1,214
Interest Expenses	5,157	6,519	46	59
Interest on Deposits	2,670	3,108	24	28
Interest on Negotiable Certificates of Deposit	190	1,014	1	9
Interest on Debentures	1,107	1,006	9	9
Interest on Call Money and Interest on Bills Sold	(3)	(2)	(0)	(0)
Interest on Payables under Repurchase Agreements	—	0	—	0
Interest on Securities Lending Transactions	21	44	0	0
Interest on Borrowed Money	1,098	1,310	9	12
Interest on Corporate Bonds	27	—	0	—
Other Interest Expenses	46	37	0	0
Fees and Commissions	2,615	1,574	23	14
Trading Expenses	—	31	—	0
Other Operating Expenses	33,797	35,628	305	327
General and Administrative Expenses	80,315	76,274	725	700
Other Expenses	21,387	12,142	193	111
Provision for Possible Loan Losses	19,174	6,006	173	55
Other Expenses	2,212	6,135	19	56
<b>Profit before Income Taxes and Other</b>	8,503	21,664	76	199
<b>Other Gains</b>	4,443	0	40	0
Gains on Disposal of Fixed Assets	651	0	5	0
Compensation Received	3,792	—	34	—
<b>Other Losses</b>	1,450	4,433	13	40
Losses on Disposal of Fixed Assets	196	19	1	0
Impairment Losses	1,253	4,413	11	40
<b>Profit before Income Taxes</b>	11,496	17,231	103	158
<b>Provision for Income Taxes</b>	2,645	2,597	23	23
<b>Adjustment for Income Taxes</b>	(395)	86	(3)	0
<b>Total Income Taxes</b>	2,250	2,684	20	24
<b>Profit</b>	9,246	14,546	83	133
<b>Profit Attributable to Non-controlling Interests</b>	3	3	0	0
<b>Profit Attributable to Owners of Parent</b>	¥ 9,242	¥ 14,543	\$ 83	\$ 133

## Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2021 and 2020

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>Profit</b>	¥ 9,246	¥ 14,546	\$ 83	\$ 133
<b>Other Comprehensive Income</b>	15,421	(9,167)	139	(84)
Unrealized Gains on Other Securities	9,192	(9,448)	83	(86)
Deferred Hedge Gains	(110)	79	(0)	0
Remeasurements of Defined Benefit Plans	6,340	201	57	1
<b>Comprehensive Income</b>	24,668	5,379	222	49
Total Comprehensive Income Attributable to Owners of Parent	24,664	5,375	222	49
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, 2021 and 2020

Millions of yen

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance, April 1, 2020</b>	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 207,952	¥ (1,072)	¥ 955,844
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus					(4,496)		(4,496)
Profit Attributable to Owners of Parent					9,242		9,242
Acquisition of Treasury Stock						(63)	(63)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
<b>Total Changes during the Period</b>	—	—	—	0	4,745	(63)	4,682
<b>Balance, March 31, 2021</b>	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 212,698	¥ (1,136)	¥ 960,526

	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			
<b>Balance, April 1, 2020</b>	¥ 11,884	¥ 85	¥ (12,160)	¥ (191)	¥ 3,796	¥ 959,450	
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus						(4,496)	
Profit Attributable to Owners of Parent						9,242	
Acquisition of Treasury Stock						(63)	
Disposition of Treasury Stock						0	
Net Changes of Items Other Than Shareholders' Equity	9,192	(110)	6,340	15,421	—	15,421	
<b>Total Changes during the Period</b>	9,192	(110)	6,340	15,421	—	20,104	
<b>Balance, March 31, 2021</b>	¥ 21,076	¥ (25)	¥ (5,820)	¥ 15,230	¥ 3,796	¥ 979,554	

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, 2021 and 2020

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2019</b>	¥ 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
<b>Balance, March 31, 2020</b>	¥ 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		
<b>Balance, April 1, 2019</b>	¥ 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)
<b>Balance, March 31, 2020</b>	¥ 11,884	¥ 85	¥ (12,160)	¥ (191)	¥ 3,796	¥ 959,450

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2020</b>	\$ 1,975	\$ 1,169	\$ 3,620	\$ 0	\$ 1,878	\$ (9)	\$ 8,741
Changes during the Period							
Payment to National Treasury of Crisis Response Reserve							
Dividends from Surplus					(40)		(40)
Profit Attributable to Owners of Parent					83		83
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	—	—	—	0	42	(0)	42
<b>Balance, March 31, 2021</b>	\$ 1,975	\$ 1,169	\$ 3,620	\$ 0	\$ 1,921	\$ (10)	\$ 8,676

	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		
<b>Balance, April 1, 2020</b>	\$ 107	\$ 0	\$ (109)	\$ (1)	\$ 34	\$ 8,666
Changes during the Period						
Payment to National Treasury of Crisis Response Reserve						
Dividends from Surplus						(40)
Profit Attributable to Owners of Parent						83
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	83	(0)	57	139	—	139
Total Changes during the Period	83	(0)	57	139	—	181
<b>Balance, March 31, 2021</b>	\$ 190	\$ (0)	\$ (52)	\$ 137	\$ 34	\$ 8,847

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, 2021 and 2020

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
<b>Balance, April 1, 2019</b>	\$ 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
<b>Balance, March 31, 2020</b>	\$ 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		
<b>Balance, April 1, 2019</b>	\$ 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)
<b>Balance, March 31, 2020</b>	\$ 109	\$ 0	\$(111)	\$ (1)	\$ 34	\$ 8,816

**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 ¥110.71=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2021, has been used for translation purposes for the year ended March 31, 2021, and ¥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. 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
----------	-------------
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, October 8, 2020), and are classified into secured loans relating to crisis response operations and other loans. Additionally, among loans that require special attention, loans other than those requiring special management are classified by whether they have been restructured or not. For each business partner category, 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.

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 Committee Practical Guideline No. 24, October 8, 2020). 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 Committee Practical Guideline No. 25, October 8, 2020). 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 Committee Practical Guideline 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.

**SIGNIFICANT ACCOUNTING ESTIMATES**

Amounts recorded in the consolidated financial statements of the current fiscal year based on accounting estimates that may materially impact the consolidated financial statements of the following fiscal year are as follows.

1. Reserve for Possible Loan Losses
  - (1) Amount of Reserve for Possible Loan Losses recorded in the consolidated financial statements for the current fiscal year totaled ¥180,864 million.
  - (2) Information that will facilitate the understanding of significant accounting estimates related to identified items
    - (a) Calculation method
 

The calculation method of the Reserve for Possible Loan Losses is as stated in “(5) Accounting standard for Reserve for Possible Loan Losses” of “5. Accounting policies.”
    - (b) Major assumptions
 

Major assumptions are made for “Future results forecasts of the borrowers in determining business partner category” and “Future estimates, etc. of expected loss per business partner category.” The former is determined by individually evaluating the revenue-generating capability of each debtor.

“Future estimates, etc. of expected loss for each business partner category” for normal loans (excluding secured loans) are provided based on the default rate of a specific fiscal year in which a large-scale loan defaulted. For other loans requiring special attention that have not been rescheduled, 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, 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, and additional adjustments are made accordingly to the Reserve for Possible Loan Losses by incorporating the risks of fluctuations of the business partner categories after the consolidated balance sheet date based on the fluctuation results of business partner categories during the time of the financial crisis of 2007-08. Also, similar factors are taken into consideration for other loans requiring special attention that have been rescheduled, and the Reserve for Possible Loan Losses to which the necessary adjustments are made including reflecting future estimates is calculated by making additional adjustments through incorporating the risks of fluctuations of expected loss after the consolidated balance sheet date based on the actual default rates during the time of the financial crisis of 2007-08.
    - (c) Impact on the consolidated financial statements of the following fiscal year
 

Any changes to “Future results forecasts of the borrowers in determining business partner category”

used in the initial estimates due to changes in the business results of individual borrowers, or changes in the “Future estimates, etc. of expected loss per business partner category” used in the initial estimates due to changes in the status of the COVID-19 pandemic or its impact on the economic environment, may significantly impact the Reserves for Possible Loan Losses in the consolidated financial statements of the following fiscal year.

**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.

**CHANGES IN PRESENTATION**

Adoption of the “Accounting Standard for Disclosure of Accounting Estimates”

The Bank adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements as of the end of the year ended March 31, 2021, and therefore notes on significant accounting estimates are provided in the consolidated financial statements.

However, the said notes do not state details on the fiscal year ended March 31, 2020, in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the Accounting Standard.

## 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.

### 3. Compensation Received

The Bank recognized ¥3,525 million in impairment losses associated with systems-related assets in the year ended March 31, 2020, as the invested amount is no longer expected to be recovered due to a major revision in the plan for the system investment project under development.

In the year ended March 31, 2021, the Bank concluded a settlement agreement with the contract system developer concerning the termination of the said system investment project.

Based on the settlement agreement, in the year ended March 31, 2021, the Bank recognized ¥2,180 million in compensation for damages and ¥1,611 million in the assessed value of the system hardware, etc. provided free of charge both received from the said contract developer, for a total of ¥3,792 million as "Compensation Received" under "Other Gains."

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## 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 ¥155,351 million.
2. In Loans, loans to bankrupt companies total ¥52,488 million and overdue loans total ¥248,751 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 ¥161 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 ¥25,896 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 ¥327,296 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 Committee Practical Guideline No. 24. With regards to bills accepted through the transactions, the Bank has the right to freely sell or use as collateral any bank acceptance bills, trade bills, documentary bills, or foreign bills bought, the aggregate face value of which is ¥101,985 million.

7. Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥532,933 million

Liabilities corresponding to collateral assets:

Deposits ¥4,016 million

Payables under Securities Lending Transactions

¥164,811 million

Borrowings ¥73,213 million

In addition to the above amounts, securities worth ¥2,522 million have been substituted for futures margin money, etc.

Other Assets include ¥69,471 million of Cash Collateral Received for Financial Instruments and ¥1,894 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 ¥1,602,372 million. Of this amount, ¥1,461,111 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 ¥70,296 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. Corporate Bonds include subordinated bonds totaling ¥10,000 million.

13. 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 ¥32,144 million.

## CONSOLIDATED STATEMENTS OF OPERATIONS

- Other Income includes ¥68 million of revenue from dormant bonds.
- General and Administrative Expenses include ¥39,836 million of salaries and allowances.
- Other Expenses include ¥317 million of Write-off of Loans, ¥93 million of Write-off of Stocks, ¥704 million of provision for reserves for losses on refund for dormant bonds.
- 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. The impairment losses on Buildings, etc. consist of ¥1,111 million for 14 branch offices and ¥142 million for assets

planned for disposal and idle assets in 1 location. 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 an individual unit, and head office, administration centers, and residences are treated as jointly used assets since they do not generate cash flow independently. 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.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen	
	2021	2020
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ 11,314	¥ (14,512)
Reclassification Adjustments	1,909	919
Before adjustment of Deferred Income Tax	13,224	(13,593)
Deferred Income Tax	(4,032)	4,144
Unrealized Gains on Other Securities	9,192	(9,448)
Deferred Hedge Gains		
Amount arising during the current fiscal year	(135)	143
Reclassification Adjustments	(23)	(28)
Before adjustment of Deferred Income Tax	(159)	114
Deferred Income Tax	48	(34)
Deferred Hedge Gains	(110)	79
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	6,188	(2,090)
Reclassification Adjustments	2,932	2,380
Before adjustment of Deferred Income Tax	9,121	290
Deferred Income Tax	(2,781)	(88)
Remeasurements of Defined Benefit Plans	6,340	201
Total Other Comprehensive Income	¥ 15,421	¥ (9,167)

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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

	(Thousand shares)				
	Number of Shares as of April 1, 2020	Increase	Decrease	Number of Shares as of March 31, 2021	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	10,258	360	1	10,618	(Note)
Total	10,258	360	1	10,618	

Note: The increase in the common stock is due to claims by shareholders for repurchase of shares less than one unit and the repurchase of shares held by untraceable shareholders. 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 23, 2020	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2020	June 25, 2020
	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, 2021 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2021

	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 22, 2021	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2021	Ordinary General Meeting of Shareholders held on June 22, 2021 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,479		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.

2. 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.

## Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2021

### (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:

- 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, 2021

### CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2021)
1. Total Risk-weighted Capital Ratio (4/7)	12.68
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.74
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.74
4. Total Capital	10,212
5. Tier 1 Capital	9,455
6. Common Equity Tier 1 Capital	9,455
7. Risk-weighted Assets	80,491
8. Total Required Capital	6,439

### LEVERAGE RATIO (Uniform International Standards)

(%)

	(As of March 31, 2021)
Leverage Ratio	8.00

## Financial Data (Non-Consolidated)

Year Ended March 31, 2021

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## Trends in Principal Financial Indicators (Non-Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Total Operating Income	¥ 117.9	¥ 119.0	¥ 146.4	¥ 170.1	¥ 160.2
Income (Loss) before Income Taxes and Other	7.6	20.5	30.7	56.9	49.1
Net Income (Loss)	8.7	13.7	14.4	36.2	31.3
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	969.9	956.6	962.3	971.5	937.7
Total Assets	13,012.6	11,149.3	11,749.8	11,890.2	12,778.8
Outstanding Deposits	5,893.6	5,082.0	5,057.9	4,892.2	5,109.0
Outstanding Debentures	3,787.1	3,990.1	4,238.3	4,459.5	4,744.1
Outstanding Loans	9,521.4	8,294.1	8,289.7	8,648.1	9,356.8
Balance of Investment Securities	1,464.4	1,283.3	1,383.9	1,514.6	1,543.1
Net Assets per Share (Yen)	202.05	195.91	195.97	193.32	177.79
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)	4.03	6.31	6.65	16.67	14.38
Capital Ratio (%)	7.45	8.58	8.18	8.17	7.33
Non-consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.74	11.69	12.34	12.75	12.03
Non-consolidated Tier 1 Ratio (%)	11.74	11.69	12.34	12.75	12.03
Non-consolidated Total Capital Ratio (%)	12.68	12.38	13.02	13.57	13.16
Return on Equity (%)	0.91	1.43	1.49	3.80	3.39
Price Earnings Ratio	—	—	—	—	—
Dividend Payment Ratio (%)	51.24	32.73	31.04	12.39	14.36
Number of Employees (Persons)	3,599	3,703	3,798	3,765	3,753
[Average Number of Temporary Employees excluded from Above]	[890]	[879]	[895]	[917]	[908]

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, 2021 and 2020

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>ASSETS</b>				
<b>Cash and Due from Banks</b>	¥ 1,680,583	¥ 1,327,016	\$ 15,180	\$ 12,193
Cash	23,220	21,655	209	198
Due from Banks	1,657,363	1,305,360	14,970	11,994
<b>Call Loans</b>	143,938	37,719	1,300	346
<b>Monetary Claims Purchased</b>	19,471	22,355	175	205
<b>Trading Assets</b>	15,109	14,843	136	136
Trading-related Financial Derivatives	15,109	14,843	136	136
<b>Investment Securities</b>	1,464,472	1,283,350	13,228	11,792
Government Bonds	734,260	502,984	6,632	4,621
Local Government Bonds	460,194	466,498	4,156	4,286
Corporate Bonds	172,712	215,730	1,560	1,982
Stocks	43,237	34,409	390	316
Other Securities	54,067	63,727	488	585
<b>Loans</b>	9,521,402	8,294,116	86,003	76,211
Bills Discounted	101,521	144,160	916	1,324
Loans on Notes	329,563	392,095	2,976	3,602
Loans on Deeds	7,854,270	6,437,338	70,944	59,150
Overdrafts	1,236,047	1,320,522	11,164	12,133
<b>Foreign Exchange</b>	24,810	15,900	224	146
Due from Foreign Banks	17,296	8,365	156	76
Foreign Exchange Bills Purchased	464	598	4	5
Foreign Exchange Bills Receivable	7,049	6,936	63	63
<b>Other Assets</b>	89,253	100,627	806	924
Unsettled Account of Transfer on Receiving Bank	—	2	—	0
Prepaid Expenses	10,340	1,084	93	9
Accrued Income	4,071	4,227	36	38
Financial Derivatives	1,926	1,185	17	10
Cash Collateral Received for Financial Instruments	69,471	87,458	627	803
Other Assets	3,443	6,669	31	61
<b>Tangible Fixed Assets</b>	42,494	38,404	383	352
Buildings	16,858	16,794	152	154
Land	21,603	18,130	195	166
Construction in Progress	835	1,680	7	15
Other Tangible Fixed Assets	3,198	1,797	28	16
<b>Intangible Fixed Assets</b>	10,294	9,754	92	89
Software	9,104	7,661	82	70
Other Intangible Fixed Assets	1,190	2,093	10	19
<b>Prepaid Pension Cost</b>	32,747	32,228	295	296
<b>Deferred Income Taxes</b>	36,023	39,491	325	362
<b>Customers' Liabilities for Acceptances and Guarantees</b>	112,070	110,779	1,012	1,017
Customers' Liabilities for Acceptances and Guarantees	111,067	109,681	1,003	1,007
Customers' Liabilities for Guaranteeing Agency Loans	1,003	1,098	9	10
<b>Reserve for Possible Loan Losses</b>	(180,069)	(177,239)	(1,626)	(1,628)
<b>Total Assets</b>	¥ 13,012,603	¥ 11,149,348	\$ 117,537	\$ 102,447



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	
	2021	2020	2021	2020
<b>LIABILITIES</b>				
<b>Deposits</b>	¥ 5,893,654	¥ 5,082,048	\$ 53,235	\$ 46,697
Current Deposits	545,702	490,927	4,929	4,510
Ordinary Deposits	1,662,949	1,273,425	15,020	11,701
Deposits at Notice	30,613	35,759	276	328
Time Deposits	3,571,601	3,195,222	32,260	29,359
Other Deposits	82,787	86,713	747	796
<b>Negotiable Certificates of Deposit</b>	437,864	273,818	3,955	2,516
<b>Shoko Chukin Bank Debentures</b>	3,787,170	3,990,150	34,208	36,664
Shoko Chukin Bank Debentures Issued	3,787,170	3,990,150	34,208	36,664
<b>Payables under Securities Lending Transactions</b>	164,811	336,938	1,488	3,096
<b>Trading Liabilities</b>	8,928	8,367	80	76
Trading-related Financial Derivatives	8,928	8,367	80	76
<b>Borrowed Money</b>	1,497,590	251,106	13,527	2,307
Borrowings	1,497,590	251,106	13,527	2,307
<b>Foreign Exchange</b>	43	30	0	0
Due to Foreign Banks	9	—	0	—
Foreign Exchange Bills Sold	—	22	—	0
Foreign Exchange Bills Payable	33	8	0	0
Corporate Bonds	10,000	—	90	—
<b>Other Liabilities</b>	75,916	73,530	685	675
Corporate Taxes Payable	2,094	669	18	6
Accrued Expenses	6,176	5,890	55	54
Unearned Income	6,871	6,254	62	57
Deposits by Employees	4,032	4,091	36	37
Financial Derivatives	2,763	696	24	6
Cash Collateral Received for Financial Instruments	13,985	14,943	126	137
Asset Retirement Obligations	2,502	2,684	22	24
Debenture Principal Payable	38	106	0	0
Other Liabilities	37,451	38,192	338	350
<b>Reserve for Bonuses</b>	4,330	4,380	39	40
<b>Reserve for Retirement Benefits</b>	1,155	9,582	10	88
<b>Reserve for Retirement Benefits for Directors</b>	58	44	0	0
<b>Reserve for Losses on Refund for Dormant Bonds</b>	48,979	51,776	442	475
<b>Reserve for Environmental Measures</b>	67	116	0	1
<b>Acceptances and Guarantees</b>	112,070	110,779	1,012	1,017
Acceptances and Guarantees	111,067	109,681	1,003	1,007
Guarantees for Agency Loans	1,003	1,098	9	10
<b>Total Liabilities</b>	¥ 12,042,640	¥ 10,192,669	\$ 108,776	\$ 93,656
<b>NET ASSETS</b>				
<b>Capital</b>	218,653	218,653	1,975	2,009
<b>Crisis Response Reserve</b>	129,500	129,500	1,169	1,189
<b>Special Reserve under the Shoko Chukin Bank Law</b>	400,811	400,811	3,620	3,682
<b>Capital Surplus</b>	0	0	0	0
Other Capital Surplus	0	0	0	0
<b>Retained Earnings</b>	201,099	196,822	1,816	1,808
Earnings Reserve	24,210	23,310	218	214
Other Retained Earnings	176,888	173,511	1,597	1,594
Reserve for Advanced Depreciation of Noncurrent Assets	377	404	3	3
Reserve for Particular Purposes	49,570	49,570	447	455
Retained Earnings Brought Forward	126,940	123,536	1,146	1,135
Treasury Stock	(1,136)	(1,072)	(10)	(9)
<b>Total Shareholders' Equity</b>	948,927	944,714	8,571	8,680
<b>Unrealized Gains on Other Securities</b>	21,060	11,879	190	109
<b>Deferred Hedge Gains</b>	(25)	85	(0)	0
<b>Total Valuation and Translation Adjustments</b>	21,035	11,964	190	109
<b>Total Net Assets</b>	969,963	956,679	8,761	8,790
<b>Total Liabilities and Net Assets</b>	¥ 13,012,603	¥ 11,149,348	\$ 117,537	\$ 102,447

## Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2021 and 2020

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>Operating Income</b>	¥ 117,932	¥ 119,021	\$ 1,065	\$ 1,093
Interest Income	102,905	95,032	929	873
Interest on Loans	96,996	87,250	876	801
Interest and Dividends on Securities	3,725	4,397	33	40
Interest on Call Loans	130	1,022	1	9
Interest on Deposits	1,101	1,218	9	11
Interest on Interest Swaps	23	28	0	0
Other Interest Income	927	1,114	8	10
Fees and Commissions	9,133	9,741	82	89
Domestic and Foreign Exchange Commissions	1,410	1,384	12	12
Other Fees and Commissions	7,722	8,356	69	76
Trading Revenue	2,202	3,871	19	35
Revenue from Trading-related Financial Derivatives	2,202	3,871	19	35
Other Operating Income	1,060	3,424	9	31
Revenue from Foreign Exchange Trading	847	1,163	7	10
Revenue from Sales of Government and Other Bonds	213	2,261	1	20
Other Income	2,631	6,951	23	63
Collection of Written-off Claims	88	10	0	0
Revenue from Sales of Stocks and Other Securities	650	127	5	1
Other Income	1,891	6,813	17	62
<b>Operating Expenses</b>	110,262	98,440	995	904
Interest Expenses	4,994	6,355	45	58
Interest on Deposits	2,670	3,109	24	28
Interest on Negotiable Certificates of Deposit	190	1,014	1	9
Interest on Debentures	1,107	1,006	9	9
Interest on Call Money	(3)	(2)	(0)	(0)
Interest on Payables under Repurchase Agreements	—	0	—	0
Interest on Debenture Rental Transactions	21	44	0	0
Interest on Borrowed Money	934	1,145	8	10
Interest on Corporate Bonds	27	—	0	—
Other Interest Expenses	46	37	0	0
Fees and Commissions	2,567	1,522	23	13
Domestic and Foreign Exchange Commissions	360	382	3	3
Other Fees and Commissions	2,206	1,139	19	10
Trading Expenses	—	31	—	0
Expenses on Securities and Derivatives Related to Trading Transactions	—	31	—	0
Other Operating Expenses	2,254	3,384	20	31
Losses on Sales of Government and Other Bonds	2,029	2,955	18	27
Losses on Redemption of Government and Other Bonds	22	—	0	—
Amortization of Government and Other Bonds	8	130	0	1
Amortization of Debenture Issue Expenses	26	16	0	0
Expenses on Financial Derivatives	166	281	1	2
Other Operating Expenses	1	0	0	0
General and Administrative Expenses	79,175	74,983	715	688
Other Expenses	21,270	12,163	192	111
Provision for Possible Loan Losses	19,067	6,040	172	55
Write-off of Loans	317	86	2	0
Losses on Sales of Stocks and Other Securities	627	16	5	0
Write-off of Stocks	93	220	0	2
Other Expenses	1,165	5,800	10	53
<b>Profit before Income Taxes and Other</b>	7,670	20,581	69	189

	Millions of yen		Millions of U.S. dollars	
	2021	2020	2021	2020
<b>Other Gains</b>	4,443	—	40	—
Gains on Disposal of Fixed Assets	651	—	5	—
Compensation Received	3,792	—	34	—
<b>Other Losses</b>	1,449	4,520	13	41
Losses on Disposal of Fixed Assets	196	19	1	0
Impairment Losses	1,253	4,501	11	41
<b>Profit before Income Taxes</b>	10,664	16,060	96	147
<b>Provision for Income Taxes</b>	2,400	2,265	21	20
<b>Adjustment for Income Taxes</b>	(510)	60	4	0
<b>Total Income Taxes</b>	1,890	2,325	17	21
<b>Profit</b>	¥ 8,773	¥ 13,735	\$ 79	\$ 126

**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	46.69
National Federation of Fire Insurance	9,300	0.42
Chubu Automobile Insurance Cooperative for Truck Transport Companies	8,085	0.37
Kantoh Automobile Insurance Cooperative for Truck Transport Companies	6,639	0.30
Koeisha Co., Ltd.	6,087	0.27
BOT LEASE CO., LTD.	5,300	0.24
Kagoshima Prefecture Fire Insurance Cooperative	5,006	0.23
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
Total	1,071,050	49.22

Notes: 1. As of March 31, 2021.

2. In addition to the principal shareholder information presented in the preceding chart, the Shoko Chukin Bank holds 10,618 thousand shares of treasury stock, representing 0.48% of total common stock issued and outstanding.

**CAPITAL RATIO (Uniform International Standards)**

(¥100 million, %)

	(As of March 31, 2021)
1. Total Risk-weighted Capital Ratio (4/7)	12.68
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.74
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.74
4. Total Capital	10,104
5. Tier 1 Capital	9,355
6. Common Equity Tier 1 Capital	9,355
7. Risk-weighted Assets	79,682
8. Total Required Capital	6,374

**LEVERAGE RATIO (Uniform International Standards)**

(%)

	(As of March 31, 2021)
Leverage Ratio	7.96

**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."

\* The amount of risk-weighted assets prior to December 31, 2020 has been found to be miscategorized for some real estate-related loans. We offer our sincere apologies on this matter. As the impact of this error on the capital ratio is minimal, corrections will not be made to the values already disclosed.

<b>SUMMARY OF INCOME</b>			(¥100 million)
Fiscal period ended	March 31, 2021	March 31, 2020	
Gross Operating Profit	1,054	1,007	
General and Administrative Expenses (Excluding Nonrecurring Items)	725	725	
Net operating profit	329	282	
Provision for the General Reserve for Possible Loan Losses	105	44	
Operating Profit	224	237	
Nonrecurring Loss (Including Nonrecurring Expenses)	(147)	(31)	
Income before Income Taxes and Other	76	205	
Other Gains and Losses	29	(45)	
Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax	24	22	
Adjustment of Income Taxes	(5)	0	
Net Income	87	137	

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))

<b>GROSS OPERATING PROFIT</b>							(¥100 million, %)
Fiscal period ended	March 31, 2021			March 31, 2020			
	Domestic	International	Total	Domestic	International	Total	
Net Interest Income	958	20	979	858	28	886	
Fees and Commissions	55	10	65	75	7	82	
Trading Revenue	9	12	22	23	14	38	
Other Operating Income	(18)	6	(11)	(8)	9	0	
Gross Operating Profit	1,004	50	1,054	948	59	1,007	
Gross Operating Profit Ratio (%)	0.82	2.19	0.85	0.84	2.56	0.89	

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

<b>Operating profit, etc.</b>			(¥100 million)
	March 31, 2021	March 31, 2020	
Operating profit	224	237	
Net operating profit	329	282	
Core operating profit	347	290	
Core operating profit (excluding gains (losses) on cancellation of investment trusts)	347	290	

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

<b>BALANCE OF LOANS</b>		(¥100 million)					
Fiscal period ended		March 31, 2021			March 31, 2020		
		Domestic	International	Total	Domestic	International	Total
Fiscal Period-end Balance	Loans on Deeds	77,241	1,301	78,542	63,084	1,289	64,373
	Loans on Notes	2,835	460	3,295	3,537	383	3,920
	Overdraft	12,360	—	12,360	13,205	—	13,205
	Bills Discounted	1,015	—	1,015	1,441	—	1,441
	<b>Total</b>	<b>93,452</b>	<b>1,761</b>	<b>95,214</b>	<b>81,268</b>	<b>1,672</b>	<b>82,941</b>
Average Balance	Loans on Deeds	73,872	1,315	75,187	63,755	1,281	65,036
	Loans on Notes	3,137	410	3,547	3,197	349	3,546
	Overdraft	12,670	—	12,670	11,656	—	11,656
	Bills Discounted	1,057	—	1,057	1,454	—	1,454
	<b>Total</b>	<b>90,737</b>	<b>1,725</b>	<b>92,462</b>	<b>80,063</b>	<b>1,630</b>	<b>81,694</b>

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

<b>BREAKDOWN OF LOAN BALANCE BY INDUSTRY</b>		(¥100 million, %)	
		As of March 31, 2021	As of March 31, 2020
Manufacturing		29,325 (30.8)	27,004 (32.6)
Machinery and Metal Product Manufacturing		15,483 (16.3)	14,088 (17.0)
Agriculture and Forestry		299 (0.3)	313 (0.4)
Fisheries		61 (0.1)	48 (0.1)
Mining and Quarrying of Stone and Gravel		104 (0.1)	114 (0.1)
Construction		2,998 (3.1)	2,457 (3.0)
Electricity, Gas, Heat Supply and Water		281 (0.3)	255 (0.3)
Information and Communications, Transport and Postal Activities		12,212 (12.8)	10,944 (13.2)
Wholesale and Retail		27,766 (29.2)	25,342 (30.6)
Finance and Insurance		481 (0.5)	443 (0.5)
Real Estate and Goods Rental and Leasing		7,425 (7.8)	6,831 (8.2)
Various Services		13,668 (14.4)	8,616 (10.4)
Local Governments		2 (0.0)	2 (0.0)
Others		106 (0.1)	115 (0.1)
Overseas and Special International Financial Accounts		481 (0.5)	451 (0.5)
<b>Total</b>		<b>95,214</b>	<b>82,941</b>

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

**PROBLEM LOANS**

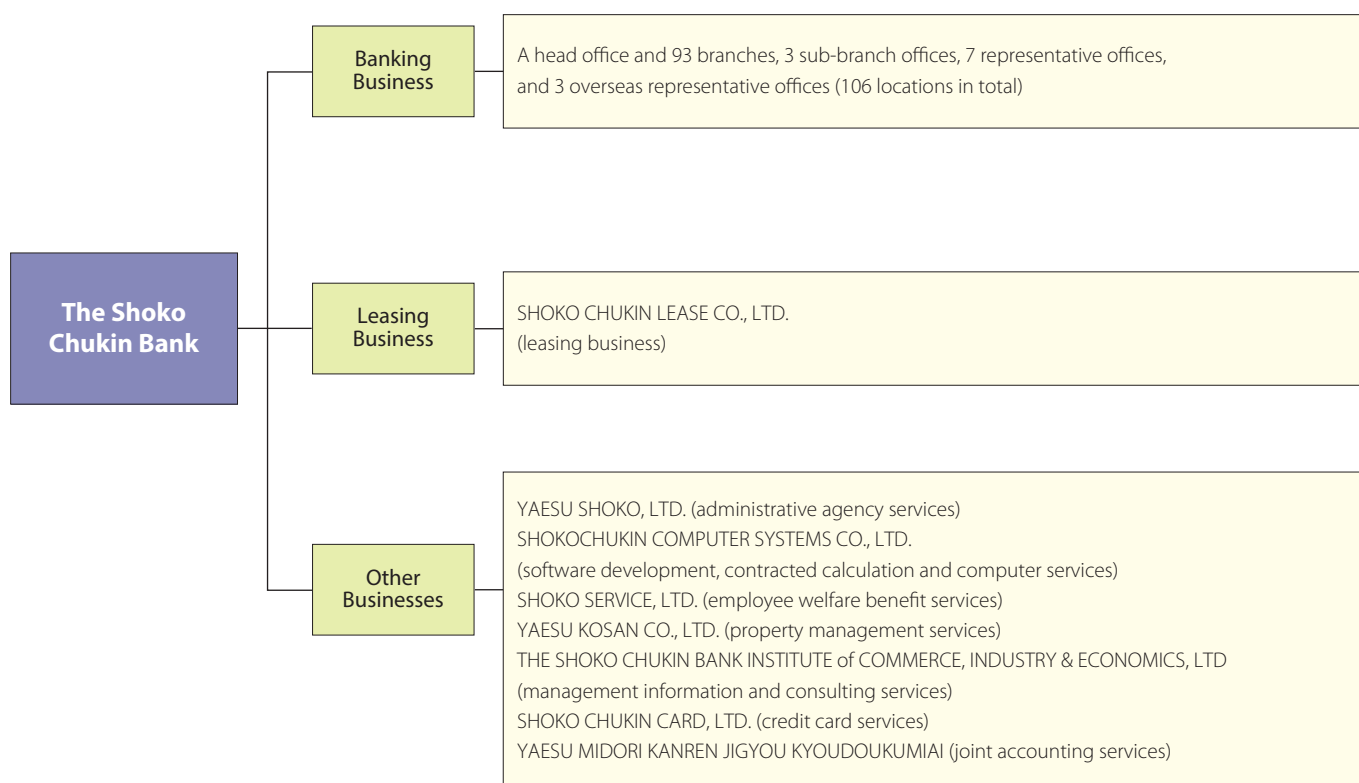
(¥100 million, %)

		As of March 31, 2021	As of March 31, 2020
Loans to Bankrupt Companies	(A)	524	579
(Loans to Bankrupt Companies other than Loss Classification Loans)	(B)	(210)	(234)
Overdue Loans	(C)	2,487	2,545
(Overdue Loans other than Loss Classification Loans)	(D)	(2,119)	(2,131)
Loans Overdue for 3 Months or Longer	(E)	1	9
Rescheduled Loans	(F)	258	237
Total Problem Loans	(G) = (A) + (C) + (E) + (F)	3,272	3,371
Loss Classification Loans in Loans to Bankrupt Companies	(H)	314	345
Loss Classification Loans in Overdue Loans	(I)	367	413
Problem Loans other than Loss Classification Loans	(J) = (B) + (D) + (E) + (F)	2,590	2,612
Loans other than Loss Classification Loans	(K)	94,531	82,182
Percentage of Loans (%)	(J)/(K)	2.7	3.2

- 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 2020 was ¥75.8 billion out of the provision for possible loan losses of ¥133.3 billion and at the end of March 2021 was ¥68.2 billion out of the provision for possible loan losses of ¥125.6 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, 2021).



## Subsidiaries

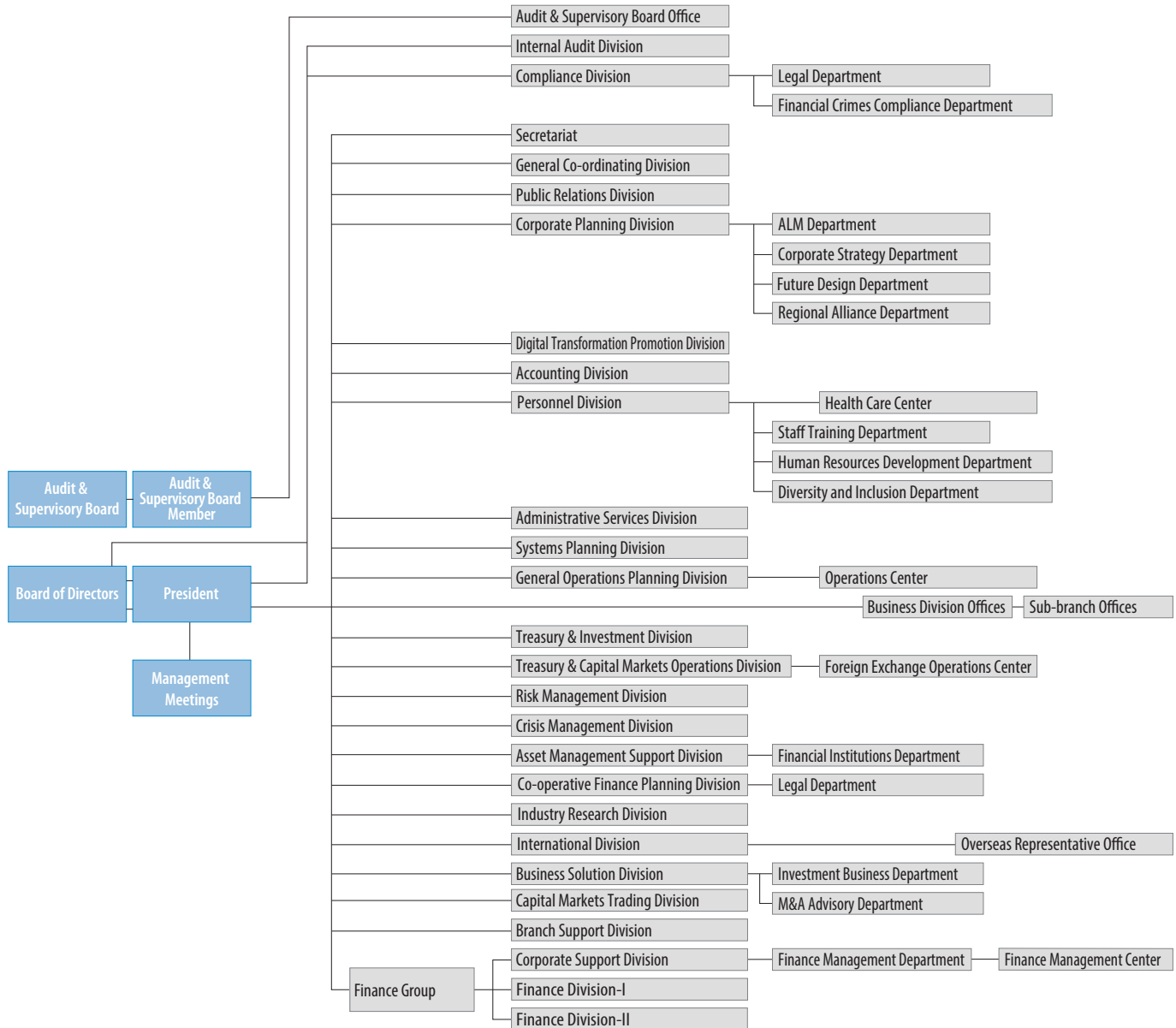
### Subsidiaries (As of March 31, 2021)

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.	2-12-18 Shiba-Daimon, Minato-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, 2021)

## 》》》 Directors and Audit and Supervisory Board Members

(As of June 22, 2021)

### Directors

President (Representative Director) & President and Executive Officer	<b>Masahiro Sekine</b>
Director & Senior Managing Executive Officer	<b>Katsuhiko Kaji</b>
Director & Managing Executive Officer	<b>Hiroyuki Obara</b>
Director	<b>Hideto Tago</b>
Director	<b>Shigeharu Nakamura</b>
Director	<b>Junko Okawa</b>
Director	<b>Kazutaka Okubo</b>

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

### Deputy President, Senior Managing Executive Officer, Managing Executive Officer

Deputy President and Executive Officer	<b>Koushirou Umeda</b>	
Senior Managing Executive Officer	<b>Hajimu Nakatani</b>	
Senior Managing Executive Officer	<b>Tetsuya Onogi</b>	
Managing Executive Officer	<b>Katsuya Motohata</b>	General Manager of Industry Research Division
Managing Executive Officer	<b>Masato Hane</b>	
Managing Executive Officer	<b>Hideyuki Makino</b>	
Managing Executive Officer	<b>Shinichiro Morino</b>	General Manager of Capital Markets Trading Division
Managing Executive Officer	<b>Futoshi Hagio</b>	
Managing Executive Officer	<b>Manabu Abe</b>	

### Audit and Supervisory Board Members

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

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.

## »»» Stock Information

- **Number of Authorized Shares**  
(As of March 31, 2021)  
Common stock 4,000,000,000 shares  
Crisis response reserve stock 10 shares
- **Number of Issued and Outstanding Shares**  
(As of March 31, 2021)  
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 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

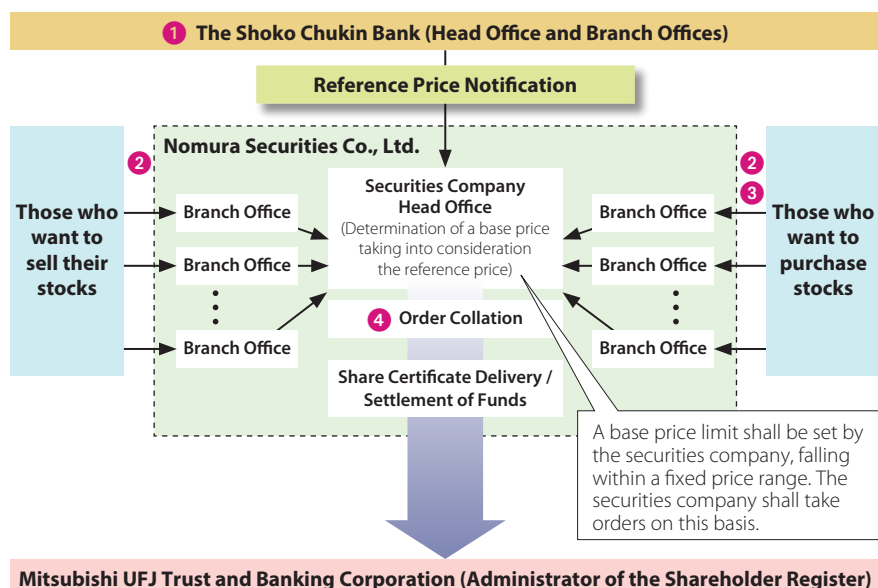
- When a cooperative member applies for loans at the Shoko Chukin Bank, certificate of membership of the cooperative is required. We ask for your understanding on this matter.

## »»» 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 Finance Group, etc. as the Management Group. Established the Audit & Supervisory Department. Established the Corporate Strategy Department, IT Strategy Department (incorporated into the Digital Transformation Promotion Division as an independent group in April 2021), 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 (reorganized as the Diversity and Inclusion (D&I) Department in April 2021)
April	2020	Risk Management Division established. Financial Crimes Compliance Department established in the Compliance Division. Future Design Department established in the Corporate Planning Division.
April	2021	Established the M&A Advisory Department, etc. in the Business Solution Division

# >>> The Shoko Chukin Bank Network

Head Office			(As of June 30, 2021)		
● 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			Tokai		
● 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, Sjordori, 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	43-1, 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
● Morioka Office	3-4-6, Chuodori, Morioka-shi, Iwate 020-0021, Japan	+81-19-622-4185	● Numazu Office	6-5, Yoneyama-cho, Numazu-shi, Shizuoka 410-0046, Japan	+81-55-920-5000
● Sendai Office	2-10-30, Chuo, Aoba-ku, Sendai-shi, Miyagi 980-0021, Japan	+81-22-225-7411	● Atsuta Office	(Inside the Nagoya Office) 3-23-18, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-52-951-7581
● 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 Dojisho-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	● Senba Office	1-18-17, Minamisenba, Chuo-ku, Osaka-shi, Osaka 542-0081, Japan	+81-6-6261-8431
● Keihinjima Sub-branch	2-10-2, Keihinjima, Ota-ku, Tokyo 143-0003, Japan	+81-3-3799-0331	● Minoo Senba Office	(Inside the Osaka Office) 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
● Oshiage Office	3-10-8, Narihira, Sumida-ku, Tokyo 130-0002, Japan	+81-3-3624-1161	▲ Minoo Senba Office	2-5-55, Senbahigashi, Minoo-shi, Osaka 562-0035, Japan	+81-72-729-9181
● Urayasu Sub-branch	2-1-6 Tekkadori, Urayasu-shi, Chiba 279-0025, Japan	+81-47-355-8011	(*Deposits and other counter operations consolidated with the Osaka Office, operated as a new Minoo Senba Office)		
● Shinjuku Office	(Inside the Fukutoshin Business Division) 6-11-3, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan	+81-3-3340-1551	● Higashiosaka Office	2-1-32, Nagatanaka, Higashiosaka-shi, Osaka 577-0013, Japan	+81-6-6746-1221
● Fukagawa Office	5-11-17, Kiba, Koto-ku, Tokyo 135-0042, Japan	+81-3-3642-7131	● Kobe Office	111, Ito-machi, Chuo-ku, Kobe-shi, Hyogo 650-0032, Japan	+81-78-391-7541
● Tokyo Office	2-12-18, Shibadaimon, Minato-ku, Tokyo 105-0012, Japan	+81-3-3437-1231	● Himeji Office	111, Soushahon-machi, Himeji-shi, Hyogo 670-0015, Japan	+81-79-223-8431
● Ikebukuro Office	1-21-10, Minamikebukuro, Toshima-ku, Tokyo 171-0022, Japan	+81-3-3988-6311	● Amagasaki Office	5-19-8, Higashinaniwa-cho, Amagasaki-shi, Hyogo 660-0892, Japan	+81-6-6481-7501
● Shibuya Office	(Inside the Fukutoshin Business Division) 6-11-3, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan	+81-3-3340-1551	● Nara Office	4-281-1, Hayashikoji-cho, Nara-shi, Nara 630-8115, Japan	+81-742-30-1051
● 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
● Shinkiba Office	(Inside the Fukagawa Office) 5-11-17, Kiba, Koto-ku, Tokyo 135-0042, Japan	+81-3-3642-7131	Chugoku		
(Consolidated and moved to the above address on March 15, 2021)			● Tottori Office	2-218, Katahara, Tottori-shi, Tottori 680-0023, Japan	+81-857-22-3171
▲ Shinkiba Office	1-18-6, Shinkiba, Koto-ku, Tokyo 136-0082, Japan	+81-3-5569-1711	● Yonago Office	168, Higashi-cho, Yonago-shi, Tottori 683-0067, Japan	+81-859-34-2711
(* Deposits and other counter operations consolidated with the Fukagawa Office, operated as a new Shinkiba Office)			● Matsue Office	210, Tono-machi, Matsue-shi, Shimane 690-0887, Japan	+81-852-23-3131
● Yokohama Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952	▲ Hamada Representative Office	2886, Takezako-cho, Hamada-shi, Shimane 697-0015, Japan	+81-855-23-3033
● Kawasaki Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952	● Okayama Office	4-1, Banzan-cho, Kita-ku, Okayama-shi, Okayama 700-0818, Japan	+81-86-225-1131
(Consolidated and moved to the above address on March 8, 2021)			● Hiroshima Office	2-1-2, Ote-machi, Naka-ku, Hiroshima-shi, Hiroshima 730-0051, Japan	+81-82-248-1151
● Yokohama-Nishiguchi Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952	● Fukuyama Office	1-1-30, Konan-cho, Fukuyama-shi, Hiroshima 720-0814, Japan	+81-84-922-6830
(Consolidated and moved to the above address on March 8, 2021)			● Hiroshima Seibu Office	1-14-1, Shoko Center, Nishi-ku, Hiroshima-shi, Hiroshima 733-0833, Japan	+81-82-277-5421
▲ Sagamiyama Representative Office	4-3-14, Sagamiyama, Chuo-ku, Sagamiyama-shi, Kanagawa 252-0231, Japan	+81-42-786-6230	● Shimonoseki Office	1-1-13, Hosoe-cho, Shimonoseki-shi, Yamaguchi 750-0016, Japan	+81-83-223-1151
● Niigata Office	2-4-4, Higashiodori, Chuo-ku, Niigata-shi, Niigata 950-0087, Japan	+81-25-255-5111	● Tokuyama Office	1-10, Miyukidori, Shunan-shi, Yamaguchi 745-0034, Japan	+81-834-21-4141
● Nagaoka Office	1-2-10, Jonai-cho, Nagaoka-shi, Niigata 940-0061, Japan	+81-258-35-2121			

**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**

\* Loan Advisory Centers have been established at the Head Office Business Division, and Osaka Office in order to provide quick responses to financial consultations related to Covid-19.

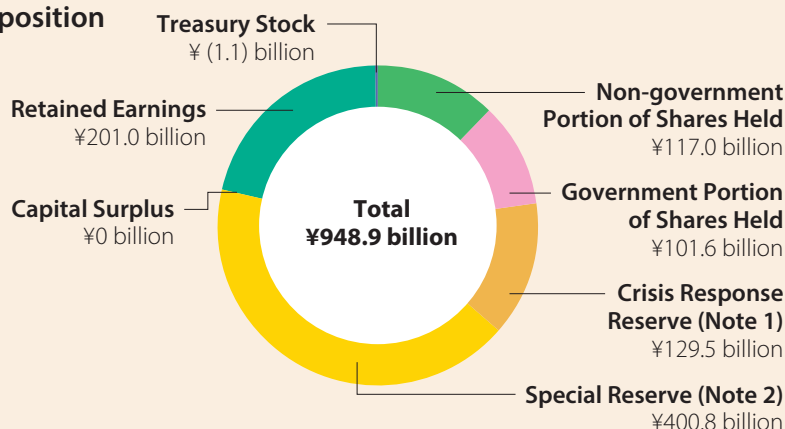
- Head Office and Branch Offices 93 (including 1 overseas branch office)
  - Sub-branch Offices 3    ▲ Representative Offices 7
  - ◆ Overseas Representative Offices 3
- Total 106 (including 4 overseas offices)

# Outline of the Bank

(As of March 31, 2021)

- ▶ **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: ¥5,893.6 billion  
Negotiable Certificates of Deposit: ¥437.8 billion  
Debentures: ¥3,787.1 billion
- ▶ **Loans Outstanding** ¥9,521.4 billion
- ▶ **Offices** Domestic: 102  
Overseas: 4
- ▶ **Number of Employees (Persons)** 3,685
- ▶ **Rating**

	R&I	JCR	Moody's
Long-term	AA <sup>-</sup> (stable)	AA <sup>+</sup> (stable)	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<br>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.<br>(2) Negotiable certificates of deposit<br>We are handling negotiable deposits.<br>(3) Exchanges<br>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.<br>· Derivative transactions with respect to interest rate and currencies<br>· Business concerning M&A<br>· Provision of management information<br>· Management support for client associations such as Chukin kai and Youth kai<br>· Industrial/economic research<br>· Fiduciary services<br>· Other services incidental or related to the above, etc.  |

# SHOKO CHUKIN BANK

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