



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.

In addition to providing details including our operating performance for Fiscal 2013, we hope that this Annual Report will prove useful to readers, allowing them to gain a better understanding of the Bank and its activities.

Financial and Economic Environment

The Japanese economy in Fiscal 2013 came back into form due to factors such as weakening in the yen and higher stock prices thanks to the fiscal policies of the government known as "Abenomics" and monetary policy by the Bank of Japan. Consequently, recovery in various sectors has been demonstrated, with notably brighter signs observed within the domestic sector, especially in consumer spending driven by a surge in consumer sentiment as well as an increase in spending on public works.

This was echoed by the Shoko Chukin Bank's Monthly Survey of SME Business Sentiment, indicating a steady improvement in business confidence in the nonmanufacturing sector since the beginning of the

current fiscal year. On the other hand, business conditions in the manufacturing sector, which had struggled to turn around in the face of rising purchase costs, staged steady growth into the second half of the current fiscal year, buoyed by increasing exports and a rush of demand ahead of the consumption tax increase, bringing the overall SME business confidence on a path to recovery.

Overview of Fiscal 2013

Amid this environment, the Shoko Chukin Bank devoted its utmost efforts to fulfilling the safety net, mainly in crisis response measures to minimize the impact of reconstruction and revitalization after the Great East Japan Earthquake and deflation on business performance and cash flows of SMEs. Achievements under the Great East Japan Earthquake revitalization special loan involved 38,000 projects worth over ¥2,100 billion and achievements under loans related to countermeasures against yen appreciation, deflation and other problems involved 50,000 projects worth over ¥2,500 billion. Since its launch of the system, a cumulative total of 161,000 projects have been implemented, at a total scale of over ¥9,500 billion. Through this support for SMEs in terms of cash flow and stable management, we have been able to make

significant contributions to maintaining employment and stabilizing the economy in local communities.

Furthermore, the Shoko Chukin Bank supported the government's measures to encourage corporate capital investment, primarily by providing funds to facilitate business growth, in every effort to enhance the corporate value of SMEs under its Support Program for Growth and Business Creation. In consequence to this initiative, since the program was launched in July 2010, the Bank struck total loan deals of 14,000, with the amount exceeding ¥800 billion. In addition, the Bank promptly reinforced its structure with the aim of coping appropriately with the "Guidelines for Management Guarantee," while actively promoting use of the joint guarantee subject to condition precedent scheme.

As a result of these initiatives, income before income taxes and other of ¥26.7 billion and net income of ¥12.5 billion were recorded due to factors such as an increase in fees and commissions. We are grateful for the support of our shareholders and clients in enabling us to achieve these results.

Operating Performance and Management in Fiscal 2014

Although economic conditions made a mild recovery, business performance and cash flows of SMEs remain adverse as they faced some adverse factors such as rising raw material prices. In order to provide solid support to SMEs who are engaged in the reconstruction and revitalization efforts following the Great East Japan Earthquake or working on the revival of local economies, as well as those who are having difficulty with cash flows, the Shoko Chukin Bank continues to do its best to fulfill the safety net.

Furthermore, we will strengthen our efforts to enhance the corporate value of SMEs, providing back-up in all aspects of management by offering a wide range of expertise and solutions.

In particular, based on the notion that growth and support for revitalization are pressing issues for the Japanese economy, we will support sustainable growth of clients through the Support Program for Growth and Business Creation. At the same time, for our clients who need to improve management, we will perform our consulting capabilities through initiatives such as support for formulating management improvement plans and follow-up activities under the Revitalization Support Program. In addition to these initiatives, under the "Regional Revitalization Support Program," the Bank has addressed regional reconstruction and revitalization

of local economies in collaboration with local governments and regional financial institutions. Going forward, the Bank will facilitate activities of the program through the newly established "Regional Alliance Department."

Further, in anticipation of increasing overseas expansion among companies, the declining birthrate and aging population, and changes in the industrial structure in the medium-to long-term, business reorganization and structural reform are expected to accelerate over a wide range of business sectors and categories. Given such expectations, the Bank intends to strengthen initiatives such as support for SMEs exploring into new businesses and areas, support for overseas expansion mainly in Asia, support for corporate alliances including business matching and M&As, support for business succession, and support for cooperation between agriculture, commerce and industry.

In addition, in order to respond to the needs of SMEs, we will further strengthen stable fundraising through debentures (publicly offered debentures), as well as to bolster and expand the fund procurement platform, mainly individual and corporate deposits. At the same time, we will constantly work to further streamline management through measures such as increasing the efficiency of operations.

By strengthening measures to address these issues, we will contribute to the growth and enhancement of corporate value of SME cooperatives and SMEs, and construct a sound financial base for the Bank itself and improve profitability.

In Closing

Although a difficult operating environment continues, each and every member of the Shoko Chukin Bank Group is committed to fulfilling its role as a financial institution run by SMEs for SMEs. Furthermore, in its efforts, the Bank will redouble its endeavors to garner the trust and respect of its stakeholders.

As we move toward achieving our established goals, we ask for your continued support and understanding.

July 2014

Hideji Sugiyama

President

The Shoko Chukin Bank, Ltd.