

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 (Act No. 74 of 2007) while maintaining the purpose and function of facilitating financing for SME cooperatives and their members.

In June 2009, the Shoko Chukin Bank Limited Act was amended in response to the chaos caused by the unprecedented economic and financial crisis with the aim of strengthening the Bank's capital.

Furthermore, in response to the Great East Japan Earthquake of March 2011, the Shoko Chukin Bank Limited Act was revised to postpone the commencement of term for disposal of government-held shares by three years, and to put in place other measures.

Objective of Shoko Chukin

Objective of the Shoko Chukin Bank, Ltd. is to conduct business 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.

Business

Alongside the privatization, the Bank expanded its full banking services, which include loans, deposits, currency exchange, and guarantees.

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

- Scope of eligible subordinate borrowers will be expanded. (Domestic subsidiaries of member companies, people taking over member companies' businesses, etc.)
- Relevant limitations on guaranty operation will be eliminated.
- Regulations on subsidiary holdings will be clarified.
- With the lifting of depositor eligibility restrictions, the Bank's products will be covered by the deposit insurance system.
- Restrictions on investment of surplus funds will be abolished.

Crisis Response Measure

- As a government-appointed financial institution, the Shoko Chukin Bank engages in crisis response measures during periods of disaster as well as economic and financial turmoil.

Financial Base

- At the time of the shift to privatization, the Bank designated ¥400.8 billion of funds from the government provided funds, as a special reserve with the aim of enhancing its capital and investing in the financial soundness.
- By the end of fiscal 2014 (the government extended the term by three years under the revision to the Act in 2011 and others), the Japanese government may invest in the crisis response reserve within the scope permitted in the budget for smooth implementation of crisis response measures (the government made an investment of ¥150.0 billion in July 2009).

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.

Future Measures

- Starting in April 1, 2015, the government, while keeping an eye on market trends, will sell off all state-owned shares of the Bank within a roughly five- to seven-years time frame (the government extended commencement of the term by three and a half years under the revision to the Act in 2009 and by three more years under the revision to the Act in 2011).
- Once all shares held by the government have been sold, the special law enacted for the current transitional period will be abolished, and measures necessary for shareholder qualification limit will be enacted in order to maintain financial functions for SMEs.
- Subsequent to the revision of the Act in 2009, targeting the end of fiscal 2014 (the government extended the term by three years under the revision to the Act in 2011), it has been stipulated that the government shall implement all required measures, as and when considered necessary, with respect to the way in which the Bank shall carry out its crisis response measures, the manner in which government-owned shares shall be disposed and the level and content of government involvement in the Bank's activities. Implementation shall take into consideration a number of factors including the implementation status of the crisis response measures and the financial capacity of such shareholders as SME cooperatives and their members.

Corporate Philosophy of the Shoko Chukin Bank

Mission

The Shoko Chukin Bank is a financial institution run for SMEs, by SMEs. As such, our customers' growth is our growth.

The Shoko Chukin Bank assesses companies from a long-term perspective with great respect for every customer's point of view. We always strive to make the most of the deep understanding of SME management we have developed over the years, our cutting-edge financing methods and other comprehensive financial services, and our nationwide network. In all that we do, our goal is to support our customers' sustainable growth with solutions tailored to the life stage of their companies.

The Shoko Chukin Bank's mission is to harness the boundless joy it shares with its customers to create a new strength for Japan.

Business Posture

For all SMEs

- We offer a sense of security based on long-term, stable transactions and services that solve problems.
- We encourage cooperation among companies and among regions to create new business opportunities.
- We grow as our customers grow, and aim to improve our long-term corporate value.

For all depositors

- We ensure sound management, and are dedicated to treating customers reliably, sincerely and respectfully.
- We support optimum investments as a good partner in asset investment.
- We practice socially responsible investment.

For employees

- We strive to foster an invigorating organization that values on-the-job experience and encourages employees to take on challenges.
- We support employees as they develop expertise, and we train professional employees.
- We create a workplace in which employees feel joy and pride in giving back to society, and we value that process.

For society

- We ensure thorough compliance.
- We strive to maximize business transparency and strive to disclose and publicize information.
- We work to ensure the satisfaction of all stakeholders and contribute to the development of local economies.

Conduct Guidelines

1. We stand in the customer's position.
2. We consider our customers' future.
3. We enhance skills sought by customers.
4. We work together for the sake of the customer.
5. We help customers realize their dreams.

In all these things, we act with pride, great ambition and a fair and sound spirit.

Business Operation Policies for 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 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.

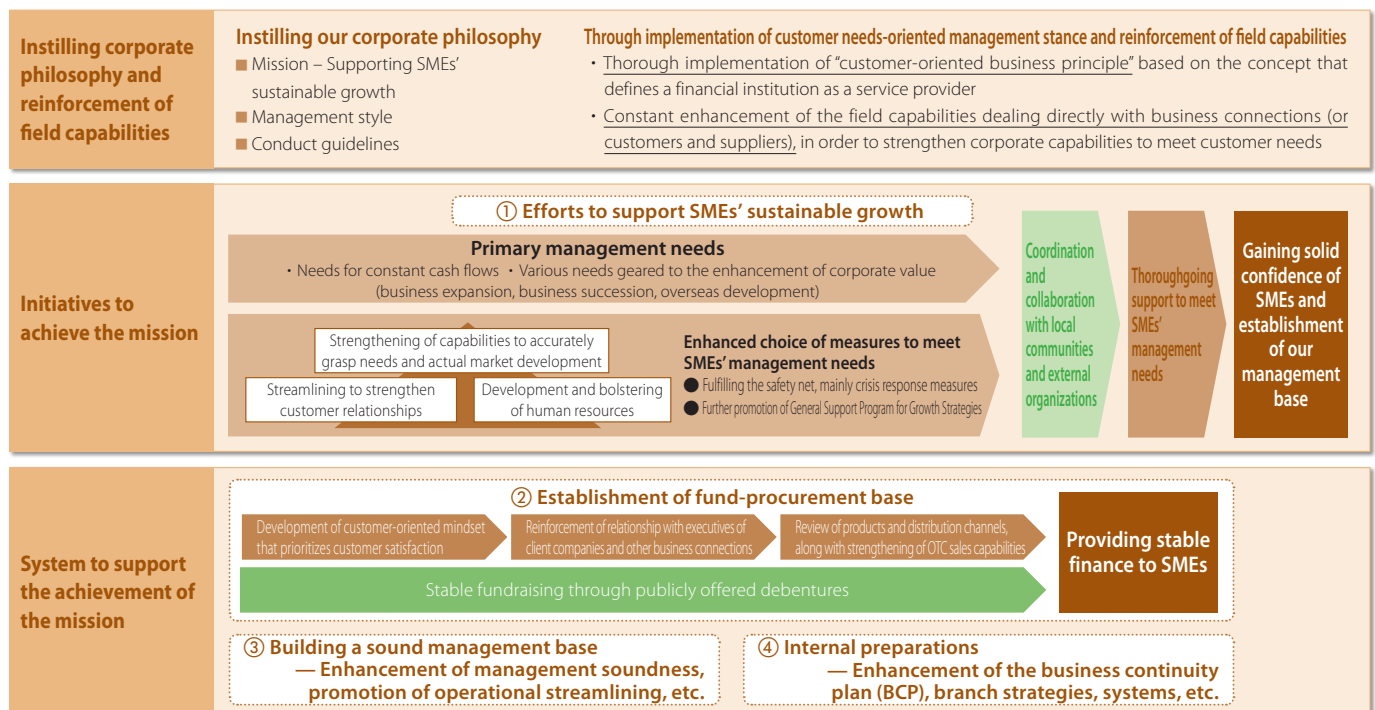
Second Medium-Term Business Plan (From April 2012 to March 2015)

As a legally designated financial institution for crisis response measures, and the only public financial institution offering full banking functions, it is the mission of the Shoko Chukin Bank to provide solid support to SMEs under the impact of the unfortunate perils, including the Great East Japan Earthquake and yen appreciation. Thus we are strongly expected by the Government as well as SMEs to fulfill such functions through using our nationwide network.

We decided to develop the Second Medium-Term Business Plan based on our recognition mentioned above as well as our full appreciation of our mission to address the new challenges emerging from our changing operational environment.

Basic Philosophy of the Second Medium-Term Business Plan

- We will follow the primary principle that aims fulfill our mission "to contribute to the development of SMEs" in order to achieve further growth as a financial institution with a critical and vital presence for the SMEs. Meanwhile, we will build the confidence of SME clients and other stakeholders that has been created over the years by further enhancing our customer needs-oriented management stance based on the concept that defines a financial institution as a service provider.



Fulfilling a Safety Net Function, Mainly in Crisis Response Measures

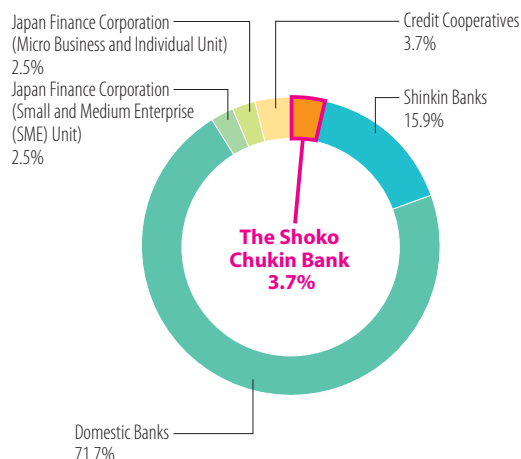
In response to the financial crisis triggered by the sub-prime loan problem in the United States in the autumn of 2008, and the Great East Japan Earthquake of March 2011, crises were declared by the government, and the Shoko Chukin Bank, as the only legally designated financial institution for SMEs, has been devoting its full efforts to fulfilling a safety net function, mainly in crisis response measures.

As of the end of March 2014, a total of 161,326 projects have been implemented under the crisis response measures, at a value of over ¥9,566.7 billion, through which we have been able to make significant contributions to facilitating finance for SMEs, and furthermore, maintaining employment and stabilizing the economy in local communities.

A Stable Transaction Stance

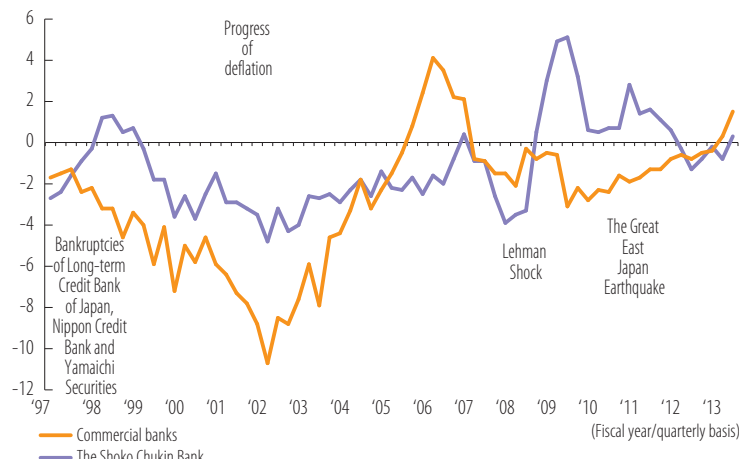
The Shoko Chukin Bank, through its day-to-day transactions with SMEs, not only looks at financial matters, but also takes the clients' operations, technology, and the abilities and enthusiasm of the executives into consideration. In this way, we strive to provide services that respond flexibly to corporate 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 2013)



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 2013.
Sources: Bank of Japan "Loans and Bills Discounted by Sector," Community Bank Shinyo Kumiai

The Shoko Chukin Bank: Fulfilling a Safety Net Function

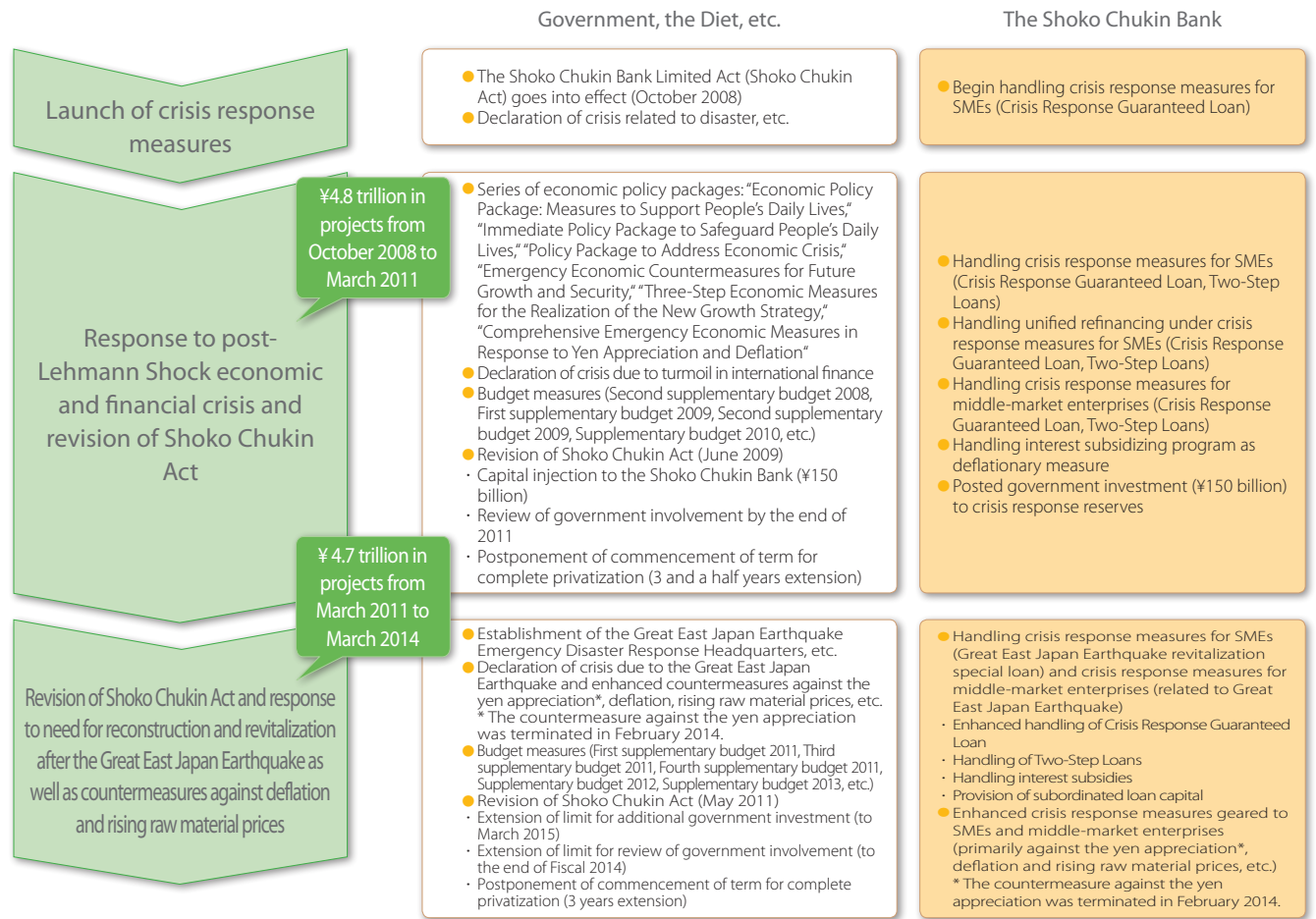
Prior to transition to joint stock company

<p>1997-2000 Series of financial institution failures</p> <p>2001-2003 Financial revitalization program Centralized disposal of non-performing loans</p>	<p>Government measures</p> <ul style="list-style-type: none"> ● (Special national loans) Safety net loan program ● ¥30,000 billion for Special Credit Guarantee Program for Financial Stability ● New guarantee program established <ul style="list-style-type: none"> • Receivables-Backed Loan Guarantee Program • Refinancing Guarantee for Facilitation of Financing Program 	<p>Efforts by the Shoko Chukin Bank</p> <ul style="list-style-type: none"> ● Implementation of measures at left ● Establishment of the Shoko Chukin Bank's own program <ul style="list-style-type: none"> • Collateral-free loans • Short-term working capital to support day-to-day cash flow ● Management improvement support <ul style="list-style-type: none"> • Collaboration with SME Revitalization Support Councils
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After transition to joint stock company

<p>October 2008 Efforts made after transition to joint stock company</p>	<ul style="list-style-type: none"> ● Crisis response measures: Appropriate response as legally designated financial institution. 1) Crisis Response Guaranteed Loan, 2) Two-Step Loans, 3) Utilization of interest subsidizing program ● The Shoko Chukin Bank's own safety net loans ● Credit Guarantee Corporation: Putting into action the Emergency Guarantee Program, and the "Great East Japan Earthquake Recovery Emergency Guarantee" Program
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Measures Taken by Government and the Diet and Efforts by the Shoko Chukin Bank



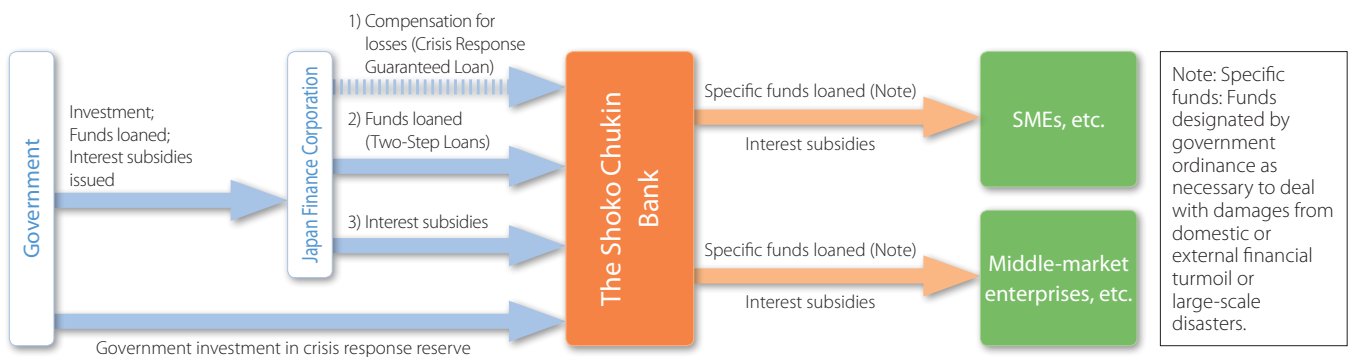
Overview of Crisis Response Measures

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* to implement financing and other services for SMEs and middle-market enterprises in response to crisis.

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

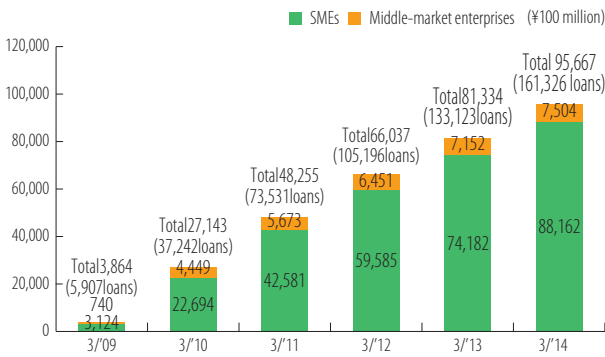
Schematic diagram of crisis response measures



- 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 system** : 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.

Results of Crisis Response Financing

Results of crisis response measures (cumulative)
Over 161,000 projects, over ¥9,500 billion in financing



Contributed to stable employment of approximately 3.76 million employees

- During the five years and six months since the launch of crisis response measures at the Shoko Chukin Bank, the program has been used by about 51,000 companies employing a total of approximately 3.76 million people (as of end March 2014).
- The Shoko Chukin Bank's efforts with regard to crisis response measures have led to employment stability for a large number of employees.

Loan Program for Those Affected by the Great East Japan Earthquake, High Raw Material and Energy Costs, and Deflation, etc.

The Shoko Chukin Bank set up Special Consultation Desk in every branch, specifically for SMEs affected by the Great East Japan Earthquake, high raw material and energy costs, and deflation, etc., to provide careful, sympathetic and prompt services on a case-by-case basis, in response to loan applications and other inquiries.