



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 2014, 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 2014 saw a moderate recovery in the second half of the fiscal year due to a drop in crude oil prices and improvement in the employment environment, despite a spreading sense of stagnation mainly in domestic demand due to the backlash against the rush of demand ahead of the consumption tax increase.

According to the Shoko Chukin Bank's Monthly Survey of SME Business Sentiment, although SMEs' business confidence worsened in the first half of the fiscal year as a result of the backlash against the rush of demand prior to the consumption tax increase, signs of gradual improvement were seen. However, grounds for concern appeared, such as rising purchase costs due to

the weak yen, and an increasing burden of personnel costs resulting from the tight labor supply-and-demand situation.

Overview of Fiscal 2014

Amid this environment, the Shoko Chukin Bank continued to devote its utmost efforts to fulfilling the safety net function, mainly in crisis response measures considering the impact of reconstruction and revitalization after the Great East Japan Earthquake and high costs for raw materials and energy on business performance and cash flows of SMEs. Through this support for SMEs in terms of cash flows and stabilization of management, we endeavored to contribute to maintaining employment and stabilizing the economy of local communities.

Income before income taxes and other of ¥36.0 billion and net income of ¥15.6 billion were recorded despite a decrease in interest income due to factors such as declining returns amid a low-interest environment. We are grateful for the support of our shareholders and clients in enabling us to achieve these results.

Operating Performance and Management in Fiscal 2015

Although economic conditions made a mild recovery, business performance and cash flows of SMEs remain in a severe condition as they faced adverse factors such as rising raw material prices due to the weak yen.

Looking at the future a decade from now, it is expected that the era of fully-fledged population decline will have arrived and globalization will have progressed even further. We anticipate that management needs of SMEs will become more sophisticated in order to deal with these changes. It is precisely the mission of the Shoko Chukin Bank to support SMEs and the local economy by leveraging its network and solution functions, in addition to its role in fulfilling the safety net function, addressing these management needs of SMEs, and we believe that the government and SMEs have high expectations of us.

Furthermore, the Act for the Partial Revision of the Shoko Chukin Bank Limited Act and the Small and Medium-sized Enterprise Credit Insurance Act was approved by the 189th ordinary session of the Diet. While maintaining the policy of complete privatization of the Shoko Chukin Bank, for the time being, the Act states that the government will hold a certain amount of treasury shares that are required to adequately conduct crisis response measures. Furthermore, while the Act now stipulates the conduct of crisis response measures as the responsibility of the Shoko Chukin Bank, it also requires that the Bank ensure fair competitive relations with other operators.

Based on these circumstances, we formulated the Third Medium-Term Business Plan covering the three-year period starting in Fiscal 2015, and, as a financial institution trusted and chosen by SMEs and the local community, we will strengthen our efforts to enhance the corporate value of SMEs and SME cooperatives while working to contribute to revitalization of the local community through these efforts.

The Shoko Chukin Bank will swiftly and smoothly conduct crisis response measures for SMEs whose business performance and cash flows are impacted by adverse factors, and will continue to put in the utmost effort to fulfill the safety net function.

With regard to supporting growth, we will provide risk money while cooperating with regional financial institutions to support SMEs engaged in strategic overseas development and key local companies that have a great influence on the economy of the local community. We will further strengthen our collaboration

with various bodies such as local governments and regional financial institutions in our efforts to revitalize local communities. Amid anticipated acceleration of business reorganization and structural reform over a wide range of business sectors and categories, the Bank intends to strengthen initiatives such as support for overseas expansion, support for M&As and business succession, and business matching.

Furthermore, with regard to support for revitalization, we will further strengthen our collaboration with various support institutions, and work on efforts such as performing our consulting capabilities through initiatives such as support for formulating management improvement plans and follow-up activities, support for drastic revitalization, and support for normalization of financial transactions.

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 sustainable growth of SMEs and SME cooperatives, 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 2015

Hideji Sugiyama

President

The Shoko Chukin Bank, Ltd.