



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 2015, 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 2015 was expected to see a recovery mainly in domestic demand stemming from improvement in the employment environment and in corporate earnings. However, a sense of stagnation spread in the second half of the fiscal year in response to volatility in financial markets and the slowdown in overseas economies.

According to the Shoko Chukin Bank's Monthly Survey of SME Business Sentiment, SME's business confidence showed signs of improvement, albeit gradual, during the first half of the fiscal year. However, business confidence was up and down during the

second half, partly owing to a slump in domestic production activities resulting from sluggish exports associated with the slowdown in emerging economies.

Overview of Fiscal 2015

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 disaster, as well as rapidly changing prices for raw materials, 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 ¥33.5 billion and net income of ¥11.5 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 2016

Although economic conditions made a mild recovery, there is currently a spreading sense of stagnation, and the business performance and cash flows of SMEs still do not warrant optimism due to factors such as the impact of persistently high prices for raw materials and labor shortages. The Kumamoto Earthquake that occurred in April has also had a significant impact on SMEs, and reconstruction and revitalization efforts are extremely important.

Moreover, looking at the future, the era of fully-fledged population decline is expected to arrive, along with further progress of globalization, and we anticipate that management needs of SMEs will become more sophisticated and diversified. It is precisely the mission of the Shoko Chukin Bank to support SMEs and the local economy by making the most of its network and solution functions, in addition to its role in fulfilling the safety net function, in response to such management needs of SMEs.

While the business environment surrounding financial institutions is expected to undergo even greater changes due to another round of additional monetary easing by the Bank of Japan, we will respond adequately to these changes and at the same time continue to work with all our power to enhance the corporate value of SMEs and SME cooperatives and to contribute to revitalization of the local community as a financial institution trusted and chosen by all.

First and foremost, the Shoko Chukin Bank makes it a principle to handle, with consideration and courtesy, loan consultations from SMEs whose business performance and cash flows are impacted by adverse factors and to show due consideration for the circumstances of each individual applicant. Furthermore, as a designated financial institution that is responsible for conducting crisis response measures, the Shoko Chukin Bank will swiftly implement such measures, while continuing to put in the utmost effort to fulfill the safety net function.

With regard to supporting growth, in cooperation with regional financial institutions we will provide risk money to SMEs and SME cooperatives working together with other business operators to use local resources, in addition to SMEs engaged in strategic overseas

development and key local companies that have a great influence on the economy of the local community. Amid anticipated acceleration of business reorganization and structural reform, 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 to strengthening measures to address these issues, we will construct a sound management base through efforts to expand a stable funding platform and to further streamline management, in order to fulfill the Shoko Chukin Bank's mission of contributing to the sustainable growth of SMEs and SME cooperatives.

In Closing

Going forward, each and every member of the Shoko Chukin Bank Group remains committed to fulfilling the Bank's 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.

The Shoko Chukin Bank will mark the 80th anniversary of its founding during this fiscal year. We would like to express our gratitude for your patronage thus far, and ask for your continued strong support.

July 2016

Kenyu Adachi

President

The Shoko Chukin Bank, Ltd.