



SHOKO CHUKIN BANK

Annual Report

2016

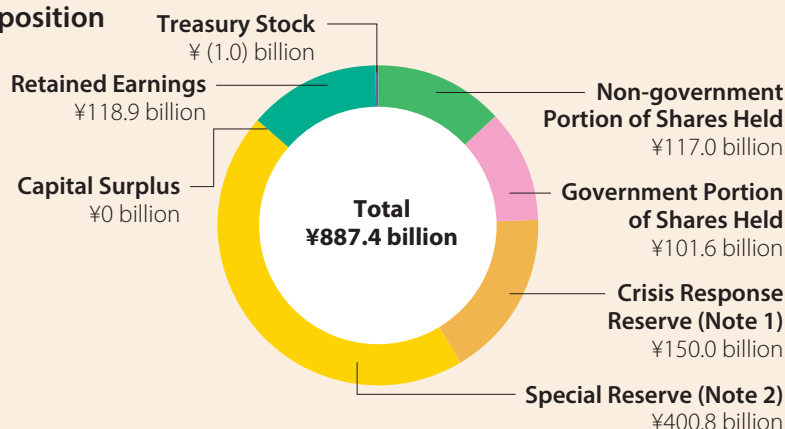
Year Ended March 31, 2016

Outline of the Bank

(As of March 31, 2016)

- ▶ **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: ¥5,164.8 billion
Negotiable Certificates of Deposit: ¥126.9 billion
Debentures: ¥4,816.8 billion
- ▶ **Loans Outstanding** ¥9,539.5 billion
- ▶ **Offices** Domestic: 100
Overseas: 4
- ▶ **Number of Employees (Persons)** 3,924
- ▶ **Rating**

	R&I	JCR	Moody's
Long-term	AA ⁻ (stable)	AA ⁺ (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 | (1) Deposits
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.
(2) Negotiable certificates of deposit
We are handling negotiable deposits. |
| 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 actively 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.
· Derivative transactions with respect to interest rate and currencies
· Business concerning M&A
· Provision of management information
· Support for client associations like Chukin kai and Youth kai
· Economic research activities, etc. |

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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.

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

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 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.
- In order to provide solid support to SMEs who are engaged in the reconstruction and revitalization efforts after disaster or working on the revival of local economies, as well as those who are having difficulty with business performance and cash flows, the Shoko Chukin Bank continues to put in its 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 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 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.
- 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.

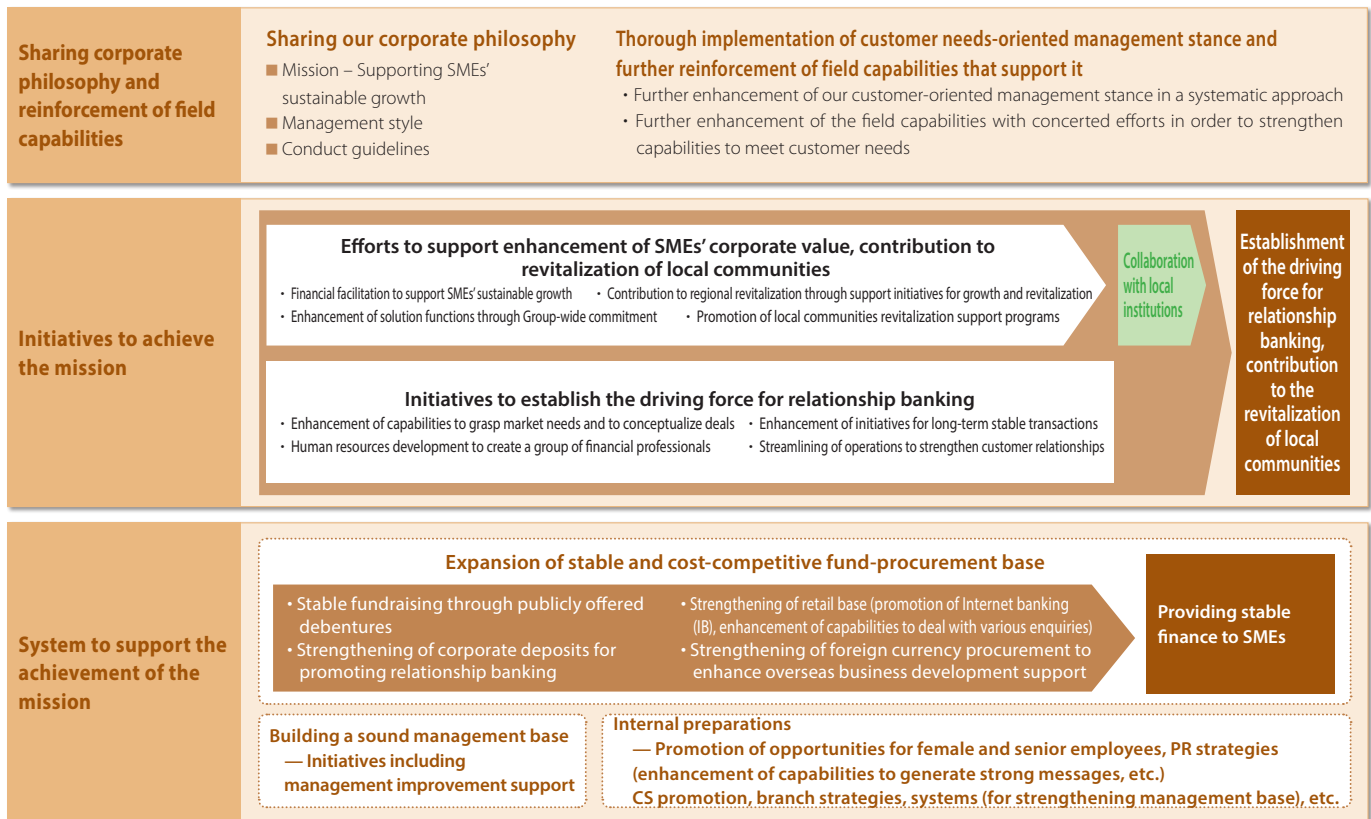
Third Medium-Term Business Plan (From April 2015 to March 2018)

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.

We decided to develop the Third Medium-Term Business Plan based on our full appreciation of our mission to address the new challenges emerging from our changing operational environment.

Basic Philosophy of the Third Medium-Term Business Plan

- We will follow the primary principle that aims to fulfill our mission "to support the sustainable growth of SMEs and SME cooperatives" in order to achieve further growth as a financial institution trusted and chosen by SMEs and the local community. Meanwhile, we will further enhance our customer needs-oriented management stance. In addition, we will build a strong management base of our own and establish the identity of Shoko Chukin Bank.



Fulfilling a Safety Net Function, Mainly in Crisis Response Measures

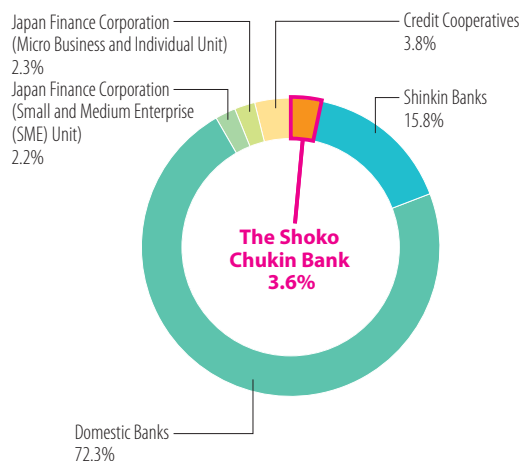
In response to the financial crisis triggered by the sub-prime loan problem in the United States in the autumn of 2008, and the Great East Japan Earthquake of March 2011, crises were declared by the government, and the Shoko Chukin Bank, as the only legally designated financial institution for SMEs,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

As of the end of March 2016, a total of 210,132 projects have been implemented under the crisis response measures, at a value of over ¥11,882.7 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

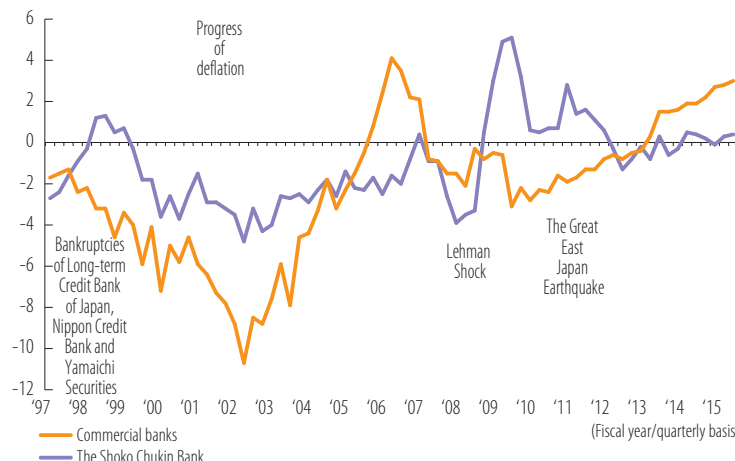
The Shoko Chukin Bank, through its day-to-day transactions with SMEs, not only looks at financial matters, but also takes the clients' operations, technology, and the abilities and enthusiasm of the executives into consideration. In this way, we strive to provide services that respond flexibly to corporate 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 2015)



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 2015.
Sources: Bank of Japan "Loans and Bills Discounted by Sector," Community Bank Shinyo Kumiai

The Shoko Chukin Bank: Fulfilling a Safety Net Function

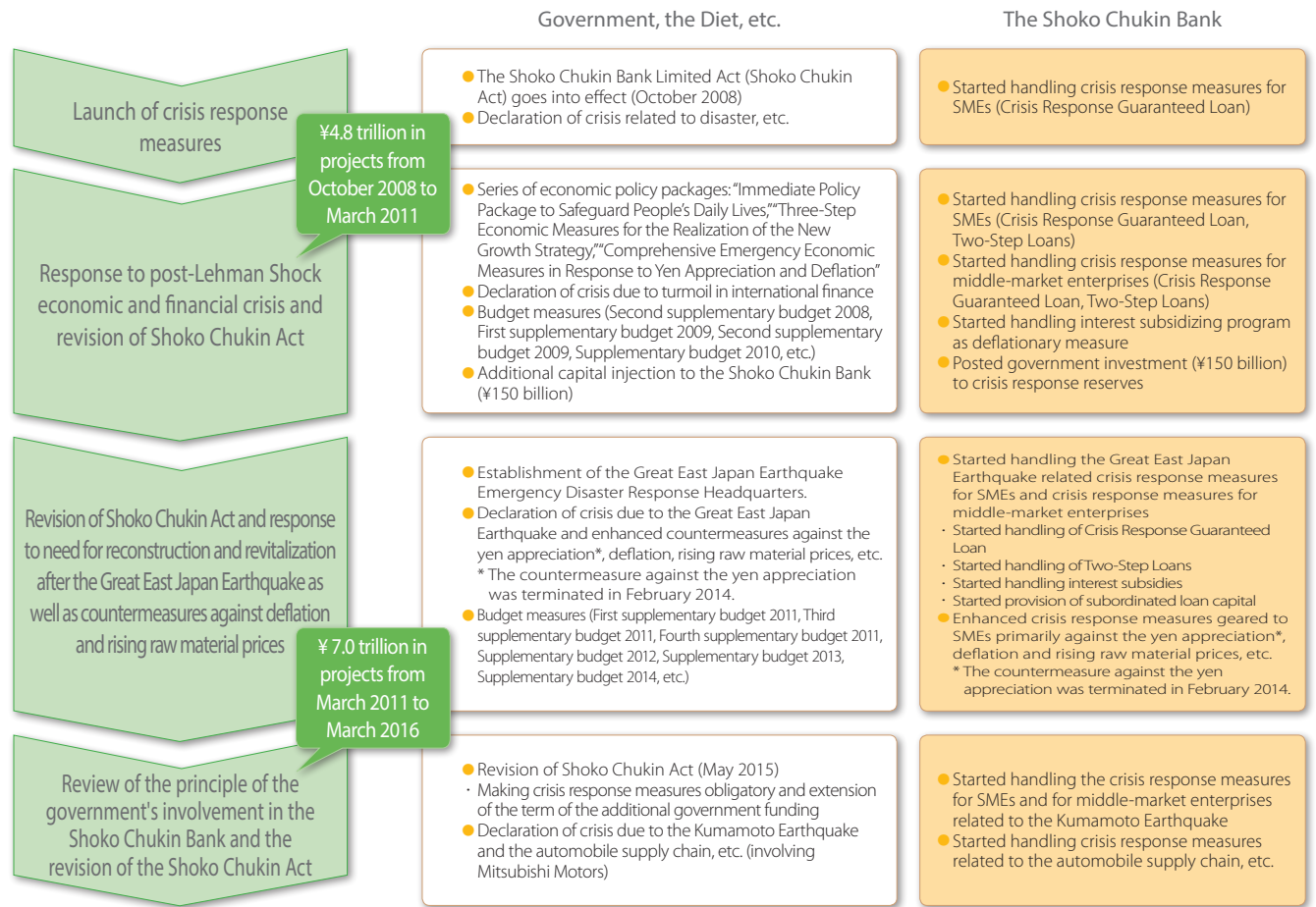
Prior to transition to joint stock company

<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



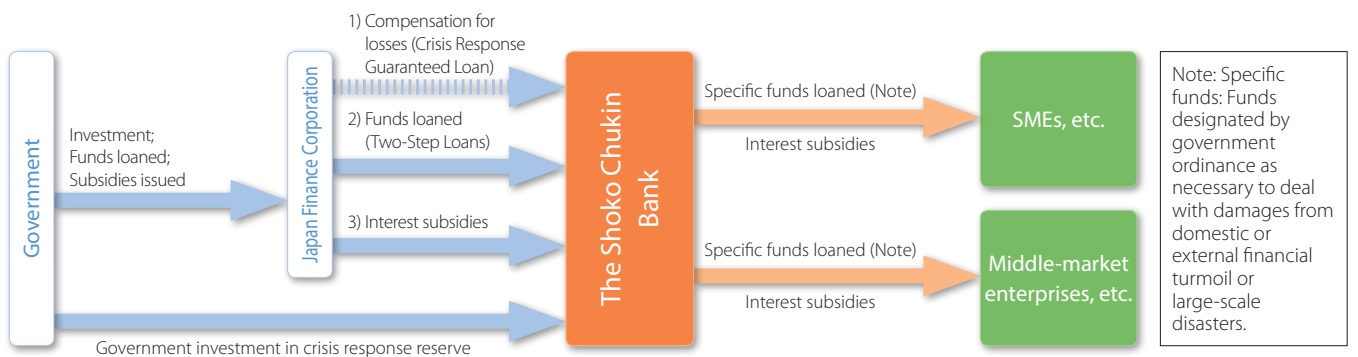
Overview of Crisis Response Measures

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.

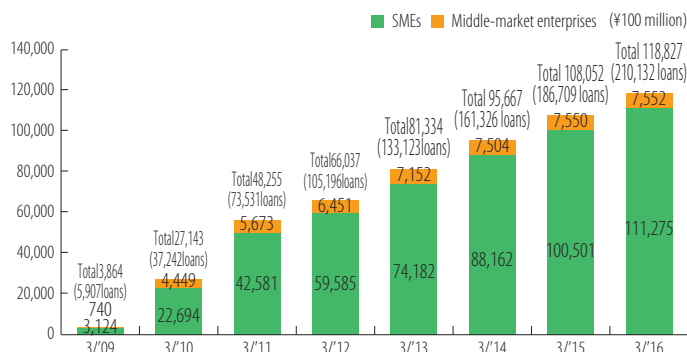
Schematic diagram of crisis response measures



- 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

Over 210,000 projects, over ¥11,800 billion in financing



Contributed to stable employment of approximately 3.97 million employees

- During the seven years and six months since the launch of crisis response measures at the Shoko Chukin Bank, the program has been used by about 59,000 companies employing a total of approximately 3.97 million people (as of end March 2016).
- 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, Kumamoto Earthquake, High Raw Material Prices, Deflation, Global Economic Slowdown, etc.

The Shoko Chukin Bank has established Special Consultation Desks in every branch, which include "Special Consultation Desk Concerning the Great East Japan Earthquake," "Special Consultation Desk Concerning Damages Caused by the Kumamoto Earthquake in 2016," "Special Consultation Desk Concerning High Raw Materials and Energy Costs Countermeasures," "Special Consultation Desk for Breaking Away from Deflation," and "Special Consultation Desk Concerning Countermeasures to Support SMEs Related to the Automobile Supply Chain, etc. (involving Mitsubishi Motors)."

Meanwhile, the Shoko Chukin Bank, as a statutorily-appointed financial institution, is responding to the consultations from the SMEs, through utilizing the schemes such as the "Disaster Reconstruction Loans" and the "Fund for Assisting SMEs Adjusting to Changes in Business Environment."

Engagement as a Supporting Institution for Business Innovation

The Shoko Chukin Bank has applied and been accredited as supporting institution for business innovation based on the SME Business Capabilities Enhancement Support Act.

The Shoko Chukin Bank has been giving support concerning business development planning for the SMEs. Meanwhile, being an accredited institution, the Shoko Chukin Bank is also progressing on providing supporting business concerning analyses on the business status of the SMEs.

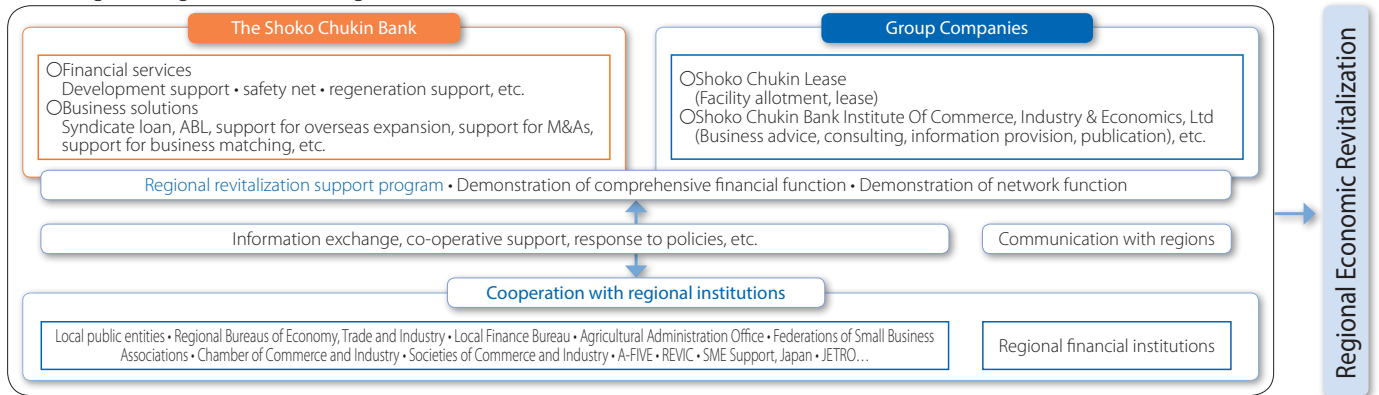
Support for the Corporate Value Improvement for the SMEs

Support for Regional Regeneration and Revitalization (Regional Revitalization Support Program)

Overview of the Regional Revitalization Support Program

With regard to the contribution to regional regeneration and regional economic revitalization, each regional branch of the Shoko Chukin Bank collaborates with the corresponding local communities and identifies themes to be focused on based on the existing issues in the region. We aim to offer financial and informational support to the regional SMEs.

The Shoko Chukin Bank also actively approaches to local-related institutions in other regions with effective support to take an active role in regional regeneration and regional economic revitalization.



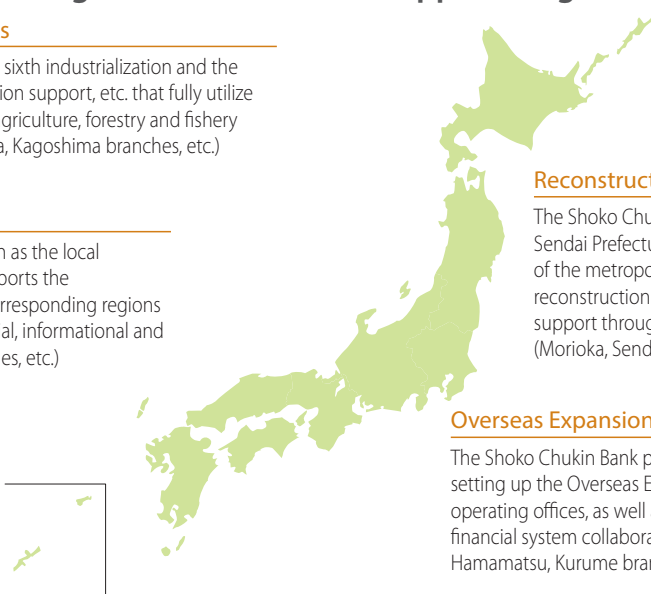
Status of Effect on the Regional Revitalization Support Program

Agriculture, Forestry and Fisheries

The Shoko Chukin Bank is carrying out the sixth industrialization and the agriculture-commerce-industry collaboration support, etc. that fully utilize the national networks in areas where the agriculture, forestry and fishery industry is the key industry. (Sapporo, Akita, Kagoshima branches, etc.)

Regional Industrial Support

Collaborating with related institutions such as the local governments, the Shoko Chukin Bank supports the development of the major industries of corresponding regions from different aspects by providing financial, informational and various solutions. (Niigata, Gifu, Tsu branches, etc.)



Reconstruction Support

The Shoko Chukin Bank displays the special products from Sendai Prefecture in the lobby exhibition held in the branches of the metropolitan area. The Bank also backs up the reconstruction of the affected areas and provides financial support through making use of the Revitalization System. (Morioka, Sendai, Fukushima branches)

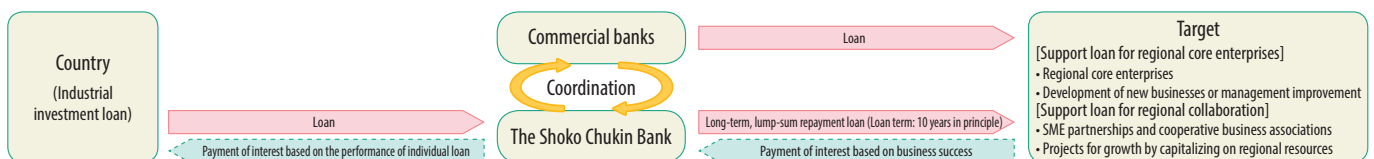
Overseas Expansion

The Shoko Chukin Bank provides support for overseas expansion by setting up the Overseas Expansion Support Desk for the SMEs in the operating offices, as well as providing financial support through the financial system collaborated with the local governments. (Saitama, Hamamatsu, Kurume branches, etc.)

Support Loan System for Regional Core Enterprises and Support Loan System for Regional Collaboration

In line with the revitalization of the regional economy, in April 2015, the Shoko Chukin Bank established the "Support Loan System for Regional Core Enterprises," so as to provide regional core SMEs with long-term financial support which is necessary for development of new businesses or management improvement. Through this system, we have been coordinating with commercial banks and providing support to the targeted SMEs for the development of new businesses and management improvement. As of the end of March 2016, the Bank has provided a total of ¥8.0 billion to 62 projects.

In April 2016, the Bank established the "Support Loan System for Regional Collaboration." This is designed to provide long-term financial support which is necessary for regional SMEs to work in collaboration for growth by capitalizing on regional resources, such as agricultural, forestry and fishery products and tourism resources. We will support regional economic revitalization through the system.



Summary of Growth and Business Development Support Program

In July 2010, the Shoko Chukin Bank has established the “General Support Program for Growth Strategy” in order to support SMEs which have undergone a low growth rate due to the changes in socio-economic environment but aim to expand their own businesses in growth sectors. In two and a half years following its establishment, the target of ¥500 billion was surpassed and in April 2013, the Bank renamed the Program as “Growth and Business Development Support Program” that does not require the personal guarantee system*. Further, the Bank has increased the target amount to ¥1 trillion and provided support for the sustainable development of SMEs which pursue expansion of their businesses in growth sectors.

Following its name change, the Program continued to support many SMEs and the amount of loans exceeded ¥1 trillion in two years and eight months up to November 2015. Looking ahead, the Shoko Chukin Bank intends to raise the target from ¥1 trillion to ¥2 trillion. Also, the Bank will focus on the fields of “agriculture, forestry and fisheries,” “medical and nursing,” “tourism” and “overseas expansion,” thereby strengthening support for SMEs that are engaged in these fields and those who are involved in the sixth industrialization and working to achieve higher productivity by means of joint operation and collaboration.

Moreover, the Shoko Chukin bank will swiftly and flexibly grant growth loans funds to SMEs’ equipment fund needs for considering replacing superannuated facilities or introducing leading-edge facilities, etc. by actively introducing policies of the Japanese and local government as well as providing financial support in line with the tax reduction in asset investment under the Capital Investment Promotion Plan by Japanese Government.

*The guarantee is not effective in any cases other than the breach of covenant (“Condition Precedent Joint Guarantee”).

(1) Support for the formulation of the New Growth Strategy Plan

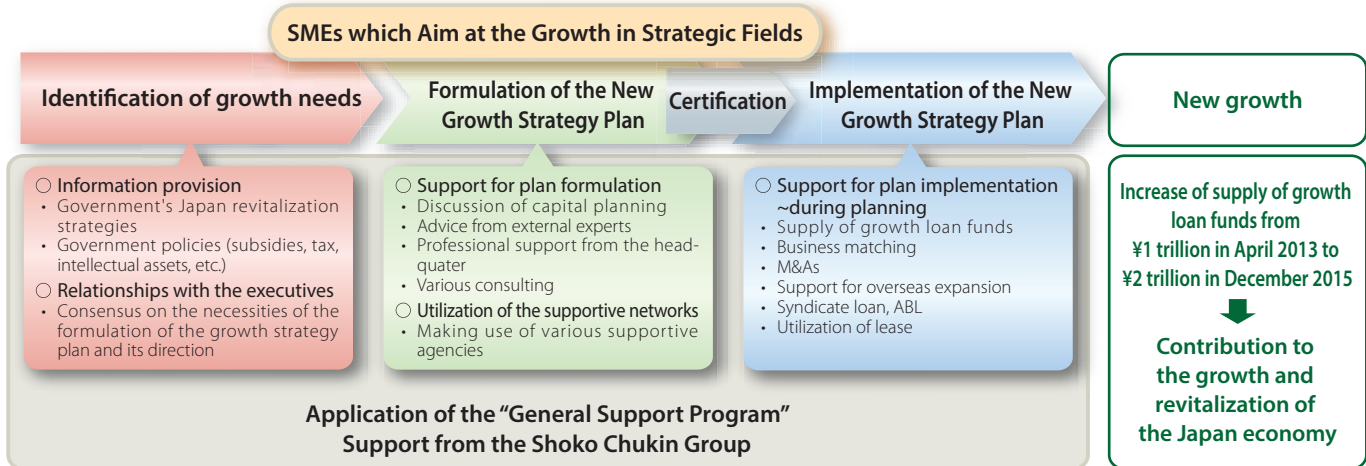
- During the conceptual phase, we provide information to the clients and strengthen clients relationships. At the same time, we reach a consensus with the clients on the necessity of the formulation of the growth strategy plan and its basic direction.
- When it comes to the plan formulation phase, on top of the financial issues such as capital planning, the staff from the headquarter will provide solutions and comprehensive consulting from the viewpoint of the clients.

(2) Plan approval

- The plan formulated by the SMEs is submitted to the Shoko Chukin Bank, and is subject to the approval institutions such as the “Certifying Committee for Growth Strategy Enterprises” as the “New Growth Strategy Plan.”

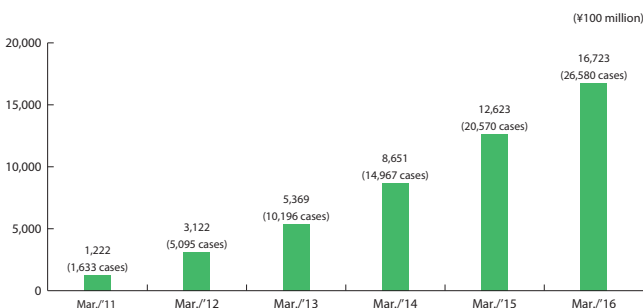
(3) Support for the implementation of the Plan ~ Supply of growth loan funds, provision of solutions which boost the efficiency of operations

- The essential funds incurred in the implementation of the “New Growth Strategy Plan” is backed up by the low-interest loan system established by the Shoko Chukin Bank.
- In order to boost the effectiveness of the plan, we provide various solutions to and support for business matching, M&As and overseas expansion.



Performance of the Effort on Growth and Business Development Support Program (Cumulative)

(1) Performance Overview



(2) Field-specific Performance

Fields of business	Amount (¥100 million)
Environment and energy	5,072
Employment and human resources	2,415
Investment and business expansion in Asian countries	1,942
Medical, nursing and health related	1,388
Research and development	887
Others	5,019
Total	16,723

Support for Overseas Expansion

The Shoko Chukin Bank is the only public financial institution that utilizes the “full-banking function” for the SMEs. Apart from the daily operation in the field of trade and finance, the Shoko Chukin Bank also provides parent-subsidary loans, loans for overseas affiliated companies, and also contributes to the fundraising for overseas affiliated companies through a method called “Standby Credit.” Further, we fully utilize the domestic and overseas co-operative institution networks which connect with overseas centers (New York branch, Hong Kong Representative Office, Shanghai Representative Office, Bangkok Representative Office) and are devoted to providing detailed information for the SMEs.

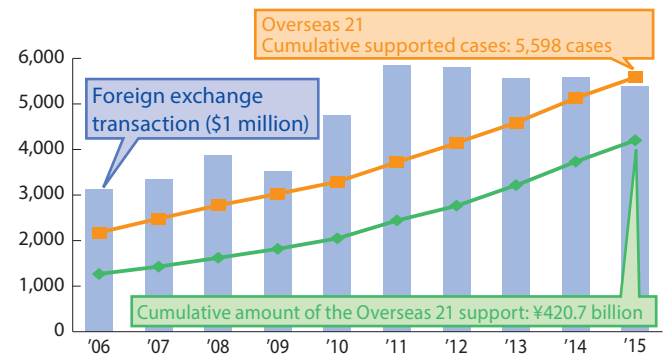
Support for Overseas Expansion (Overseas 21)

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 (Overseas 21).”

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-subsidary loans, etc., to the import and export-related trade and finance services.

Performance of Overseas 21

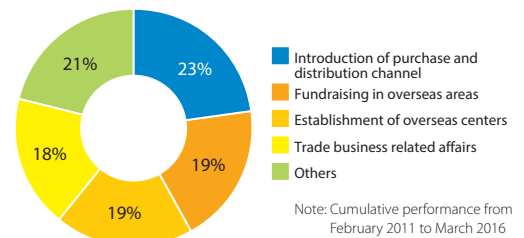


Overseas Expansion Support Desk

In response to the needs of the SMEs concerning overseas expansion such as related consultation, we established the “Overseas Expansion Support Desk for SMEs” in February 1, 2011. We have collaborated with related institutions such as JETRO (Japan External Trade Organization), the NEXI (Nippon Export and Investment Insurance), and the Organization for Small and Medium Enterprises and Regional Innovation, in order to provide detailed support such as information provision to the SMEs. As of the end of March 2016, the cumulative number of cases of consultation related to the establishment of overseas centers or fundraising, etc. has reached 16,644 cases.

The Shoko Chukin Bank will continue to offer extensive support to the SMEs regarding overseas expansion.

Breakdown of the content of the consultation in the Support Desk



Networks of the Shoko Chukin Bank

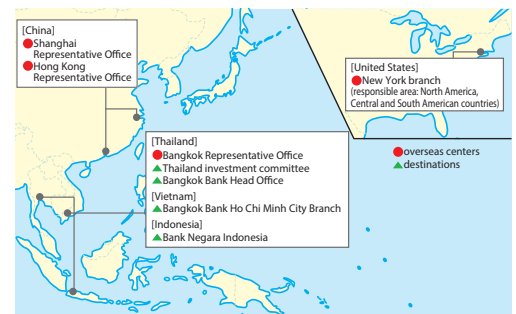
The Shoko Chukin Bank has altogether 4 overseas centers. Also, we collaborate with 5 overseas financial institutions and provide financial and informational support regarding overseas expansion.

In January 2016, the Bank obtained approval from Chinese authorities for its application to prepare for the establishment of the Shanghai branch. Currently, the Bank is in preparation to obtain approval for opening the branch.

Overseas co-operative financial institutions

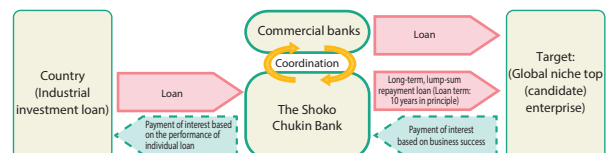
- Standard Chartered Bank (United Kingdom)
- Bangkok Bank (Thailand)
- Bank of Communications (China)
- HSBC (United Kingdom)
- Bank Negara Indonesia (Indonesia)

Overseas Centers and Destinations



Global Niche Top Supply Loan System

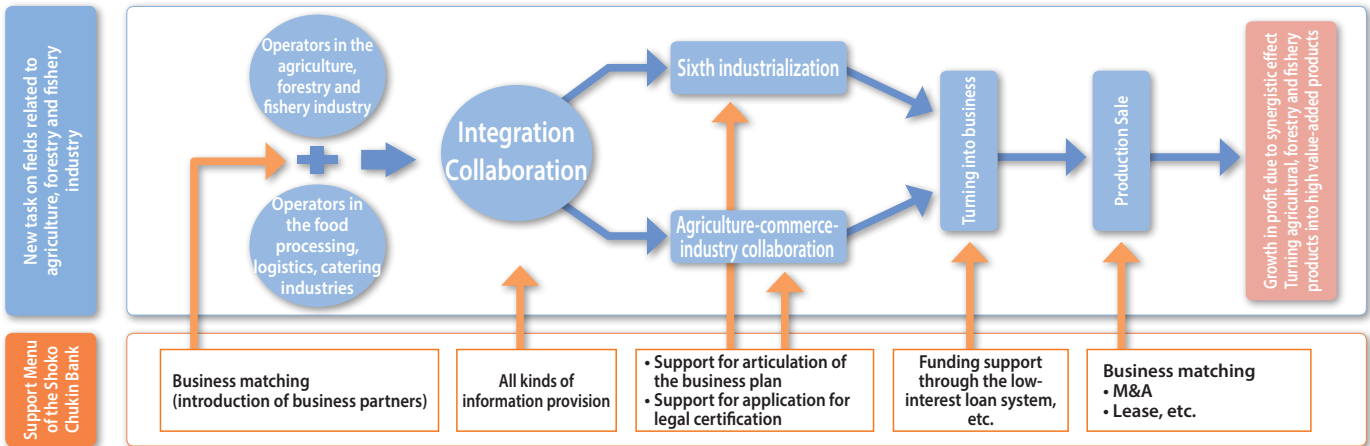
The Shoko Chukin Bank established the “Global Niche Top Supply Loan System” in April 2014 to grant loans for essential funding incurred in overseas expansion for the SMEs which aim to strengthen their industrial competitiveness, expand their existence in specific sectors, and become the global niche top (GNT) company. Our system has supported the strategic overseas expansion of the targeted SMEs, providing ¥28.8 billion for 255 cases as of the end of March 2016.



Support for Agriculture-Commerce-Industry

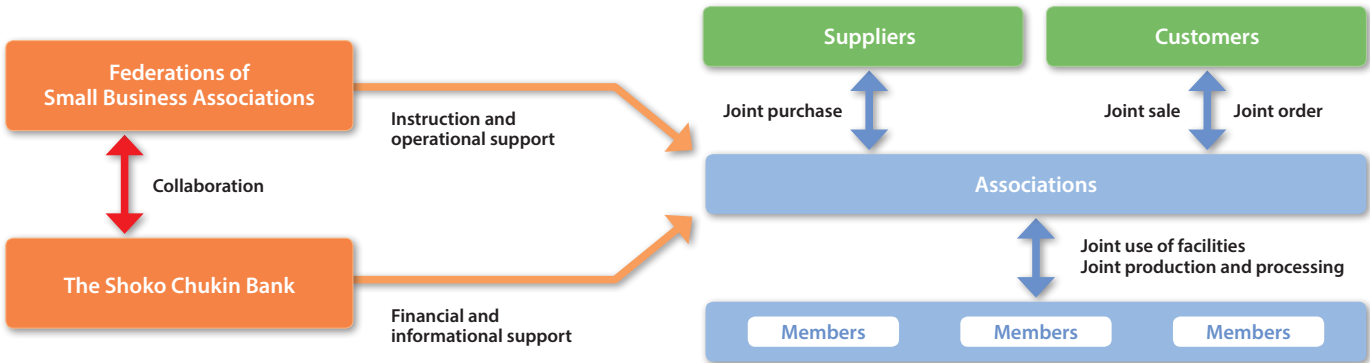
With the aim of attaining synergistic effect, the government has developed the policy of “Support for Agriculture-commerce-industry” to strengthen the collaboration between the commerce industry and the agriculture, forestry and fishery industry.

According to the Agriculture-Commerce-Industry Cooperation Promotion Act, it is advantageous for the SMEs to be certified by the Act as certified parties are eligible to enjoy various support measures. In view of this, the Shoko Chukin Bank collaborates with the government and the supporting institutions and provides both informational and financial support such as support for application for certification under the Act and provision of loans for necessary cost incurred.



Support for Associations

The Association of SMEs helps individual enterprises overcome difficulties and plays an important and leading role in assisting the value-adding of the SMEs by increasing the members’ productivity through the association of joint enterprises and, as a collaborative institution, supporting new projects of the members, etc. The Shoko Chukin Bank collaborates with the Federations of Small Business Associations (an instruction institution of the Association of SMEs) and provides financial support such as the “Loan Recommendation System of the Federation” as well as informational support such as the information about the subsidiaries policy.



Support for Collaboration among Enterprises (Business Matching, Business Succession and M&As)

The Shoko Chukin Bank has been actively working on business matching, support for business succession and M&As through its national networks and relations with business partners.

Business matching will add value to the enterprises through increase in sales, reduction in purchasing cost, etc. We will endeavor to enhance the service while maintaining the relationship with the Youth kai (Note 1) and Chukin kai (Note 2).

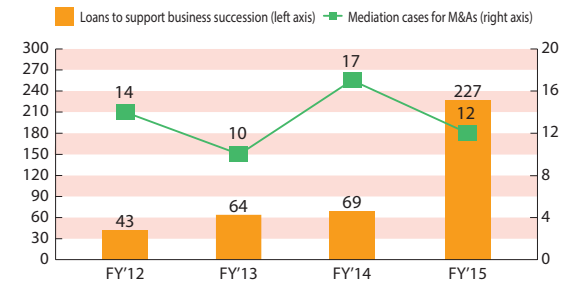
Demand to address the business succession and M&As has been increasing as many enterprises need to address the succession issues early on, in the face of an aging management team and the absence of successors. Solutions to these issues have been attracting increasing attention. In response to the needs 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 or other external specialists.

Notes: 1. The Youth kai is an organization comprising young executives of the Bank's business partners. There are 88 Youth kai branches across Japan with approximately 5,800 members.
2. The Chukin kai is an organization of the Bank's business partners. There are 105 Chukin kai groups in Japan and abroad with approximately 17,000 corporate members.

Number of successful cases of business matching

FY'12	FY'13	FY'14	FY'15
950	1,162	1,026	1,022

Number of loans to support business succession and mediation cases for M&As



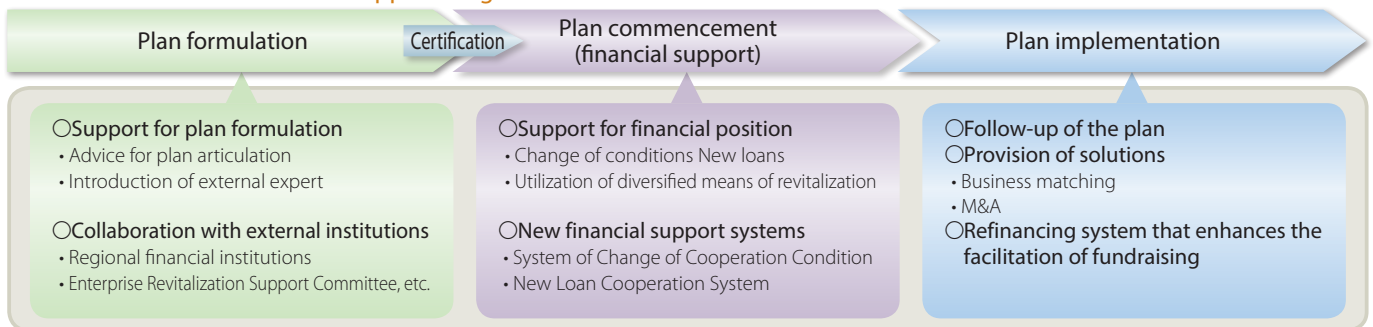
Support for Business Revitalization

The Shoko Chukin Bank has been cultivating the knowledge of business revitalization. Taking one step further to actively formulate business improvement plans and hence lead them to success, the Shoko Chukin Bank established the "Revitalization Support Program" in November 2012 which offers a package of general support services.

Also, in October 2013, the program further expanded and a refinance system that enhances the facilitation of essential fundraising was established for those SMEs which have shown improvement in performance as a result of the implementation of the improvement plan.

In addition, through the collaboration with institutions that support business revitalization such as the SME Revitalization Support Councils, together with the cooperation with regional financial institutions, the Shoko Chukin Bank is devoting to the value-adding of the enterprises and regional regeneration and revitalization for the SMEs.

Flowchart of the Revitalization Support Program



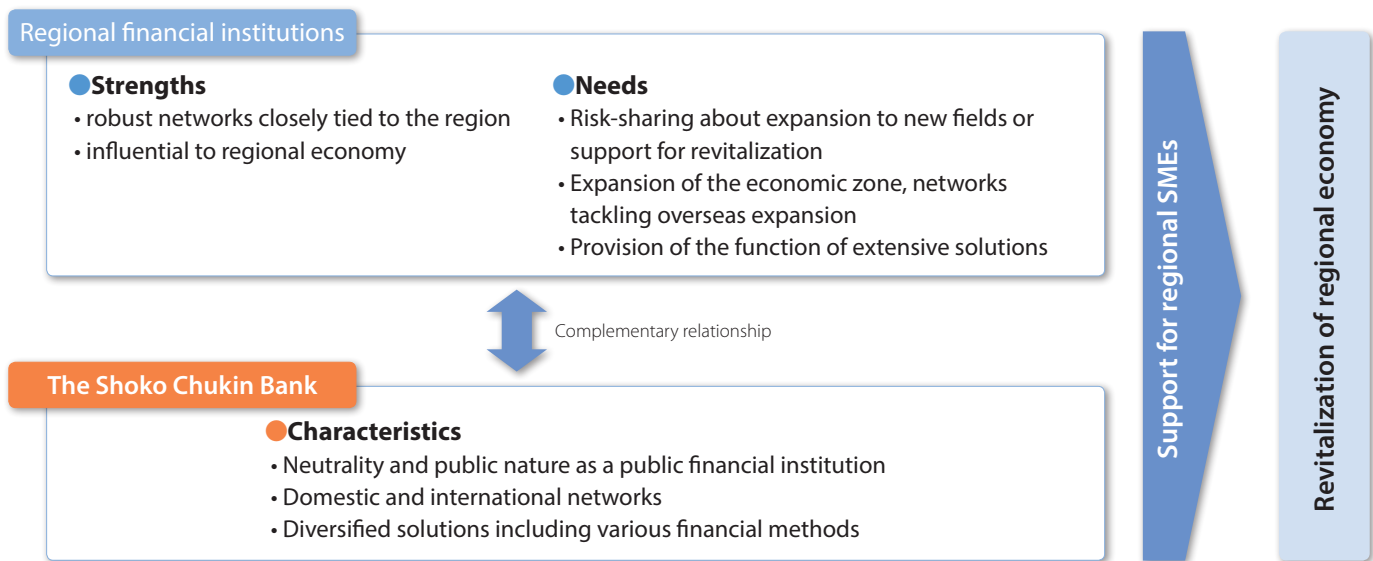
Collaboration and Cooperation with Regional Financial Institutions

The Shoko Chukin Bank regards the collaboration and cooperation with regional financial institutions as one of the fundamental parts of business operation. We treat regional financial institutions as “partners who help to achieve the revitalization of regional economy as well as the facilitation of regional finance, on the basis of coexistence and complementarity within the region”.

The collaboration and cooperation with the regional financial institutions has been further strengthened through the establishment of the Regional Collaboration Office on April 1, 2014, and, as a result, the headquarter and the branches could come together to deal with the collaboration business.

Concerning the specific effort on collaboration, the Shoko Chukin Bank maintained its neutrality and public nature, and makes use of the national networks as well as diversified solutions, in order to support regional SMEs through cooperative loans with regional financial institutions. Moreover, through the collaboration business, the Shoko Chukin Bank is also paying effort on the provision of complementary solutions in the extensive fields such as M&A, ABL and international affairs.

In March 2015, we have taken a step further to establish a “Contact Point” in each operating office to enhance collaboration with regional finance institutions, local communities and other related institutions.



Performance of conclusion of agreement of business cooperation (As of March 2016)

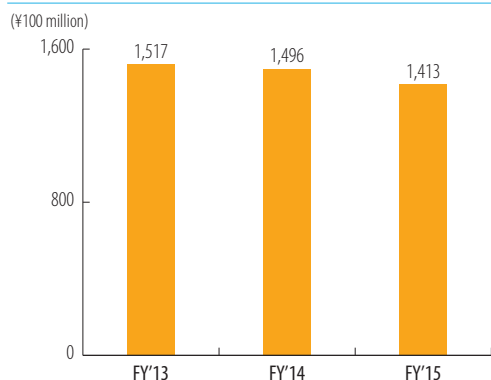
Status of conclusion of agreement of business cooperation	Regional banks	Second-tier regional banks	Shinkin Banks	Credit Cooperatives	Total
No. of regional financial institutions	64	41	265	153	523
No. of concluded agreements of business cooperation	60	40	199	119	418

Performance of cooperative loans with regional financial institutions (As of fiscal 2015)

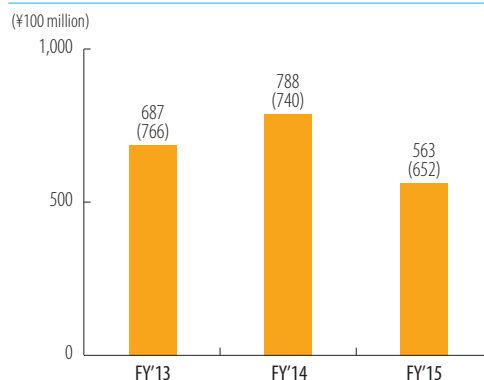
	No. of cases
First half of the fiscal year	6,551
Second half of the fiscal year	6,733
Total	13,284

Income and Expenditures

Gross Operating Profit

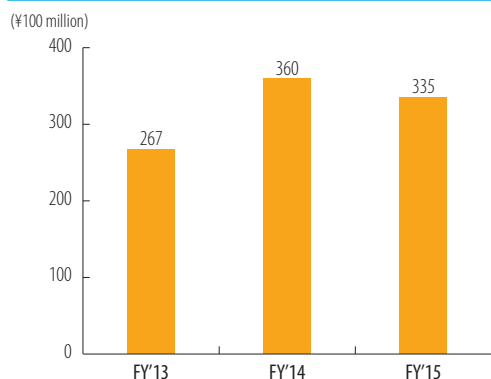


Operating Profit

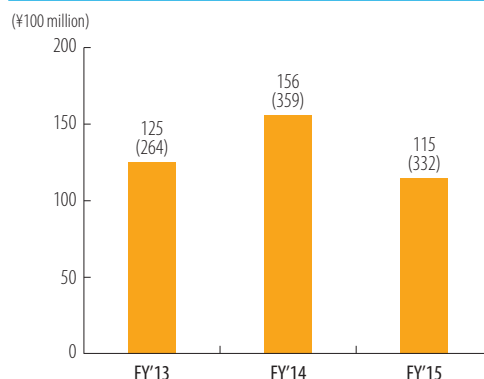


Note: The amount in parentheses is Operating Profit before Deduction of Provision for the General Reserve for Possible Loan Losses.

Income (Loss) before Income Taxes and Others

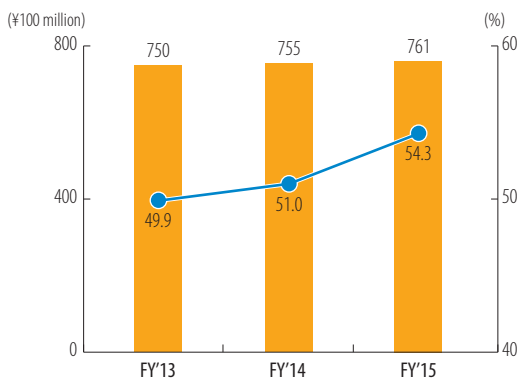


Net Income (Loss)



Note: The amount in parentheses is Income before Income Taxes.

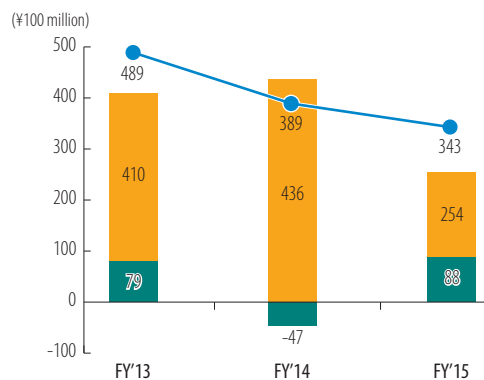
General and Administrative Expenses and Overhead Ratio (OHR)



■ General and Administrative Expenses (left-hand scale)
● OHR (right-hand scale)

Note: $OHR = (\text{General and administrative expenses (excluding nonrecurring items)}) \div \text{Gross operating profit (after deduction of revenue and expenditures from trading of Japanese Government Bonds and other bonds)}$

Credit-Related Expense



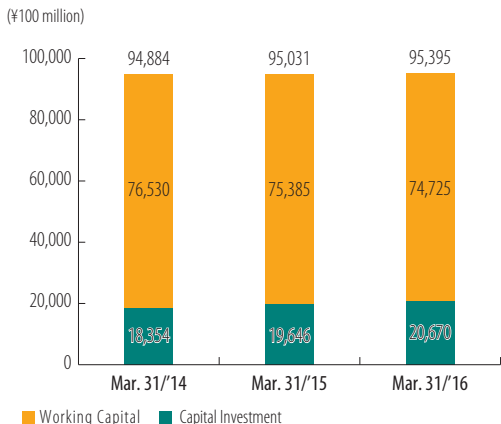
● Credit-related expense
■ Disposal amount of problem loans
■ Provision to (reversal of) general reserve for possible loan losses

Note: Reversal of general reserve for possible loan losses is shown as a negative amount.

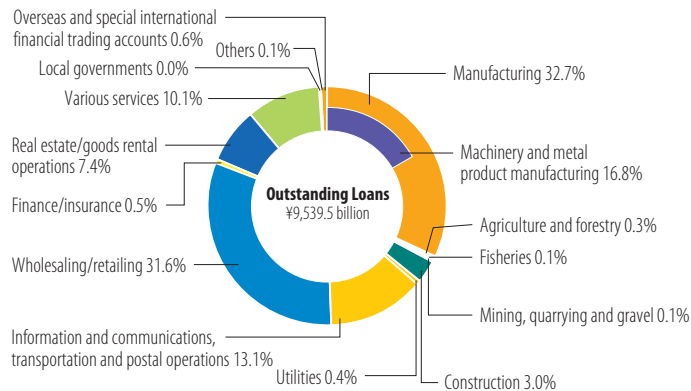
● Gross operating profit for the fiscal year ended March 31, 2016 decreased by ¥8.2 billion year on year to ¥141.3 billion due primarily to a decrease in net interest income. Income before income taxes and other decreased by ¥2.5 billion year on year to ¥33.5 billion primarily due to a decrease in credit-related expense.

Loans

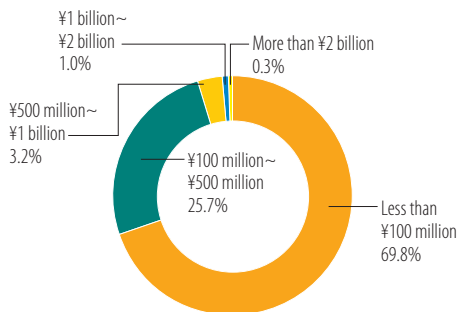
Balance of Loans Outstanding



Outstanding Loans by Sector (As of March 31, 2016)



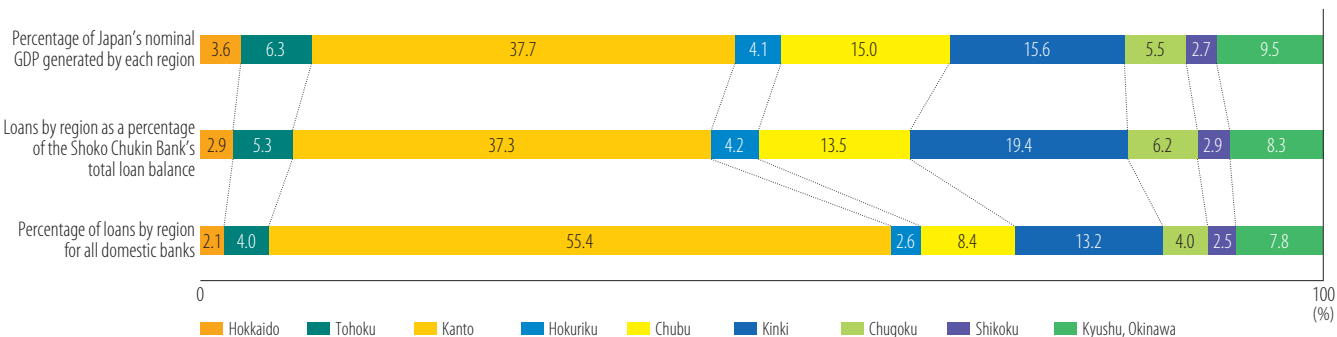
Breakdown of Borrowers by Loan Balance Outstanding (As of March 31, 2016)



Breakdown of Loans by Balance Outstanding



Comparison of Nominal GDP by Region and the Bank's Breakdown of Loan Balance by Region

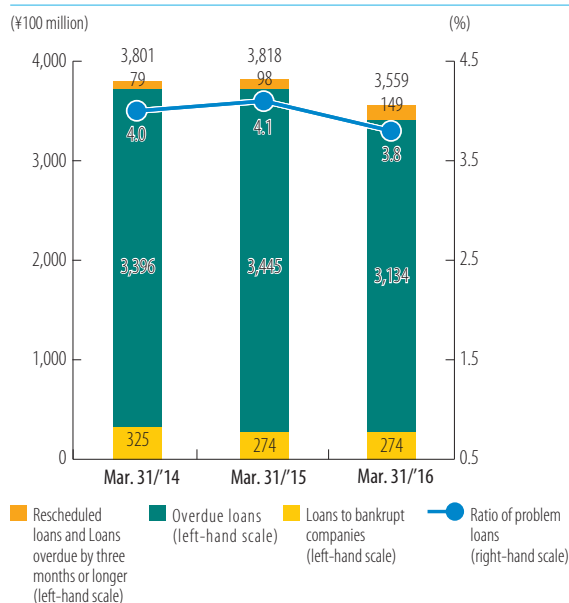


Note: Figures for nominal GDP by region are for Fiscal 2012. Figures for loans by the Shoko Chukin Bank and loans by all domestic banks are as of March 31, 2016.
Sources: Annual Report on Prefectural Economies, Cabinet Office, Deposits, Loans and Discount Outstanding of Domestically Licensed Banks by Prefecture, Bank of Japan.

As a result of successfully responding to the clients' funding needs through fulfilling the safety net role, the balance of loans outstanding as of March 31, 2016 increased by ¥36.3 billion compared with the balance as of March 31, 2015.

Problem Loans

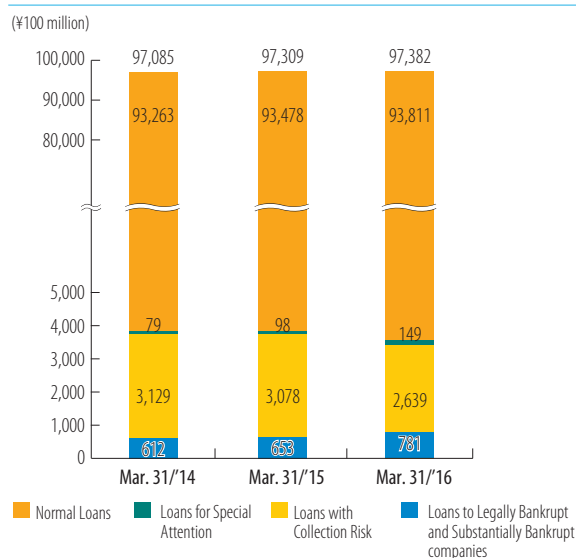
Problem Loans and Ratio of Problem Loans



Note: Based on the results of the Bank's self-assessment of assets, loans to bankrupt companies, overdue loans (loans to virtually bankrupt companies and companies at risk of bankruptcy), loans overdue by three months or longer and rescheduled loans (where interest rates have been lowered or other advantageous loan terms have been provided to support business restructuring) are disclosed.

Ratio of problem loans: Risk-managed assets as a proportion of outstanding loans.

Loans Disclosed under the Financial Reconstruction Act



Note: Based on the results of the Bank's self-assessment of assets, loans to borrowers that are virtually bankrupt or legally bankrupt are presented as "Loans to Legally Bankrupt and Substantially Bankrupt Companies"; loans to borrowers with risk of bankruptcy are presented as "Loans with Collection Risk"; and loans overdue by three months or longer and rescheduled loans are presented as "Loans for Special Attention."

Breakdown of Loan Balance by Borrower Category under the Bank's Self-Assessment

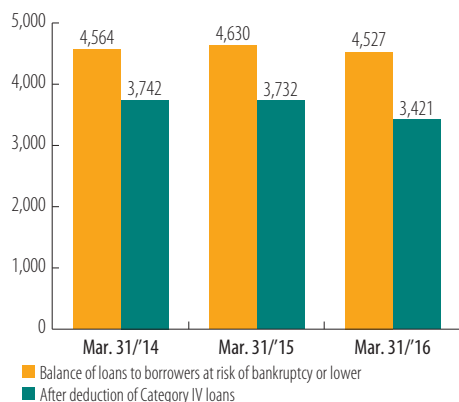
(¥100 million)

	Mar. 31/14		Mar. 31/15		Mar. 31/16	
	Amount	%	Amount	%	Amount	%
Legally Bankrupt	733	0.7%	585	0.6%	694	0.7%
Virtually Bankrupt	701	0.7%	965	1.0%	1,192	1.2%
Risk of Bankruptcy	3,129	3.2%	3,078	3.1%	2,639	2.7%
Need Special Attention	30,916	31.6%	29,553	30.1%	29,757	30.2%
Borrowers receiving special management	94	0.1%	123	0.1%	171	0.2%
Other need for special attention	30,822	31.5%	29,429	30.0%	29,585	30.0%
Normal	62,426	63.8%	64,023	65.2%	64,203	65.2%
Total	97,907	100.0%	98,207	100.0%	98,488	100.0%

Note: Based on the Bank's internal credit rating system, borrowers are classified into five categories: Normal, Need Special Attention, Risk of Bankruptcy, Virtually Bankrupt, and Legally Bankrupt.

Balance of Loans to Borrowers at Risk of Bankruptcy or Lower

(¥100 million)



- The figures above exclude loans classified as unrecoverable (Loss Classification) based on self-assessment. (These figures are equivalent to the loan balance after the direct write-off of Category IV loans. This is in line with disclosure standards used by private financial institutions.) As of March 31, 2016, the excluded amounts are as follows. Risk-managed Assets Loans to bankrupt borrowers amounted to ¥40.7 billion. Overdue loans amounted to ¥67.8 billion. Loans disclosed under the Financial Reconstruction Act Loans to legally bankrupt and substantially bankrupt borrowers amounted to ¥110.5 billion.
- The breakdown of loan balance by borrower category under the Bank's self-assessment includes Category IV loans.
- Problem loans cover loans only.
The breakdown of loan balance by borrower category under the Bank's self-assessment and 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 (private placement bonds for which the Shoko Chukin Bank guarantees the repayment of the principal and interest payments in full or in part), foreign exchange, acceptances and guarantees, uncollected interest, and suspense payments.

- Focusing on loan recipient companies that have been classified under self-assessment as Need Special Attention borrowers, the Shoko Chukin Bank is actively engaged in efforts to improve the management of said loan recipient companies by formulating and following up on management improvement plans.
- Looking ahead, the Shoko Chukin Bank will continue to place considerable weight on the aforementioned initiatives. Through these means and by implementing appropriate loan management based on a process of self-assessment, the Bank will secure and maintain a sound credit and financial position.

Write-Offs and Reserves

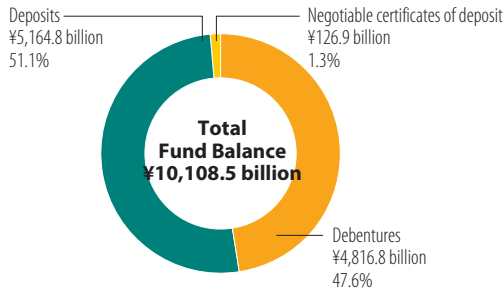
The Bank writes off assets or reserves provisions on the basis of self-assessment results, which are reviewed by independent auditors. It has made sufficient provision for its existing problem loans.

Normal Need Special Attention	Reserve provisions made on the basis of a formula using past actual loan losses
Risk of Bankruptcy	Reserve provisions made to the necessary level in relation to the amount not covered by collateral
Virtually Bankrupt Legally Bankrupt	Reserve provisions and write-offs made for the entire amount not covered by collateral

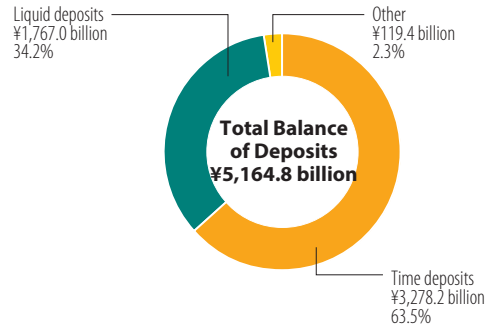
- All credit transactions are subject to asset self-assessment under the practical guidelines laid out by the Japanese Institute of Certified Public Accountants. The Shoko Chukin Bank writes off assets and reserves provisions based on the results of these assessments. The Bank uses this approach to ensure asset quality is accurately monitored and problem loans are appropriately written off. The Bank also uses it to manage loans after loan application procedures are completed.

Fund-Raising

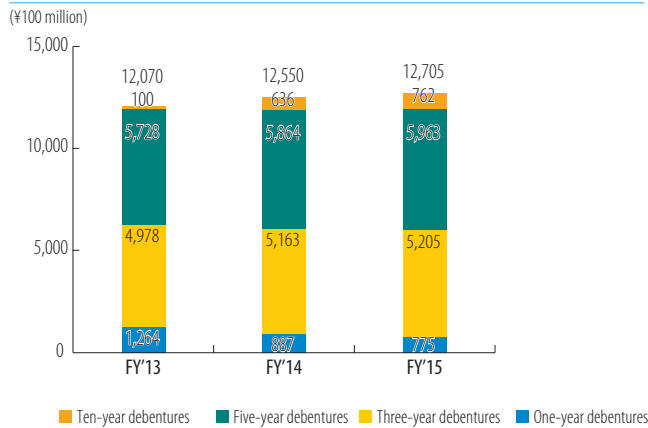
Breakdown of Fund-Raising (As of March 31, 2016)



Breakdown of Deposit Balance (As of March 31, 2016)



Publicly Offered Debentures Issued Each Fiscal Year



The Bank is strengthening stable fund raising through debentures, centered on publicly offered debentures as well as to bolster and expand the fund procurement platform, mainly individual and corporate deposits.

Total Capital

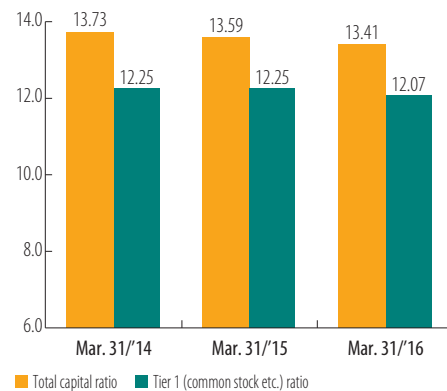
Trends in Total Capital

(¥100 million)

	Mar. 31/'14	Mar. 31/'15	Mar. 31/'16
Total capital	9,701	9,700	9,805
Tier 1 capital (common stock etc.)	8,652	8,743	8,820
Non-government portion of shares held	1,170	1,170	1,170
Government portion of shares held	1,016	1,016	1,016
Crisis response reserves	1,500	1,500	1,500
Special reserves	4,008	4,008	4,008
Retained earnings	1,021	1,119	1,189

Capital Ratio and Tier 1 Ratio

(%)



Note: In accordance with Article 23, Paragraph 1 of the Shoko Chukin Bank Limited Act and notice of the Financial Services Agency, the Ministry of Finance and the Ministry of Economy, Trade and Industry based on the said act, the Bank is working to improve its capital ratio.

- The total capital ratio for the fiscal year ended March 31, 2016 remained constant at 13.41%.
- Shareholders' equity is of high quality, as the majority of capital is Tier 1 capital (common stock etc.).

The Shoko Chukin Bank's Governance System

The change in status from that of a government-affiliated financial institution to a special company (a joint-stock company established pursuant to a special act) provides an opportunity for the Shoko Chukin Bank to reinforce and further upgrade its corporate governance structure and systems. At the same time, the Bank is well positioned to maintain its basic role as a financial institution run for SMEs by SMEs under the governance of its shareholders - SME cooperatives and their members - the government, market and relevant laws including the Shoko Chukin Bank Limited and Companies acts. In this context, the Bank will establish boards of directors and Audit and Supervisory Board Member and appoint an independent auditor. The Bank will also establish the Management Advisory Committee made up of select representatives from SME loan recipient companies to ensure that the opinions and voice of its core client base are accurately reflected in the Bank's management, Human Resources Committee made up of representatives from SME loan recipient companies and knowledgeable outside individuals to ensure that the opinions and advices of SMEs regarding the executive appointment are accurately reflected in the Bank's management, Compensation Committee made up of representatives from SME loan recipient companies and knowledgeable outside individuals to ensure that the opinions and advices of SMEs regarding the directors' compensation and retirement benefits are accurately reflected in the Bank's management, and Business Operation Committee made up of individuals who are involved in finance to SMEs and academic experts to ensure that the advices concerning the status to ensure appropriate competitive relations with other operators and the principle of diverse collaboration and cooperation with regional financial institutions are reflected in the Bank's management.

The Composition and Functions of Corporate Governance Organizations and Systems

A. Board of Directors

As of June 30, 2016, the Shoko Chukin Bank's Board of Directors was comprised of 10 members, two 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. Through these means, every effort is made to ensure that the Bank's overall operations continue to function in an appropriate and effective manner.

B. Audit and Supervisory Board, Audit and Supervisory Board Members

As of June 30, 2016, the Shoko Chukin Bank's Audit and Supervisory Board was comprised of four members, including non-standing Audit and Supervisory Board Members. Of the aforementioned four Audit and Supervisory Board Members, two were appointed from outside the Bank. Audit and Supervisory Board Members monitor and audit the execution and performance of each director's duties. Moreover, the Audit and Supervisory Board prepares audit reports, appoints and removes standing Audit and Supervisory Board Members and determines the Bank's overall audit policy.

C. Details of criteria or policy concerning the independence of external directors and external Audit and Supervisory Board Members in selecting them

Not applicable

D. Management Advisory Committee

To ensure that the opinions and voice of its core client base are accurately reflected in the Bank's management, a management advisory committee has been established comprising select representatives from SME loan recipient companies. The Management Advisory Committee provides comments and advice on the Bank's operating activities.

E. Human Resources Committee

Human Resources Committee comprising representatives from SME loan recipient companies and knowledgeable outside individuals, has been established to seek comments and advice in respect of directors appointment.

F. Compensation Committee

The Compensation Committee comprising representatives from SME loan recipient companies and knowledgeable outside individuals, has been established to voice opinions and provide advice on the evaluation of performance with respect to directors' compensation and retirement benefits.

G. Business Operation Committee

In order to ensure that the advices concerning the status to ensure appropriate competitive relations with other operators and the principle of diverse collaboration and cooperation with regional financial institutions are reflected in the Bank's management, the Business Operation Committee comprising individuals who are involved in finance to SMEs and academic experts has been established to seek comments and advice.

H. Management Meetings

Management meetings attended by the Bank's representative directors including the president and the deputy president are convened to ensure that decisions relating to the Bank's fundamental operations as well as important investment and lending issues are expeditiously and sufficiently deliberated in accordance with the basic policy formulated by the Board of Directors.

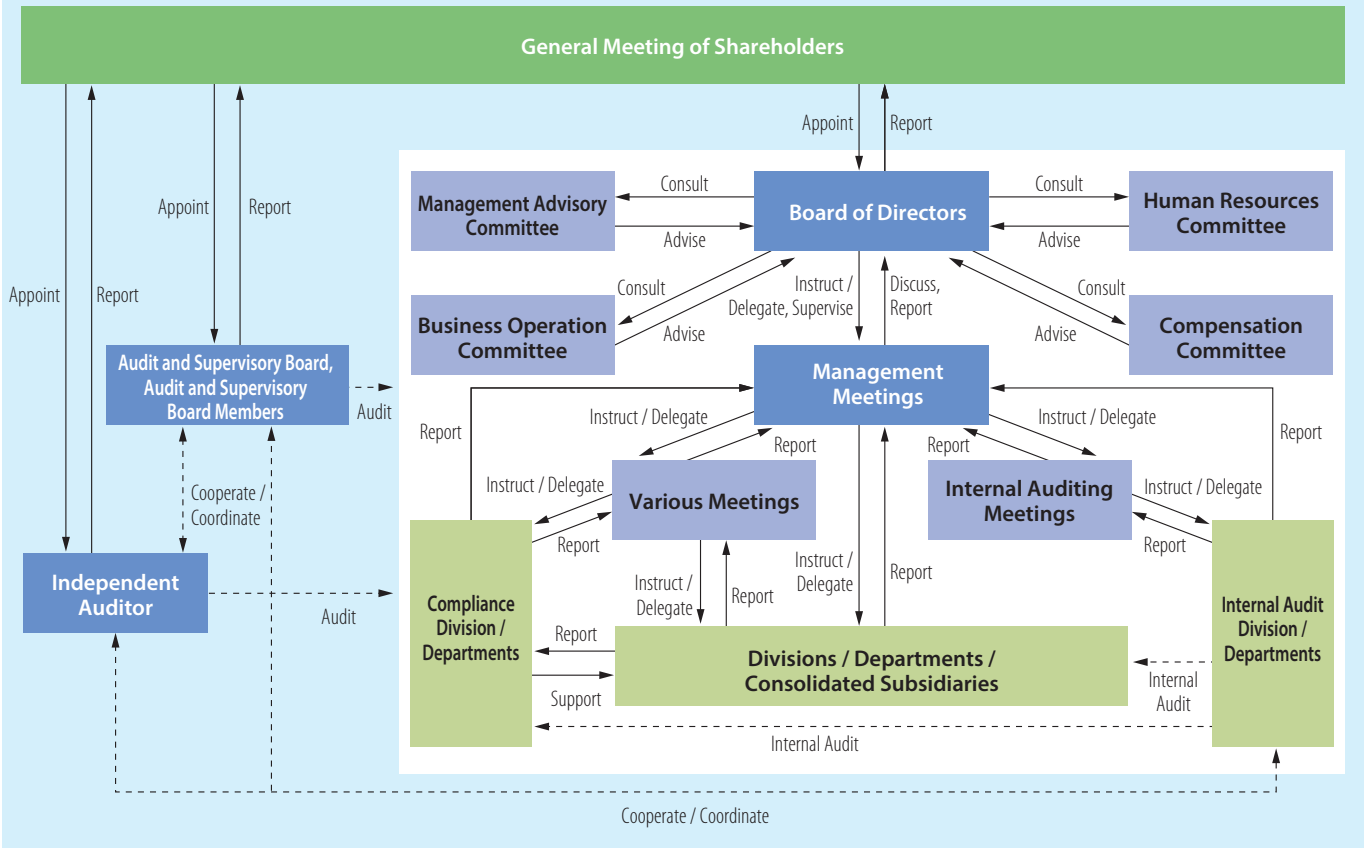
I. Internal Auditing Meetings

To ensure the independence and autonomy of the Internal Audit Division from the departments and divisions subject to audit, and to reinforce the control function, internal auditing meetings are convened under the direct supervision of management meetings. During each internal auditing meeting, attendees discuss and deliberate on matters relating to the Bank's internal auditing system as well as internal auditing plans.

J. Other Meetings

In addition to internal audit meetings, the Bank convenes and establishes various meetings and committees to deliberate on and discuss issues and proposals put forward during management meetings. These issues and proposals encompass such wide-ranging fields as corporate planning, investment and lending, compliance, CS promotion, credit risk management, support for regional revitalization and promotion of female advancement. As a supplementary structure, these meetings and committees are driven mainly by representative directors including the deputy president.

The Shoko Chukin Bank's Governance Structure and System



Systems to Ensure Sound Business Operations

Risk Management

Financial institutions are exposed to 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 in financial technology. 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.

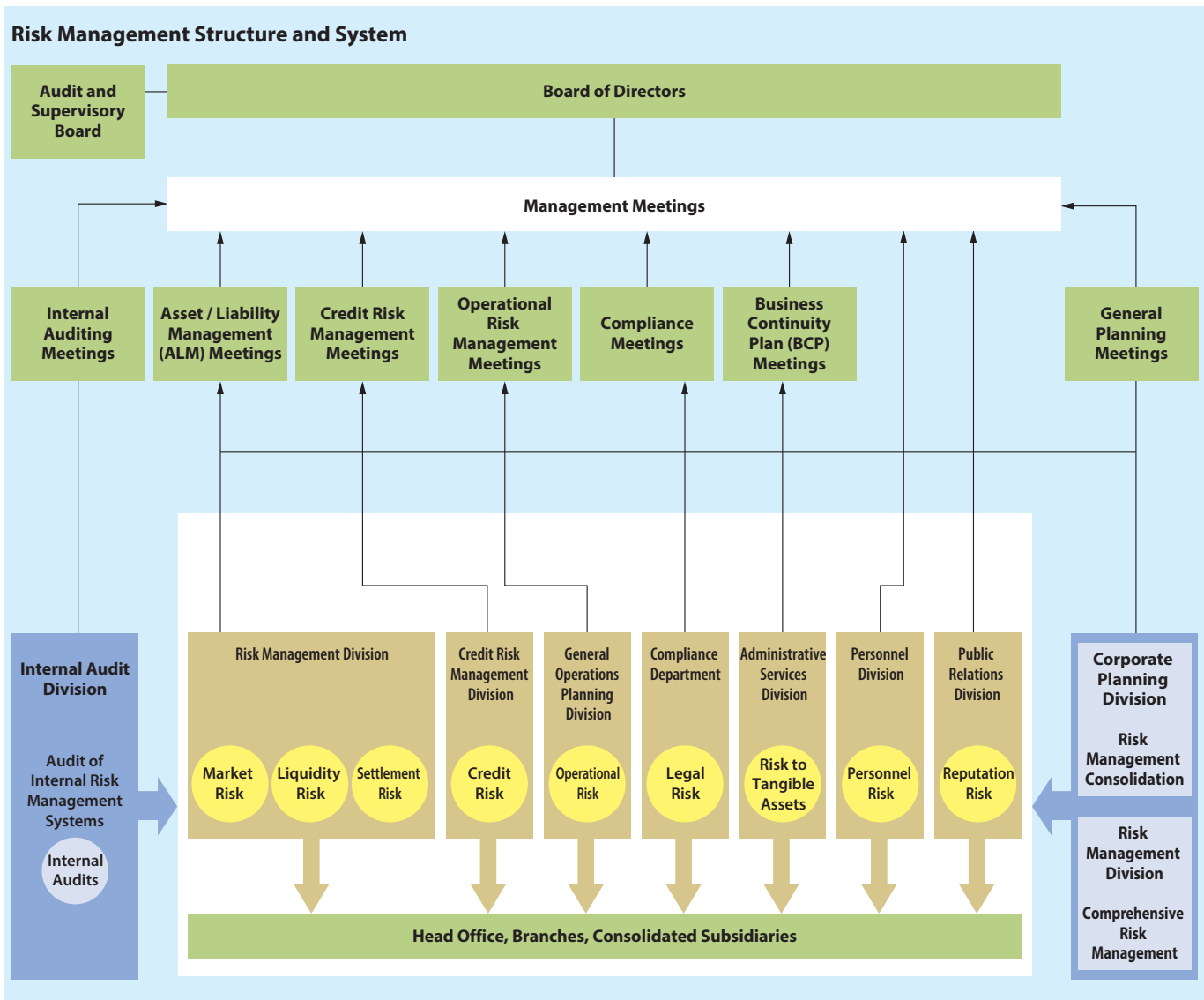
Responding to this environment, the Bank continues to bolster its risk management systems by clearly identifying individual risk management departments, further strengthening management capabilities with respect to specific types of risk and delegating to the Corporate Planning Division overall responsibility 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.

Moreover, in putting into perspective the impact of overall risk based on an assessment of individual categories, the Risk Management Division has been established to oversee risk management on an integrated basis in the context of the Bank's total capital.

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.



Risk Definitions

Market Risk	The risk of loss resulting from fluctuations in asset values due to changes in interest rates, exchange rates or the prices of marketable securities.
Liquidity Risk	The risk that cash flows will become insufficient due to the inability to secure the required funds (cash flow risk), and the risk that market transactions will become impossible due to market disruptions (market liquidity risk).
Settlement Risk	The risk of loss resulting from failure to settle by the due date (broadly categorized into credit risk, liquidity risk, operational risk and legal risk, according to the cause and characteristics of the problem).
Credit Risk	The risk of loss due to the partial or complete loss of asset value, owing to such factors as deterioration in the financial position of the borrower.
Operational Risk	Operational risk is the risk of loss by financial institutions resulting from administrative failures, accidents or management or staff fraud (administrative risk, which includes information security risk that does fall within the scope of system risk), the risk of loss by financial institutions due to computer system failures, errors, or inadequacies (system risk, which includes system inadequacy and information security risk stemming from fraudulent third-party acts), and the risk of loss due to serious threats such as leaks, fraudulent use, erroneous operations, and deliberate acts to affect the validity and reliability of essential information assets (information security risk).
Legal Risk	The risk of loss resulting from legal uncertainty about transactions or failure to comply with laws and regulations.
Risk to Tangible Assets	The risk of impairment and damage to tangible assets as a result of disasters and other accidents.
Personnel Risk	Risk occurring because of unjust and unfair human resource management (problems with compensation and dismissals) and discriminatory acts (sexual harassment, etc.).
Reputation Risk	The risk that losses will be suffered due to decline of reputation and the spread of false information.

Credit Risk Management

Based on its expertise in working with SMEs, the Bank's credit risk management system is designed to maintain and improve the soundness of its loan assets by setting appropriate lending criteria and ensuring that screening systems are properly applied.

Credit Risk Management System

The Credit 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. This 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 Credit 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 Department for Business Restructuring as a specialist unit to provide customers with support for management improvement and revitalization. This department proactively works with customers in this area.

Screening

Owing to the large impact that external factors—including general economic conditions—can exert on SMEs, the Bank endeavors to carry out screening based on the medium- to long-term outlook for the customer's business. Specifically, the Bank takes into account not only financial factors but also such intellectual assets as management talent and technological capabilities, which do not show up in a firm's financial statements. Through regular visits by the Bank's staff to customers' businesses, the Bank is able to build up its understanding of such factors unique to each customer.

Consequently, 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 employees' consulting capabilities for SME financing.

Market and Liquidity Risk Management

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.

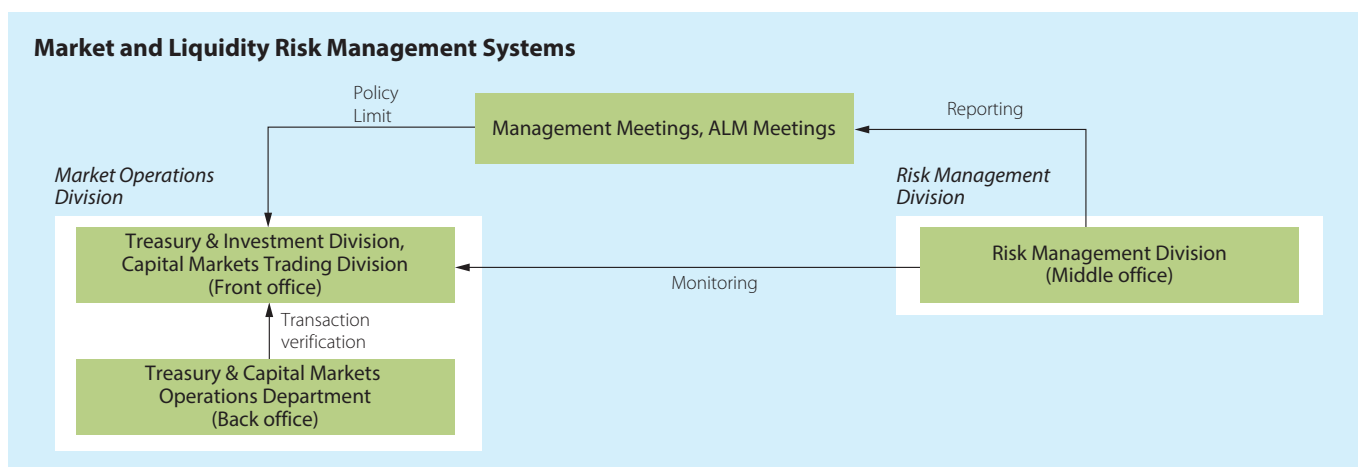
Risk Management Structure

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 Shoko Chukin Bank strives for stable earnings while appropriately managing market and liquidity risk. 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 Value at Risk (VaR) methods, and conducting simulations using multiple interest rate scenarios.



Market Risk (Banking) (Note 1)

Interest sensitivity by fiscal period (10 basis point value) (¥100 million)											
Mar. 31/'14				Mar. 31/'15				Mar. 31/'16			
1 year or less	More than 1 year, 5 years or less	More than 5 years	Total	1 year or less	More than 1 year, 5 years or less	More than 5 years	Total	1 year or less	More than 1 year, 5 years or less	More than 5 years	Total
5	(33)	(26)	(54)	5	(38)	(14)	(48)	4	(29)	(8)	(32)

Value at risk (VaR) (Note 2) (¥100 million)		
Mar. 31/'14	Mar. 31/'15	Mar. 31/'16
89	190	45

Notes: 1. Financial products for purposes other than trading, excluding stocks and foreign currency operations.
 2. VaR holding period: 1 month, confidence interval: 99%

Operational Risk Management

In its role overseeing operational risk, the General Operations Planning Division is responsible for managing and minimizing operational risk, which includes administrative risk and system 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, the Operational Risk Management Meetings deliberates on matters relating to operational risk. These include efforts to clearly identify risk and to establish countermeasures to ensure their reduction.

The Bank's efforts to mitigate administrative risk through the reduction of administrative errors and omissions include the development of an office manual that clearly stipulates how each operation should be handled, and the installation of various types of office equipment. In addition, Head Office provides operational guidance and in-depth training for managers and staff. Furthermore, Risk Control Self-Assessment (RCSA) was introduced, 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.

The Bank is bolstering measures aimed at managing system risk, which involves efforts to ensure the stable operation of systems. These include the maintenance of back-up systems, building back-up centers, and carrying out breakdown drills, and periodical auditing of the system by an external professional body.

In the area of information security, which impacts on both administrative and system risk, the Bank has formulated an Information Security Basic Policy, as well as specific standards and management procedures for handling information security. The Bank has also implemented appropriate measures to protect its information assets, and maintain the security of these assets. These measures involve the classification of assets by importance, as well as risk assessments.

The Bank's contingency plans set clear operational priorities for the safety of customers and employees in the event of disasters or other emergencies.

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 head office divisions under the direct control of the President, carries out audits of the Bank's risk management systems, etc.

Operational audits are implemented to ensure that risk management and other processes at branches and head office 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, and then periodically reported at management as well as Board of Directors' meetings.

The Structure and Systems That Facilitate Reporting to the Audit and Supervisory Board and Audit and Supervisory Board Members by Directors and Officers; Other Structures and Systems That Facilitate Reporting to the Audit and Supervisory Board and Audit and Supervisory Board Members

- (1) Audit and Supervisory Board Members are able to attend meetings of the Board of Directors and management as well as those of individual committees.
- (2) Directors and other officers report to the Audit and Supervisory Board and Audit and Supervisory Board Members in an effective and appropriate manner on all matters prescribed under the law, the status of business execution and relevant peripheral issues.

Crisis Management System

The Bank established the "BCP Basic Guidelines" to set forth responsive measures to be taken by the 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.

Compliance Systems

Ensuring full compliance is seen as a crucial aspect of the Bank's operations. In all its business operations and other activities, the Bank must comply with all accepted rules and social norms, use disclosure to fulfill its obligation of accountability, and maintain a high degree of transparency.

Thorough Awareness of the Importance of Compliance

The Shoko Chukin Bank has established the Code of Ethics as its basic policy on compliance. The Bank takes all necessary steps to ensure that Group directors, officers and employees are made fully aware of and understand its content. The Bank has prepared and distributed to all employees a compliance handbook as a practical guide to the laws and ordinances that must be

observed in the pursuit of business activities, and in dealing with problems that may arise. At branch manager meetings, the president regularly emphasizes the Bank's commitment to full compliance. Further efforts to ensure compliance include group training programs and branch-level training programs.

Compliance Structure

(1) Organizations Established to Deliberate on Matters Relating to Compliance

Matters relating to compliance are reported to and deliberated by the Compliance Meetings, which is chaired by a deputy president. Results of the Compliance Meetings' deliberations are reported at management meetings as well as to the Board of Directors. The Board of Directors decides on all matters of particular importance as they relate to compliance including the Compliance and other programs.

(2) The Compliance Coordination Division

The Compliance Department has been designated as the organizational unit responsible for compliance-related planning and management. The Department works closely with other departments and divisions to establish and further develop the Bank's compliance structure and systems.

(3) Compliance Officers and Compliance Managers

Head office divisional managers and branch managers have been designated as compliance officers, and head office and branch staff have been designated as compliance managers to ensure stringent compliance. In addition to conducting regular checks to ensure employees are not contravening laws or regulations, these compliance officers and managers provide guidance and training for employees as necessary. In cases where compliance managers from the head office draw up or amend internal regulations, these amendments are examined to ensure that they comply with all laws, ordinances and rules and pose no problems from the viewpoint of social norms. Where necessary, outside specialists are consulted.

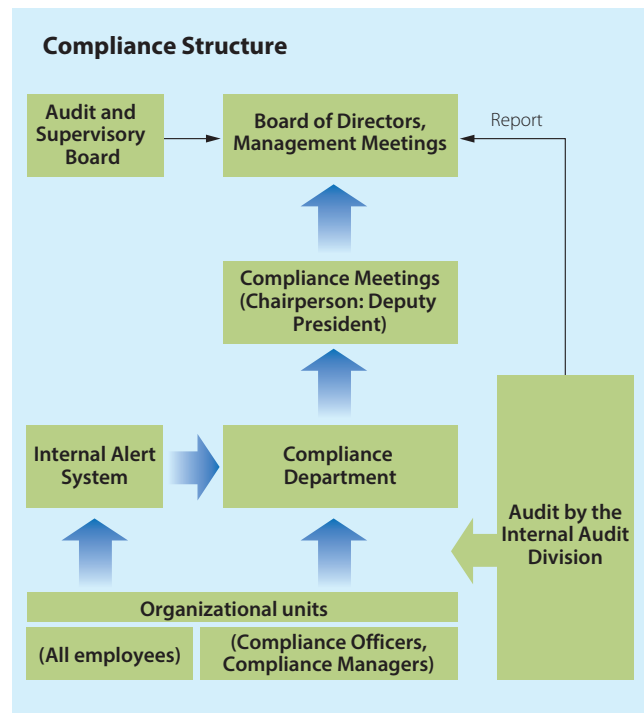
(4) Compliance Inspections

Head office divisions and branches are required to conduct self-assessments to ensure thoroughgoing compliance. The Internal Audit Division, which is independent of other head office divisions, also conducts thorough compliance inspections of head office divisions and branches. Reports on

the results of audits are submitted to the Board of Directors.

(5) Internal Alert System

The Bank has set up an internal alert system to prevent further escalation and swiftly resolve any compliance problems that occur. The system has been set up so that both executives and employees can easily make reports, with contact points established in the offices of external lawyers and external businesses as well as the Compliance Department.



Zero tolerance of Anti-social Forces

As a financial institution, to maintain public confidence and ensure the adequacy and soundness of our business activities, the Bank is required to eliminate anti-social forces from financial transactions.

The Shoko Chukin Bank develops its system aimed at the elimination of anti-social forces by taking initiatives such as

designating the Compliance Department as a coordinating division and assigning a compliance officer associated with in each division/branch, thereby working on to cut off the relationships and eliminate transactions with anti-social forces, in cooperation with external professional bodies including the police and lawyers.

Code of Ethics

1. Ensuring Trust

- (1) As a financial institution run for SMEs by SMEs, the Shoko Chukin Bank provides high-quality, comprehensive and stable services and supports the sustainable growth of its customers. We understand and act on our social responsibility to exercise financial settlement and mediation functions as a financial institution.
- (2) We strive to communicate with all sectors of society through timely and appropriate disclosure and other measures to fulfill our mission and social responsibilities as a financial institution. Furthermore, each one of us appropriately fulfills the role assigned to us in our daily operations, and strives to maintain and earn trust through sound and appropriate operations.
- (3) All officers and employees carry out their jobs in a fair manner and build sound corporate ethics. Moreover, the Bank works to reinforce internal controls through, for instance, its internal management system and risk management system, and ensures that operations are administered according with a sense of self-responsibility inspired by self-discipline.

2. Customer-oriented Operation

- (1) We understand that the growth of our customers is our mission, and also treat our customers cordially, politely and sincerely to ensure their satisfaction.
- (2) We take the customer's point of view to ensure that we provide appropriate services based on the customer's needs and experiences. When offering the Bank's services, we appropriately and thoroughly explain the merits, demerits and risks inherent in the services and move ahead with the transaction only with the customer's full understanding.
- (3) We take the utmost care in managing information entrusted to us by customers, and we manage it appropriately to prevent leaks. The information entrusted to us by customers is only used for the intended purposes, and is never used for purposes other than those intended without the customer's consent.

3. Strict Compliance with Laws

- (1) When carrying out operations as a financial institution, we respect laws and rules by ensuring fair competition, handling customer information with great care, forbidding insider trading and preventing money laundering. We refrain from unsound lending and sales practices that would deviate from social norms, and pursues good business operations.
- (2) In the event that a law or rule is violated, we do not attempt to conceal the event but report it in accordance with established reporting procedures. We strive to resolve the problem quickly and prevent a reoccurrence.
- (3) When purchasing goods and services and ordering systems, the transaction is carried out in accordance with fair market rules and appropriate commercial practices, and we ensure that the Bank's relationships with suppliers are equitable and transparent. In addition, we do not tolerate unfair trading practices such as bid-rigging.

4. Respect for Human Rights

- (1) We respect the rights of all people, beginning with our customers, officers and employees. We respect basic human rights and practice this belief in our daily operations.
- (2) We strive to create a cheerful environment that is free of acts that damage individual dignity such as sexual harassment and abuse of authority, discrimination and bias, and an environment in which individual diversity is respected by all.

5. Zero Tolerance of Anti-social Forces

- (1) The Bank is firmly opposed to anti-social forces such as crime syndicates that threaten order and safety in civil society, and has a zero-tolerance policy toward involvement with such forces.
- (2) We thoroughly confirm personal identities to prevent use of our services in crimes or terrorism. We do not overlook transactions suspected of criminality or terrorism or transactions with unnatural features, but respond appropriately by reporting suspicious transactions; in addition, we endeavor to prevent money laundering.

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.

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Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Operating Income	¥ 204.4	¥ 212.9	¥ 219.6	¥ 227.7	¥ 231.1
Income before Income Taxes and Other	34.9	38.1	27.4	28.6	27.6
Net Income Attributable to Owners of Parent	12.4	16.8	12.8	15.0	10.6
Comprehensive Income	6.1	23.6	11.1	19.7	13.7
Net Assets	903.8	902.2	884.5	885.0	869.7
Total Assets	12,570.4	12,633.8	12,524.1	12,414.4	12,323.5
Net Assets per Share (Yen)	160.48	159.73	151.56	151.78	144.78
Net Income per Share (Yen)	5.72	7.75	5.91	6.92	4.91
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.16	7.11	7.03	7.09	7.02
Consolidated Tier 1 (Common Stock etc.) Ratio (Basel III) (%)	12.00	12.18	12.18	12.01	—
Consolidated Tier 1 Ratio (Basel III) (%)	12.00	12.18	12.18	12.01	—
Consolidated Total Capital Ratio (Basel III) (%)	13.37	13.56	13.70	13.51	—
Consolidated Capital Ratio (Basel II) (%)	—	—	—	—	13.09
Return on Equity (%)	1.38	1.89	1.46	1.72	1.24
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	(121.3)	222.9	(32.1)	278.5	22.7
Cash Flows from Investing Activities	218.6	31.0	169.2	137.2	22.4
Cash Flows from Financing Activities	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)
Cash and Cash Equivalents at the End of the Year	1,007.6	914.8	665.4	532.8	121.5
Number of Employees (Persons)	4,102	4,140	4,145	4,165	4,236
[Average Number of Temporary Employees excluded from Above]	[1,018]	[977]	[929]	[876]	[827]

- 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. "Net Assets per Share," "Net Income per Share," and "Net Income per Share (Diluted)" (hereafter collectively referred to as "Per Share Data") are calculated based on the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan Statement No. 2, September 13, 2013) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013).
3. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.
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 - Minority Interests as of the fiscal period-end) / Total Assets as of the fiscal period-end × 100
5. 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 (Calculated based on the Basel III standard starting from the end of March, 2013). The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.
6. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered.
7. Number of Employees refers to the number of persons employed (excluding seconded workers).
8. Effective from the current fiscal year, "Net Income" has been stated as "Net Income Attributable to Owners of Parent," adopting the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), etc.

Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
ASSETS				
Cash and Due from Banks	¥ 1,178,517	¥ 1,045,300	\$ 10,458	\$ 8,698
Call Loans and Bills Purchased	21,294	11,353	188	94
Monetary Claims Purchased	26,267	23,334	233	194
Trading Assets	26,576	23,406	235	194
Investment Securities	1,700,178	1,928,105	15,088	16,044
Loans	9,525,155	9,489,550	84,532	78,967
Foreign Exchange	16,877	17,770	149	147
Other Assets	122,614	113,048	1,088	940
Tangible Fixed Assets	43,059	43,647	382	363
Buildings	16,181	15,904	143	132
Land	23,803	23,844	211	198
Leased Assets	2	4	0	0
Construction in Progress	607	766	5	6
Other Tangible Fixed Assets	2,465	3,127	21	26
Intangible Fixed Assets	12,694	14,152	112	117
Software	11,610	11,595	103	96
Other Intangible Fixed Assets	1,083	2,557	9	21
Net Defined Benefit Asset	3,440	14,588	30	121
Deferred Income Taxes	52,502	56,942	465	473
Customers' Liabilities for Acceptances and Guarantees	102,623	98,678	910	821
Reserve for Possible Loan Losses	(261,333)	(246,070)	(2,319)	(2,047)
Total Assets	¥ 12,570,469	¥ 12,633,810	\$ 111,559	\$ 105,132

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	
	2016	2015	2016	2015
LIABILITIES				
Deposits	¥ 5,158,981	¥ 5,012,815	\$ 45,784	\$ 41,714
Negotiable Certificates of Deposit	126,924	111,689	1,126	929
Shoko Chukin Bank Debentures	4,816,468	4,833,180	42,744	40,219
Call Money and Bills Sold	383	7,210	3	59
Payables under Repurchase Agreements	13,525	6,000	120	49
Payables under Securities Lending Transactions	105,546	—	936	—
Trading Liabilities	17,834	14,235	158	118
Borrowed Money	1,120,189	1,433,640	9,941	11,930
Foreign Exchange	85	166	0	1
Other Liabilities	167,312	178,444	1,484	1,484
Reserve for Bonuses	4,629	4,525	41	37
Net Defined Benefit Liability	26,385	25,499	234	212
Reserve for Retirement Benefits for Directors	136	121	1	1
Reserve for Losses on Refund for Dormant Bonds	5,257	5,010	46	41
Reserve for Environmental Measures	158	185	1	1
Other Reserves	73	73	0	0
Deferred Tax Liabilities	54	51	0	0
Acceptances and Guarantees	102,623	98,678	910	821
Total Liabilities	11,666,570	11,731,530	103,537	97,624
NET ASSETS				
Capital	218,653	218,653	1,940	1,819
Crisis Response Reserve	150,000	150,000	1,331	1,248
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,557	3,335
Capital Surplus	0	0	0	0
Retained Earnings	126,186	118,223	1,119	983
Treasury Stock	(1,026)	(1,015)	(9)	(8)
Total Shareholders' Equity	894,624	886,672	7,939	7,378
Unrealized Gains on Other Securities	21,722	17,950	192	149
Remeasurements of Defined Benefit Plans	(16,245)	(6,139)	(144)	(51)
Total Accumulated Other Comprehensive Income	5,477	11,810	48	98
Non-controlling Interests	3,796	3,796	33	31
Total Net Assets	903,898	902,280	8,021	7,508
Total Liabilities and Net Assets	¥ 12,570,469	¥ 12,633,810	\$ 111,559	\$ 105,132

Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Operating Income	¥ 204,406	¥ 212,975	\$ 1,814	\$ 1,772
Interest Income	143,668	153,025	1,275	1,273
Interest on Loans	132,252	140,276	1,173	1,167
Interest and Dividends on Securities	7,810	9,243	69	76
Interest on Call Loans and Interest on Bills Purchased	51	61	0	0
Interest on Repurchased Agreement	6	16	0	0
Interest on Deposits	1,397	1,164	12	9
Other Interest Income	2,148	2,262	19	18
Fees and Commissions	11,642	12,603	103	104
Trading Revenue	5,191	6,470	46	53
Other Operating Income	37,364	35,815	331	298
Other Income	6,540	5,060	58	42
Collection of Written-off Claims	52	123	0	1
Other Income	6,488	4,937	57	41
Operating Expenses	169,456	174,835	1,503	1,454
Interest Expenses	17,859	21,562	158	179
Interest on Deposits	4,338	4,340	38	36
Interest on Negotiable Certificates of Deposit	257	185	2	1
Interest on Debentures	8,605	10,508	76	87
Interest on Call Money and Interest on Bills Sold	9	24	0	0
Interest on Payables under Repurchase Agreements	30	3	0	0
Interest on Securities Lending Transactions	20	4	0	0
Interest on Borrowed Money	4,525	6,437	40	53
Other Interest Expenses	72	57	0	0
Fees and Commissions	3,878	4,063	34	33
Trading Expenses	17	202	0	1
Other Operating Expenses	31,861	29,530	282	245
General and Administrative Expenses	79,854	79,338	708	660
Other Expenses	35,984	40,137	319	334
Provision for Possible Loan Losses	32,780	36,526	290	303
Other Expenses	3,204	3,610	28	30
Profit before Income Taxes and Other	34,950	38,140	310	317
Other Gains	31	283	0	2
Gains on Disposal of Fixed Assets	31	283	0	2
Other Losses	311	332	2	2
Losses on Disposal of Fixed Assets	205	75	1	0
Impairment Loss	106	256	0	2
Profit before Income Taxes	34,670	38,090	307	316
Provision for Income Taxes	14,570	17,828	129	148
Adjustment for Income Taxes	7,634	3,388	67	28
Total Income Taxes	22,205	21,216	197	176
Profit	12,464	16,874	110	140
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 12,461	¥ 16,870	\$ 110	\$ 140

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Profit	¥ 12,464	¥ 16,874	\$ 110	\$ 140
Other Comprehensive Income	(6,333)	6,757	(56)	56
Unrealized Gains on Other Securities	3,771	5,742	33	47
Remeasurements of Defined Benefit Plans	(10,105)	1,015	(89)	8
Comprehensive Income	6,131	23,631	54	196
Total Comprehensive Income Attributable to Owners of Parent	6,127	23,627	54	196
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, 2016 and 2015

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 118,223	¥(1,015)	¥ 886,672
Changes during the Period							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					12,461		12,461
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	—	—	—	0	7,963	(10)	7,952
Balance, March 31, 2016	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 126,186	¥(1,026)	¥ 894,624

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2015	¥ 17,950	¥ (6,139)	¥ 11,810	¥ 3,796	¥ 902,280
Changes during the Period					
Dividends from Surplus					(4,497)
Profit Attributable to Owners of Parent					12,461
Acquisition of Treasury Stock					(10)
Disposition of Treasury Stock					0
Net Changes of Items Other Than Shareholders' Equity	3,771	(10,105)	(6,333)	—	(6,333)
Total Changes during the Period	3,771	(10,105)	(6,333)	—	1,618
Balance, March 31, 2016	¥ 21,722	¥(16,245)	¥ 5,477	¥ 3,796	¥ 903,898

Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2014	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 107,198	¥ (1,005)	¥ 875,656
Cumulative Effects of Changes in Accounting Policies					(1,347)		(1,347)
Restated Balance	218,653	150,000	400,811	0	105,850	(1,005)	874,309
Changes during the Period							
Dividends from Surplus					(4,497)		(4,497)
Profit Attributable to Owners of Parent					16,870		16,870
Acquisition of Treasury Stock						(10)	(10)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	12,372	(10)	12,362
Balance, March 31, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 118,223	¥ (1,015)	¥ 886,672

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2014	¥ 12,208	¥ (7,154)	¥ 5,053	¥ 3,796	¥ 884,507
Cumulative Effects of Changes in Accounting Policies					(1,347)
Restated Balance	12,208	(7,154)	5,053	3,796	883,160
Changes during the Period					
Dividends from Surplus					(4,497)
Profit Attributable to Owners of Parent					16,870
Acquisition of Treasury Stock					(10)
Disposition of Treasury Stock					
Net Changes of Items Other Than Shareholders' Equity	5,742	1,015	6,757	—	6,757
Total Changes during the Period	5,742	1,015	6,757	—	19,119
Balance, March 31, 2015	¥ 17,950	¥ (6,139)	¥ 11,810	¥ 3,796	¥ 902,280

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2015	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 1,049	\$(9)	\$ 7,868
Changes during the Period							
Dividends from Surplus					(39)		(39)
Profit Attributable to Owners of Parent					110		110
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	70	(0)	70
Balance, March 31, 2016	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 1,119	\$(9)	\$ 7,939

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2015	\$ 159	\$ (54)	\$ 104	\$ 33	\$ 8,007
Changes during the Period					
Dividends from Surplus					(39)
Profit Attributable to Owners of Parent					110
Acquisition of Treasury Stock					(0)
Disposition of Treasury Stock					0
Net Changes of Items Other Than Shareholders' Equity	33	(89)	(56)	—	(56)
Total Changes during the Period	33	(89)	(56)	—	14
Balance, March 31, 2016	\$ 192	\$ (144)	\$ 48	\$ 33	\$ 8,021

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, 2016 and 2015

Millions of U.S. dollars

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2014	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 892	\$(8)	\$ 7,286
Cumulative Effects of Changes in Accounting Policies					(11)		(11)
Restated Balance	1,819	1,248	3,335	0	880	(8)	7,275
Changes during the Period							
Dividends from Surplus					(37)		(37)
Profit Attributable to Owners of Parent					140		140
Acquisition of Treasury Stock						(0)	(0)
Disposition of Treasury Stock							
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	—	102	(0)	102
Balance, March 31, 2015	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 983	\$(8)	\$ 7,378

	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2014	\$ 101	\$(59)	\$ 42	\$ 31	\$ 7,360
Cumulative Effects of Changes in Accounting Policies					(11)
Restated Balance	101	(59)	42	31	7,349
Changes during the Period					
Dividends from Surplus					(37)
Profit Attributable to Owners of Parent					140
Acquisition of Treasury Stock					(0)
Disposition of Treasury Stock					
Net Changes of Items Other Than Shareholders' Equity	47	8	56	—	56
Total Changes during the Period	47	8	56	—	159
Balance, March 31, 2015	\$ 149	\$(51)	\$ 98	\$ 31	\$ 7,508

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 ¥112.68=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2016, has been used for translation purposes for the year ended March 31, 2016, and ¥120.17=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2015, has been used for translation purposes for the year ended March 31, 2015. 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 subsidiaries: 1 company

Names of non-consolidated subsidiaries:

YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI

Non-consolidated subsidiaries are excluded from the scope of consolidation because their 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 subsidiaries that are not accounted for by the equity method: 1 company
Names of non-consolidated subsidiaries that are 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 subsidiaries that are not accounted for by the equity method are excluded from the scope of the equity method because their 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 sheet 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, presented within Tangible Fixed 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, July 4, 2012). They are classified into certain categories, and reserve provisions are made on the basis of default rates over a specific period for each category. 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.

The 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

The Reserve for Bonuses is set up for the payment of employees' bonuses and appropriates 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

The Reserve for Retirement Benefits for Directors is 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
The reserve for environmental measures is set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.
- (10) Accounting standard for Other Reserves
The reserve for losses on refund for interest is set up as other reserves to provide for the exchange of items. This other reserve includes an estimated reserve amount for sales promotion and an estimated lump sum amount for future losses on refund for cashing interest.
- (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) Currency risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). 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.
(b) 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 "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). 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.

CHANGES IN ACCOUNTING POLICIES

The Group has adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013, hereinafter referred to as "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013, hereinafter referred to as "Consolidated Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13,

2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and other related standards from the current fiscal period. Accordingly, difference arising from the changes in the Bank’s ownership interests in subsidiaries in cases where control is retained is recognized as capital surplus, and acquisition-related costs are recognized as expenses in the fiscal period in which they incur. Regarding business combinations taking place on or after the beginning of the current fiscal period, an adjustment of acquisition cost allocation arising from the finalization of the provisional accounting treatments is retrospectively recognized in the consolidated financial statements for the accounting period in which the business combination occurs. In addition, presentation of “net income” and other items has been changed, and “minority interests” has been renamed “non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements for the year ended March 31, 2015 have been reclassified.

The Group has adopted the Accounting Standard for Business Combinations and other standards above from the beginning of the current fiscal period in accordance with the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect on the consolidated financial statements for the current fiscal period.

UNAPPLIED ACCOUNTING STANDARD

“Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016, hereinafter referred to as “Implementation Guidance”)

(1) Overview

The Implementation Guidance has been partially amended, which basically continues to follow the contents of guidance on recoverability of deferred tax assets specified in “Auditing Treatment for Determining the Recoverability of Deferred Tax Assets” (JICPA Auditing Committee Report No.66)

(2) Date of adoption

This Implementation Guidance is scheduled to be adopted from the beginning of the fiscal period starting on April 1, 2016.

(3) Effect of adopting the accounting standard

The adoption of this Implementation Guidance has no effect.

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 have been secured, all or a portion of the amount of special reserve may, pursuant to a resolution of the general meeting of shareholders, 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 measures, 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 Shoko Chukin Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response measures, 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.

CONSOLIDATED BALANCE SHEETS

1. In Loans, loans to bankrupt companies total ¥68,203 million and overdue loans total ¥381,301 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.
2. Loans overdue by three months or longer total ¥571 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.
3. Rescheduled loans total ¥14,370 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.
4. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥464,446 million.
The amounts of loans stated in Notes 1 through 4 are the numbers before the deduction of Reserve for Possible Loan Losses.
5. Bills discounted are handled as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). 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 ¥207,506 million.
6. Assets provided as collateral are as follows.
Assets provided as collateral:

Securities	¥850,352 million
Liabilities corresponding to collateral assets:	
Deposits	¥6,343 million
Payables under Repurchase Agreements	¥13,525 million
Payables under Securities Lending Transactions	¥105,546 million
Borrowings	¥540,000 million

 In addition to the above amounts, securities worth ¥62,171 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.
Other Assets include ¥12,063 million of Cash Collateral Received for Financial Instruments and ¥2,237 million of guarantees and deposits.
7. 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 ¥1,011,058 million. Of this amount, ¥968,544 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

Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2016

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.

8. Accumulated depreciation of Tangible Fixed Assets is ¥71,772 million.
9. Advanced depreciation of Tangible Fixed Assets is ¥17,523 million.
(There is no advanced depreciation for this fiscal period.)
10. Borrowings include loans payable under subordination covenant totaling ¥46,000 million.
11. 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 ¥182,989 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

Other Operating Expenses include ¥364 million of amortization expense of loans and ¥30 million of amortization expense of investments in stocks, etc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen	
	2016	2015
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ 6,155	¥ 9,300
Reclassification Adjustments	(1,357)	(1,761)
Before adjustment of Deferred Income Tax	4,798	7,539
Deferred Income Tax	(1,026)	(1,797)
Unrealized Gains on Other Securities	3,771	5,742
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(16,815)	(575)
Reclassification Adjustments	2,492	2,611
Before adjustment of Deferred Income Tax	(14,323)	2,036
Deferred Income Tax	4,217	(1,021)
Remeasurements of Defined Benefit Plans	(10,105)	1,015
Total Other Comprehensive Income	¥ (6,333)	¥ 6,757

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

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

(Thousand shares)

	Number of Shares as of April 1, 2015	Increase	Decrease	Number of Shares as of March 31, 2016	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	9,937	67	0	10,005	(Note)
Total	9,937	67	0	10,005	

Note: The increase in the common stocks is due to claims by shareholders for repurchase of shares less than one unit. The decrease is due to claims by shareholders for additional sale 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, 2015	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2015	June 25, 2015
	Common stock (nongovernment portion)	3,481	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, 2016 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2016

	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, 2016	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2016	Ordinary General Meeting of Shareholders held on June 23, 2016 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,481		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, 2015 (April 1, 2014 to March 31, 2015)

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

(Thousand shares)

	Number of Shares as of April 1, 2014	Increase	Decrease	Number of Shares as of March 31, 2015	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	9,871	66	—	9,937	(Note)
Total	9,871	66	—	9,937	

Note: The increase in the common stocks is due to claims by shareholders for repurchase of shares less than one unit. The decrease is due to claims by shareholders for additional sale 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 20, 2014	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2014	June 24, 2014
	Common stock (nongovernment portion)	3,481	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, 2015 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2015

	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, 2015	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2015	Ordinary General Meeting of Shareholders held on June 23, 2015 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,481		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.

Financial Data (Non-Consolidated)

Year Ended March 31, 2016

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Trends in Principal Financial Indicators (Non-Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Total Operating Income	170.2	180.7	189.1	199.0	205.4
Income (Loss) before Income Taxes and Other	33.5	36.0	26.7	26.6	25.6
Net Income (Loss)	11.5	15.6	12.5	13.8	9.5
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	909.1	898.2	882.7	876.4	862.5
Total Assets	12,507.4	12,565.5	12,459.6	12,358.0	12,272.8
Outstanding Deposits	5,164.8	5,019.1	4,857.4	4,314.7	3,830.7
Outstanding Debentures	4,816.8	4,833.5	4,825.2	5,019.1	5,344.2
Outstanding Loans	9,539.5	9,503.1	9,488.4	9,549.0	9,626.9
Balance of Investment Securities	1,703.5	1,931.4	1,971.1	2,159.7	2,303.5
Net Assets per Share (Yen)	164.61	159.63	152.51	149.61	143.19
Dividends per Share (Yen)	Common stock (non-government portion) 3.00 (government portion) 1.00	Common stock (non-government portion) 3.00 (government portion) 1.00	Common stock (non-government portion) 3.00 (government portion) 1.00	Common stock (non-government portion) 3.00 (government portion) 1.00	Common stock (non-government portion) 3.00 (government portion) 1.00
Net Income per Share (Yen)	5.31	7.16	5.75	6.35	4.39
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.26	7.14	7.08	7.09	7.02
Non-consolidated Tier 1 (Common Stock etc.) Ratio (Basel III) (%)	12.07	12.25	12.25	12.05	—
Non-consolidated Tier 1 Ratio (Basel III) (%)	12.07	12.25	12.25	12.05	—
Non-consolidated Total Capital Ratio (Basel III) (%)	13.41	13.59	13.73	13.51	—
Non-consolidated Capital Ratio (Basel II) (%)	—	—	—	—	13.09
Return on Equity (%)	1.28	1.75	1.42	1.59	1.11
Price Earnings Ratio	—	—	—	—	—
Dividend Payment Ratio (%)	38.88	28.83	35.92	32.51	46.98
Number of Employees (Persons)	3,773	3,816	3,815	3,838	3,902
[Average Number of Temporary Employees excluded from Above]	[884]	[853]	[814]	[769]	[730]

Notes: 1. National and local consumption taxes are accounted for with the tax exclusion method.

2. "Net Assets per Share," "Net Income per Share" and "Net Income per Share (Diluted)" are calculated based on the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan Statement No. 2, September 13, 2013) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013).

3. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.

4. 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.

5. 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.

6. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered.

7. 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 (Calculated based on the Basel III standard starting from the end of March, 2013). The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.

8. 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.

9. 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, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
ASSETS				
Cash and Due from Banks	¥ 1,178,446	¥ 1,045,239	\$ 10,458	\$ 8,698
Cash	24,847	26,375	220	219
Due from Banks	1,153,598	1,018,864	10,237	8,478
Call Loans	21,294	11,353	188	94
Monetary Claims Purchased	26,267	23,334	233	194
Trading Assets	26,576	23,406	235	194
Trading Securities	3,369	3,250	29	27
Trading-related Financial Derivatives	23,206	20,156	205	167
Investment Securities	1,703,504	1,931,430	15,118	16,072
Government Bonds	1,248,051	1,552,592	11,076	12,919
Local Government Bonds	50,058	43,698	444	363
Corporate Bonds	330,324	270,050	2,931	2,247
Stocks	34,279	34,926	304	290
Other Securities	40,789	30,161	361	250
Loans	9,539,544	9,503,180	84,660	79,081
Bills Discounted	206,260	227,295	1,830	1,891
Loans on Notes	331,520	371,653	2,942	3,092
Loans on Deeds	8,011,820	7,957,055	71,102	66,214
Overdrafts	989,942	947,175	8,785	7,881
Foreign Exchange	16,877	17,770	149	147
Due from Foreign Banks	8,060	7,620	71	63
Foreign Exchange Bills Purchased	1,245	634	11	5
Foreign Exchange Bills Receivable	7,571	9,516	67	79
Other Assets	32,593	28,007	289	233
Settlements Receivable	—	2	—	0
Prepaid Expenses	5,529	6,091	49	50
Accrued Income	6,739	7,777	59	64
Financial Derivatives	1,875	2,454	16	20
Cash Collateral Received for Financial Instruments	12,063	4,670	107	38
Other Assets	6,384	7,009	56	58
Tangible Fixed Assets	41,970	42,436	372	353
Buildings	15,665	15,348	139	127
Land	23,309	23,310	206	193
Leased Assets	4	7	0	0
Construction in Progress	607	766	5	6
Other Tangible Fixed Assets	2,383	3,003	21	24
Intangible Fixed Assets	12,772	14,208	113	118
Software	11,675	11,617	103	96
Other Intangible Fixed Assets	1,097	2,591	9	21
Prepaid Pension Cost	20,917	18,598	185	154
Deferred Income Taxes	44,393	52,970	393	440
Customers' Liabilities for Acceptances and Guarantees	102,574	98,619	910	820
Customers' Liabilities for Acceptances and Guarantees	100,965	96,868	896	806
Customers' Liabilities for Guaranteeing Agency Loans	1,609	1,750	14	14
Reserve for Possible Loan Losses	(260,244)	(245,043)	(2,309)	(2,039)
Total Assets	¥ 12,507,488	¥ 12,565,513	\$ 111,000	\$ 104,564

Non-Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. As of March 31, 2016 and 2015

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	
	2016	2015	2016	2015
LIABILITIES				
Deposits	¥ 5,164,801	¥ 5,019,157	\$ 45,836	\$ 41,767
Current Deposits	507,010	486,018	4,499	4,044
Ordinary Deposits	1,218,751	1,252,033	10,816	10,418
Deposits at Notice	41,311	40,877	366	340
Time Deposits	3,278,280	3,140,578	29,093	26,134
Other Deposits	119,447	99,649	1,060	829
Negotiable Certificates of Deposit	126,924	111,689	1,126	929
Shoko Chukin Bank Debentures	4,816,868	4,833,580	42,748	40,222
Shoko Chukin Bank Debentures Issued	4,816,868	4,833,580	42,748	40,222
Call Money	383	7,210	3	59
Payables under Repurchase Agreements	13,525	6,000	120	49
Payables under Securities Lending Transactions	105,546	—	936	—
Trading Liabilities	17,834	14,235	158	118
Trading-related Financial Derivatives	17,834	14,235	158	118
Borrowed Money	1,059,189	1,374,640	9,399	11,439
Borrowings	1,059,189	1,374,640	9,399	11,439
Foreign Exchange	85	166	0	1
Due to Foreign Banks	2	164	0	1
Borrowings from Foreign Banks	58	—	0	—
Foreign Exchange Bills Sold	16	1	0	0
Foreign Exchange Bills Payable	8	1	0	0
Other Liabilities	160,833	172,455	1,427	1,435
Corporate Taxes Payable	7,063	9,789	62	81
Accrued Expenses	8,114	8,760	72	72
Unearned Income	10,362	11,407	91	94
Deposits by Employees	3,842	3,823	34	31
Financial Derivatives	432	3,085	3	25
Cash Collateral Received for Financial Instruments	15,307	1,424	135	11
Lease Obligations	4	5	0	0
Asset Retirement Obligations	121	73	1	0
Debenture Principal Payable	80,208	99,501	711	828
Other Liabilities	35,375	34,583	313	287
Reserve for Bonuses	4,400	4,310	39	35
Reserve for Retirement Benefits	19,897	19,885	176	165
Reserve for Retirement Benefits for Directors	99	88	0	0
Reserve for Losses on Refund for Dormant Bonds	5,257	5,010	46	41
Reserve for Environmental Measures	158	185	1	1
Acceptances and Guarantees	102,574	98,619	910	820
Acceptances and Guarantees	100,965	96,868	896	806
Guarantees for Agency Loans	1,609	1,750	14	14
Total Liabilities	11,598,380	11,667,235	102,932	97,089
NET ASSETS				
Capital	218,653	218,653	1,940	1,819
Crisis Response Reserve	150,000	150,000	1,331	1,248
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,557	3,335
Capital Surplus	0	0	0	0
Other Capital Surplus	0	0	0	0
Retained Earnings	118,975	111,905	1,055	931
Earnings Reserve	19,712	18,813	174	156
Other Retained Earnings	99,262	93,092	880	774
Reserve for Advanced Depreciation of Noncurrent Assets	541	571	4	4
Reserve for Particular Purposes	49,570	49,570	439	412
Retained Earnings Brought Forward	49,150	42,949	436	357
Treasury Stock	(1,026)	(1,015)	(9)	(8)
Total Shareholders' Equity	887,413	880,354	7,875	7,325
Unrealized Gains on Other Securities	21,695	17,923	192	149
Total Valuation and Translation Adjustments	21,695	17,923	192	149
Total Net Assets	909,108	898,277	8,068	7,475
Total Liabilities and Net Assets	¥ 12,507,488	¥ 12,565,513	\$ 111,000	\$ 104,564

Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Operating Income	¥ 170,250	¥ 180,718	\$ 1,510	\$ 1,503
Interest Income	143,702	153,060	1,275	1,273
Interest on Loans	132,291	140,317	1,174	1,167
Interest and Dividends on Securities	7,807	9,239	69	76
Interest on Call Loans	51	61	0	0
Interest on Repurchase Agreement	6	16	0	0
Interest on Deposits	1,397	1,164	12	9
Other Interest Income	2,147	2,261	19	18
Fees and Commissions	11,110	12,086	98	100
Domestic and Foreign Exchange Commissions	1,568	1,589	13	13
Other Fees and Commissions	9,541	10,496	84	87
Trading Revenue	5,191	6,470	46	53
Trading Securities Revenue	160	111	1	0
Revenue from Trading-related Financial Derivatives	5,031	6,358	44	52
Other Operating Income	3,641	3,992	32	33
Revenue from Foreign Exchange Trading	1,674	2,025	14	16
Revenue from Sales of Government and Other Bonds	1,966	1,967	17	16
Other Income	6,605	5,107	58	42
Collection of Written-off Claims	52	122	0	1
Revenue from Sales of Stocks and Other Securities	856	174	7	1
Other Income	5,696	4,811	50	40
Operating Expenses	136,724	144,681	1,213	1,203
Interest Expenses	17,655	21,344	156	177
Interest on Deposits	4,339	4,341	38	36
Interest on Negotiable Certificates of Deposit	257	185	2	1
Interest on Debentures	8,606	10,510	76	87
Interest on Call Money	9	24	0	0
Interest on Payables under Repurchase Agreements	30	3	0	0
Interest on Debenture Rental Transactions	20	4	0	0
Interest on Borrowed Money	4,319	6,216	38	51
Other Interest Expenses	72	57	0	0
Fees and Commissions	3,835	4,018	34	33
Domestic and Foreign Exchange Commissions	392	386	3	3
Other Fees and Commissions	3,442	3,632	30	30
Trading Expenses	17	202	0	1
Expenses on Securities and Derivatives Related to Trading Transactions	17	202	0	1
Other Operating Expenses	743	361	6	3
Losses on Sales of Government and Other Bonds	130	129	1	1
Amortization of Government and Other Bonds	544	200	4	1
Amortization of Debenture Issue Expenses	16	23	0	0
Expenses on Financial Derivatives	51	8	0	0
General and Administrative Expenses	78,618	78,227	697	650
Other Expenses	35,853	40,526	318	337
Provision for Possible Loan Losses	32,677	36,946	289	307
Write-off of Loans	346	288	3	2
Loss on Sales of Stocks and Other Securities	113	60	1	0
Write-off of Stocks	30	44	0	0
Other Expenses	2,687	3,186	23	26
Profit before Income Taxes and Other	33,525	36,037	297	299

Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars	
	2016	2015	2016	2015
Other Gains	22	281	0	2
Gains on Disposal of Fixed Assets	22	281	0	2
Other Losses	302	329	2	2
Losses on Disposal of Fixed Assets	196	72	1	0
Impairment Loss	106	256	0	2
Profit before Income Taxes	33,246	35,989	295	299
Provision for Income Taxes	14,128	17,238	125	143
Adjustment for Income Taxes	7,549	3,150	66	26
Total Income Taxes	21,678	20,388	192	169
Profit	¥ 11,567	¥ 15,600	\$ 102	\$ 129

Non-Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' Equity				
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	
				Other Capital Surplus	Total Capital Surplus
Balance, April 1, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 0
Changes during the Period					
Dividends from Surplus Profit					
Acquisition of Treasury Stock					
Disposition of Treasury Stock				0	0
Provision of Reserve for Advanced Depreciation of Noncurrent Assets					
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets					
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	—	—	—	0	0
Balance, March 31, 2016	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 0

	Shareholders' Equity				
	Retained Earnings				
	Other Retained Earnings				
	Earnings Reserve	Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Particular Purposes	Retained Earnings Brought Forward	Total Retained Earnings
Balance, April 1, 2015	¥ 18,813	¥ 571	¥ 49,570	¥ 42,949	¥ 111,905
Changes during the Period					
Dividends from Surplus Profit	899			(5,397)	(4,497)
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		12		(12)	—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		(43)		43	—
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	899	(30)	—	6,200	7,069
Balance, March 31, 2016	¥ 19,712	¥ 541	¥ 49,570	¥ 49,150	¥ 118,975

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Other Securities	Total Valuation and Translation Adjustments	
Balance, April 1, 2015	¥(1,015)	¥ 880,354	¥ 17,923	¥ 17,923	¥ 898,277
Changes during the Period					
Dividends from Surplus Profit		(4,497)			(4,497)
Acquisition of Treasury Stock	(10)	(10)			(10)
Disposition of Treasury Stock	0	0			0
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Net Changes of Items Other Than Shareholders' Equity			3,771	3,771	3,771
Total Changes during the Period	(10)	7,058	3,771	3,771	10,830
Balance, March 31, 2016	¥(1,026)	¥ 887,413	¥ 21,695	¥ 21,695	¥ 909,108

Non-Consolidated Statements of Changes in Net Assets

Non-Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' Equity				
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	
				Other Capital Surplus	Total Capital Surplus
Balance, April 1, 2014	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 0
Cumulative Effects of Changes in Accounting Policies					
Restated Balance	218,653	150,000	400,811	0	0
Changes during the Period					
Dividends from Surplus					
Profit					
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets					
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets					
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	—	—	—	—	—
Balance, March 31, 2015	¥ 218,653	¥ 150,000	¥ 400,811	¥ 0	¥ 0

	Shareholders' Equity				
	Earnings Reserve	Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Particular Purposes	Retained Earnings	
				Retained Earnings Brought Forward	Total Retained Earnings
Balance, April 1, 2014	¥ 17,913	¥ 590	¥ 49,570	¥ 34,074	¥ 102,149
Cumulative Effects of Changes in Accounting Policies				(1,347)	(1,347)
Restated Balance	17,913	590	49,570	32,727	100,802
Changes during the Period					
Dividends from Surplus	899			(5,397)	(4,497)
Profit				15,600	15,600
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		27		(27)	—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		(46)		46	—
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	899	(18)	—	10,222	11,102
Balance, March 31, 2015	¥ 18,813	¥ 571	¥ 49,570	¥ 42,949	¥ 111,905

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Other Securities	Total Valuation and Translation Adjustments	
Balance, April 1, 2014	¥(1,005)	¥ 870,608	¥ 12,174	¥ 12,174	¥ 882,783
Cumulative Effects of Changes in Accounting Policies		(1,347)			(1,347)
Restated Balance	(1,005)	869,261	12,174	12,174	881,436
Changes during the Period					
Dividends from Surplus		(4,497)			(4,497)
Profit		15,600			15,600
Acquisition of Treasury Stock	(10)	(10)			(10)
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Net Changes of Items Other Than Shareholders' Equity			5,748	5,748	5,748
Total Changes during the Period	(10)	11,092	5,748	5,748	16,841
Balance, March 31, 2015	¥(1,015)	¥ 880,354	¥ 17,923	¥ 17,923	¥ 898,277

Non-Consolidated Statements of Changes in Net Assets

Millions of U.S. dollars

	Shareholders' Equity				
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	
				Other Capital Surplus	Total Capital Surplus
Balance, April 1, 2015	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 0
Changes during the Period					
Dividends from Surplus Profit					
Acquisition of Treasury Stock					
Disposition of Treasury Stock				0	0
Provision of Reserve for Advanced Depreciation of Noncurrent Assets					
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets					
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	—	—	—	0	0
Balance, March 31, 2016	\$ 1,940	\$ 1,331	\$ 3,557	\$ 0	\$ 0

	Shareholders' Equity				
	Earnings Reserve	Retained Earnings			Total Retained Earnings
		Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Particular Purposes	Retained Earnings Brought Forward	
Balance, April 1, 2015	\$ 166	\$ 5	\$ 439	\$ 381	\$ 993
Changes during the Period					
Dividends from Surplus	7			(47)	(39)
Profit				102	102
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		0		(0)	—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		(0)		0	—
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	7	(0)	—	55	62
Balance, March 31, 2016	\$ 174	\$ 4	\$ 439	\$ 436	\$ 1,055

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Other Securities	Total Valuation and Translation Adjustments	
Balance, April 1, 2015	\$(9)	\$ 7,812	\$ 159	\$ 159	\$ 7,971
Changes during the Period					
Dividends from Surplus		(39)			(39)
Profit		102			102
Acquisition of Treasury Stock	(0)	(0)			(0)
Disposition of Treasury Stock	0	0			0
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Net Changes of Items Other Than Shareholders' Equity			33	33	33
Total Changes during the Period	(0)	62	33	33	96
Balance, March 31, 2016	\$(9)	\$ 7,875	\$ 192	\$ 192	\$ 8,068

Non-Consolidated Statements of Changes in Net Assets

Non-Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2016 and 2015

Millions of U.S. dollars

	Shareholders' Equity				
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	
				Other Capital Surplus	Total Capital Surplus
Balance, April 1, 2014	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 0
Cumulative Effects of Changes in Accounting Policies					
Restated Balance	1,819	1,248	3,335	0	0
Changes during the Period					
Dividends from Surplus					
Profit					
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets					
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets					
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	—	—	—	—	—
Balance, March 31, 2015	\$ 1,819	\$ 1,248	\$ 3,335	\$ 0	\$ 0

	Shareholders' Equity				
	Earnings Reserve	Retained Earnings			Total Retained Earnings
		Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Particular Purposes	Retained Earnings Brought Forward	
Balance, April 1, 2014	\$ 149	\$ 4	\$ 412	\$ 283	\$ 850
Cumulative Effects of Changes in Accounting Policies				(11)	(11)
Restated Balance	149	4	412	272	838
Changes during the Period					
Dividends from Surplus	7			(44)	(37)
Profit				129	129
Acquisition of Treasury Stock					
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		0		(0)	—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		(0)		0	—
Net Changes of Items Other Than Shareholders' Equity					
Total Changes during the Period	7	(0)	—	85	92
Balance, March 31, 2015	\$ 156	\$ 4	\$ 412	\$ 357	\$ 931

	Shareholders' Equity		Valuation and Translation Adjustments		Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Unrealized Gains on Other Securities	Total Valuation and Translation Adjustments	
Balance, April 1, 2014	\$ (8)	\$ 7,244	\$ 101	\$ 101	\$ 7,346
Cumulative Effects of Changes in Accounting Policies		(11)			(11)
Restated Balance	(8)	7,233	101	101	7,334
Changes during the Period					
Dividends from Surplus		(37)			(37)
Profit		129			129
Acquisition of Treasury Stock	(0)	(0)			(0)
Disposition of Treasury Stock					
Provision of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Reversal of Reserve for Advanced Depreciation of Noncurrent Assets		—			—
Net Changes of Items Other Than Shareholders' Equity			47	47	47
Total Changes during the Period	(0)	92	47	47	140
Balance, March 31, 2015	\$ (8)	\$ 7,325	\$ 149	\$ 149	\$ 7,475

Non-Consolidated Statements of Changes in Net Assets

BASIS OF PRESENTATION

The accompanying financial statements of the Shoko Chukin Bank, Ltd. (the "Bank") have been prepared in accordance with the provisions set forth in the Shoko Chukin Bank Law and in conformity with accounting principles and practices generally accepted 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 ¥112.68=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2016, has been used for translation purposes for the year ended March 31, 2016, and ¥120.17=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2015, has been used for translation purposes for the year ended March 31, 2015. 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.

SUMMARY OF SIGNIFICANT 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 balance sheet 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 Statements of Operations as Trading Revenue or Trading Expenses.
Trading Assets and Trading Liabilities are valued at market prices on the balance sheet date for securities and monetary claims, etc., and at deemed settlement prices on the balance sheet date for derivative products such as swaps, futures and options.
In the Statements of Operations, Trading Revenue and Trading Expenses are arrived at by adding to 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 current 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), whereas subsidiaries' stocks and affiliates' stocks are valued using the moving average,

cost 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
 - (1) 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
 - (2) 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 (principally 5 years).
 - (3) Leased Assets
Leased Assets, presented within Tangible Fixed 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. Treatment of Deferred Assets
Debenture Issue Expenses are charged to expenses as they are incurred.
6. Currency translation into yen for assets and liabilities denominated in foreign currencies
Assets and liabilities denominated in foreign currencies and the accounts of the Bank's overseas branches are principally translated into yen at the exchange rates prevailing as of the balance sheet date.
7. Accounting standard for reserves
 - (1) 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, July 4, 2012). They are classified into certain categories, and reserve provisions are made on the basis of default rates over a specific period for each category. 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 division in charge of asset examination, which is independent from the business departments, to comply with the standard for self-assessment of assets.

(2) Reserve for Bonuses

The Reserve for Bonuses is set up for the payment of employees' bonuses and appropriates an amount for this fiscal period out of the amount of bonuses estimated to be paid to employees.

(3) Reserve for Retirement Benefits

The Reserve for Retirement Benefits is set up for the payment of employees' retirement benefits. It represents the requirement amount calculated from estimated retirement benefit obligations and estimated pension assets at the end of this fiscal period. Upon the calculation of retirement benefit obligations, the estimated retirement benefit obligation attributable up to the end of this fiscal period are accounted for using 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.

(4) Reserve for Retirement Benefits for Directors

The Reserve for Retirement Benefits for Directors is 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.

(5) 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.

(6) Accounting standard for Reserve for Environmental Measures

The reserve for environmental measures is set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.

8. Hedge accounting

(1) Currency risk hedging

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). 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.

(2) Internal transactions

Interest rate swap transactions designated as hedges for those derivatives transactions that are internal transactions between 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 "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).

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.

9. Other significant matters in preparing the financial statements

(1) Accounting method for Retirement Benefits

Unrecognized actuarial difference and unrecognized past service costs associated with retirement benefits are accounted for in a different way than those accounted for in the consolidated financial statements.

(2) National and local consumption taxes are accounted for with the tax exclusion method.

CHANGES IN ACCOUNTING POLICIES

The Bank has adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013, hereinafter referred to as "Accounting Standard for Business Combinations") and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013, hereinafter referred to as "Accounting Standard for Business Divestitures") and other related standards from the current fiscal period. Accordingly, acquisition-related costs are recognized as expenses in the fiscal period in which they incur. Regarding business combinations taking place on or after the beginning of the current fiscal period, an adjustment of acquisition cost allocation arising from the finalization of the provisional accounting treatments is retrospectively recognized in the non-consolidated financial statements for the accounting period in which the business combination occurs.

The Bank has adopted Accounting Standard for Business Combinations and other standards above from the beginning of the current fiscal period in accordance with the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect on the non-consolidated financial statements for the current fiscal period.

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 have 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 measures, 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 Shoko Chukin Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response measures, 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.

BALANCE SHEETS

- Total investment in affiliated companies, including shares of affiliated companies, was ¥3,441 million.
- In Loans, loans to bankrupt companies total ¥68,203 million and overdue loans total ¥381,299 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.

- Loans overdue by three months or longer total ¥571 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.
- Rescheduled loans total ¥14,370 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.
- The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥464,443 million.

The amounts of loans stated in Notes 2 through 5 are the numbers before the deduction of Reserve for Possible Loan Losses.

- Bills discounted are handled as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, February 13, 2002). 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 ¥207,506 million.
- Assets provided as collateral are as follows.

Assets provided as collateral:

Securities ¥850,352 million

Liabilities corresponding to collateral assets:

Deposits ¥6,343 million

Payables under Repurchase Agreements ¥13,525 million

Payables under Securities Lending Transactions ¥105,546 million

Borrowings ¥540,000 million

In addition to the above amounts, securities worth ¥62,171 million have been provided as collateral for foreign currency settlements or substituted for futures margin money, etc.

Guarantees and deposits account for ¥2,151 million of Other Assets.

- 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 breach of the conditions stipulated in the contract. The outstanding credit facility ready for claims under such agreements is ¥1,028,534 million. Of these, ¥986,020 million have original contract durations 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 agreements is fully utilized, so the outstanding credit facility itself does not always affect the Bank's future cash flows. Most of these agreements have provisions that allow the Bank to cancel the customers' claim 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 requires customers to provide property or securities as collateral when signing the contract. After the Bank enters into the agreement, it periodically checks customers' business condition in accordance with internally established procedures, reviews the conditions of the agreement if necessary, and takes measures to protect the Bank's interests.
- Advanced depreciation of Tangible Fixed Assets is ¥17,523 million.
(There is no advanced depreciation for this fiscal period)
- Borrowings include loans payable under subordination covenant totaling ¥46,000 million.
- 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 ¥182,989 million.

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	46.46
Koeisha Co., Ltd.	6,087	0.27
Kantoh Automobile Insurance Cooperative for Truck Transport Companies	5,980	0.27
BOT LEASE CO., LTD.	5,300	0.24
OSAKA SEMBA FASHION CO-OPERATIVE ASSOCIATION	4,810	0.21
Hokuoh Shinyo Kumiai	4,662	0.21
Tokyo Mokuzai Tonya Kyoudou Kumiai	4,626	0.21
Tokyo Camera Ryutsu Kyodokumiai	3,633	0.16
Fuji-shi Ukishima Kogyo-danchi Kyodokumiai	3,300	0.15
Kyodokumiai Koyama Kyoiku Sangyo Group	3,214	0.14
Total	1,057,613	48.36

Notes: 1. As of March 31, 2016.

2. In addition to the principal shareholder information presented in the preceding chart, the Shoko Chukin Bank holds 10,005 thousand shares of treasury stock, representing 0.45% of total common stock issued and outstanding.

CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2016)
1. Total Risk-weighted Capital Ratio (4/7)	13.41
2. Tier 1 Risk-weighted Capital Ratio (5/7)	12.07
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	12.07
4. Total Capital	9,805
5. Tier 1 Capital	8,820
6. Common Equity Tier 1 Capital	8,820
7. Risk-weighted Assets	73,074
8. Total Required Capital	5,845

The Bank's Capital Ratio:

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.

SUMMARY OF INCOME

(¥100 million)

Fiscal period ended	March 31, 2016	March 31, 2015
Gross Operating Profit	1,413	1,496
General and Administrative Expenses (Excluding Nonrecurring Items)	761	755
Operating Profit (Operating Profit before Deduction of Provision for the General Reserve for Possible Loan Losses)	652	740
Provision for the General Reserve for Possible Loan Losses	88	(47)
Operating Profit	563	788
Nonrecurring Loss (Including Nonrecurring Expenses)	(228)	(427)
Income before Income Taxes and Other	335	360
Other Gains and Losses	(2)	(0)
Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax	141	172
Adjustment of Income Taxes	75	31
Net Income	115	156

Note: Operating Profit is income generated by the Bank's primary businesses and is calculated using the following formula:

$$\text{Operating Profit} = \text{Gross Operating Profit} - (\text{Provision for the General Reserve for Possible Loan Losses} + \text{General and Administrative Expenses (Excluding Nonrecurring Items)})$$
GROSS OPERATING PROFIT

(¥100 million, %)

Fiscal period ended	March 31, 2016			March 31, 2015		
	Domestic	International	Total	Domestic	International	Total
Net Interest Income	1,235	24	1,260	1,294	22	1,317
Fees and Commissions	64	7	72	72	8	80
Trading Revenue	25	26	51	28	33	62
Other Operating Income	12	16	28	16	20	36
Gross Operating Profit	1,338	75	1,413	1,411	85	1,496
Gross Operating Profit Ratio (%)	1.09	2.77	1.14	1.15	3.53	1.21

Notes: 1. Domestic departments handle transactions in yen with Japanese residents through the domestic branches. 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 branches and those operated through the New York branch.

$$2. \text{Gross Operating Profit Ratio} = \frac{\text{Gross Operating Profit}}{\text{Average Balance of Interest Earning Assets}} \times 100$$

BALANCE OF LOANS		(¥100 million)					
Fiscal period ended		March 31, 2016			March 31, 2015		
		Domestic	International	Total	Domestic	International	Total
Fiscal Period-end Balance	Loans on Deeds	78,569	1,548	80,118	78,065	1,505	79,570
	Loans on Notes	2,950	365	3,315	3,306	409	3,716
	Overdraft	9,899	—	9,899	9,471	—	9,471
	Bills Discounted	2,062	—	2,062	2,272	—	2,272
	Total	93,481	1,913	95,395	93,116	1,914	95,031
Average Balance	Loans on Deeds	77,644	1,555	79,199	76,821	1,417	78,238
	Loans on Notes	2,914	391	3,305	3,272	410	3,683
	Overdraft	8,818	—	8,818	9,024	—	9,024
	Bills Discounted	2,001	—	2,001	2,204	—	2,204
	Total	91,378	1,946	93,324	91,323	1,828	93,151

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

BREAKDOWN OF LOAN BALANCE BY INDUSTRY		(¥100 million, %)	
		As of March 31, 2016	As of March 31, 2015
		Manufacturing	31,158 (32.7)
Machinery and Metal Product Manufacturing	16,057 (16.8)	16,036 (16.9)	
Agriculture and Forestry	270 (0.3)	242 (0.3)	
Fisheries	42 (0.1)	38 (0.0)	
Mining and Quarrying of Stone and Gravel	133 (0.1)	133 (0.2)	
Construction	2,884 (3.0)	2,776 (2.9)	
Electricity, Gas, Heat Supply and Water	353 (0.4)	394 (0.4)	
Information and Communications, Transport and Postal Activities	12,489 (13.1)	12,526 (13.2)	
Wholesale and Retail	30,181 (31.6)	30,038 (31.6)	
Finance and Insurance	470 (0.5)	459 (0.5)	
Real Estate and Goods Rental and Leasing	7,084 (7.4)	6,937 (7.3)	
Various Services	9,651 (10.1)	9,592 (10.1)	
Local Governments	4 (0.0)	4 (0.0)	
Others	137 (0.1)	123 (0.1)	
Overseas and Special International Financial Accounts	532 (0.6)	513 (0.5)	
Total	95,395	95,031	

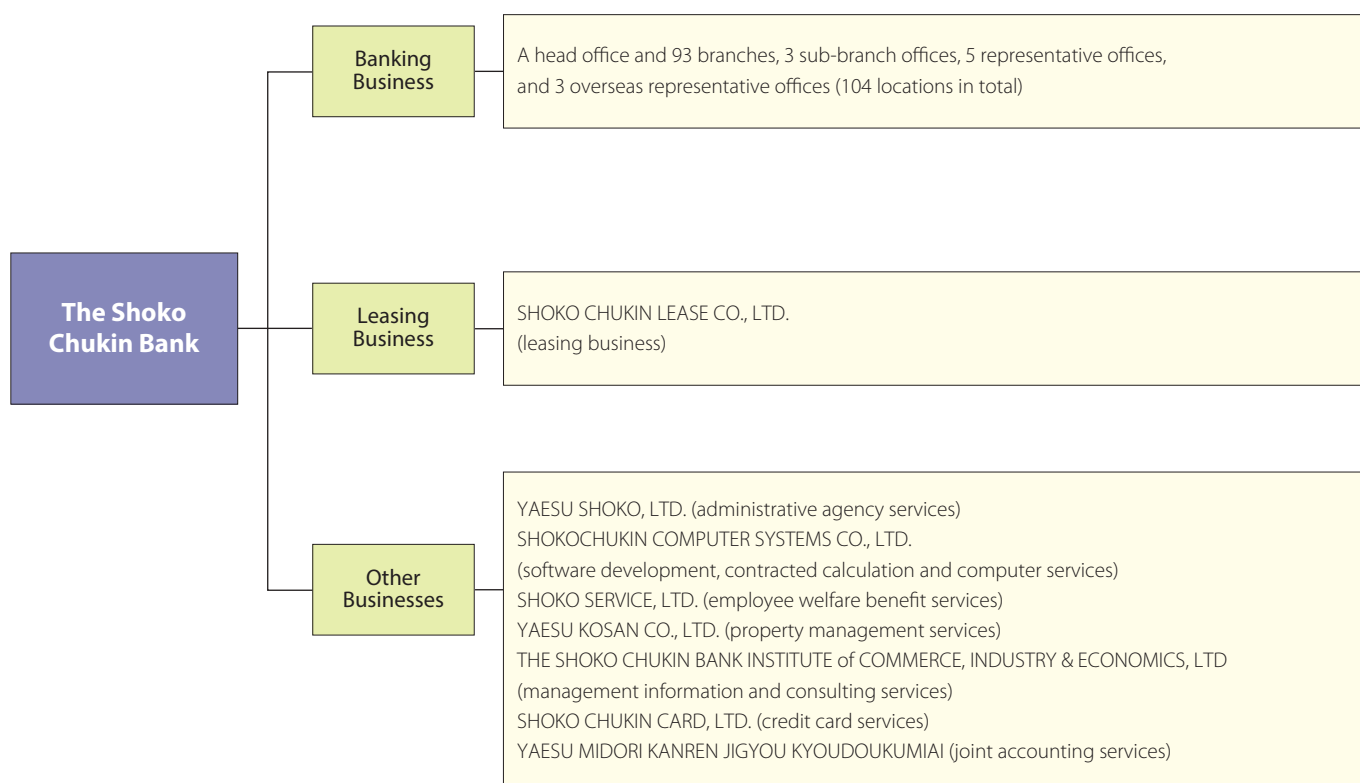
Note: The figures in parentheses represent percentages of the total.

PROBLEM LOANS		(¥100 million, %)	
		As of March 31, 2016	As of March 31, 2015
Loans to Bankrupt Companies	(A)	682	576
(Loans to Bankrupt Companies other than Loss Classification Loans)	(B)	(274)	(274)
Overdue Loans	(C)	3,812	4,024
(Overdue Loans other than Loss Classification Loans)	(D)	(3,134)	(3,445)
Loans Overdue for 3 Months or Longer	(E)	5	8
Rescheduled Loans	(F)	143	90
Total Problem Loans	(G) = (A) + (C) + (E) + (F)	4,644	4,699
Loss Classification Loans in Loans to Bankrupt Companies	(H)	407	301
Loss Classification Loans in Overdue Loans	(I)	678	578
Problem Loans other than Loss Classification Loans	(J) = (B) + (D) + (E) + (F)	3,559	3,818
Loans other than Loss Classification Loans	(K)	94,324	94,170
Percentage of Loans (%)	(J)/(K)	3.8	4.1

- Notes
- 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).
 - 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.
 - 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.
 - 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.
 - 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.
 - 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 the fiscal 2014 was ¥88.0 billion out of the Provision for Possible Loan Losses of ¥188.2 billion and at the end of the fiscal 2015 was ¥108.5 billion out of the Provision for Possible Loan Losses of ¥194.6 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 June 30, 2016).

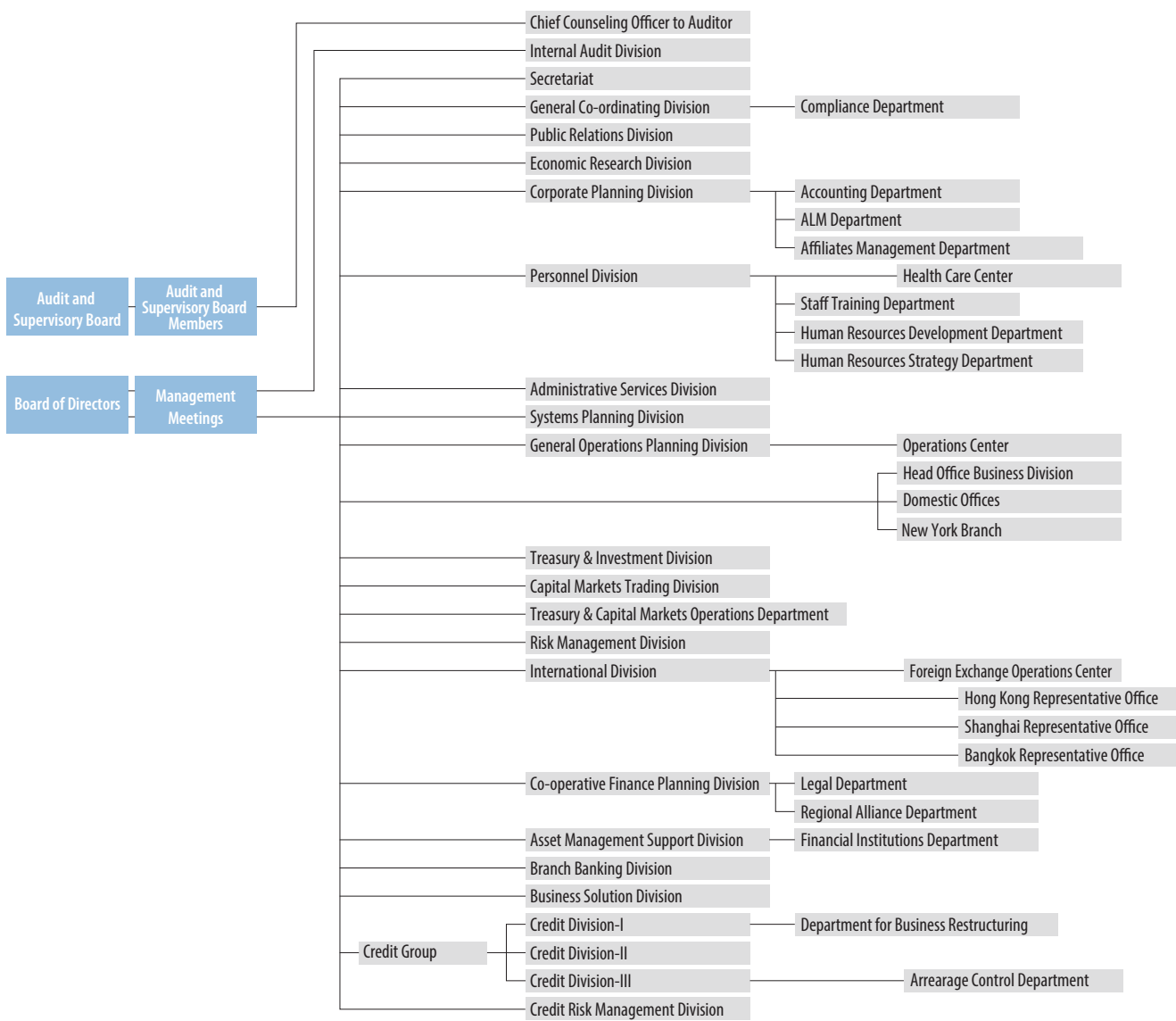
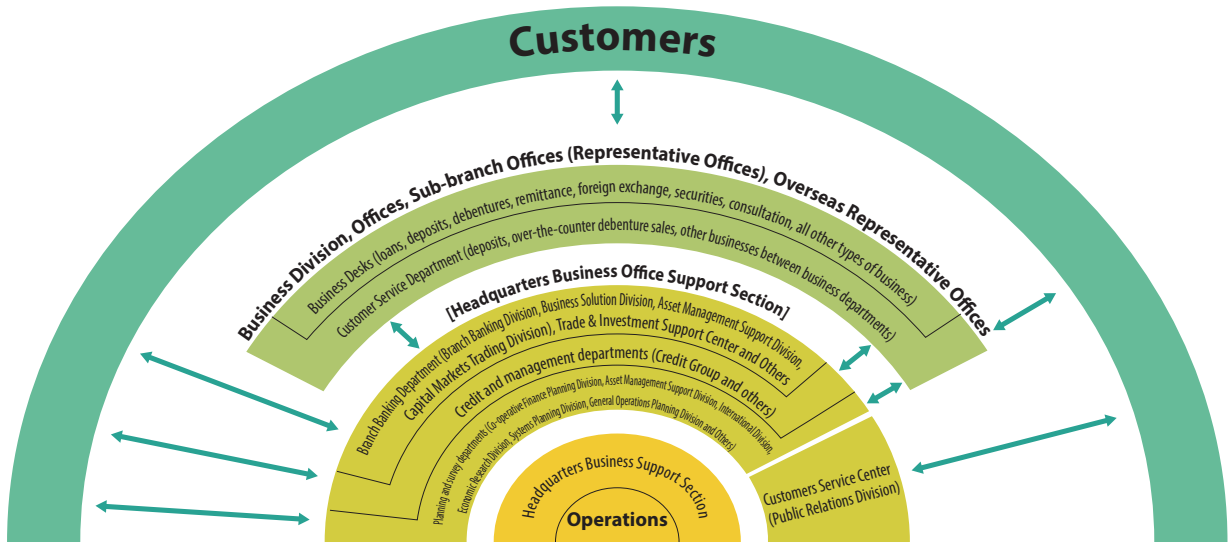


Subsidiaries

Subsidiaries (As of June 30, 2016)

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.	3-3-2 Kyobashi, Chuo-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



(As of June 30, 2016)

»» Directors and Audit and Supervisory Board Members

(As of June 23, 2016)

Directors and Managing Executive Officers

President (Representative Director)	Kenyu Adachi	
Deputy President (Representative Director)	Mitsutaka Inagaki	
Deputy President (Representative Director)	Yoshiyuki Kikuchi	Secretariat, Corporate Planning Division, Personnel Division
Director & Managing Executive Officer	Koji Monda	General Co-ordinating Division
Director & Managing Executive Officer	Masaaki Sato	Accounting Department, Administrative Services Division, Public Relations Division, Credit Risk Management Division
Director & Managing Executive Officer	Isao Onoguchi	Capital Markets Trading Division, International Division, Business Solution Division
Director & Managing Executive Officer	Norio Shimizu	Economic Research Division, Risk Management Division
Director & Managing Executive Officer	Yuji Hasegawa	Co-operative Finance Planning Division, Branch Banking Division
Director	Tadashi Okamura	
Director	Yorihiko Kojima	
Managing Executive Officer	Yoshifumi Hino	System Planning Division, General Operations Planning Division, Treasury & Capital Markets Operations Department
Managing Executive Officer	Toshihiko Nakamura	Credit Group
Managing Executive Officer	Koushirou Umeda	Treasury & Investment Division, Asset Management Support Division

Note: Tadashi Okamura and Yorihiko Kojima are external directors as stipulated under Article 2, Paragraph 15 of the Company Law.

Audit and Supervisory Board Members

Audit and Supervisory Board Member (Full-time)	Kenji Shimizu
Audit and Supervisory Board Member (Full-time)	Susumu Kamesui
Audit and Supervisory Board Member	Ryuichi Kato
Audit and Supervisory Board Member	Michiko Motohashi

Notes: 1. Susumu Kamesui and Michiko Motohashi are external Audit and Supervisory Board Members as stipulated under Article 2, Paragraph 16 of the Company Law.
2. The Shoko Chukin Bank has appointed one alternate Audit and Supervisory Board Member pursuant to Article 329, Paragraph 3 of the Company Law to ensure that it consistently maintains the number of corporate auditors prescribed under the law.

Executive Officers

Executive Officer	Ryoji Kikuchi	General Manager of Credit Division I
Executive Officer	Hajimu Nakatani	General Manager of General Co-ordinating Division
Executive Officer	Kazuya Mimuro	Branch Manager of Nagoya Branch Office
Executive Officer	Tsuyoshi Aoki	Branch Manager of Tokyo Branch Office
Executive Officer	Toshimichi Kawashima	
Executive Officer	Toshinori Kobayashi	
Executive Officer	Nagayasu Takahashi	General Manager of Systems Planning Division
Executive Officer	Isamu Inukai	Branch Manager of Osaka Branch Office
Executive Officer	Takuro Yamaguchi	General Manager of Personnel Division
Executive Officer	Atsushi Yokota	General Manager of Head Office Business Division
Executive Officer	Takahisa Sato	General Manager of Corporate Planning Division

Note: The Shoko Chukin Bank adopts the executive officer system.

Stock Information

- **Number of Authorized Shares (As of March 31, 2016)**
 - Common stock 4,000,000,000 shares
 - Crisis response reserve stock 10 shares
- **Number of Issued and Outstanding Shares (As of March 31, 2016)**
 - 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
 - 7-10-11, Higashi Suna, Koto-ku, Tokyo 137-8081
 - Tel: 0120-232-711 (Toll free)
 - 9:00 to 17:00 Tokyo local time (Excluding Saturdays, Sundays and public holidays)
- **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 process requests for the registration 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

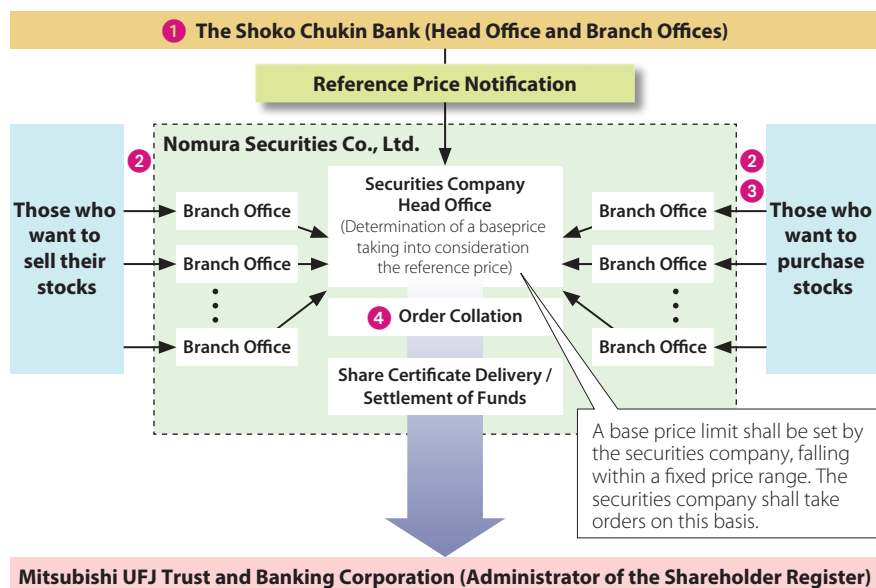
- When a cooperative member applies for loans at the Shoko Chukin Bank, certificate of membership of the cooperative is required. We ask for your understanding on this matter.

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.
 - 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	1972	Property accumulation savings operations commenced
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
July	2010	General Support Program for Growth Strategy established (renamed to the Support Program for Growth and Business Creation in April 2013 to enhance the type of support)
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
April	2014	Regional Alliance Department was newly established in the Co-operative Finance Planning Division
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)
July	2015	Human Resources Strategy Department was newly established in the Personnel Division

>>> The Shoko Chukin Bank Network

(As of July 11, 2016)

Head Office 2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028, Japan +81-3-3272-6111

Hokkaido

- Sapporo Office 4-1, Odori-Nishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0042, Japan +81-11-241-7231
- Hakodate Office 3-6, Wakamatsu-cho, Hakodate-shi, Hokkaido 040-0063, Japan +81-138-23-5621
- Obihiro Office 6-20-1, Nishi-3jominami, Obihiro-shi, Hokkaido 080-0013, Japan +81-155-23-3185
- ▲ Kushiro Representative Office 1-1-1, Omachi, Kushiro-shi, Hokkaido 085-0847, Japan +81-154-42-0671
- Asahikawa Office 9-1703-81, Sjdori, Asahikawa-shi, Hokkaido 070-0035, Japan +81-166-26-2181

Tohoku

- Aomori Office 2-1-7, Nagashima, Aomori-shi, Aomori 030-0861, Japan +81-17-734-5411
- Hachinohe Office 40-2, Youka-machi, Hachinohe-shi, Aomori 031-0086, Japan +81-178-45-8811
- Morioka Office 3-4-6, Chuo-dori, Morioka-shi, Iwate 020-0021, Japan +81-19-622-4185
- Sendai Office 2-10-30, Chuo, Aoba-ku, Sendai-shi, Miyagi 980-0021, Japan +81-22-225-7411
- Akita Office 2-4-19, Nakadori, Akita-shi, Akita 010-0001, Japan +81-18-833-8531
- Yamagata Office 2-1, Saiwai-cho, Yamagata-shi, Yamagata 990-0038, Japan +81-23-632-2111
- Sakata Office 2-6-22, Naka-machi, Sakata-shi, Yamagata 998-0044, Japan +81-234-24-3922
- Fukushima Office 11-5, Mikawakita-machi, Fukushima-shi, Fukushima 960-8054, Japan +81-24-526-1201

[* relocated to the above address on February 15, 2016.]

▲ Aizuwakamatsu Representative Office 6-5, Minamisengoku-machi, Aizuwakamatsu-shi, Fukushima 965-0816, Japan +81-242-26-2617

Kanto-Koshinetsu

- Mito Office 3-5-7, Minami-machi, Mito-shi, Ibaraki 310-0021, Japan +81-29-225-5151
- Utsunomiya Office 4-1-1, Baba-dori, Utsunomiya-shi, Tochigi 320-0026, Japan +81-28-600-8050
- Ashikaga Office 2-2751, Tori, Ashikaga-shi, Tochigi 326-0814, Japan +81-284-21-7131
- Maebashi Office 2-6-17, Ote-machi, Maebashi-shi, Gunma 371-0026, Japan +81-27-224-8151
- Saitama Office 4-25-13, Kishi-cho, Urawa-ku, Saitama-shi, Saitama 330-0064, Japan +81-48-822-5151
- Kumagaya Office 2-95, Hon-cho, Kumagaya-shi, Saitama 360-0042, Japan +81-48-525-3751
- Chiba Office 3-13, Shin-machi, Chuo-ku, Chiba-shi, Chiba 260-0028, Japan +81-43-248-2345
- Matsudo Office 1846-2, Matsudo, Matsudo-shi, Chiba 271-0092, Japan +81-47-365-4111
- Hachioji Office 2-5, Yokoyama-cho, Hachioji-shi, Tokyo 192-0081, Japan +81-42-646-3131
- Ueno Office 1-10-12, Ueno, Taito-ku, Tokyo 110-0005, Japan +81-3-3834-0111
- Omori Office 1-1-10, Omori-Kita, Ota-ku, Tokyo 143-0016, Japan +81-3-3763-1251
- Keihinjima Sub-branch 2-10-2, Keihinjima, Ota-ku, Tokyo 143-0003, Japan +81-3-3799-0331
- Oshiage Office 3-10-8, Narihira, Sumida-ku, Tokyo 130-0002, Japan +81-3-3624-1161
- Urayasu Sub-branch 2-1-6, Tekkadori, Urayasu-shi, Chiba 279-0025, Japan +81-47-355-8011
- Shinjuku Office 1-22-2, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan +81-3-3340-1551
- Fukagawa Office 5-11-17, Kiba, Koto-ku, Tokyo 135-0042, Japan +81-3-3642-7131
- Tokyo Office 2-12-18, Shiba-daimon, Minato-ku, Tokyo 105-0012, Japan +81-3-3437-1231
- Ikebukuro Office 1-21-10, Minamiikebukuro, Toshima-ku, Tokyo 171-0022, Japan +81-3-3988-6311
- Shibuya Office 2-17-5, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan +81-3-3486-6511
- Kanda Office 3-3-12, Kandakaji-cho, Chiyoda-ku, Tokyo 101-0045, Japan +81-3-3254-6811
- Shinkiba Office 1-18-6, Shinkiba, Koto-ku, Tokyo 136-0082, Japan +81-3-5569-1711
- Yokohama Office 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan +81-45-201-3952

● Kawasaki Office 26-4, Ekimaehon-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0007, Japan +81-44-244-1101

● Yokohama-Nishiguchi Office 1-11-1, Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa 220-0004, Japan +81-45-314-3211

▲ Sagami-hara Representative Office 4-3-14, Sagami-hara, Chuo-ku, Sagami-hara-shi, Kanagawa 252-0231, Japan +81-42-786-6230

● Niigata Office 816-10, Nishiboridori 4-bancho, Chuo-ku, Niigata-shi, Niigata 951-8061, Japan +81-25-228-2181

● Nagaoka Office 1-2-10, Jonai-cho, Nagaoka-shi, Niigata 940-0061, Japan +81-258-35-2121

● Kofu Office 1-6-16, Chuo, Kofu-shi, Yamanashi 400-0032, Japan +81-55-233-1161

● Nagano Office 1483-11, Nishitsuruga-machi, Nagano-shi, Nagano 380-0814, Japan +81-26-234-0145

● Suwa Office 1-14-6, Ote, Suwa-shi, Nagano 392-0026, Japan +81-266-52-6600

● Matsumoto Office 2-1-27, Chuo, Matsumoto-shi, Nagano 390-0811, Japan +81-263-35-6211

Tokai

● Gifu Office 9-16, Wakamiya-cho, Gifu-shi, Gifu 500-8828, Japan +81-58-263-9191

▲ Takayama Representative Office 5-1, Tenman-machi, Takayama-shi, Gifu 506-0025, Japan +81-577-32-3353

● Shizuoka Office 6-3, Oute-machi, Aoi-ku, Shizuoka-shi, Shizuoka 420-0853, Japan +81-54-254-4131

● Hamamatsu Office 133-1, Tokiwa-cho, Naka-ku, Hamamatsu-shi, Shizuoka 430-0917, Japan +81-53-454-1521

● Numazu Office 6-5, Yoneyama-cho, Numazu-shi, Shizuoka 410-0046, Japan +81-55-920-5000

● Atsuta Office 2-2-33, Shinoto, Atsuta-ku, Nagoya-shi, Aichi 456-0018, Japan +81-52-682-3111

● Nagoya Office 3-23-18, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan +81-52-951-7581

● Toyohashi Office 3-71-2, Matsuba-cho, Toyohashi-shi, Aichi 440-0897, Japan +81-532-52-0221

● Tsu Office 4-254-1, Sakae-machi, Tsu-shi, Mie 514-0004, Japan +81-59-228-4155

[* relocated to the above address on July 11, 2016.]

● Yokkaichi Office 1-3-20, Unomori, Yokkaichi-shi, Mie 510-0074, Japan +81-59-351-4871

Hokuriku

- Toyama Office 6-11, Sakurabashidori, Toyama-shi, Toyama 930-0004, Japan +81-76-444-5121
- Takaoka Office 2-6, Marunouchi, Takaoka-shi, Toyama 933-0912, Japan +81-766-25-5431
- Kanazawa Office 3-1-25, Honda-machi, Kanazawa-shi, Ishikawa 920-0964, Japan +81-76-221-6141
- Fukui Office 3-14-9, Ote, Fukui-shi, Fukui 910-0005, Japan +81-776-23-2090

Kinki

- Otsu Office 1-2-22, Hamaotsu, Otsu-shi, Shiga 520-0047, Japan +81-77-522-6791
- Hikone Office 9-3, Asahi-machi, Hikone-shi, Shiga 522-0073, Japan +81-749-24-3831
- Kyoto Office 159-1, Ayanokoji Dori Karasuma Nishi-iru Jojisha-cho, Shimogyoku, Kyoto-shi, Kyoto 600-8421, Japan +81-75-361-1120

- Osaka Office 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan +81-6-6532-0309
- Sakai Office 2-1-2, Ryujinbashi-cho, Sakai-ku, Sakai-shi, Osaka 590-0972, Japan +81-72-232-9441

- Umeda Office 2-1-18, Shibata, Kita-ku, Osaka-shi, Osaka 530-0012, Japan +81-6-6372-6551
- Senba Office 1-18-17, Minamisenna, Chuo-ku, Osaka-shi, Osaka 542-0081, Japan +81-6-6261-8431

- Minoo Senba Office 2-5-55, Senbahigashi, Minoo-shi, Osaka 562-0035, Japan +81-72-729-9181
- Higashiosaka Office 2-1-32, Nagatanaka, Higashiosaka-shi, Osaka 577-0013, Japan +81-6-6746-1221

- Kobe Office 111, Ito-machi, Chuo-ku, Kobe-shi, Hyogo 650-0032, Japan +81-78-391-7541
- Himeji Office 111, Soushahon-machi, Himeji-shi, Hyogo 670-0015, Japan +81-79-223-8431
- Amagasaki Office 5-19-8, Higashinaniwa-cho, Amagasaki-shi, Hyogo 660-0892, Japan +81-6-6481-7501

- Nara Office 8-1, Hayashikoji-cho, Nara-shi, Nara 630-8227, Japan +81-742-26-1221
- Wakayama Office 3-27, Hon-machi, Wakayama-shi, Wakayama 640-8033, Japan +81-73-432-1281

Chugoku

- Tottori Office 2-218, Katahara, Tottori-shi, Tottori 680-0023, Japan +81-857-22-3171
- Yonago Office 168, Higashi-cho, Yonago-shi, Tottori 683-0067, Japan +81-859-34-2711

- Matsue Office 210, Tono-machi, Matsue-shi, Shimane 690-0887, Japan +81-852-23-3131
- ▲ Hamada Representative Office 2886, Takezako-cho, Hamada-shi, Shimane 697-0015, Japan +81-855-23-3033

- Okayama Office 4-1, Banzan-cho, Kita-ku, Okayama-shi, Okayama 700-0818, Japan +81-86-225-1131

- Hiroshima Office 2-1-2, Ote-machi, Naka-ku, Hiroshima-shi, Hiroshima 730-0051, Japan +81-82-248-1151

- Fukuyama Office 1-1-30, Konan-cho, Fukuyama-shi, Hiroshima 720-0814, Japan +81-84-922-6830
- Hiroshima Seibu Office 1-14-1, Shoko Center, Nishi-ku, Hiroshima-shi, Hiroshima 733-0833, Japan +81-82-277-5421

- Shimonoseki Office 1-1-13, Hosoe-cho, Shimonoseki-shi, Yamaguchi 750-0016, Japan +81-83-223-1151

- Tokuyama Office 1-10, Miyukidori, Shunan-shi, Yamaguchi 745-0034, Japan +81-834-21-4141

Shikoku

- Tokushima Office 2-30, Nishisenba-cho, Tokushima-shi, Tokushima 770-0901, Japan +81-88-623-0101

- Takamatsu Office 3, Kajiya-machi, Takamatsu-shi, Kagawa 760-0028, Japan +81-87-821-6145
- Matsuyama Office 2-6-4, Ichiban-cho, 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 on February 15, 2016, 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 2-21, Kouzen-machi, Nagasaki-shi, Nagasaki 850-0032, 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 1-38, Higashisengoku-cho, Kagoshima-shi, Kagoshima 892-0842, +81-99-223-4101

[* relocated to the above address on November 24, 2015, due to reconstruction.]

- Naha Office 2-22-10, Kumoji, Naha-shi, Okinawa 900-0015, Japan +81-98-866-0196

Overseas

- New York Branch 666 Fifth Avenue, 14th Floor, New York, N.Y. 10103 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

● Head Office and Branch Offices 93 (including 1 overseas branch office)

■ Sub-branch Offices 3 ▲ Representative Offices 5

◆ Overseas Representative Offices 3

Total 104 (including 4 overseas offices)

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