

# Financial Highlights

We will aim to secure profits that fully cover credit costs and other expenses by securing appropriate returns and sustainable growth, and continuously maintain and improve asset and capital efficiency. We will strive to provide stable dividends and enhanced returns to shareholders, while considering the balance between profitability and soundness as well as strategic investments necessary for the future.

## Financial highlights on a non-consolidated basis (hereinafter the same)

		FY2022	Medium-Term Business Plan FY2024 targets
Profitability	Operating profit	¥52.5 billion	Approx. ¥50.0 billion
	Net income	¥22.9 billion	Approx. ¥25.0 billion
	ROA	0.17%	Approx. 0.2%
	ROE	2.32%	High 2% range
Soundness	Total capital ratio	13.16%	12% or more
Efficiency	OHR	56.8%	Approx. 60%

(Billions of yen)

	Mar. 31/'21	Mar. 31/'22	Mar. 31/'23	Year-on-year change
Gross operating profit	105.4	118.9	121.8	2.8
Net interest income	97.9	103.6	107.5	3.8
Fees and commissions	6.5	7.4	8.3	0.8
Trading revenue	2.2	6.1	8.4	2.2
Other operating income	(1.1)	1.7	(2.3)	(4.1)
Core gross operating profit	107.3	118.5	124.6	6.0
General and administrative expenses (excluding nonrecurring items)	72.5	66.1	69.3	3.1
Net operating profit	32.9	52.8	52.5	(0.3)
Core operating profit (before deduction of provision for the general reserve for possible loan losses)	34.7	52.3	55.2	2.9
Provision for (reversal of) the general reserve for possible loan losses (a)	10.5	0.3	0.7	0.4
Nonrecurring loss (including nonrecurring expenses)	(14.7)	(22.3)	(20.9)	1.3
Disposal amount of problem loans (b)	9.0	20.4	20.0	(0.3)
Income (loss) before income taxes and others	7.6	30.2	30.8	0.6
Other gains and losses	2.9	0.6	0.1	(0.5)
Provision for income taxes	2.4	8.0	10.3	2.2
Adjustment for income taxes	(0.5)	4.4	(2.3)	(6.8)
Net income (loss)	8.7	18.3	22.9	4.6
Credit-related expense (reversal of the general reserve for possible loan loss) (a)+(b)	19.5	20.7	20.7	0.0
ROA (on a net income basis)	0.07%	0.14%	0.17%	0.03%
ROE (on a net income basis)	0.91%	1.87%	2.32%	0.44%
Total capital ratio	12.68%	12.76%	13.16%	0.40%
Tier 1 (common stock, etc.) ratio	11.74%	11.71%	11.53%	(0.18)%
Ratio of problem loans	2.7%	2.5%	2.8%	0.3%

### Points to be noted for the fiscal year ended March 31, 2023

#### Gross operating profit

**Up ¥2.8 billion year on year**

- Net interest income increased by ¥3.8 billion year on year, mainly due to the increase in the average balance of loans outstanding.
- Fees and commissions and trading revenue increased due to a steady increase in syndicated loan revenues, as well as an increase in revenues related to derivatives and international operations, among other factors.
- Other operating income recorded losses on sales of Japanese government bonds of ¥2.7 billion due to the replacement of Japanese government bonds held by the Bank.
- Total transactions amounted to ¥121.8 billion, up ¥2.8 billion year on year.

#### General and administrative expenses (excluding nonrecurring items)

**Up ¥3.1 billion year on year**

- General and administrative expenses (excluding nonrecurring items) increased by ¥3.1 billion year on year to ¥69.3 billion (OHR: 56.8%), due to factors including an increase in personnel expenses (up ¥1.0 billion year on year) resulting from a bonus increase, and an increase in property expenses (up ¥1.8 billion year on year) mainly due to an increase in system-related expenses.

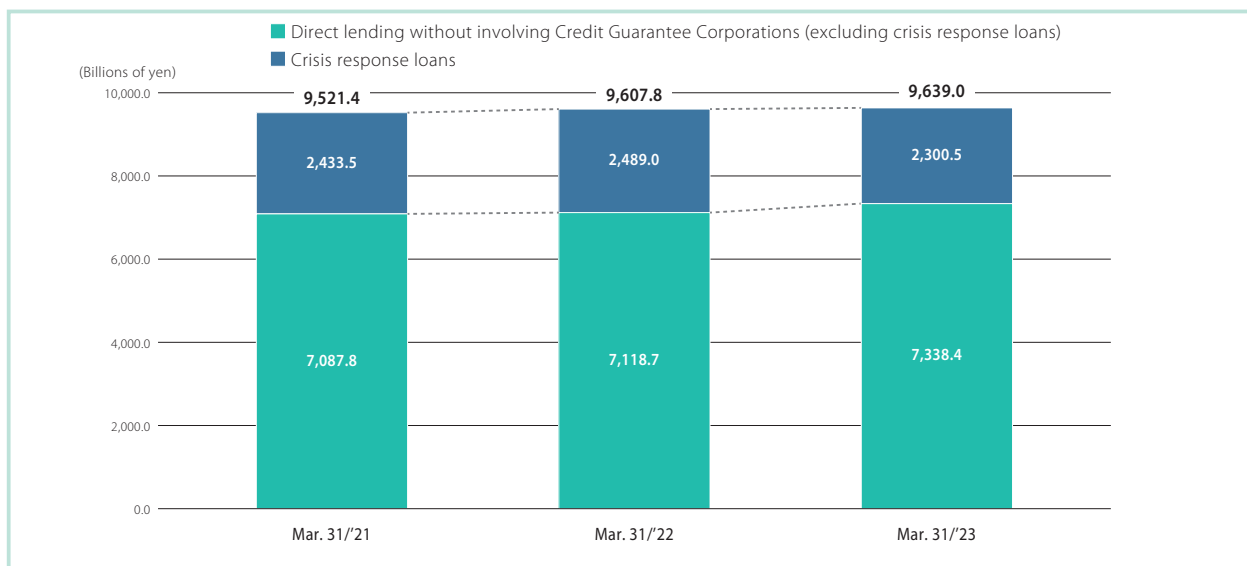
#### Credit-related expenses

**¥20.7 billion recorded**

- Credit-related expenses totaled ¥20.7 billion, the same amount as the previous fiscal year, mainly due to the continued recording of precautionary provisions from the viewpoint of adequate preparation for the increasing number of bankruptcies.

- Core gross operating profit is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from gross operating profit.
- Net operating profit is calculated by deducting general and administrative expenses (excluding nonrecurring items) from gross operating profit.
- Core operating profit (before deduction of provision for the general reserve for possible loan losses) is calculated by deducting net gains (losses) related to bonds, including Japanese government bonds, from net operating profit. Net losses on cancellation of investment trusts, normally included in core operating profit, of ¥0.0 billion were recorded in the fiscal year ended March 31, 2021. We recorded no net gains (losses) on cancellation of investment trusts in the fiscal years ended March 31, 2022 and 2023, respectively.
- ROE: Net assets are the average of the opening balance and the ending balance.
- Ratio of problem loans: Ratio of problem loans other than loss classification loans against total loans.
- The capital ratio is subject to the finalized Basel III from the fiscal year ended March 31, 2023.

## Balance of loans outstanding and crisis-response loans



## Crisis response measures

A 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 for SMEs and middle-market enterprises in response to crisis. In response, the Shoko Chukin Bank conducted crisis response measures from March 2020 to March 2023 against COVID-19, which had a significant impact on global economic trends. As of the end of March 2023, the total number of crisis response loans totaled 260,510, amounted to ¥15,163.8 billion, since the establishment of the program, and the number of loans related to COVID-19 totaled 39,902, amounted to ¥2,803.7 billion.

In order to ensure conformity with the requirements of the program, all loan cases are subject to consultation at the head office, and efforts are being made to ensure the proper operation of the program and the fulfillment of the safety net function for SMEs.

\*Designated financial institution: From financial institutions that apply, the minister in charge designates those that meet certain criteria based on the Japan Finance Corporation Act (the Shoko Chukin Bank and Development Bank of Japan are deemed and designated as designated financial institutions based on the same Act) 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 Japan Finance Corporation.

## Bank's self-assessment

### Breakdown of loan balance by borrower category, under the Bank's self-assessment

	Mar. 31/22		Mar. 31/23	
	Amount	%	Amount	%
Legally Bankrupt	49.6	0.5%	54.9	0.5%
Virtually Bankrupt	60.1	0.6%	51.1	0.5%
Risk of Bankruptcy	165.2	1.7%	174.9	1.8%
Need Special Attention	4,098.6	42.0%	3,767.7	38.5%
Borrowers receiving special management	45.3	0.5%	71.2	0.7%
Other need for special attention	4,053.2	41.5%	3,696.4	37.8%
Normal	5,387.0	55.2%	5,746.1	58.7%
Total	9,760.6	100.0%	9,794.9	100.0%

(Note) The breakdown of loan balance by borrower category under the Bank's self-assessment is disclosed according to the same disclosure standards that are applicable to loans disclosed under the Financial Reconstruction Act. 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, foreign exchange, acceptances and guarantees, uncollected interest, and suspense payments.

## Status of fund-raising

