



SHOKO CHUKIN BANK

Supporting the future of companies. Making Japan more resilient to change.



Challenge nge

Integrated Report 2023
Disclosure Publication

PURPOSE

**Supporting the future of companies.
Making Japan more resilient to change.**

MISSION

**We will continue to think together,
create together, and change together,
as a partner in creating security and prosperity.**

In order to establish our future commitment to support SME cooperatives and SMEs, a partial amendment to the Articles of Incorporation was approved at the General Meeting of Shareholders in June 2023, which stipulated our corporate philosophy in the Articles of Incorporation.

Introduction of the Shoko Chukin Bank PURPOSE promotional movie

The Shoko Chukin Bank operates the YouTube Shoko Chukin Official Channel, which features a number of videos and commercials for all stakeholders, including SME owners, to deepen their understanding of the Shoko Chukin Bank. These are the real stories of challenges faced by SME customers throughout Japan and the staff of the Shoko Chukin Bank who accompany our customers in their efforts to solve issues. Please take a look at "The Changing Shoko Chukin Bank."



Supporting the future of companies.
Making Japan more resilient to change.



Message Relay by Shoko Chukin staff



CONTENTS

Value Creation Story

Message from the President	02
Value Creation Model	08
History of the Shoko Chukin Bank	10
Characteristics of the Shoko Chukin Bank	12
Topics	14

Progress of the Medium-Term Business Plan

Financial Highlights	18
Non-financial Highlights	20
Overview of the Medium-Term Business Plan	22
Shift in Services	24
Establishment of Differentiated Fields	26
Enabler Business	30
The Shoko Chukin Bank's Corporate Transformation	32
Cooperation with Regional Financial Institutions	38

Efforts to Achieve a Sustainable Society	40
Responses Against Climate Change Risks	42

Management Base Supporting Value Creation

Human Capital Management	44
Governance Structure	52
Messages from External Directors	60
Status of Compliance System Development	62
Risk Management	66
Special Notes (Initiatives toward Customer Protection, Etc.)	70
10-Year Key Financial Data	72
Financial Data	74
Directory	100

Editorial policy

The Shoko Chukin Bank, Ltd. has prepared the Integrated Report Disclosure Publication 2023 to provide investors, shareholders, and all other stakeholders with an easy-to-understand description of the Bank's business activities and efforts to enhance corporate value, and to initiate constructive dialogue. This report was compiled with reference to various guidelines such as the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry. We hope that this report will help deepen your understanding of the Bank.





The Shoko Chukin Bank will continue to change to achieve our unchanging mission, even following privatization.

Masahiro Sekine, President (Representative Director)

1. Toward a Society That Is Resilient to Change

In June 2023, the Diet passed a bill to revise the Shoko Chukin Bank Limited Act (hereinafter, the “Shoko Chukin Bank Act”). Let me first discuss this revision.

The Shoko Chukin Bank was established under a special law called the Shoko Chukin Bank Act, and became a joint stock company in October 2008. Article 1 of the Act clearly states that the purpose of the Act is to achieve complete privatization, and to facilitate the financing of SMEs.

However, since 2008, the disposal of government-held shares has been postponed several times in anticipation of the Bank’s demonstration of its safety net function, following the bankruptcy of Lehman Brothers and the Great East Japan Earthquake.

Against this backdrop, a misconduct related to crisis response operations occurred in 2016, after which the very nature of the Shoko Chukin Bank itself was discussed. Subsequently, we worked on the Shoko Chukin Bank Management Reform Plan, which was formulated to revitalize the organization. In light of the evaluation by the Evaluation Committee of Management and Crisis response operations composed of experts based on the results of the Plan, and the subsequent conclusions of The Consulting Commission of Business Model, the revision of the Act was implemented.



At the beginning of the meeting, the State of Affairs Study Group stated that, “The operating environment for SMEs is extremely difficult. Given this, reform of the Shoko Chukin Bank, which supports SMEs, is long overdue. This reform aims to create the future by strengthening the functions of the Shoko Chukin Bank, thereby driving the growth of SMEs in this period of change.”

As a result of these considerations, the Shoko Chukin Bank Act remained in place, maintaining the safety net function as its responsibility, and measures to enhance capital and funding for risk-taking without being affected by changes in the external environment. Thus, the mission of the Shoko Chukin Bank to support SMEs remained unchanged.

On the other hand, in this era of a rapidly changing business environment, customer needs and challenges are not limited to securing funds, but have become more diverse, encompassing major changes in industrial structure, and responses to green transformation (GX) and digital transformation (DX), among other matters. Under these circumstances, business models to support SMEs must evolve and develop further, accordingly. We also must face changes. It is precisely in the context of the privatization of the Shoko Chukin Bank, which will result from the disposal of government-owned shares in accordance with the revision of the Shoko Chukin Bank Act, that all officers and employees will reaffirm their commitment to this idea and implement future-oriented structural reforms.

I believe that this revision of the Act is the starting point for the new Shoko Chukin Bank, which will realize a vision of the Shoko Chukin Bank that is truly of service to its SME customers.

By continuing to change, the Shoko Chukin Bank will respond to the various aspirations imbued in the revised Act, and realize the creation of an organization that is dedicated to SMEs.

2. For Carrying on Our Corporate Philosophy: Purpose and Mission

I would like to talk about our new corporate philosophy, Purpose and Mission, which was formulated in March 2022.

For more than 85 years, the Shoko Chukin Bank has served its customers with an unwavering desire to support SMEs. I remember that when I visited our branch offices throughout Japan after assuming the position of President in 2018 and spoke with staff members, each and every one of them expressed this desire unanimously, and I felt firsthand the DNA that has been passed down through the organization.

The Purpose and Mission is our future commitment to this unchanging desire, namely the embodiment of our organization's DNA. At the same time, it is positioned as an important compass that points to the starting point and the path that each and every officer and employee should always return to. With this in mind, we have been working to disseminate this corporate philosophy over the past year.

I hope that each of our officers and employees will enrich their future lives by taking the initiative to think about what we can do for society based on the values they hold dear, and by acting with ambition.

To this end, we held a My-Purpose Workshop for all officers and employees, asking each of them to create their own My Purpose, as a vision of what they would like to achieve by working at the Shoko Chukin Bank. I myself participated in the workshop and shared my own My Purpose with all officers and employees.

In terms of penetration of the corporate philosophy, we have only just begun and it is still not sufficient. We want to continue with our activities until the PURPOSE becomes the basis for all actions when employees are unsure of their decisions in the course of their work.

Going forward, in order to further deepen our business model in which the corporate value improvement of our customers leads to an improvement of the value of the Shoko Chukin Bank, I believe it is important for us to pursue Purpose-driven management, and for each and every officer and employee to act based on the Purpose and to work with our customers to solve their ever-changing issues.



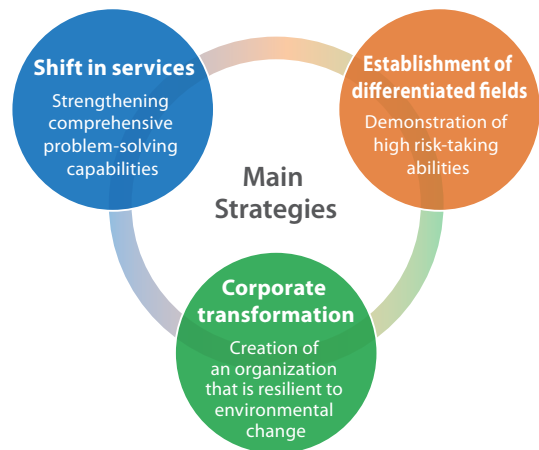
3. Reflections on the Year as a Starting Point for Change

As described above, our Purpose and Mission is universal. However, the challenges and needs of our customers vary according to industry, region, scale, and stage of growth, and the environment is constantly changing.

As stated in our Medium-Term Business Plan, the basic approach is to understand our customers' management issues and needs that are backcast from the vision of Japanese society and economy in 2030, and to work together with them to develop countermeasures, provide necessary management resources, and create the future together.

Fiscal 2022 was a year of heightened uncertainty in terms of the domestic and international economic outlook. While the impact of behavioral restrictions due to the spread of COVID-19 gradually eased, raw material prices soared, in addition to changes in the situation in Ukraine and drastic fluctuations in the exchange rate. The Shoko Chukin Bank positioned the year, which was the first year of its Medium-Term Business Plan, as a year for renewing its corporate philosophy and business plan, and as a starting point for change. Accordingly, we worked to establish the necessary framework and move into the implementation phase of our strategies.

Looking back on the past year, I would like to explain the progress of the main strategies of our Medium-Term Business Plan: 1) shift in services, 2) establishment of differentiated fields, and 3) corporate transformation.



1) Shift in services

The shift in services is intended to work with customers to solve issues by shifting our services to the areas of information, human resources, and advanced finance, in which customers are likely to have insufficiencies when trying to solve their business issues in the future.

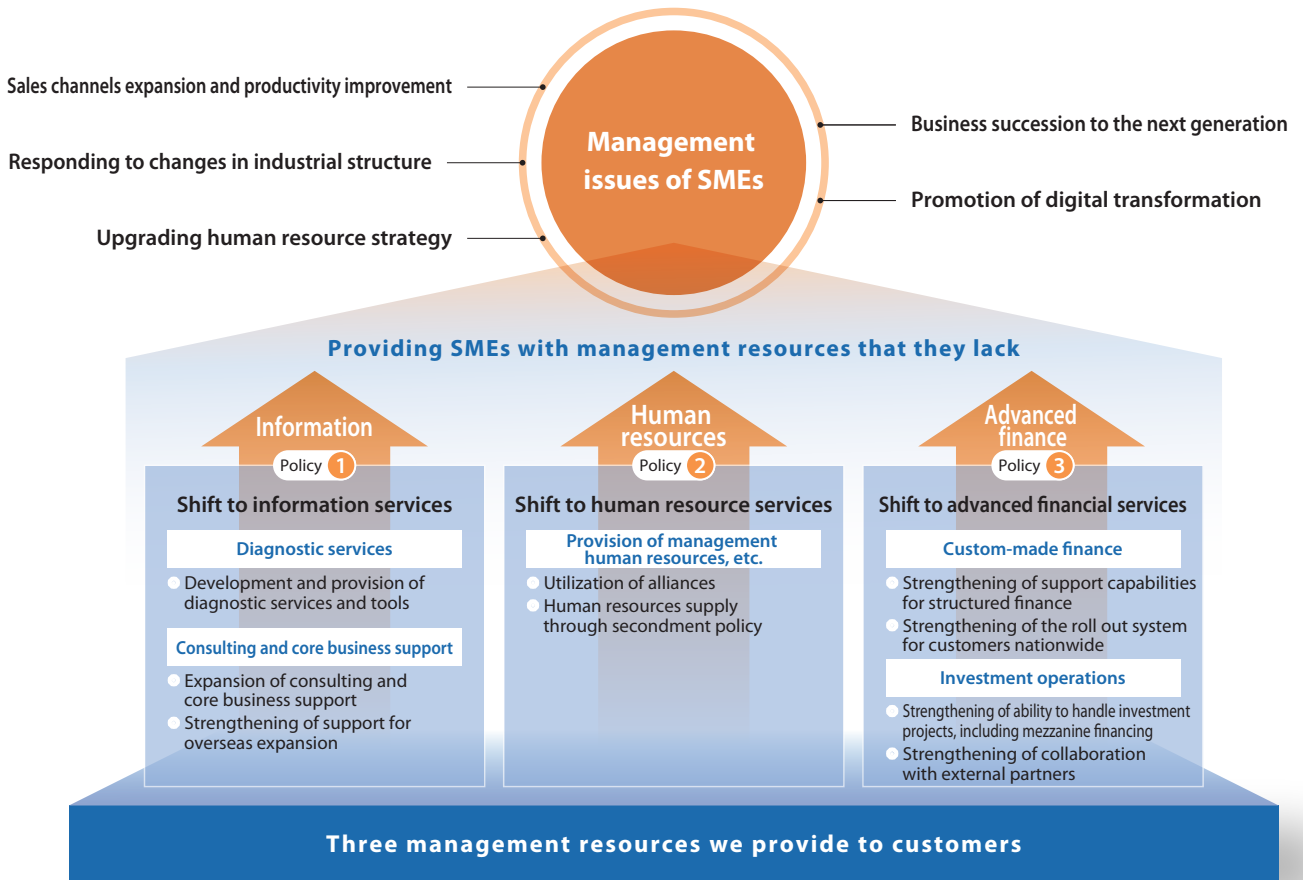
In information services, we expanded services to visualize and share issues such as financial diagnosis, ESG diagnosis, the happiness design survey that visualizes employee happiness, and the DX and IT surveys.

In human resource services, we leveraged alliances with external institutions and other organizations to secure and develop human resources who are capable of meeting the management needs of our customers.

In advanced financial services, the number of cases of structured finance increased, and the number of cases in which our clients consulted us regarding investment operations, including mezzanine financing, also increased.

The Shoko Chukin Bank has been conducting customer questionnaires on a regular basis since the misconduct. Our customers' overall satisfaction and trust has increased year after year, with an NPS® (net promoter score) of (2.9) in the most recent survey, which represents a significant improvement from (21.7) in the fiscal 2018 questionnaires. In this questionnaire, customers also expressed high expectations for information, human resource, and advanced financial services. We will continue to shift our services beyond traditional financial services to provide value that meets and even exceeds these expectations.





2) Establishment of differentiated fields

The Shoko Chukin Bank focused on management issues at each stage of a company's life in order to strengthen its efforts beyond finance. We have positioned start-up support, sustainable management support, and business revitalization support as our three areas of differentiation and are supporting our customers in both financial support and core business support, while leveraging the characteristics of the Shoko Chukin Bank.

Regarding start-up support, we established a new Startup Support Department, and have been actively engaged in business matching as well as financial support.

Regarding sustainable management support, we have been engaged in positive impact financing to address various issues that challenge the sustainability of society as a whole, such as inequality and human rights, in addition to climate change.

Positive impact financing evaluates the impact produced by the business based on a business prospects evaluation through dialogue, shares the customer's strengths, challenges, and goals (KPI) while taking into account third-party opinions, and finances the funds necessary for corporate value improvement. Through these initiatives, we will contribute to the sustainable improvement of our customers' corporate value and the realization of a sustainable society.

In business revitalization support, we established a new Consulting Department, and worked to visualize information on customers for whom we will provide focused hands-on support. We are also working on new business cooperation with regional financial institutions.



3) The Shoko Chukin Bank's corporate transformation

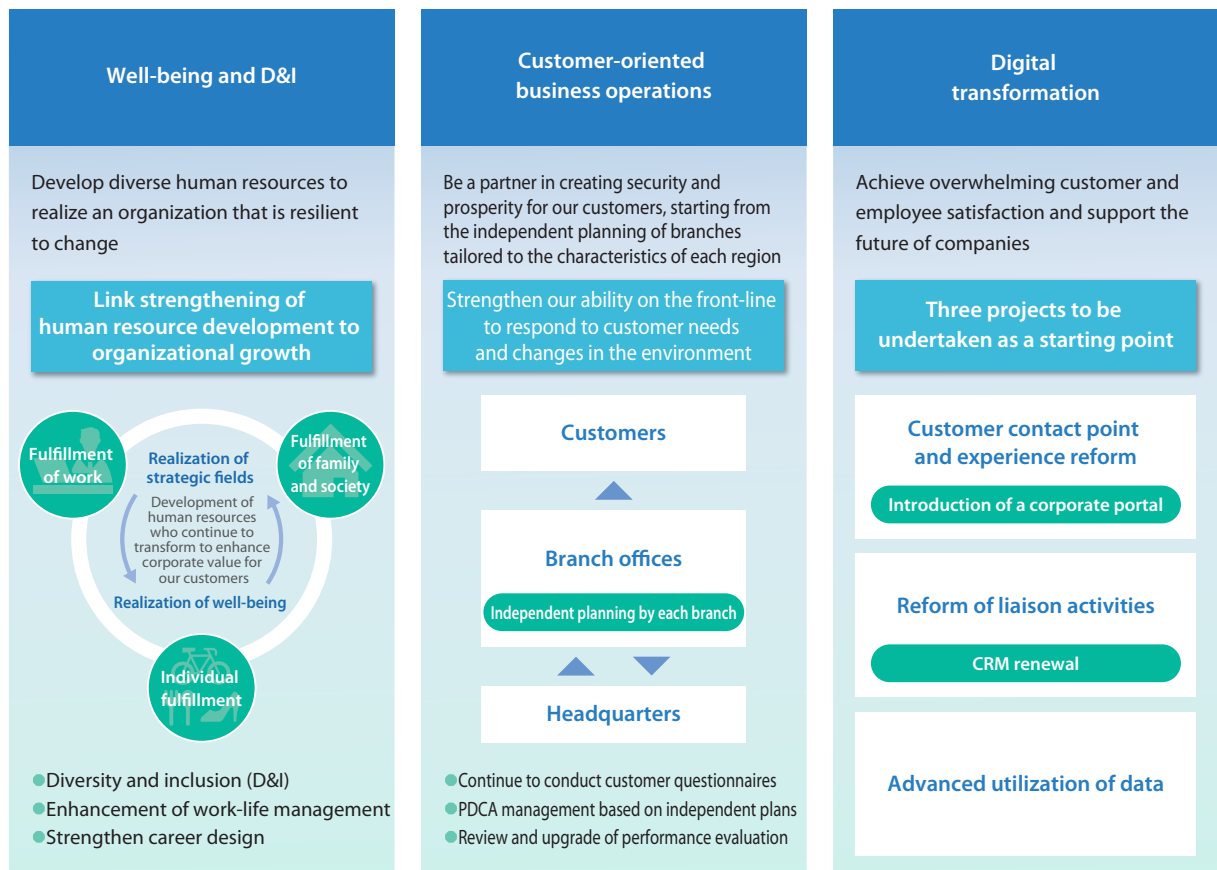
Corporate transformation is an initiative in which the Shoko Chukin Bank will foster many new challenges by continuing to change itself, in order to sustain the support it provides to its customers. Specifically, to conduct customer-oriented business operations, each branch office will continue to formulate and implement its own independent plan, based on its own customers and local conditions. In addition, we will make the necessary investments for the future from the ground up, in terms of establishing a personnel system that enables our employees to maximize their abilities from the perspective of human capital management, well-being, D&I, and DX, and make firm efforts to transform the Shoko Chukin Bank itself.

For more information on human capital management and DX, please also refer to the roundtable discussion by our officers and employees. (Please refer to pages 36 and 44 for details.)

Here we present one case study of our human capital development efforts in human capital management.

Opening of the Human Resource Development College

In April 2023, through a restructuring of our training system, we opened an in-house university, the Human Resource Development College, and I have been appointed to serve as its President. The concept is self-directed, voluntary learning by each participant. By expanding content for improving various skills, including business and human skills, and by providing employees with opportunities for self-directed learning, we will develop human resources who continue to transform to enhance corporate value for our customers. We want our employees to take on new challenges, while reforming themselves proactively and independently.



In Closing: As a Financial Institution by SMEs for SMEs

SMEs account for 99% or more of the companies in Japan by number, and approximately 70% of employment and 50% of added value, and it is said that SMEs form the basis of the Japanese economy.

Accordingly, in order to achieve our goal of realizing a society that is resilient to change, it is essential for the management of SMEs to be resilient to change, and we believe that the recent revision to the Shoko Chukin Bank Act will support this goal.

The Shoko Chukin Bank has decided to incorporate the Purpose and Mission into its Articles of Incorporation upon the revision of the Act. After all government-owned shares are disposed of, SME cooperatives, their members, and SME organizations will be responsible for our governance as shareholders. Even after this change, we will continue to work toward the realization of a society that is resilient to change, using the Purpose and Mission as a compass.

“To realize a society that is resilient to change as a financial institution that is truly of service to everyone.” The Shoko Chukin Bank will continue to change in pursuit of this unchanging mission. We will continue to support our customers with the following three promises, so that they can continue to engage in business with us with the same peace of mind, while maintaining the characteristics of the Shoko Chukin Bank after the privatization.

We thank you for your continuing support of the Shoko Chukin Bank.

July 2023

関根正裕



Three promises

- 1 **Our fundamental principle of being a financial institution for SMEs will not change.**
- 2 **We will continue to implement crisis response operations.**
- 3 **We will strive to provide complex services that go beyond traditional finance.**

Value Creation Model

Over the course of its long history, the Shoko Chukin Bank has been entrusted with valuable “capital.” We will continue to provide management resources that meet the needs of our customers from a long-term perspective as a partner of our customers, through proper governance of “capital.” Through this process, we create not only economic value but also social value and the happiness of workers, and contribute to solving important social issues such as climate change. By creating value, we will enhance our “capital” and further expand our efforts to contribute to making Japan more resilient to change.



Diversity and inclusion

Happiness of workers

Core business support

Financial support

Separation of supervision and execution

Social capital

Relationships with stakeholders cultivated through more than 85 years of effort

■ Dissemination of the Purpose

■ Resolution of material issues



We are working to disseminate our corporate philosophy: Purpose and Mission, in order to create common value with our customers.

▶▶ p.2 Message from the President

■ Value creation through business model development

Challenges taken on by employees

"We are taking on continued challenges in our respective fields to support the future of companies and improve the corporate value of customers."



▶▶ p.28 Roundtable Discussion of Employees Taking on Challenges

■ Strengthening of the management base supporting value creation

Intellectual capital

"We are working to solve both real-world and digital challenges in executing corporate transformation."



▶▶ p.36 DX Roundtable Discussion

Human capital

"We will support and develop human resources who are willing to take on challenges, thereby creating common value with our customers."



▶▶ p.44 Human Capital Roundtable Discussion

Continuous enhancement of governance ▶▶ p.52 Governance Structure

Financial capital ▶▶ p.18 Financial Highlights

Social capital ▶▶ p.20 Non-financial Highlights

History of the Shoko Chukin Bank

The Shoko Chukin Bank was established in 1936 under the Shoko Chukin Bank Act as the only policy-based financial institution jointly owned by the government and SME cooperatives, and has developed for more than 85 years since then as a specialized financial institution for SMEs.

The Act, which initially had a fixed term of existence, was recognized for its role in promoting the organization of SMEs and facilitating SME financing, and in 1985, the Act was revised to remove the fixed term of existence and make the organization permanent.

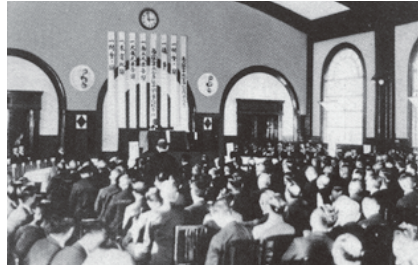
**Established as a specialized financial institution for SMEs
Supported Japan's economic growth**

**Expanded operations with
the growth of SMEs Supported
financial stability of SMEs**

1936

1936

- ▶ The Shoko Chukin Bank Act was enforced; six branch offices were established and began operations



The head office of the Industrial Bank of Japan, of which the Bank had been a tenant at the time of its founding (1936)

1951

- ▶ Started business with association members

1952

- ▶ Completed establishing branches in all prefectures of Japan

1955

- ▶ Actively supported capital investment to support Japan's rapid economic growth
- ▶ Supported structural improvement, collaboration, and cooperation in the industry
- ▶ Promptly provided financing for disaster recovery for earthquakes, windstorms, floods, etc.



1985

1985

- ▶ The Shoko Chukin Bank Act was revised, and the Bank was made permanent



1997

- ▶ Financial environment drastically changed after the collapse of the bubble economy; established the Special SME Consultation Desk that enabled the Bank to demonstrate its safety net function

2001 onwards

- ▶ Expanded revitalization support programs
 - 2001 Started handling DIP (debtor in possession) finance (DIP loans to support business revitalization)
 - 2004 Executed first DDS (debt-debt swaps)
 - 2006 Started handling DES (debt equity swaps) with redemption conditions

2006

- ▶ Established the Business Solutions Company (BSC) to meet the needs of increasingly diverse and sophisticated SMEs

Major economic and social trends

- 1945 End of the Pacific War
- 1973 First oil crisis
- 1978 Second oil crisis

- 1985 Plaza Accord
- 1989 Introduced 3% consumption tax
- 1995 The Great Hanshin-Awaji Earthquake occurred
- 1997 Hokkaido Takushoku Bank bankruptcy; consumption tax raised to 5%



In 2008, the Shoko Chukin Bank became a special company from a cooperative financial institution under the Shoko Chukin Bank Limited Act (hereinafter, the "Shoko Chukin Bank Act"), while maintaining its purpose and function of facilitating financing to SME organizations and their members.

In 2016, a misconduct was uncovered in our crisis response operations, and since 2018, we have reformed our business model and other aspects of our operations under the Shoko Chukin Bank Management Reform Plan.

In 2023, the Shoko Chukin Bank Act was revised to further clarify its positioning as a financial institution by SMEs for SMEs, and to improve the quality of its services.

Demonstrated safety net function Supported the growth of SMEs

2008

2008

- ▶ The Shoko Chukin Bank Limited Act was enforced, and the Bank transitioned to a joint stock company form.



Opening ceremony (2008)

- ▶ Started crisis response measures as a legally designated financial institution, and since then has conducted response to the economic and financial crisis after the bankruptcy of Lehman Brothers, and response to reconstruction and recovery from the Great East Japan Earthquake and to the appreciation of the yen and deflation

- 2010 ▶ Established a comprehensive support program for growth strategies

2012

- ▶ Opened Bangkok Representative Office
Expanded the overseas network to support overseas expansion of SMEs

2016

- ▶ Misconduct was uncovered in crisis response operations

2008 Bankruptcy of Lehman Brothers in the U.S.
2011 The Great East Japan Earthquake occurred
2014 Consumption tax raised to 8%

Contributed to the improvement of corporate value of SMEs

2018

2018

- ▶ Submission of the operation improvement plan related to business models, etc.
- ▶ Announced the Shoko Chukin Bank Management Reform Plan, and implemented it through fiscal 2021

2020

- ▶ Started crisis response measures related to COVID-19

2022

- ▶ Established our corporate philosophy: Purpose and Mission
- ▶ Announced the Medium-Term Business Plan (fiscal 2022 - fiscal 2024)

2023

- ▶ The Shoko Chukin Bank Limited Act revised, and a policy for the disposal of government-owned shares was decided
- ▶ Articles of Incorporation partially revised to stipulate corporate philosophy in the Articles of Incorporation

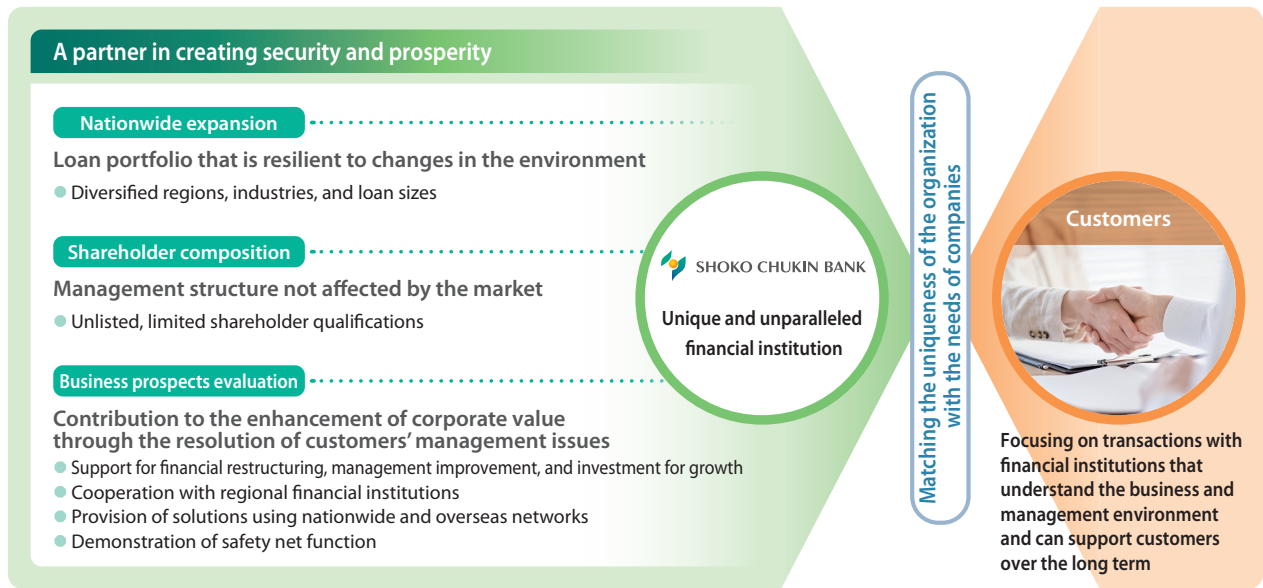
- ▶ ... Initiatives for customer support

2019 Consumption tax raised to 10%
2020 Spread of COVID-19
2022 Conflict in Ukraine

Characteristics of the Shoko Chukin Bank

For more than 85 years since it began its history as a cooperative financial institution, the Shoko Chukin Bank, as a financial institution specializing in SMEs, has striven for financial stability while demonstrating its safety net function, and has supported SMEs nationwide by utilizing its nationwide network and overseas network.

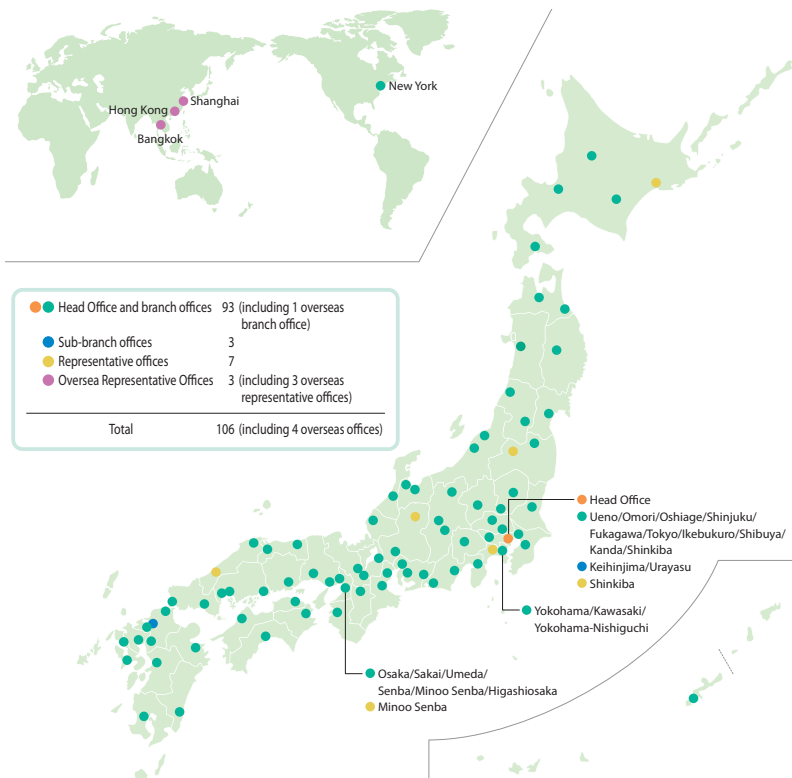
We will continue to be a unique and unparalleled financial institution that takes advantage of these characteristics to create not only economic value, but also social value and the happiness of workers from a long-term perspective, working together with our customers.



1 Nationwide expansion - domestic and international networks

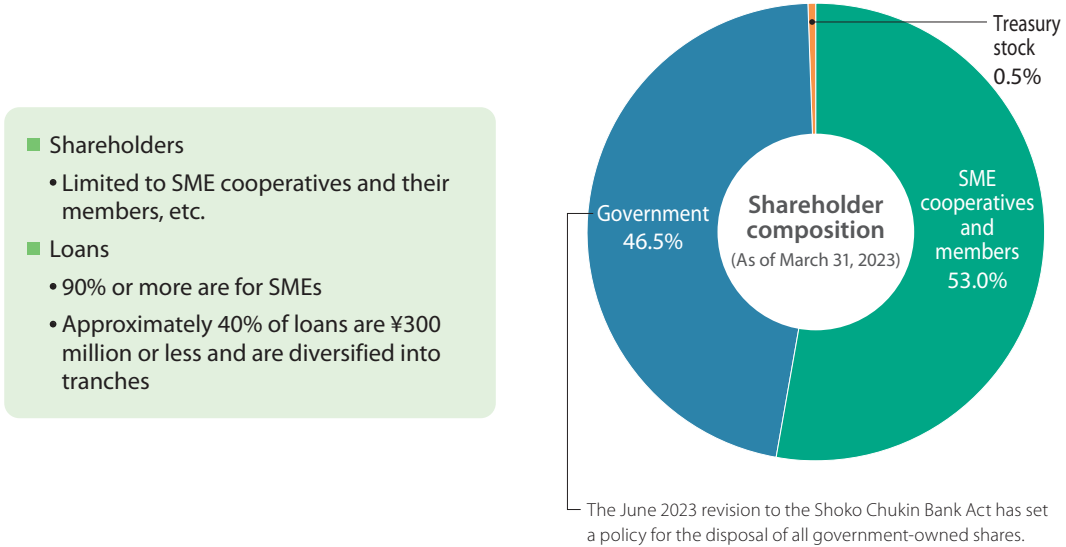
We have 102 offices in Japan, covering all prefectures. We provide funds without bias toward any particular region, and possess a loan portfolio that is resilient to changes in the environment. By taking advantage of these characteristics, we are working to provide our customers with information on potential business successors and business matching candidates in a wide area, among other efforts.

We also have overseas offices (New York, Hong Kong, Shanghai, and Bangkok) and fully support the overseas expansion of SMEs by providing necessary information in cooperation with organizations such as the Japan External Trade Organization (JETRO) and the Thailand Board of Investment (BOI), in addition to financing for overseas subsidiaries.



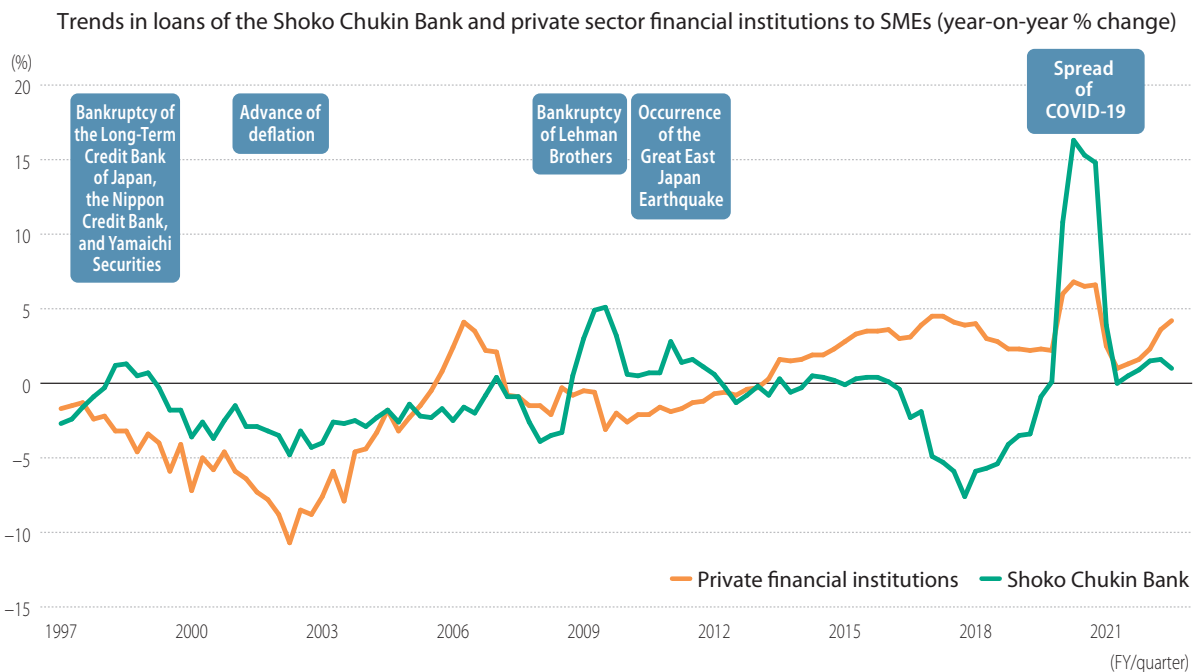
2 Shareholder composition - Specialized financial institution for SMEs since its foundation

Restrictions on shareholder qualifications limit shareholders to SME cooperatives and their members, etc. In addition, loan recipients are also limited to the organizations which are shareholders and their members, etc., in principle. The Shoko Chukin Bank is truly a financial institution by SMEs for SMEs.



3 Business prospects evaluation - Demonstration of safety net function

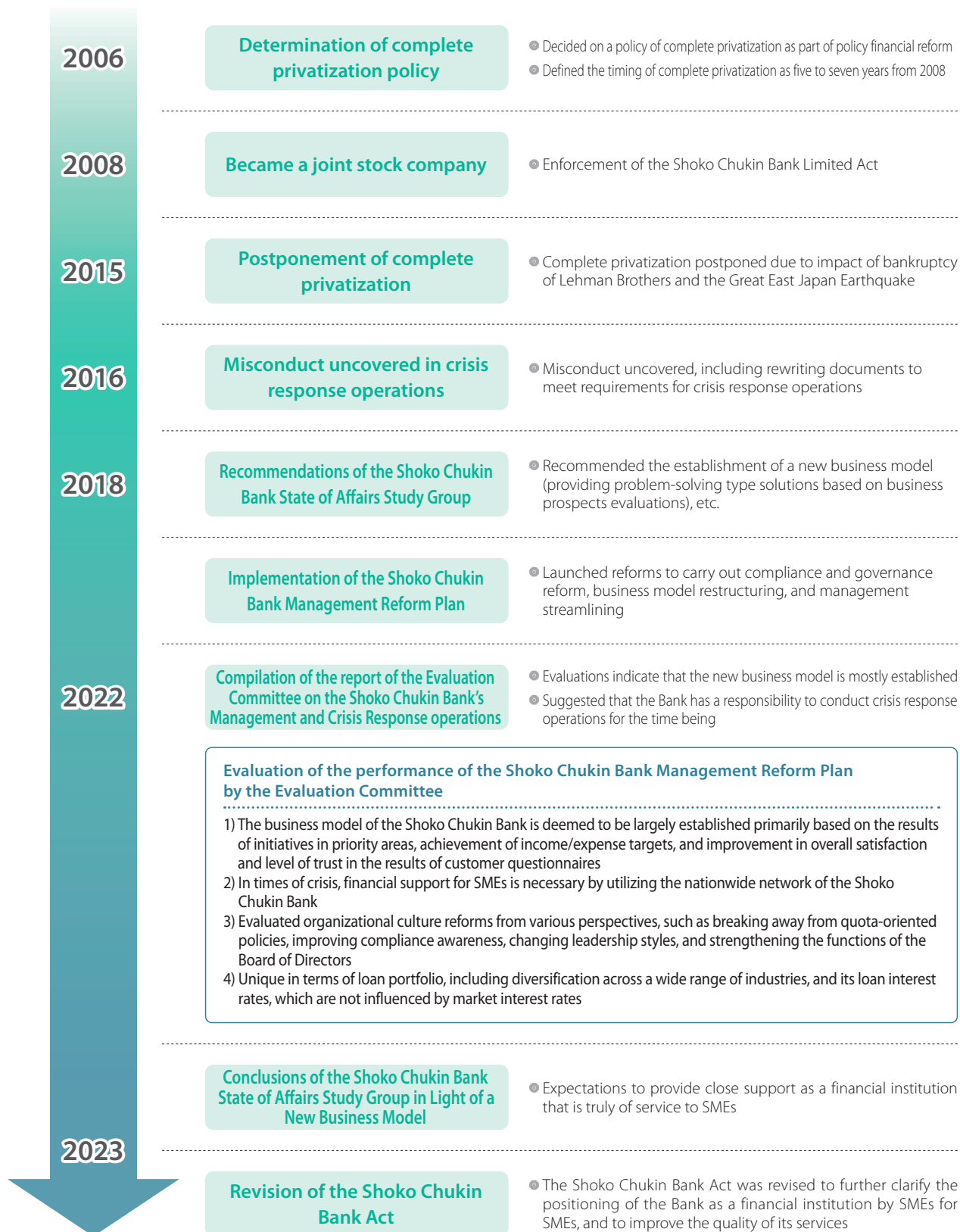
With business prospects evaluations as a starting point, we have supported our customers' cash flows with a long-term, stable financing stance in the face of changes in the economic environment. Crisis response operations have been implemented during major disasters and economic crises.



- Private financial institutions are the total of domestic banks, shinkin banks, and credit cooperatives. Figures indicate loans to SMEs for domestic banks, loans to corporations for shinkin banks, and total loans for credit cooperatives, respectively.
- Changes until 3Q of FY2022. (Referenced sources) "Loans and Bills Discounted by Sector," Bank of Japan; National Central Society of Credit Cooperatives

Background of Revisions to the Shoko Chukin Bank Act Aimed at Privatization

The background of the revision to the Act is as follows. Following this revision of the Act, government-owned shares will be disposed of going forward, and we will become a financial institution owned by only private shareholders. Through privatization, our position will be clarified as a financial institution by SMEs for SMEs. The Shoko Chukin Bank will continue to play its role as a specialized financial institution for SMEs.



Three Promises to Our Customers

We will uphold the following three promises so that our customers can continue to engage in business with us with the same peace of mind while maintaining the characteristics of the Shoko Chukin Bank after the privatization.

(1) Our fundamental principle of being a financial institution for SMEs will not change.

- In the revised Shoko Chukin Bank Act, the fundamental principle of the existing Act remains unchanged, which aims to facilitate financing for SME cooperatives and SMEs.
- The revised Act ensures that the above objectives are fulfilled by:
 - 1) Maintaining shareholder qualification restrictions (Financial institution for SME cooperatives and SMEs)
 - 2) Maintaining systems related to the financial base (special reserves) and the procurement base (financial bond issues)

(2) We will continue to implement crisis response operations.

- Provisions are established to make the implementation of crisis response operations a responsibility in order to ensure that the Bank will continue to fulfill its safety net function.

(3) We will strive to provide complex services that go beyond traditional finance.

- The expanded scope of operations will enable the Shoko Chukin Bank to provide a wider range of services, not only through the Shoko Chukin Bank itself, but also through its subsidiaries. We will work to provide core business support beyond finance, including investment operations to support business revitalization and succession, as well as DX support and support for human resource shortages.

TOPIC Amendments to the Articles of Incorporation

In order to establish our future commitment to support SME cooperatives and SMEs, partial amendments to the Articles of Incorporation were resolved at the General Meeting of Shareholders in June 2023, which stipulated our corporate philosophy and responsibilities for crisis response operations in the Articles of Incorporation.

(Objectives, etc.)

Amended parts are underlined.

Article 2 1. The objective of the Bank is to conduct the following businesses to facilitate smooth financing for SME cooperatives, other organizations that primarily consist of SMEs and their members (hereinafter, "SMEs, etc.):

- (1) Acceptance of deposits or time deposits, lending of funds to organizations eligible for loans, etc., or discounting of bills and exchange transactions
- (2) Guarantee of debts or underwriting of bills, and other business incidental to the preceding item
- (3) Underwriting, offering, handling of secondary offering, trading and other business relating to Japanese government bonds, local government bonds, government-backed bonds and other securities
- (4) Trust business
- (5) Businesses other than those listed in each of the preceding items that may be conducted under the Shoko Chukin Bank Limited Act, the Secured Bond Trust Act, or other laws
- (6) Other businesses incidental or related to each of the preceding items

2. The Bank shall define its Purpose (what the Bank aspires to achieve; hereinafter the same shall apply) and Mission (the Mission that the Bank should fulfill in order to realize the Purpose; hereinafter the same shall apply) as described in each of the following items, deepen and develop its functions and roles as a specialized financial institution for SMEs, and contribute to the future of many SMEs, etc. and local communities by solving their issues as a partner who takes on challenges together with SMEs, etc.

- (1) Purpose: Supporting the future of companies. Making Japan more resilient to change.
- (2) Mission: We will continue to think together, create together, and change together, as a partner in creating security and prosperity.

3. The Bank shall be responsible for crisis response operations to ensure the smooth provision of funds to those who need such funds in order to respond to damages resulting from events such as disruption of domestic or foreign financial order or large-scale disasters, terrorism, or infectious diseases.

Revision of the Shoko Chukin Bank Limited Act

In June 2023, a bill to revise the Shoko Chukin Bank Limited Act (hereinafter, the “Shoko Chukin Bank Act”) was enacted. The revised Act implements the disposal of all government-owned shares and revises the scope of the Shoko Chukin Bank’s operations, while maintaining various necessary measures, such as limiting shareholder qualifications, maintaining special reserves, and making crisis response operations its responsibility. The mission of the Shoko Chukin Bank (namely, the legal objective of facilitating financing for SME cooperatives and SMEs) will remain unchanged going forward.

Outline of the revision to the Shoko Chukin Bank Act

(1) Maintained position as a financial institution for SMEs [during normal operations]

- Maintained restrictions on qualifications for shareholders with voting rights and the system of special reserves (¥400.8 billion)

(2) Reviewed scope of operations, etc. for local economic revitalization from the COVID-19 pandemic [during normal operations]

- Reviewed the restrictions on the scope of operations within the scope of the objective of facilitating financing for cooperatives.
 - Eased the upper limit of investment from the Shoko Chukin Bank itself in revitalized companies from the current 10% to 100%, the same as banks.
 - Added companies with revitalization plans involving third parties to the eligible scope for investment in revitalization companies through a subsidiary specializing in investment.
 - Allowed to hold regional trading companies that support supply chain restructuring (business matching) as subsidiaries, etc.
- Also introduced regulations at the same level as those for banks (financial ADR (alternative dispute resolution) system, etc.).

(3) Strengthened cooperation and collaboration with regional financial institutions [during normal operations]

- Also specified in laws that the Bank shall cooperate with regional financial institutions in conducting business.
- Retained the provision for avoidance of oppression of the private sector (special consideration is given so as not to impede appropriate competitive relations).

(4) Measures to ensure appropriate implementation of crisis responses [during a crisis]

- Imposed responsibility for crisis response operations even after all government-owned shares are sold.
- The use of the Shoko Chukin Bank’s crisis-related guarantee is not permitted if crisis response operations and a crisis-related guarantee are in effect for the same crisis event. [Small and Medium-sized Enterprise Credit Insurance Act]

(5) Sale of government-owned shares, etc.

- Since the financial condition of the Shoko Chukin Bank has greatly improved and its creditworthiness has been enhanced, the Bank sold all of its government-owned shares which have declined in significance, and removed the government from eligibility for shareholders with voting rights.

*Shareholder eligibility: limited to SME cooperatives and their members, extended to National Federation of Small Business Associations and other SME-related organizations

- Measures to be taken in conjunction with the sale of government-owned shares (abolition of ministerial approval at the time of new share issuance and selection of Representative Directors*).

*Shift from ministerial approval and dismissal order at the time of illegal acts to notification and dismissal order

(6) Factors to be taken into consideration for future complete privatization

- Decided to implement complete privatization (abolition of the Shoko Chukin Bank Act) in consideration of the status of capital, including the status of special reserves, the status of establishment of business models, and the nature of crisis response operations, among other factors.

Source: The Small and Medium Enterprise Agency, “Summary of the Draft Act Amending the Small and Medium-sized Enterprise Credit Insurance Act and the Shoko Chukin Bank Limited Act”



Future schedule

Matters to be considered/ government involvement

Disposal of government-owned shares

- Government-owned shares ⇒ Disposal of all shares
- Authorization to issue new shares ⇒ Abolished

Verification of the status of the Shoko Chukin Bank's business after the revision of the Act

- Verification of the Shoko Chukin Bank's business status
- Approval of election and dismissal of the Representative Director, dismissal order in case of illegal acts ⇒ Notification, dismissal order

Timing of review

Within two years after promulgation

Within two years after disposal of government-owned shares
(Within four years after promulgation)

Points for consideration

1. Disposal of all shares as soon as possible
2. Disposal at a fair price in a fair manner

Verification of the status of the business of the Shoko Chukin Bank, taking into account changes in socioeconomic conditions, etc.

1. Status of governance solely by private shareholders
2. Status of establishment of business model
3. Status of cooperation and collaboration with regional financial institutions

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.

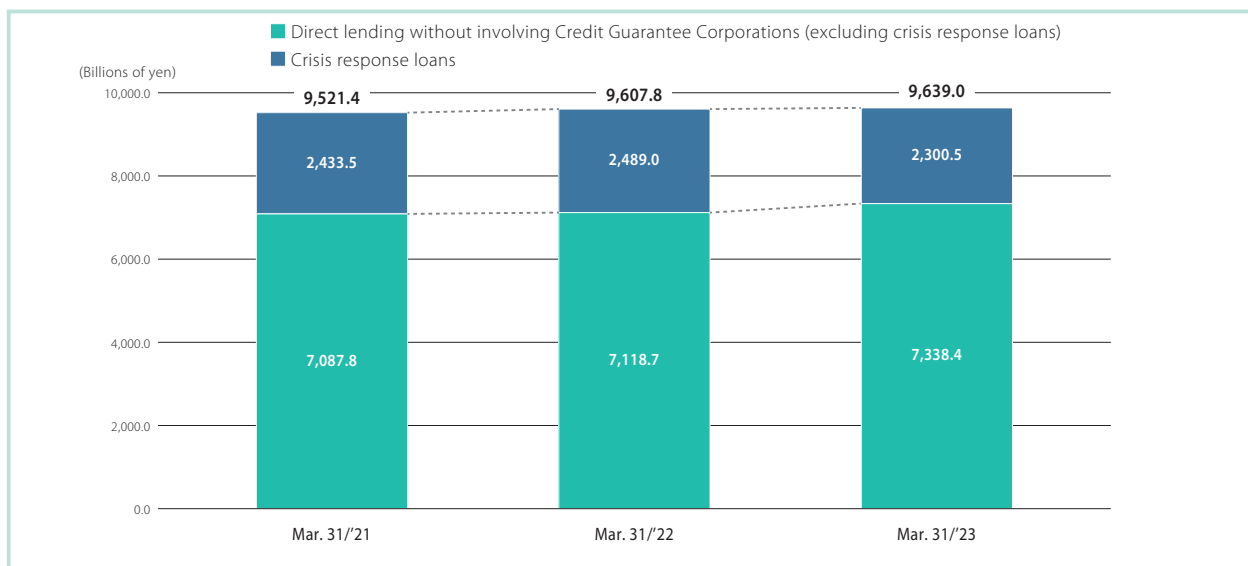
Credit-related expenses

¥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.

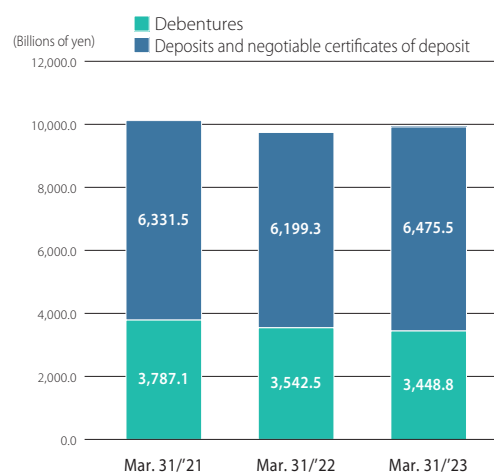
Bank's self-assessment

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%

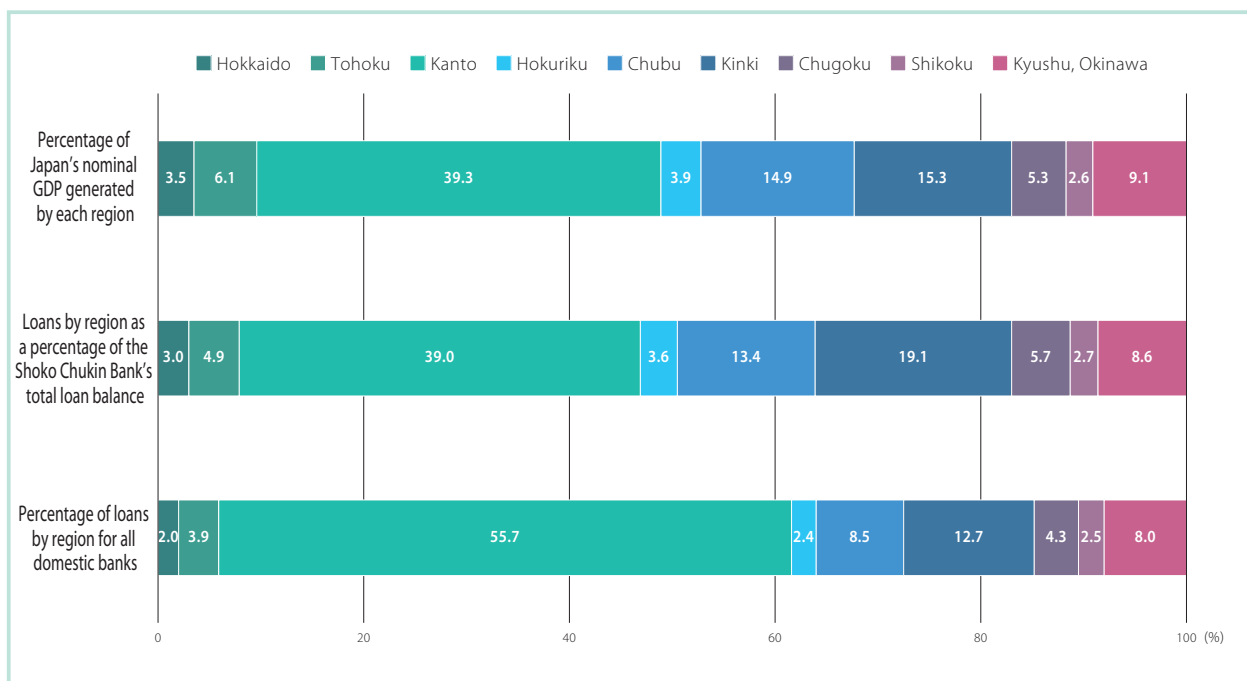
(Note) The breakdown of loan balance by borrower category under the Bank's self-assessment is disclosed according to the same disclosure standards that are applicable to loans disclosed under the Financial Reconstruction Act. Loans disclosed under the Financial Reconstruction Act include loans and assets 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



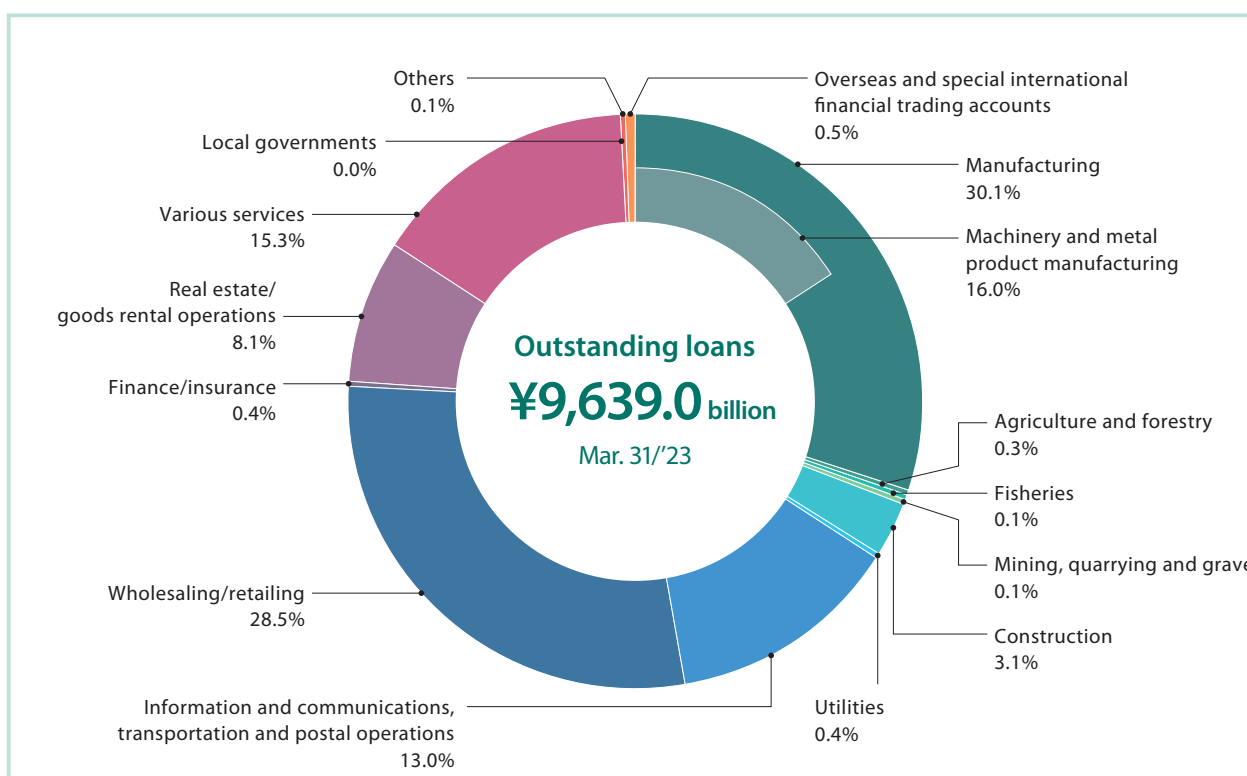
Non-financial Highlights

Comparison of Japan's nominal GDP generated by each region and the breakdown of the Shoko Chukin Bank's loan balance by region



Note: Figures for nominal GDP by region are for fiscal 2019. Figures for loans by the Shoko Chukin Bank and loans by all domestic banks are as of March 31, 2023.
Sources: Annual Report on Prefectural Economies, Cabinet Office; Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture (Domestically Licensed Banks), Bank of Japan.

Breakdown of loan balance by sector



Customers

The Shoko Chukin Bank is supported by a large number of customers throughout Japan, who are well-diversified in terms of regions and industries. We will engage in dialogue with our customers, deepen relationships of trust, and provide optimal solutions that meet their genuine needs and challenges.

Overall satisfaction*	84.6% (+0.4% year on year)
Level of trust*	94.4% (+1.0% year on year)
NPS**	(2.9) (+3.5 year on year)
Number of shareholders**	23,099
Number of loan customers**	Approx. 74,000 companies
■ Breakdown by transaction history	
30 years or longer	17%
10 - 30 years	37%
Less than 10 years	46%

(Note) NPS*: The net promoter score, measured by promoters and detractors. On an 11-point scale from 0 to 10, the percentage of promoters (9, 10) minus the percentage of detractors (0-6). NPS* is a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Human capital

In order to enhance corporate value for our customers, we will recruit and train human resources who continue to transform, while realizing the well-being of our staff and D&I, thereby enhancing our human capital.

SME consultants**	57
Number of people who passed IT Passport qualification exam**	915
Training expenses per person**	¥49 thousand
Percentage of male employees who took childcare leave**	87.6%
Percentage of women in management positions**	7.9%

Governance

We will have a board of directors to monitor operation with the separation of oversight and execution with a majority of external directors to continuously improve the level of governance and effectively utilize capital for the creation of value, while also ensuring diversity.

Ratio of external directors**	55% (5 out of 9)
Ratio of female directors**	22% (2 out of 9)

Regional financial institutions

Together with regional financial institutions, we will contribute to regional revitalization by enhancing corporate value of our customers.

Institutions with which we have concluded business cooperation agreements**	474 institutions
---	-------------------------

Environment

We will contribute to the creation of a sustainable society.

CO ₂ emission target by FY2050	Carbon neutrality (for Scope 1 and 2)
CO ₂ emission reduction target in FY2030 (compared to FY2013)	50% reduction
CO ₂ emissions in FY2021 (compared to FY2013)	9,176 t-CO ₂ e (down by 40%)

*FY2022 / **As of March 31, 2023

Overview of the Medium-Term Business Plan

Recognition of issues

In Japan, the challenge is to shift to a sustainable social and economic system based on factors such as a declining population and reduced environmental impact.

Recognizing the challenges facing society and SMEs with an eye to the year 2030, the Shoko Chukin Bank has formulated a Medium-Term Business Plan for the three-year period from fiscal 2022 to 2024, with the aim of realizing our Purpose “Supporting the future of companies. Making Japan more resilient to change.”

Recognition of issues at the time of plan formulation

Society and SMEs in 2030

Decrease in population (compared to 2020)

- Population aging rate of over 30%
- Total population decline of 5.7 million
- Decrease of 2.2 million people in their 20s and 30s

Sustainability

- Greenhouse gas reduction target 46% compared to FY2013

Need to adapt and change to new social and economic systems

- Shift to a sustainable system on the precondition of the decrease in population and reduced environmental impact
- SMEs also need to address issues such as human capital, sustainability, and business restructuring

Medium-Term Business Plan Period (FY2022 to FY2024)

Corporate philosophy

PURPOSE Supporting the future of companies. Making Japan more

MISSION We will continue to think together, create together, and change together, as a partner in creating

We will work to achieve our new corporate philosophy as our foundation.

Basic policy

- Provide comprehensive services to realize corporate management that is resilient to change
- Enhancement of the Shoko Chukin Bank’s own corporate value through realization of a sustainable business model

Main strategies

Shift in services

Providing SMEs with resources that they lack

- Information services
- Human resource services
- Advanced financial services

Establishment of differentiated fields

Strengthen responses to the management issues of SMEs at each stage of their life

- Start-up support
- Sustainable management support
- Business revitalization support

Corporate transformation

Go beyond the boundaries of a conventional financial institution and foster new challenges

- Well-being and D&I
- Customer-oriented business operations
- Digital transformation

Other strategies

Cooperation with regional financial institutions, etc.

Improve corporate value of our customers by strengthening cooperation with regional financial institutions

Group strategies

Provide services to customers promptly by leveraging group synergies

Basic policy

Under the Medium-Term Business Plan, we will provide more in-depth corporate support by reinforcing the business model developed through the Shoko Chukin Management Reform Plan.

Specifically, we will cooperate and collaborate with Shoko Chukin Group companies, regional financial institutions, and external partners to provide management resources that customers lack and strengthen our comprehensive problem-solving capabilities, thereby working with customers to achieve corporate management that is resilient to change.

Long-term vision

resilient to change.

security and prosperity.

Medium-Term Business Plan FY2024 targets

Operating profit
Approx. **¥50.0 billion**

Net income
Approx. **¥25.0 billion**

ROA
Approx. **0.2%**

ROE
High **2% range**

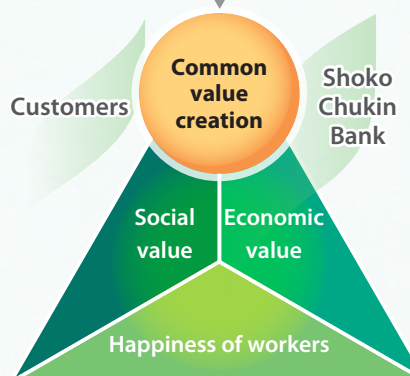
Total capital ratio
12% or more

OHR
Approx. **60%**

Stakeholders



Cooperation



Become a partner for customers
that goes beyond conventional financial services

The Shoko Chukin Bank will **take on the challenges of ever-changing social issues** and pursue management that will **enable sustainable growth together.**

We aim to create **a society and companies** in which **the people and organizations** that support the realization of these goals can demonstrate their strengths and **feel fulfilled.**

Shift in Services

While continuing to be committed to the financial and core business support that we have cultivated over the years more deeply than ever, the Shoko Chukin Bank will shift to information services, human resource services, and advanced financial services to meet the management issues and needs of our customers.

Information services

The management issues facing SMEs are becoming increasingly complex and diverse, including soaring raw material prices, labor shortages, and carbon neutrality measures. The Shoko Chukin Bank shares management issues with customers and provide diagnostic services and tools that will serve as a starting point for providing a variety of services.

Diagnostic services

ESG diagnosis

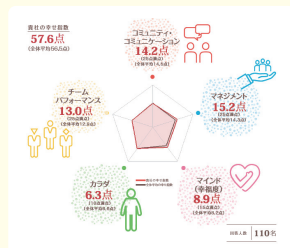
- This service evaluates the status of the customers' corporate ESG initiatives, and identifies areas that need to be strengthened.

DX and IT survey

- The DX and IT survey is a tool that provides a comprehensive understanding of the status of initiatives and issues of DX and IT.

Happiness design survey

- This service requests employees to fill out a questionnaire, to provide an easy-to-understand report on the relationship between the company and its employees under the theme of happiness.



FY2022 results

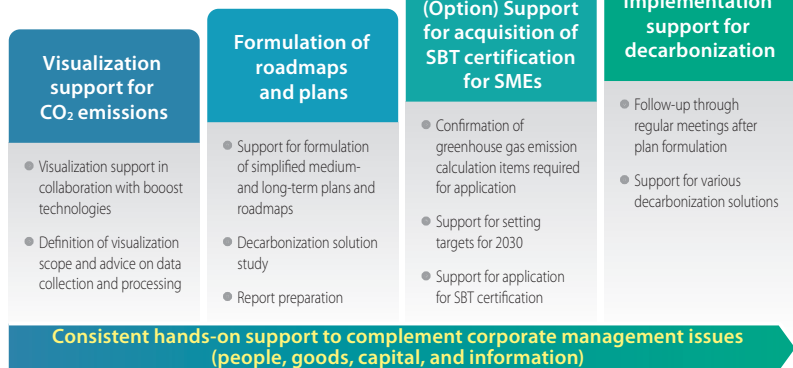
Number of diagnostic services
1,500 cases or more

*Total of ESG diagnosis, DX and IT survey, and happiness design survey

Consulting and core business support

Decarbonization management consulting services
This service provides support for the formulation of plans and other work for decarbonization, as well as hands-on support for the implementation of decarbonization measures.

Flow of decarbonization management consulting



Kahei Co., Ltd. (Osaka Prefecture)

Hands-on support through decarbonization management consulting services

Kahei Co., Ltd. is engaged primarily in the manufacture of synthetic leather for vehicles, sportswear, furniture, and other products. To further promote decarbonization management, the company planned to develop a decarbonization plan for 2030 and obtain SBT certification (international certification for reduction of greenhouse gas emissions) for SMEs.

Through its decarbonization management consulting services, the Shoko Chukin Bank supported the company in visualizing its CO₂ emissions, preparing data, and formulating a plan to achieve its reduction targets, while conducting on-site surveys and interviews with management, thereby closely supporting the company's acquisition of SBT certification.



Advanced financial services

We are strengthening our initiatives to provide advanced financial services, such as structured finance which achieves large-scale financing and appropriate risk control, and are delivering them to SMEs nationwide by leveraging our strengths, such as our nationwide branch network and cooperation with a wide range of regional financial institutions.

Structured finance

FY2022 results

Structured finance

69cases

Community Center Co., Ltd. (Tokyo)

Supporting MBO for business succession with an LBO loan

Community Center Co., Ltd. has managed approximately 30,000 apartments to date as an apartment management agency, and is aiming for further growth by taking on the challenge of new growth areas such as the cleaning business, and concierge businesses such as laundry agency.

The company's current top management plans to conduct an MBO involving the acquisition of shares from existing shareholders. The Shoko Chukin Bank supported the MBO with an LBO loan based on its judgment that the MBO would contribute to the business succession of the company and increase its corporate value going forward, after conducting a thorough business prospects evaluations through on-site visits and interviews with the management conducting the MBO.

LBO loan

The LBO loan is a financing scheme used in corporate acquisitions that focuses on the business potential and cash flow of the target company.

Investment operations

FY2022 results

Equity and
mezzanine financing

44cases

Arakawa Denko Co., Ltd. (Kochi Prefecture)

Support for restructuring with a view to future business succession



Arakawa Denko Co., Ltd. is engaged primarily in electrical construction and the construction and sale of photovoltaic power generation facilities as part of its efforts for decarbonization, and provides a wide range of services from residential to industrial use. The company planned a reorganization to secure stable shareholders and improve business efficiency with an eye to the future.

The Shoko Chukin Bank conducted an in-depth business prospects evaluation through interviews with management and other efforts to share the company's strengths and financial challenges. We also collaborated with experts to support the company in formulating a reorganization and business succession plan for the entire group. Together with the local main bank, we supported the company's capital restructuring using equity funds.

Human resource services

We are working on human resource services as a solution to the issues of securing highly specialized executive personnel who can strengthen governance, review business strategies, and reform operations, in addition to the shortage of management personnel due to the aging of the workforce.

Utilization of alliances

By strengthening our alliances with companies and other organizations that have human resource introduction functions, we are contributing to securing human resources with capabilities to solve management issues.

FY2022 results

Number of human resources
matched through collaboration with
business partners

31cases

Establishment of Differentiated Fields

The Shoko Chukin Bank focuses on management issues at each stage of a company's life in order to strengthen its efforts beyond finance. We have positioned three differentiated fields, Category S, E, and T, and are supporting our customers in both financial support and core business support, while leveraging the characteristics of the Shoko Chukin Bank.

Start-up

Start-up support

One-stop support for start-ups, taking into account their unique challenges

- ▶ Appropriate risk-taking in financing support
- ▶ Utilization of mezzanine finance and external alliances
- ▶ Sales support through business matching

Main initiatives in FY2022

- Establishment of a specialized section, Startup Support Department
- Business matching utilizing the Shoko Chukin Bank's nationwide network
- LP investment in venture capital funds

Financing for start-up companies
288 cases, ¥42.1 billion

Business matching arrangement for start-up companies
Approx. 350 cases

ESG

Sustainable management support

Promote business prospects evaluations and customer support utilizing the perspective of SPEED*

- ▶ Expand services, such as CO₂ emission reduction consulting
- ▶ Improvement of employee engagement, support for BCP formulation, etc.
- ▶ Collaboration with SME cooperatives, affiliates, etc.

Main initiatives in FY2022

- Dialogue with customers utilizing ESG diagnosis
- Expand decarbonization management consulting in addition to CO₂ emission visualization services
- Launched sustainable finance

Provision of ESG diagnostic services
Approx. 800 cases

Sustainable finance (from June 2022)
51 cases, ¥19.0 billion

Turn Around

Business revitalization support

Building a top brand in business revitalization by improving expertise and raising the level of responsiveness

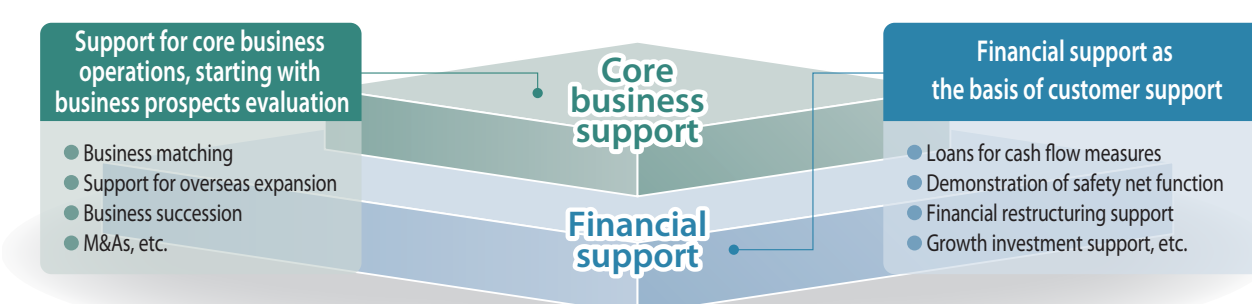
- ▶ Prevention of business crises and support for emerging from crisis situations
- ▶ High-level support by a team of specialists with diverse careers
- ▶ Strengthening support to enhance human capital

Main initiatives in FY2022

- Determined approximately 4,800 support recipients and established a database
- Considered the possibility of establishing a subsidiary specializing in investment for the purpose of setting up a revitalization fund
- Led the private liquidation process using business revitalization guidelines

Percentage of increase in rank of support recipients
8.9%

Allowance reversals for support recipients
¥2.2 billion



▶▶ Please also refer to "Enabler Business" on page 30.

Collaboration with group companies

- THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD. (information and consulting services)
- SHOKO CHUKIN LEASE CO., LTD. (leasing and installment services)
- SHOKO CHUKIN CARD CO., LTD. (credit card services)

Start-up

Cykinso, Inc. (Tokyo)

Concluded loan agreement with stock acquisition rights totaling ¥300 million

Cykinso, Inc. is a start-up company in the field of health tech that conducts joint research with Osaka University. The company's flagship service, Mykinso, is a gut flora testing service that can be easily performed at home and has been introduced at more than 900 medical institutions.

The Shoko Chukin Bank conducted an in-depth business prospects evaluation through interviews with management and clients that have introduced the service, among other interviewees, and shared the company's strengths and financial challenges. The Shoko Chukin Bank concluded this loan agreement based on the judgment that the company's efforts will contribute to the establishment of a foundation mainly for the prevention and treatment of diseases caused by bacterial flora by making it possible for anyone to learn about the intestinal microflora easily and accurately.

[Thoughts from members of the Shoko Chukin Bank] Kazuhiro Mori, Osaka Office



I felt the strong aspiration of the company as a whole, led by the President, to solve social issues with intestinal microflora. The business has great social significance, and we responded with a custom-made type scheme to accommodate its business growth.



» For details of the case study, please click here to watch the video.

<https://www.youtube.com/watch?v=r2Fap13v2il>



ESG

Sanshin Metal Working Co., Ltd.
(Osaka Prefecture)

Positive impact financing loan of ¥100 million as funds necessary for installing machinery, etc. to increase production

Sanshin Metal Working Co., Ltd. is a manufacturer specializing in industrial racks. With its own factories in Osaka and Fukushima Prefectures, the company handles everything from single shelves to distribution equipment in warehouses, thereby contributing to the realization of space control to maximize the effective use of space.

The Shoko Chukin Bank conducted a business prospects evaluation through on-site visits and dialogue with management, and carried out an impact assessment. After obtaining a third-party opinion report, the Shoko Chukin Bank provided the funds necessary to improve the company's corporate value through positive impact financing, and provides hands-on support for the company's efforts to achieve its goals.

[Thoughts from members of the Shoko Chukin Bank] Sena Kubota, Sakai Office



The company has a strong interest in sustainable management and is committed to reducing greenhouse gas emissions and waste. To support its sustainable growth, we proposed positive impact financing, a hands-on support type of financing.



» For details of the case study, please click here to watch the video.

<https://www.youtube.com/watch?v=rd-fDcXyoKA>



Turn Around

Kurokawa Onsen Ryokan Association
(Kumamoto Prefecture)

Held a study sessions on management strategies linking finance and business with the next generation of ryokan managers

Kurokawa Onsen Village is a hot spring resort town of 30 ryokan lodges surrounded by lush green mountains. The nature changes beautifully with each season, and there is an abundance of hot spring water. The all 30 ryokan lodges and the landscape of the rural woodlands are considered as a single ryokan known as "Kurokawa Onsen Ichiryokan," and the area has also received high praise from overseas.

We shared the recognition with the association that their major challenges will be to cope with changes in the business environment due to factors such as the COVID-19 pandemic, as well as the issue of business succession due to the aging of the population. The Shoko Chukin Bank supported the association in strengthening its management base by holding a study session on budget management and marketing for the association's young mid-career managers.

[Thoughts from members of the Shoko Chukin Bank] Yuta Ito, Kumamoto Office (at the time of the interview)



After talking with the representative director for about three hours during our first meeting, I was impressed by his enthusiasm and serious attitude. I organized a seminar for managers with a single-minded aspiration to be helpful somehow.



» For details of the case study, please click here to watch the video.

<https://www.youtube.com/watch?v=vROV7NVerZU>



Roundtable Discussion of Employees Taking on Challenges

We asked young staff members who continue to take on challenges to improve the corporate value of our customers, especially in the three differentiated fields of start-up support, sustainable management support, and business revitalization support, about their thoughts and feelings as they engage in their work.



▲ Thoughts of employees supporting SMEs
https://www.youtube.com/watch?v=f_-MIaegpig

Q1 | Please tell us about the current situation of SMEs and the support policy of the Shoko Chukin Bank.

Shimato: Although the start-up field is attracting a lot of attention, at the same time, the environment for raising funds through equity has recently become more difficult. The need to raise funds



Wataru Shimato
Startup Support Department,
Business Solution Division

through borrowings is increasing, and financial institutions are playing an increasingly important role. The Shoko Chukin Bank has been strengthening its support for start-ups for about five years now, and the number of customer companies has now grown to several hundred. We also provide core business support, such as business matching that connects start-

ups with SMEs nationwide, utilizing our financial expertise and nationwide network that we have cultivated over the years to provide fully integrated support.

Niikura: The decarbonization initiatives underway around the world are also affecting the customers of the Shoko Chukin Bank. In addition, companies are being called on to address issues such as the happiness of employees as well as the environment as their visions. The Shoko Chukin Bank is committed to providing hands-on support for the sustainable management of SMEs by enhancing their value beyond economic terms so that the Shoko Chukin Bank itself can also grow together with them.

Mizushima: The number of companies with a large amount of debt has increased due in part to the COVID-19 pandemic. In addition, due to various environmental changes such as high resource prices, some companies are having trouble improving their profits. Our challenge as a financial institution is to determine what we can do to support these companies that have been unable to secure sufficient cash flow to continue their operations. To this end, it is necessary to improve our expertise in this area. The Shoko Chukin Bank has long been involved in pioneering financial methods such as DDS and has a proven track record in this area, and the need for such services is once again increasing. The Shoko Chukin Bank is committed to providing unique support by conducting business prospects evaluations and providing hands-on support to customers as they continue their management efforts.



Q2 | What kind of efforts are you making in the area of you are responsible for?

Shimato: We provide custom-made financing for start-ups. In terms of screening, we place importance on future growth potential as well as track record, and our branch offices and headquarters are working to accumulate know-how in this area. In addition, branch offices and the headquarters cooperate with each other to support the expansion of customers' sales channels in terms of business matching and other core business support.

Niikura: In the area of sustainable management support, we offer ESG diagnosis, which diagnoses the status of ESG initiatives of our customers, and the happiness design survey, which visualizes a company's happiness index by gathering employees' opinions. We support our customers resolve issues by sharing their challenges and strengths, with an emphasis on dialogue. We also focus on positive impact finance (PIF), a financing program that provides hands-on support to companies in sharing their goals in terms of their impact on the environment, society, and the economy. We have begun collaborating with regional financial institutions in this area in order to further expand our efforts.



Nana Niikura
Corporate Planning Division
Sustainability Department

Mizushima: In the area of business revitalization, we are engaged in initiatives that combine core business support and financial support. In terms of core business support, we are strengthening support for customers in the food and beverage, lodging, and healthcare industries, which have been severely affected by the COVID-19 pandemic. Employees with specialized skills are holding study sessions to examine methods to improve profits, and making proposals to improve the income structure based on managerial accounting. In the area of financial support, we are working on business restructuring that involves fundamental balance sheet reform. We are also working on fundamental revitalizing projects by utilizing the know-how we have accumulated over the years and through our nationwide network.

Q3 | What are your thoughts on your work going forward?

Shimato: The amount of funding for start-ups in Japan is still low compared to the U.S. In order to increase this amount, we have started collaborating with venture capitals, while also implementing initiatives using stock acquisition rights. My goal is to contribute to the start-ups that will lead the future of Japan through these efforts. I am pleased to see our customers grow through our support in solving their issues.

Niikura: I want us to become an advanced financial institution in the field of sustainability. The lack of information in this field is a challenge for SMEs, and I believe that financial institutions can serve as a bridge in this area. Many companies that engage in sustainable management are the core of their local communities, and I would like to spread the concept of sustainable management in each region by supporting them. I also believe that the Japanese economy will grow if we can contribute to the global green transformation by leveraging the technologies that SMEs possess.

Mizushima: Going forward, I believe that more and more companies will face the challenge of repaying loans increased by the COVID-19 pandemic. In particular, for companies that are going through business succession, their successors may become anxious about repaying large amounts of loans, which may hinder the continuation of their businesses. However, I believe that this can be overcome if both companies and financial institutions collaborate and take measures as early as possible. We will engage in business revitalization support to preserve valuable businesses and contribute to regional revitalization, while making the most of our resources through core business support and financial support.



Hiroyuki Mizushima
Corporate Support Division
Consulting Department



Enabler Business

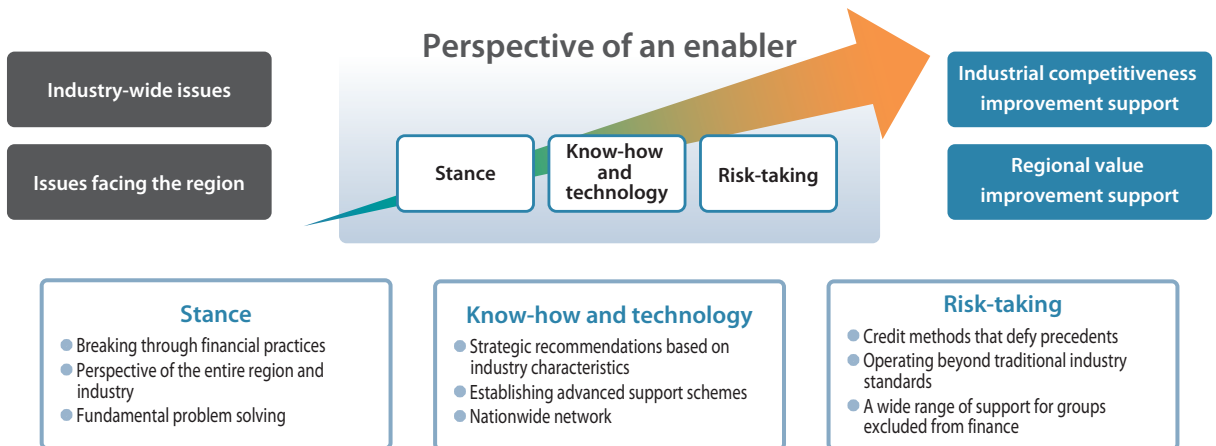
The Shoko Chukin Bank has named Financial-Frontier, which realizes the revitalization of local economies and core local industries, the enabler business*, and fully launched the business in the fall of 2019.

*The word enabler is derived from the word enable, and refers to a companion who makes the impossible possible.

Enabler business development



Basic concept of the enabler business



Case studies of support for the automotive industry

Held a study sessions for top management in cooperation with a cooperative association to achieve carbon neutrality

In Ota-shi, Gunma Prefecture, where many of SUBARU CORPORATION's suppliers are located, we conducted a joint questionnaire survey with Ota Machinery and Metalworking Industry Cooperative Association among their member suppliers on EVs and initiatives for carbon neutrality.

A study session for top management was held with about 90 participants to provide feedback on the results of the questionnaire survey and explain the background and necessity of carbon neutrality.



▶▶ For details of the case studies, please click here to watch the video.

<https://www.youtube.com/watch?v=I3zinUfRmGA>



“Manufacturing-School” for automotive parts suppliers to prepare for the shift to EVs

For automotive parts suppliers, who are in the midst of a major shift in industrial structure, including the transition to next-generation vehicles, we held a seminar with approximately 300 participants with the aim of providing them with a proper understanding of the environment surrounding the industry and an opportunity to think together about productivity improvement.

Going forward, the Shoko Chukin Bank will continue to promote these initiatives and provide solutions tailored to the issues of our customers.



Case studies of support for the logistics industry

Held a seminar focusing on the 2024 logistics issue

The 2024 logistics issue refers to the decline in transportation capacity and the accompanying decrease in income that will occur due to the cap on overtime work for truck drivers.

The Shoko Chukin Bank held a seminar for logistics companies addressing the 2024 issue to support their efforts in maximizing logistics efficiency, achieving safe and secure logistics, and realizing a sustainable society.

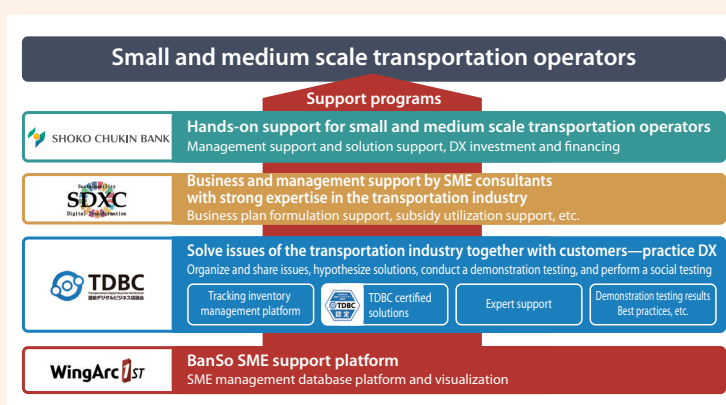


Collaboration with related organizations to realize a sustainable logistics industry Supporting customers addressing the 2024 logistics issue

Collaboration with Transportation Digital Business Conference (TDBC), Sustainability and DX Promotion Council (SDXC), and WingArc1st Inc.

The purpose of this collaboration is to support the management issues faced by small and medium scale transportation operators, such as work style reform and productivity improvement, by promoting digital transformation (DX).

We will contribute to the realization of a sustainable logistics industry by establishing a one-stop support system for problem solving, including business plan formulation, plan implementation support, improvement tool proposals, and subsidy utilization support, and by supporting the development of a comfortable work environment and the introduction of IT that increases labor productivity.



The Shoko Chukin Bank's Corporate Transformation

1 Well-being and D&I

Develop diverse human resources to realize an organization that is resilient to change

From July to September 2022, My Purpose Workshops were held, where employees nationwide worked on formulating My Purpose and also formulated Team Missions to achieve the Purpose at all branch offices and the headquarters. Employees with disabilities and those required support for the workshop also participated, using transcription applications and written communication. We will aim to achieve the Purpose by having each employee link their own My Purpose to their daily activities.

Overview of My Purpose Workshop

- STEP 1** Facilitators were openly recruited. 85 people of different ages and job categories applied voluntarily.
- STEP 2** The workshops for facilitators were conducted through a combination of face-to-face workshops and online workshops, with the facilitators themselves first formulating their own My Purpose. The President also participated in the workshop and developed his own My Purpose together with employees.
- STEP 3** The workshops were held for all employees. 4,091 employees participated from mid-July to mid-September. Groups were formed among several members at each site, and the workshops were conducted by connecting sites online.



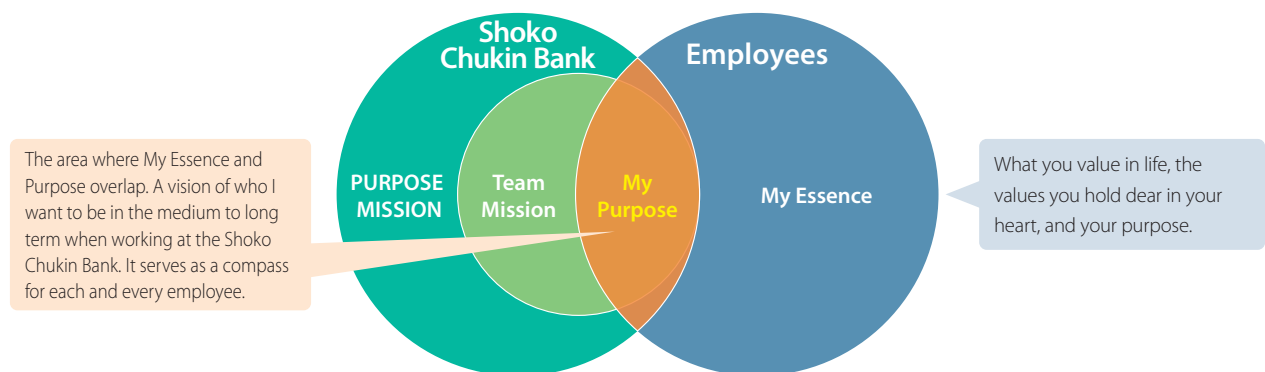
Effects Not only did the workshops help to make the Purpose a personal concern, but it also contributed to revitalizing internal communication and improving the organizational climate through discussions with employees who do not have daily contact with each other.

▶▶ Please click here to view a video of the Purpose initiative.

<https://www.youtube.com/watch?v=e6M6lIBxYtQ>



Establishing My Purpose and Team Mission as a company-wide initiative



TOPIC Candid dialogue session between the President and Section Chiefs

In March 2023, we held a candid dialogue session between the President and Section Chiefs with the aim of having the Section Chiefs, who are in key positions in the field, understand the direction of management, and also to have their opinions directly conveyed to top management.



▶▶ For more information on human capital management to achieve the Purpose and Mission, please refer to page 46.

TOPIC BUSINESS CONTEST 2022

Activities underway to create new businesses embodying the Purpose of the Shoko Chukin Bank.

In July 2022, the contest was kicked off with the concept of creating new businesses that embody the Purpose (aiming to become mainstay businesses in five years).

A diverse group of approximately 100 employees and 45 teams entered the competition, with 31 employees and nine teams passing the first round of judging. The results were presented at the final judging in March 2023. During this period, the ideas were refined through individual consultations through business chat tools and regular online mentoring with each team, with the cooperation of new business expert Filament, Inc. All participants worked toward the contest with a high level of enthusiasm.

The employees of the four teams that made it through to the final judging were assigned concurrently to the Future Design Department of the Corporate Planning Division, where they conduct feasibility studies on their business ideas and aim to create new businesses that embody the Purpose.

INTERVIEW

I decided to participate in the Business Contest to place myself in an environment where I could engage in friendly competition with highly motivated colleagues, out of curiosity to explore my own potential.

I found the experience exhilarating, as many of the participants openly voiced their own thoughts and had a proactive attitude. I feel that the process itself, in which we took time away from our usual work to engage in discussions daily in order to create a new business, was of the greatest value to me. I am happy to be able to continue working together with the highly motivated members I got to know through the Business Contest to achieve the Purpose.

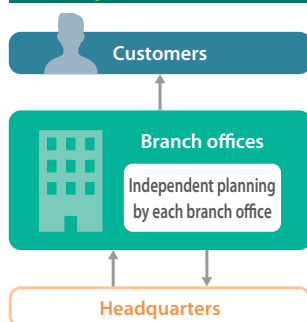
Kohei Hashimoto, Business Solution Division



2 Customer-oriented business operations

Be a partner in creating security and prosperity for our customers

Strengthen our ability on the front-line to respond to customer needs and changes in the environment



Sales activities that focus on true customer needs

- Provide optimal solutions that meet true customer needs and challenges by starting with business prospects evaluation activities that deepen relationships of trust, understand the content of the business, and identify future growth potential, through dialogue with customers

Formulation of independent plans

- Numerical allocations from the headquarters to branch offices were abolished from fiscal 2018 due to the implementation of the Shoko Chukin Bank Management Reform Plan. Each branch office formulates its independent plan according to regional characteristics and actual conditions

Supporting branch offices

- The headquarters will develop a system to provide detailed consultation to branch offices, thereby providing support for improving business prospects evaluation capabilities to accurately grasp customer needs, and knowledge and skills required to provide advanced solutions.

Evaluation from customers

	FY2018	FY2019	FY2020	FY2021	FY2022*
Overall satisfaction	79.2%	80.8%	83.1%	84.2%	84.6%
Level of trust	89.1%	90.9%	93.5%	93.4%	94.4%
NPS*	(21.7)	(16.4)	(7.7)	(6.4)	(2.9)

*For fiscal 2022, we reduced the number of questions to customers and conducted a questionnaire survey with 15,000 customers.

(Note) Overall satisfaction is the percentage of respondents who answered "5: Satisfied" or "4: Somewhat satisfied" on a 5-point scale (%).

(Note) Level of trust is the percentage of respondents who answered "5: Trust" or "4: Somewhat trust" on a 5-point scale (%).

(Note) NPS*: The net promoter score, measured by promoters and detractors. On an 11-point scale from 0 to 10, the percentage of promoters (9, 10) minus the percentage of detractors (0-6). NPS* is a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Customer feedback

- The Bank has been stable in its support of our business, regardless of market and economic conditions.
- I appreciate that the Bank has a good understanding of our business and provides us with appropriate financing for our business needs.

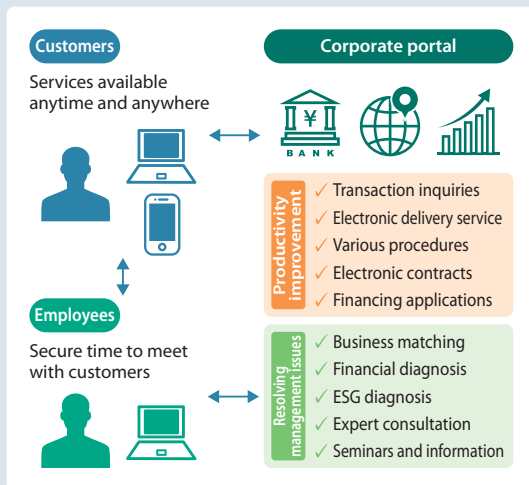
3 DX (digital transformation)

Improving the customer experience value with a focus on the corporate portal

In order to remain as an indispensable partner for the growth of SMEs, the Shoko Chukin Bank is working on three projects: 1) customer contact point and experience reform, 2) reform of liaison activities, and 3) advanced utilization of data. Through these projects, we will achieve improved customer experience value by enabling customers to receive services anytime, anywhere, and promptly.

1) Customer contact point and experience reform

We will introduce the corporate portal, a new online customer contact point, to connect customers and the Shoko Chukin Bank through a single platform to promote non-face-to-face transactions such as receipt of documents. For many customers, this will eliminate location and time constraints, and for the Shoko Chukin Bank, it will enable further sophistication of sales and marketing, among other aspects. We will provide efficient and effective services that will contribute to corporate value improvement.



2) Reform of liaison activities

We will strengthen relationships with customers by introducing a sales force automation system (SFA) and a customer relationship management system (CRM), and shift to sales utilizing organizational strength and streamlined sales. We will improve the quality and quantity of our liaison activities by responding quickly and flexibly to changes in the environment and by sharing the power of the organization.

- Transform from a finance-centered sales approach to a market-oriented sales approach that is centered on diversifying customer needs
- Obtain a highly agile engine that supports rapid and flexible response to drastic environmental changes
- Share information and data to address customers' business challenges in an organization-wide effort

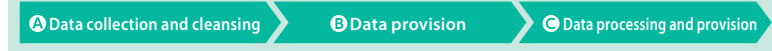


3) Advanced utilization of data

The various data and information accumulated to date are valuable management resources of the Shoko Chukin Bank. We will also utilize information obtained through 1) customer contact point and experience reform and 2) reform of liaison activities, and primarily provide value through our Head Office and branch offices as a whole through the organizational knowledge of data. As shown in the roadmap below, we will develop the three elements (system, human resources, and organizations and mechanisms) to realize data-driven management and business value creation, with the aim of achieving advanced utilization of data.

Initial response: Steadily develop necessary infrastructure/skills and know-how through PoC, etc.

Initial steps toward data utilization



- A Clearly distinguishing data that should be stored and spreading the importance of data
- B Providing useful data and information for branch offices, communication with top management
- C Sophistication of visualized data, trial introduction of BI tools, trial introduction of geographic information system

VALUE

Enhancement of income/expense management

Achievement of calculations further in line with actual conditions

Creation of business value



Systems to support customer experience value

As one of the measures to support these DX strategies from the infrastructure side, the Shoko Chukin Bank is currently promoting an account system restructuring project to migrate the current account system to an open account package.

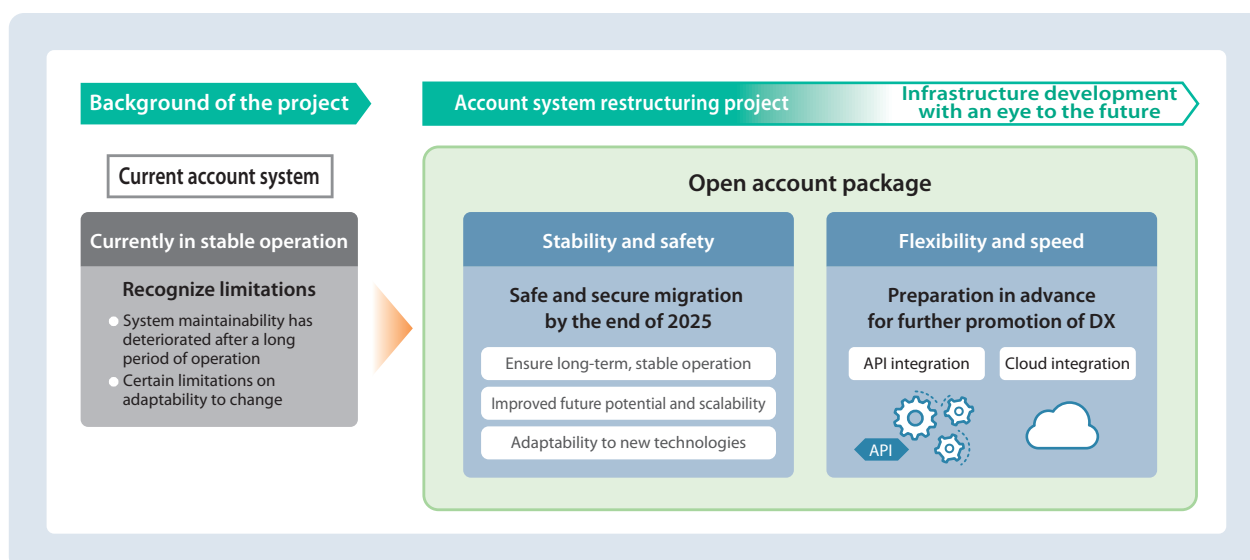
This project is an effort to ensure long-term and stable operation of the core system as a financial institution that is part of the social infrastructure, and is being developed in close cooperation with each of our IT partners, with the goal of having the new system running by the end of 2025.

Purpose of introducing the new system

- The new system will be introduced in order to continue to be a financial institution that customers can do business with peace of mind.
- We will migrate from the current account system, which has been in operation for a long time, to an open account package with excellent flexibility and scalability, which is also used by other banks, in order to achieve long-term and stable operation of the system.

Effects of introduction

- In responding to changes in the environment surrounding financial institutions, we anticipate effects such as continued operational efficiency and labor savings to maintain the nationwide network that is a characteristic of the Shoko Chukin Bank, rapid introduction of new products and services, and construction of a system infrastructure with a view to further promote DX.



DX Roundtable Discussion — Seamless, Digital Solutions to Issues Centered on the Needs of Customers

The Shoko Chukin Bank is committed to providing prompt services to customers by incorporating new technologies through the promotion of digital transformation (DX). Here, Director & Senior Managing Executive Officer Katsuhiko Kaji exchanged opinions with the employees of the Shoko Chukin Bank involved in DX promotion, focusing on 1) restructuring of the account system, 2) DX centered on the corporate portal, and 3) data utilization initiatives.



1. Restructuring of the account system

Kaji: In the rapidly changing environment of the banking and IT industries, systems and DX in particular are indispensable for sustainable corporate value improvement. Mr. Masuda, please introduce our efforts to date and the project we are currently undertaking to restructure our account system, which is the foundation of our banking operations.

Masuda: The Shoko Chukin Bank has achieved various system development projects to date. For example, we have been promoting business reforms by computerizing our collections administration, introducing electronic contracts, and establishing a system that enables remote work. We are continuing to implement a number of business reform projects, including the use of RPA.

Among these projects, the restructuring of the account system is a large-scale project to restructure the core system that handles deposits, loans, and other operations. This project will not only ensure long-term and stable system operation, but also enable speedy integration with other systems, which is expected to have a synergistic effect in DX promotion.

Kaji: Speed and integration are two keywords that are important elements of DX. By successfully restructuring the account system on this occasion, we would like to increase the speed more than ever and also deepen integration.

2. DX centered on the corporate portal

Kaji: In April 2021, we established the Digital Transformation Promotion Division in order to improve our customers' productivity and strengthen the Shoko Chukin Bank's own DX. Currently, as our main project, we are implementing the corporate portal and CRM (customer relationship management)/SFA (sales force automation) systems. Mr. Kono, please introduce the background and effects of this project.

Kono: The corporate portal is for customers, and CRM/SFA is for the employees of the Shoko Chukin Bank. The corporate portal provides online access to various procedures and services provided by the Shoko Chukin Bank, and is expected to improve convenience for



Katsuhiko Kaji
Director & Senior Managing
Executive Officer





Yoshihiro Kono
Digital Transformation
Promotion Division

our customers. CRM/SFA is a system for conducting sales activities more efficiently. CRM/SFA will also be integrated with the corporate portal to enable optimal proposals. Through these initiatives, we hope to increase the amount of dialogue with our customers, and provide prompt responses to solve their diversifying management issues via both real-world and digital methods through the use of data.

Kaji: Measures for IT and digitalization of SMEs is a challenge for both customers and the Shoko Chukin Bank, but it is also a business opportunity, isn't it?

Kono: Yes, I agree. We have developed the DX and IT survey as a tool to respond to customers who commented that they don't know where to start, and we use this survey as a tool for dialogue with customers and for sharing issues with them. Another thing we are considering is entering the platform business to support SMEs in their adoption of IT and sophisticating management. Through this platform, we aim to provide IT services that companies can use in their daily operations and support the formulation of management strategies.

3. Data utilization initiatives

Kaji: Data-driven management based on scientific analysis of data is the very heart of DX. How is the development of data utilization projects going?

Kawahito: We have several PoC (proof of concept) projects in progress. We are implementing small projects in intervals of several



Haruna Takano
Digital Transformation
Promotion Division



Tetsuro Masuda
Systems Planning Division

Megumi Kawahito
Digital Transformation
Promotion Division

months, and we are moving forward while listening to feedback from the field, transcending departmental boundaries.

Takano: I was seconded from SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD., a Shoko Chukin Group company. We are engaged in a group-wide effort to promote DX. For PoC projects, we are starting with the visualization of accumulated data. We have data accumulated like a treasure trove, and our mission is to utilize it to analyze the past and predict the future.

4. Future goals

Kaji: Lastly, could you give us your thoughts on the DX efforts of the Shoko Chukin Bank?

Masuda: The account system I am in charge of plays a role in social infrastructure, and I find it very rewarding to work on it. In order to be a financial institution of choice of our customers, I want to establish a solid system that will serve as its foundation.

Kono: Using the corporate portal, I would like to increase the amount of time available for each and every employee to think of better solutions for our customers. I would also like to focus on the continuous development of these systems by integrating them with the account system and improving their convenience.

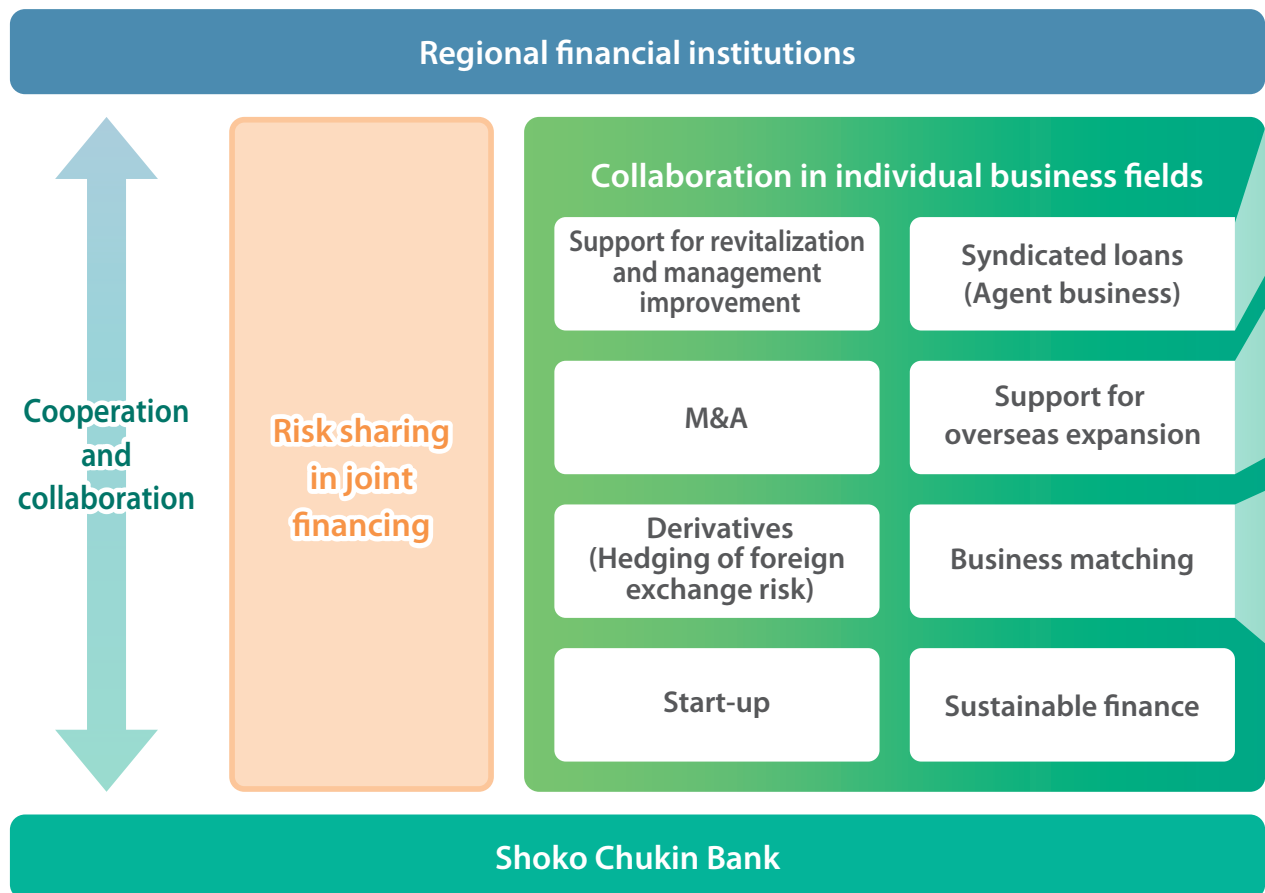
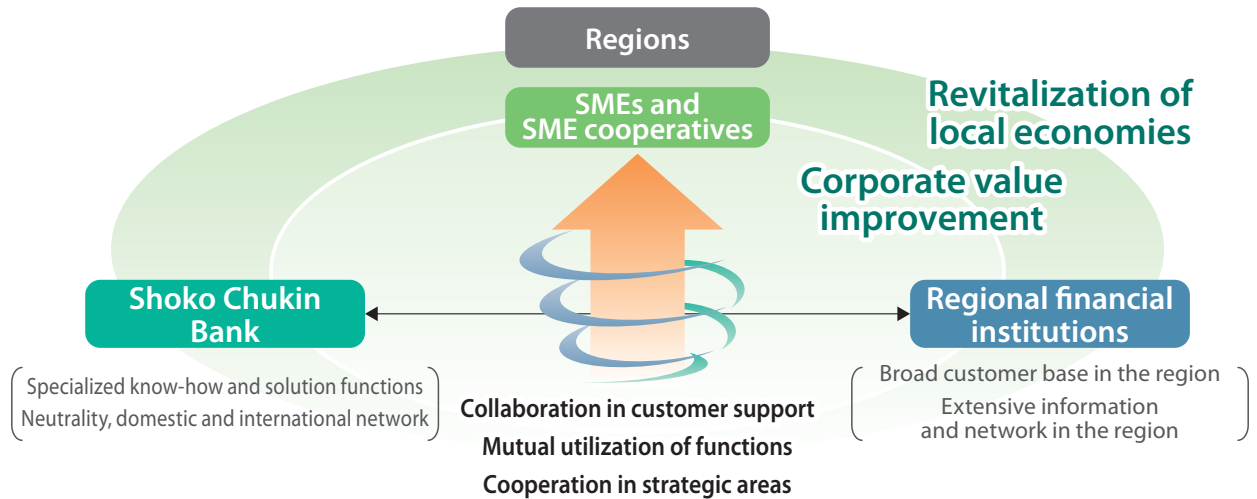
Kawahito: I would like to expand our data management system and increase the utilization of data. I have set leading our customers to solutions to their management issues as my goal.

Takano: I would like to analyze the industry through more sophisticated use of data, and link this to understanding the needs of our customers. I would also like to pursue the effects of improving operational efficiency.

Kaji: The Board of Directors is also increasingly discussing DX. The use of AI and big data is precisely the topics we are currently discussing, and we recognize cybersecurity as a top priority issue. To realize the Purpose, it is very important to use information effectively on an organization-wide basis, and top management is determined to make the necessary investments in the DX field. Let's work together as a unified group to achieve corporate transformation based on DX.

Cooperation with Regional Financial Institutions

We will further strengthen cooperation with regional financial institutions and contribute to the revitalization of local economies by improving corporate value of our customers. In order to promote collaboration in a variety of areas, we will enhance our relationships of trust with regional financial institutions and strengthen our ability to respond to a wide range of needs, including advanced financial services and core business support services, to the customer bases of both parties by combining the wealth of regionally based information possessed by regional financial institutions with the functions and know-how of the Shoko Chukin Bank.



Syndicated loans

Sensyu Oroshi-Shogyo-Danchi Cooperative (Osaka Prefecture)

Supporting the redevelopment of a wholesale complex cooperative

Established in 1967, the Sensyu Oroshi-Shogyo-Danchi Cooperative has long contributed to the development of the local economy through the supply of daily necessities and other items as a wholesale complex cooperative. The cooperative has developed a redevelopment plan by constructing new commercial and residential facilities to revitalize the area, while resolving issues such as the aging sewerage system in the complex.

The Shoko Chukin Bank conducted an in-depth business prospects evaluation through on-site visits and interviews with related parties. By participating in the development of the cooperative's redevelopment plan, the Shoko Chukin Bank determined that this initiative would not only improve the sustainability of the cooperative's operations, but would also make a significant contribution to the revitalization of the local economy. Therefore, the Shoko Chukin Bank arranged a syndicated loan totaling ¥2.0 billion in cooperation with regional financial institutions.



USD loans for domestic corporations

VOLKS INC. (Kyoto Prefecture)

Supporting hedges against foreign exchange fluctuation risk for import settlement funds

VOLKS INC. is a hobby company that provides one-stop planning, manufacturing, and sales of toys, including models. The company implemented a foreign currency loan to reduce the risk of exchange rate fluctuations in the USD used for import settlements with its overseas partner factories.

The Shoko Chukin Bank conducted an in-depth business prospects evaluation through on-site visits and interviews with management, and shared the company's strengths and financial challenges. We determined that the company needed to reduce foreign exchange risk by procuring foreign currency for further improvement of its corporate value, and cooperated with regional financial institutions to support the company's finances.



Holding a business meeting

Contributing to the development of sales channels of customers

We held the Second Kochi-MARUGOTO Business Meeting in a face-to-face format together with THE BANK OF KOCHI LTD. and HATA SHINKIN BANK.

14 customers of three financial institutions participated as sellers in this business meeting under the theme of expanding the food ingredients of Kochi Prefecture to outside the prefecture and overseas.

The meeting was received favorably, and participants commented: "I was a little apprehensive since it had been a while since we had face-to-face business meetings, but I'm glad we had an opportunity to have an in-depth discussion," and "I would like to participate again if such an opportunity arises, whether in Kochi or outside the prefecture."

In conjunction with the business meeting, the Shoko Chukin Bank collaborated with outside support organizations to hold a seminar to improve the quality of business meetings, on themes such as effective methods to advertise products and how to enhance brands through the use of intellectual property rights.








Efforts to Achieve a Sustainable Society

Basic approach: perspective of SPEED

We will contribute to the creation of a sustainable society by providing support to SMEs and by implementing our own efforts, with a view to resolving material issues. We have set economic value, social value, and happiness of workers as three types of common value to be created in collaboration with our customers, and are working toward value creation to this end.

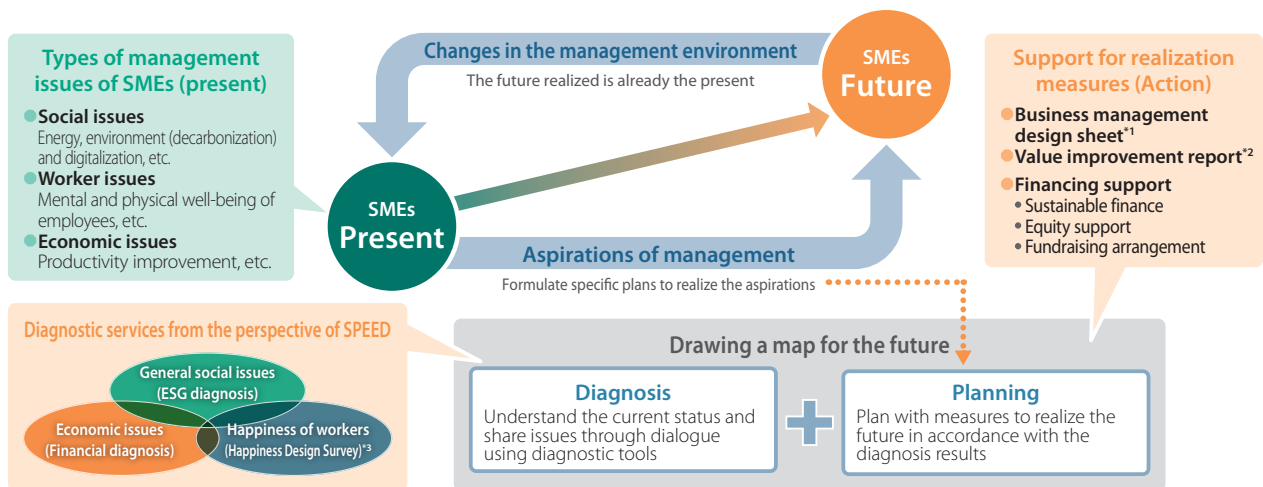
In March 2022, we established the Sustainability Basic Guidelines, our basic approach and policy on the environment and human rights. The guidelines set the perspective of SPEED as the basic viewpoint for the organization and employees of the Shoko Chukin Bank, and define specific objectives and actions.

	Sustainability	Productivity	Empathy	Ecology	Digital
Perspective of SPEED	 Enrich the present without compromising the future	 Produce more with less	 Gain the empathy of stakeholders and build a fan base	 Do not harm others including non-stakeholders, or take measures to prevent harm	 Create added value by using more information
Objectives	Contribute to the revitalization of the local economy through employment stability	Sustainably increase the results of business activities within limited resources	Pursue social responsibility as a company that is a member of society	Contribute to the stability of the global environment, including weather, oceans, and forests, which are the foundation of all socio-economic activities	Provide services that meet the needs of consumers with diverse backgrounds without material constraints or consumption of environmental resources
Action	Continuously secure management resources necessary for business activities Improve business activities in response to changes in the external environment	Accumulate and utilize know-how related to business activities Reduce resources consumed by production facilities	Act in an ethically correct manner, including respect for human rights, such as the health and appropriate treatment of employees and fair dealings with business partners	Actively engage in environmentally friendly activities Implement risk management for natural disasters, etc.	Utilize digital technologies Create added value through data

Sustainable management support (customer support policy)

Based on the perspective of SPEED, we empathize with our customers' aspirations through dialogue, draw a map for the future together, and support the creation of a sustainable future based on this map.

Specifically, the Shoko Chukin Bank provides diagnostic services from the perspective of SPEED. Based on the diagnosis results, we will work to understand the current situation and share issues, then further deepen dialogue with customers and work together with them to realize their plans through support for plan formulation and sustainable finance.



*1 Business management design sheet: A thinking aid and communication tool released by the Cabinet Office for designing the value creation mechanism that will be the backbone of future management and for shifting to the desired state.
 *2 Value improvement report : A report that evaluates businesses from macro and micro perspectives based on industry trends surveyed by the Shoko Chukin Bank, and summarizes future management strategies.
 *3 Happiness design survey : the Shoko Chukin Bank's unique service to support sustainable corporate growth by visualizing organizational happiness through a questionnaire survey of client employees.



TCFD disclosure

Among sustainability issues, climate change risk is a particularly important issue that affects many SMEs and is recognized as one of the top management risks at the Shoko Chukin Bank. Based on the recommendations of the TCFD^{*1} and the importance of disclosing information on efforts to address climate change, the Shoko Chukin Bank will continue to work on expanding disclosure of information (governance, strategies, risk management, indicators and targets) in the form recommended by the TCFD.

Governance

- Any matters that relate to the identification, evaluation, and management of climate-related opportunities and risks are regularly discussed at our Management Meeting, which is attended by the President and Executive Officer. We also submit reports on climate-related developments to the Board of Directors in order.
- We have formulated our Sustainability Basic Guidelines in order to play an active role in resolving material issues for society, including climate change, and to help realize a sustainable society, and they have been approved by the Board of Directors.
- We have identified material issues for society (materiality) to which we will make a focused and effective contribution through our business activities.

Strategy

- We analyze qualitative and quantitative scenarios^{*2} regarding the opportunities and risks that climate change poses to management of the Shoko Chukin Bank.
- We will contribute to the realization of a sustainable society by engaging in dialogue with our customers to overcome climate change risks together and supporting the implementation of necessary measures, starting from a business prospects evaluation from the perspective of SPEED.

Risk Management

- We recognize addressing climate change risk as one of our top management risks.
- As a financial institution dedicated to facilitating the financing of SMEs, we will strive to engage in constructive dialogue and mutual understanding with our customers from the perspective of SPEED, and will continue to understand and provide information. Transactions with businesses that are likely to have a negative impact on the environment and society, as identified in the process, will be handled in accordance with the Environmental and Social Considerations Policy.
- We commit to appropriately recognizing risks (transition risks and physical risks) that arise as a result of climate change, and striving to build a risk management approach that incorporates these risks.

Metrics and Targets

- We aim to reduce CO₂ emissions at our offices in Japan by 50% by fiscal 2030 from the fiscal 2013 level, and achieve carbon neutrality by fiscal 2050 (Scope 1 and 2 to be covered).
- The Shoko Chukin Bank's CO₂ emissions in fiscal 2021 calculated based on the amount gas, electricity and other utilities used at its offices in Japan totaled 9,176 tons, down 40% from the fiscal 2013 level.
- Carbon-related assets account for 0.4% of the Shoko Chukin Bank's loans (as of March 31, 2023). The carbon-related assets in the TCFD recommendations include loans to the energy sector and utility sector (excluding water business).

*1 TCFD: Task Force on Climate-related Financial Disclosures

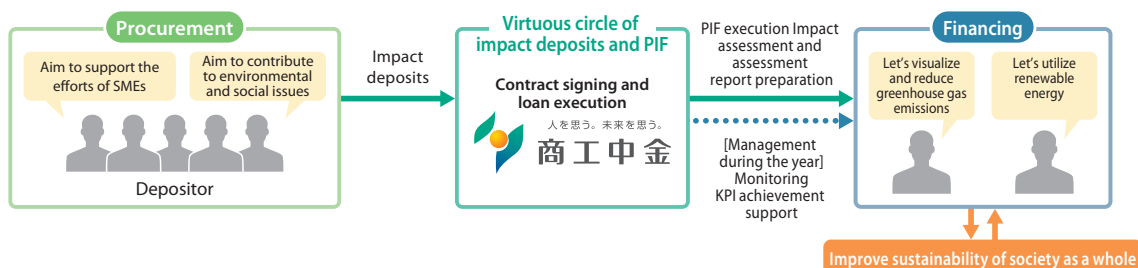
*2 Please refer to page 42 for climate change risk scenario analyses.

TOPIC Impact deposits

For the future, for a connected society

We have set a framework for allocating impact deposits to investments and loans that meet the eligibility requirements for positive impact financing. By using the impact deposits entrusted to us by customers as a source of funds, we are engaging in positive impact finance for SMEs with the aim of creating a virtuous circle in society through the creation of social value.

Our positive impact finance (PIF) framework tied to PIF and funded by impact deposits, including this initiative, has been selected as a model project for the Ministry of the Environment's Green Finance Model Creation Project for fiscal 2022.

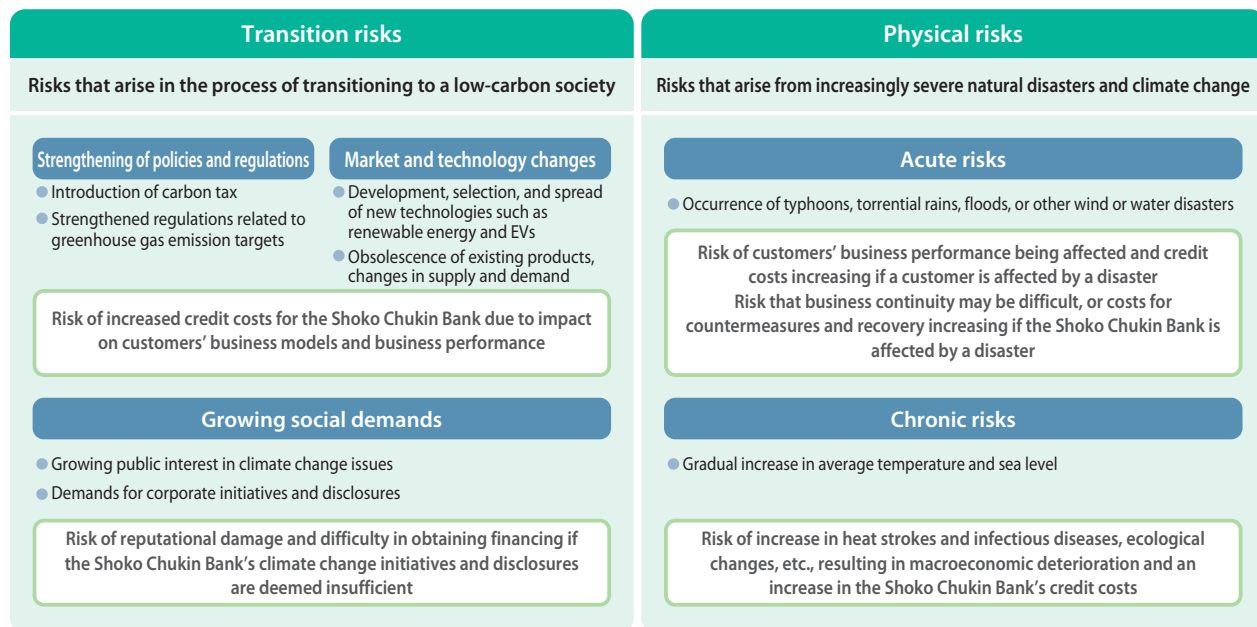


Responses Against Climate Change Risks

Risk identification

We identify risks based on our assumptions of future social and environmental changes brought about by climate change.

The following is an overview of the climate change risks assumed by the Shoko Chukin Bank.



In particular, we consider credit risk¹ and reputational risk² to be important risks with significant management impact. We will seek to reduce these risks by providing support through customer engagement and other means, and by strengthening risk management through measures such as scenario analysis.

*1 Risk of an increase in the Shoko Chukin Bank's credit costs due to the negative impact on customers' business models as the transition to a low-carbon society progresses

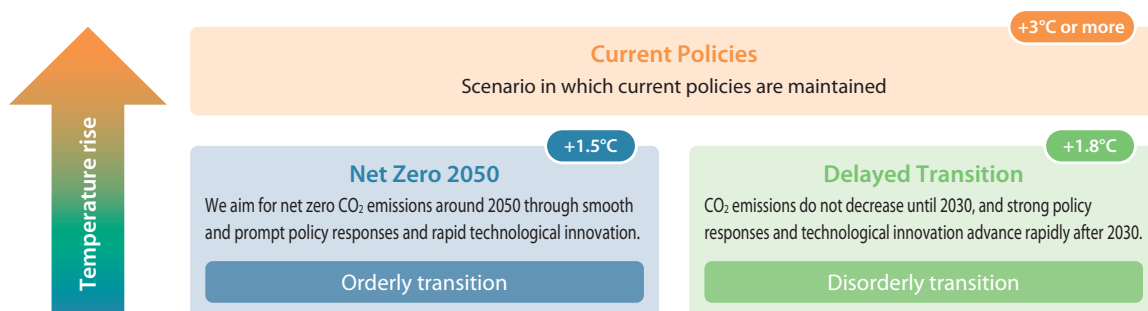
*2 Risk of damage to the Shoko Chukin Bank's reputation due to efforts and disclosures on climate change issues being deemed insufficient

Conducting scenario analysis

With a view to enhancing the organization's resilience to climate change, we use scenarios (hypotheses) to analyze how the business environment will change and how management will be affected if transition risks and physical risks materialize.

[Scenarios used]

Three scenarios (net zero 2050, delayed transition, and current policies) formulated by NGFS (Network for Greening the Financial System) are used in the scenario analyses of transition risks and physical risks. The worldview of each scenario is as shown in the figure below.



Transition risks

The increase in credit-related expenses associated with transition risk is estimated by sectors selected in consideration of climate change impact and the size of exposure in the portfolio.

Selection process for sectors to be analyzed

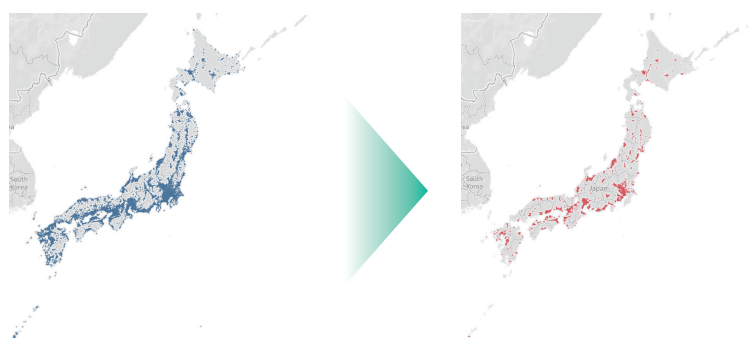
Sectors with a certain amount of outstanding loans are assessed among the carbon-related asset sectors in the TCFD recommendations. Three sectors were selected for analysis: automobiles and components, trucking services, and metals and mining, based on the climate change impact (transition risks) of each sector and the balance of the Shoko Chukin Bank's investments, loans and other factors.

Qualitative assessment of sectors in scope of analysis (main transition risks)

Automobiles and components	[Laws and regulations] Introduction of carbon tax (carbon tax on CO ₂ emissions from manufacturing processes, etc.) [Technologies and markets] Conversion to electric vehicles (downsizing of engine parts, etc.) [Reputation] Change in customer preference (low-carbon preference of consumers and finished product manufacturers)
Trucking services	[Laws and regulations] Introduction of carbon tax and strengthening of GHG emission regulations [Technologies and markets] Conversion to electric trucks (higher vehicle prices and lower payloads) [Reputation] Change in customer preference (modal shift toward low-carbon conversion, etc.)
Metals and mining	[Laws and regulations] Introduction of carbon tax (carbon tax on CO ₂ emissions from manufacturing processes, etc.) [Technologies and markets] Increase in raw materials and manufacturing costs due to higher electricity prices and introduction of low-carbon technologies [Reputation] Change in customer preference (low-carbon preference of consumers and sales partners)

Physical risks

We identify potential inundation points due to water-related disasters caused by typhoons, etc., based on location information for all loan recipients. For each loan recipient that could be flooded, financial condition is estimated based on the probability of a water-related disaster, and the increase in credit-related expenses is calculated based on changes in borrower category.



Location distribution of all loan recipients

Location distribution of loan recipients that could be flooded

[Results of scenario analysis]

	Transition risks	Physical risks
Scope of analysis	Loan recipients in the automobiles and components, trucking services, and metals and mining sectors, with the most recent borrower category.	Loan recipients among those who could be flooded with the most recent borrower category.
Scenarios used	Three of the NGFS scenarios, net zero 2050, delayed transition, and current policies	
Analysis results	Increase in credit-related expenses as of 2050 Up to ¥5.0 to 6.0 billion on a single year basis	Cumulative amount of credit-related expenses by 2050 Up to approximately ¥18.0 billion



Human Capital Roundtable Discussion

In April 2023, the Shoko Chukin Bank established an in-house university, Human Resource Development College, aiming to develop human resources who continue to transform to enhance corporate value for our customers. At the same time, our existing training facilities underwent extensive renovations and were renamed the MIRAI Campus. Hajimu Nakatani, Director & Deputy President and Executive Officer, met with staff members at the campus to discuss the future of staff and the human capital management to realize such future.



Value creation (My Purpose, etc.)

Nakatani: The Shoko Chukin Bank recently held a workshop during which all employees worked on defining their Purpose. Please introduce yourself and tell us about your Purpose.

Yamamoto: My Purpose is to grow in a “fun and positive” way by actively embracing change and diverse values. I see growing in a “fun and positive” way as one of the most important aspects of my Purpose.

Takiyanagi: My Purpose is to add value to everything I do and grow with everyone I interact with. I’ve always tried to make proposals to our customers that look one step ahead, and this has enabled me to grow together with them.

Hori: My Purpose is to embrace change and continue to grow through learning, thinking, and practicing. I was transferred to the

Accounting Division at my request using the career challenge system, and I am enjoying my daily work while taking on various challenges.

Nakatani: Thank you very much. My Purpose is to achieve well-being by respecting diversity and creativity, facing change honestly, and continuing to learn. Each own

Purpose is a compass for working at the Shoko Chukin Bank. While we should change what we can change, we should not change what we must not change. Please continue to take on challenges based on your individual Purposes.

Human resource strengths and challenges

Nakatani: What do you feel are the Shoko Chukin Bank’s strengths and challenges when it comes to our human resources?

Hori: I think our strength is our passion with regard to our customers of SMEs. On the other hand, although we are undergoing changes internally through operational reforms, I feel that the organization as a whole still retains a sense of vertically divided organization.

Yamamoto: I think the Shoko Chukin Bank’s strength is that it is possible to deploy know-how horizontally through BSAs (Business Solutions Advisors: internal qualified staff with advanced solution skills) and Management Supporters (internal qualified staff with diverse skills related to management improvements). Perhaps the challenge here is the gap in awareness of our Purpose among staff? I feel that closing this gap will lead to the realization of our Purpose as the Shoko Chukin Bank. In addition, various initiatives are being introduced such as efforts to create a comfortable workplace environment for women, and I believe that fostering these values is a challenge we need to address.

Takiyanagi: I used to work for another financial institution. I think the Shoko Chukin Bank’s strength is the quality of its young human resources. They specialize in providing solutions to corporations



Hajimu Nakatani
Director & Deputy President
and Executive Officer



Miyu Yamamoto
Human Resources
Development Department

and I believe that they have been given the chance to grow by having the opportunity to have a one-on-one dialogue with the president in their second year of employment and thanks to the meticulous support of more senior staff members under the mentor system that is one of the Bank's OJT

systems. As for challenges, I feel that we have a long way to go in terms of inclusion that recognizes diverse personalities.

Nakatani: I think you are right. The Shoko Chukin Bank will continue to strengthen our consulting function to help customers improve their corporate value and, as a result, improve the profitability. To achieve this, we need to expand empathy for our Purpose, eliminate vertically divided organization, and foster a culture that recognizes diverse personalities.

Ideal the Shoko Chukin Bank aspires to (formulation of the NEXT PLAN)

Nakatani: In a rapidly changing environment, we need human resources who can respond to change and take on challenges on their own. To this end, the Shoko Chukin Bank is promoting organizational-wide initiatives to foster a sense of values and build a human resources development system. Please talk about the concept behind our in-house university, Hito College.

Yamamoto: Hito College was established for all staff looking to further their careers by restructuring the existing training system into an in-house university. In addition to providing training related to operations, we would like to expand the training and video content related to human skills, etc., to encourage the desire to learn.

Nakatani: I believe that by acquiring human skills in addition to business skills, staff will be able to acquire the skills needed to get closer to the dreams and aspirations of business owners, and to envision and build their future together. I would like us to pour our energy into this project, without skimping on investing in the building of a framework and establishment of a system to train staff to achieve this goal. To encourage such employees, we are currently in the process



Hiroaki Hori
Accounting Division

of developing a new personnel system, which we are calling the NEXT PLAN. What are your thoughts on the NEXT PLAN?

Yamamoto: This is an entirely new initiative and a good step up. However, some staff members seem dissatisfied and confused as they feel that the existing system was working well, and are questioning the need for a new system.

Hori: Personnel systems and work styles are changing in all industries. The Shoko Chukin Bank is no exception. This is precisely why we need to engage in discussions to gradually overcome these dissatisfactions and sense of confusion and create a good system.

Takiyanagi: I feel that this is a major overhaul of the previous system. I see this as a strong message that encourages individual career design and life planning as well as encouraging staff to grow by taking on challenges.

Nakatani: With the NEXT PLAN, I would like to see us go beyond the current framework to offer a variety of work styles that suit the life stages of staff and ensure their well-being. I would also like to support the self-directed growth of staff by creating a framework that supports the challenges taken on by each and every member of staff, as exemplified by the Hito College program.

The future of the Shoko Chukin Bank

Nakatani: Finally, could you each say a few words on the future of the Shoko Chukin Bank?

Takiyanagi: I would like to further develop Hito College as a learning platform. I feel that the Shoko Chukin Bank has a number of strengths and potentials. If we combine each staff member's growth, I believe we will be able to provide even more assistance to our customers.

Hori: Embracing change, which is also part of my Purpose, is a chance for me to change. I believe that by growing, I can contribute to both our customers and the organization.

Yamamoto: The concepts of Hito College such as voluntary and self-directed learning have not yet taken root, and I would like to realize the concepts and make it a catalyst for growth so we can move to the next step.

Nakatani: Thank you very much. The needs of SMEs are diversifying and becoming more sophisticated, requiring greater specialization. I would like to realize the Shoko Chukin Bank's Purpose by supporting and developing human resources to take on challenges while respecting diversity, and by contributing to improving our customers' corporate value.



Yudai Takiyanagi
Diversity and Inclusion
Division

Human Capital Management

Human Capital Management to Realize the Purpose and Mission

The Shoko Chukin Bank, together with our customers, aims to pave the way toward a society resilient to change while also pursuing management that is capable of sustainable growth. In order to think together, create together, and change together, as a partner in creating security and prosperity for customers, the Shoko Chukin Bank's human capital management tackles the recruitment and development of human resources who continue to transform to enhance corporate value for our customers based on the following policy. For the purpose of realizing the image of the human resources required, we need to strengthen both business skills and human skills, and we are working to further enhance our human capital investment for this purpose. The result of this investment will be the realization of the Shoko Chukin Bank's Purpose and Mission by realizing both strategic fields and well-being.

Policy on Ensuring Diversity/Policy on Human Resource Development and Improvements to the Internal Environment

Policy on Ensuring Diversity

●First statement on diversity

The Shoko Chukin Bank promotes diversity and inclusion in order to create an organization in which all officers and employees, our most important management resource, working for Shoko Chukin Bank are physically and mentally healthy and can work energetically and with a sense of fulfillment.

Our aims as an organization through D&I promotion

1. We respect the individuality and diversity of each of our officers and employees, and create workplaces where they can demonstrate their abilities to the full. In this context, we support the promotion of women's advancement in the workplace in particular and are increasing the number of women appointed to management positions.
2. We are working to improve openness between and within all organizations at headquarters and branches, and foster a climate in which everyone can grow together while freely and openly expressing their opinions with confidence, helping each other, and cooperating with each other.

Our expectations in staff through D&I promotion

1. Staff should not set themselves limits but believe in their own abilities, work hard at self-improvement, and take on challenges.
2. Staff should approach their work with a flexible mindset, without being bound by precedent.
3. Staff should offer positive opinions without being limited by their position or experience, and should listen to the opinions of others.
4. Staff should treat the colleagues they work with every day with consideration and respect.

In order to encourage staff to actively take on challenges and to make our organization a rewarding place to work, the management team actively listens to staff and does everything in its power to support their growth.

Policy on Human Resource Development and Improvements to the Internal Environment

●Basic concept behind our human resources strategy

We recruit and develop human resources who continue to transform to enhance corporate value for our customers, and we assign human resources based on our management strategy to realize our Purpose.

●Policy on human resource development

We develop an environment that respects the diversity and independence of the employees and allows them to learn efficiently and effectively, in order to nurture self-directed professionals capable of thinking and learning on their own.

●Policy on improvements to the internal environment

The Shoko Chukin Bank promise to our staff

We support the well-being of each and every staff member through three fulfillment initiatives (work, individual, family and society).

1. Fulfillment of work: We are transitioning to a personnel system that recognizes the role staff play in taking on challenges and producing results to increase value for our customers.
2. Individual fulfillment: We respect each individual's independent career choices and support self-directed growth towards becoming financial professionals.
3. Fulfillment of family and society: We provide a variety of options and flexible work styles according to life stages to support the balance between work and home life.

[Our expectations in our staff]

We expect staff to respond flexibly and speedily to changes in the environment, and to continue to reform autonomously to improve value for our customers.



Indicators and Targets

The indicators and targets for visualizing the state of human capital management practices are described below. These indicators and targets are quantified based on a Human Resources Value Creation Model, which comprehensively indicates the process leading to value creation.

▶▶ P.48 Human Resources Value Creation Model

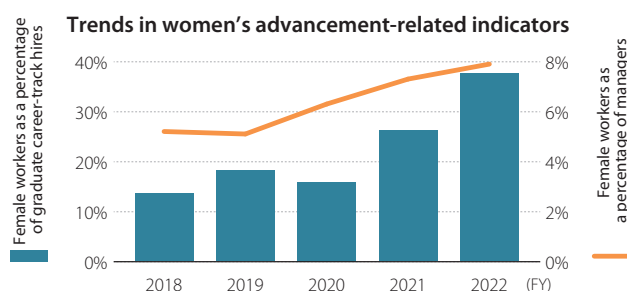
Strategy	Indicators ^{*1}	FY2022 results	FY2023 targets
Fostering values (Source of growth)	Number of participants in My Purpose workshops	4,091	
	Mid-career hires as a percentage of new hires	17.2%	33.3%
	Female workers as a percentage of graduate career-track hires	37.6%	50.0%
	Female workers as a percentage of managers	7.9%	8.5%
	Percentage of employees taking paid leave	76.8%	80.0%
	Percentage of employees taking childcare leave	Male: 87.6% Female: 100%	Male: 100%
	Differences in wages between male and female workers (Average wages of female workers as a percentage (%) of the average wages of male workers)	All workers 41.0% Regular employees 47.4% Temporary employees 68.8%	
Career support Human resource development and reskilling (Growth lever)	Number of career challenge system applicants	52	
	Number of in-house internship applicants	160	
	Number of in-house additional business system applicants	137	
	Training cost per person	¥49,276	
Human capital output (Human capital investment results)	Number of employees who have passed Sustainable Management Test 1st to 3rd grades (cumulative)	46	
	Number of employees who have passed IT Passport Examination (cumulative)	915	
	Number of employees who have passed the secondary test for Small and Medium Enterprise Management Consultants and employees who completed consulting practice (cumulative)	57	
	Number of employees with an MBA (cumulative)	14	
Human capital outcome (Human capital investment outcome)	eNPS ^{SM*2}	(48.8)%	
	Employee engagement survey items "I want to continue to work for my current employer"	77.6%	

*1 All indicators are calculated on a non-consolidated basis for Shoko Chukin Bank

*2 eNPSSM: Employee Net Promoter Score, which is a workplace recommendation numerical value based on the answer to the question: "How likely are you to recommend your workplace to close acquaintances and friends?" Staff rate and respond to workplace recommendations on a scale of 0 to 10, and the percentage of detractors giving 0 to 6 scores is deducted from the percentage of promoters giving 9 to 10 scores. eNPSSM is a service trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

TOPIC Women's advancement

The Shoko Chukin Bank actively recruits women for career-track positions and promotes women to management positions.



Human Resources Value Creation Model

The Shoko Chukin Bank's Human Resources Value Creation Model indicates our initiatives that aim to enhance intellectual capital and human capital, and represents the steps in human resource development in the form of a balance sheet. The model is cyclical in that ongoing support is provided to the source of growth, such as the values and aspirations of each staff member, and the skills that result from this support bear fruit to become a source of further growth.

These results will lead to the enhancement of intellectual capital and human capital, which are the foundation of the Shoko Chukin Bank's management, as human resources who continue to transform to enhance corporate value for our customers, which is the image of human resources that we are seeking. ▶▶ PP.8-9 Value Creation Model

Enhancement of intellectual capital and human capital

Realization of required human resources
 Human resources who continue to transform
 to enhance corporate value for our customers

Results [Assets]	Human Resources Balance Sheet	Growth Lever [Liabilities]
Business skills "Knowledge" and "information"		Human resource development and reskilling
● DX skills		● In-house university "Hitozukuri College"
● Business prospects evaluations/solution skills		● OJT and mentor system
● Differentiated fields (category: S/E/T)		● Self-development support and e-learning
● Shift in services (information, human resource, and advanced financial services)		Career support
● In-house certification - BSA, Management Supporters		● In-house additional business system
Human skills "Practice" and "change"		● In-house internships
● Communication		● Secondment to cooperating support organizations, etc.
● Teamwork		● Career challenge system
● Leadership		Source of Growth [Capital]
● Hospitality		Fostering values
● Integrity		● Well-being of each and every employee
		● Engagement (passion with regard to SMEs, motivation to grow)
		● My Purpose
		● D&I Declaration

Policy on improvements to the internal environment
 (fulfillment of work, individual fulfillment, fulfillment of family and social)

Source of Growth [Capital]

Initiatives to foster values

The Shoko Chukin Bank is working to foster a sense of values based on our Purpose in order to improve the well-being and engagement of each and every employee, our source of growth. In order for employees to take ownership of their Purpose, we held My Purpose Workshops for employees to formulate their Purpose.

We are also actively working to promote the women's advancement, the employment of experienced workers, and the employment of people with disabilities, while striving to ensure diversity in our human resources and striving to foster D&I awareness by formulating a D&I Declaration for each officer and all divisions, departments and branches to be shared throughout the company.

Growth Lever [Liabilities]

Human resource development and reskilling initiatives

In April 2023 we restructured our existing training programs and established the Hitozukuri College as an in-house university in order to support the skill development of each employee. **▶▶ P.50 Opening of Hitozukuri College**

Employees and their supervisors work together to establish an OJT skill development plan. We provide extensive training support through daily guidance, customer visits, and interviews, etc., based on the PDCA management cycle. In addition, we have established a mentor system as a mechanism to help young employees grow, in which a senior staff member is appointed as a partner for young employees during their first two years of employment to provide guidance and advice.

We have created an environment to support for self-development in which employees can continue to learn autonomously by greatly increasing the number of correspondence courses and qualification programs that are eligible for incentives, and expanding various e-learning content, including human skills.

Career support initiatives

We have established various programs to support our employees' self-directed career development, including an in-house additional business system (in-house side business), in-house internships (in-house short-term exchange program), secondments to clients and cooperating support organizations, and a career challenge program that is an internal open recruitment system which enables employees to nominate themselves to a department they want to work in. In addition, from the perspective of supporting the work-life management of employees, we are working to improve the internal environment by, for example, encouraging remote work.

Results [Assets]

Acquisition of business skills (hard skills)

The well-being of each employee and his or her passion with regard to SMEs, and his or her motivation to grow are outputted as business skills and human skills through our human resource development and career support initiatives. Business skills here refers to knowledge and information that can be applied to banking operations at the Shoko Chukin Bank. In addition to base skills such as DX skills and business prospects evaluations, employees acquire knowledge and skills linked to management strategies, such as establishing differentiated fields and shifting services as stated in the Medium-Term Business Plan. We also share knowledge and skills through BSA, an in-house certification, and the Management Supporter system.

Acquisition of human skills (soft skills)

We are working to strengthen human skills to put acquired business skills into practice, aiming for human resources who continue to transform to enhance corporate value for our customers. Based on a self-directed learning stance rooted in the "My Purpose" concept, we aim to improve human skills that employees can apply throughout their life, including in a second career, by improving their sense of hospitality and sincerity towards customers and integrity that leads to an awareness that comes only through knowledge and practice, in addition to their communication, teamwork, and leadership skills.

INTERVIEW

BSA (Business Solutions Advisor)

BSAs are employees certified in-house with advanced solution skills. In order to provide the best solutions to our customers as a BSA, I organize study meetings with people in charge using financial statements and visit customers together to confirm their needs.

I would like to make this branch office a place where we can offer lots of value-added proposals to our customers based on dialogue with them and a deeper understanding of their business than anyone else.

Nobuhito Seike, Oshiage Office



INTERVIEW

Management Supporter

As a Management Supporter, I lead training on effective case studies and group work aimed at enhancing management improvement skills at this branch office. The bank's work does not end when we provide a loan.

I find it rewarding and an honor to correctly understand a customer's situation, analyze issues, and provide accompanying support for customers to make improvements.

Yuko Sato, Ikebukuro Office



Special feature Opening of Hitozukuri College (Hito College)

In April 2023, the Shoko Chukin Bank opened an in-house university, Hitozukuri College (nicknamed Hito College), aiming to enhance human capital. The Hito College program is based on the concept of “Think together, Create together. From ‘I got it’ to ‘I did it!’ ” and we have prepared a total of more than 100 courses to enable all employees to acquire advanced business skills and improve their human skills. The program focuses on offering interactive content such as group work and seminars, and exchanges and a range of hands-on programs that take place outside the Shoko Chukin Bank have also been incorporated to encourage voluntary active participation, while building a system that can support practical and multifaceted staff skill development. Through the Hito College program, we will develop a corporate culture in which each and every employee can work energetically and with a sense of fulfillment.

Training System: Program Overview

		Acquire management and professional skills through basic and practical training				
Group training	Example of level-specific training	<ul style="list-style-type: none"> ● New Employee Training ● Sales Counter Start Training ● Sales Counter Step I to III ● Sales Counter TRY I to IV 	<ul style="list-style-type: none"> ● Mentor Training ● Mid-level Challenge Training ● Advanced Training ● Challenge Collage for Each Position 	<ul style="list-style-type: none"> ● Training for Newly Appointed Section Chief and Deputy General Manager ● Management Skills Training for Section Chief and Deputy General Manager ● Core Business Support Skills Training for Section Chief and Deputy General Manager ● Step-up Training for Section Chief and Deputy General Manager 	<ul style="list-style-type: none"> ● Training for Newly Appointed General Manager for Branch Office ● Executive Training 	
	Voluntary participation training	Business skills	Business prospects evaluation	Management improvement	International operations	Solutions operations
			Derivatives	International operations administration	Business diagnosis seminar	Business succession and M&As
		Human skills	Business skills: logical thinking, task management, coaching, etc.			
	Academy	Hands-on learning: field trips to disaster-affected areas, adventure work, etc.				
DX Academy						
Career training	Future-Building (business contests, cross-border learning, etc.)					
	Career roundtable discussions	Career I	Career II	Career III	Career IV	
OJT	Mentor system	Internal qualification training (Business Solutions Advisor, Management Supporter)				
	In-house additional business, in-house internships, career meetings					
Training at outside institutions	Elective in-classroom (taking a course in a single subject at a business school, etc.)			Management development training		
	MBA (domestic/overseas), SME Training Institutes, Japan Productivity Center, etc.					
	Academy of Management Development	J-Win (women's advancement)	Finance Transformation Manager Practical Course			
e-learning	Liberal arts	Training archive	Skill development support content	Self-learning!		
	Administrative Department Work 101					

● Examples of Human Skill Improvement Programs

Field trips to disaster-affected areas

Field trips to disaster areas aim to develop human resources able to create value from nothing and human resources capable of thinking about issues for which there is no right answer with an eye to the future, and to promote self-improvement by learning from people who led earthquake disaster reconstruction programs.



Adventure work

Adventure work is a hands-on learning program that incorporates the philosophy and methods of adventure education. Through a range of experiences, participants learn the concept of mutual respect, which is important in team building, and develop their own spirit of challenge.



MIRAI Campus

In conjunction with the opening of Hito College, we have renovated our existing training center and renamed it MIRAI Campus in an effort to realize its concept. In order to encourage self-directed learning among employees, we have created a bright and comfortable space, and added a number of facilities and devices to promote learning among staff, such as a multi-purpose Japanese-style room (WA! Room) and camp fire facilities. Online streaming facilities have also been installed to enable us to provide hybrid training programs in which staff from all over Japan can participate in real time.

MIRAI Campus will not only be used as a place for learning, but also as a place for a diverse range of employees from different branch offices, divisions and departments to gather, as well as a place to support the diverse work styles of employees such as using it for remote work and as a satellite office, and as a communication space for group work and discussion.



Communication Space

Various spaces are provided to encourage interaction among participants in training courses, such as for spaces to communicate and relax between sessions. The bar counter is equipped with a coffee machine and mini-convenience store, and was designed with an eye to it being used for group work and seminars using monitors.



Garden (camp fire)

The garden has chairs and tables to create communication opportunities during training and remote work. There are also facilities for a camp fire that can be used after dusk, and we have included a camp fire program in which employees can discuss their dreams and Purposes with each other while watching the flickering flames.



Wa! Room

The Wa! Room, furnished with Ryukyu tatami mats and sunken hearth tables offers a relaxed atmosphere for employees to talk, engage in group work and get to know each other better. We have added different color floor cushions to express the spirit of D&I.



Charge Room/Papa Mama Room

This room is fitted with cushioned flooring and a carpet to provide a place for focused discussion. Users remove their shoes when using this room. The room can also be used as a childcare room for employees attending training sessions thereby ensuring that employees raising children have access to learning opportunities.



Online Streaming Facilities

Movable desks, chairs and communication boards (electronic blackboards), etc. have been installed to enable training centered on interactive group work. The addition of online streaming facilities enables hybrid face-to-face and web-based training.

Example of Group Work

We arrange for sign language interpreters, large screens for those who are hard of hearing, and apps such as UD Talk at job offer ceremonies, training for new employees, and My Purpose workshops so that all employees can participate, regardless of any disability.



INTERVIEW

At Hitozukuri College, we have introduced new programs aimed at improving human skills, such as field trips to disaster-affected areas and hands-on learning programs such as adventure work. Many employees applied to enroll in our programs when we opened up registration.

I have been able to witness the smiling faces of employees in the newly introduced camp fire facilities and communication space at the renovated MIRAI Campus and this impressed on me the importance of meeting face-to-face. I will continue to learn together with employees and further develop Hitozukuri College to fulfill my mission, which is to support the self-directed challenges and growth of employees so that they can fulfill their potential to the fullest.

Yu Maeda, Human Resources Development Department

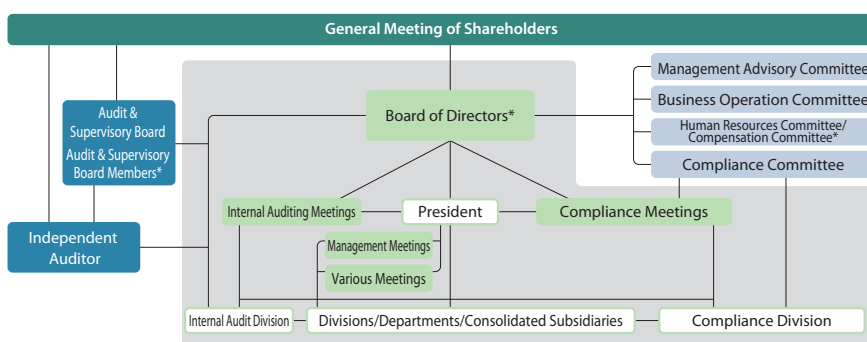


Governance Structure

I. Our Fundamental Approach to Corporate Governance

The Shoko Chukin Bank regards corporate governance as an indispensable mechanism for the realization of our corporate philosophy and for meeting the trust of our shareholders, the SME cooperatives and SMEs. In order to properly operate this mechanism, the Bank is working to strengthen its supervisory function by having a monitoring-oriented Board of Directors with the separation of supervision and execution in which the majority of directors are external directors. Through these efforts, the Shoko Chukin Bank will enhance corporate value through the realization of its corporate philosophy.

◆ Governance Chart



*Organization with external directors and external Audit & Supervisory Board Members

II. Governance Reforms

In 2018, Shoko Chukin Bank initiated governance reforms by reorganizing its management structure through the appointment of a majority of external directors and the introduction of a mandated executive officer system. The Board of Directors meetings have become more active, with deliberation time increasing from approximately 24 hours in fiscal 2017 to approximately 28 hours in fiscal 2022, and the number of times Board Members speak has increased from 143 times in fiscal 2017 to 220 times in fiscal 2022.

(FY)	2008	2017	2018	2020	2021
	Became a joint stock company		Submitted Operation Improvement Plan		
Board of Directors	12 Directors (including one External Director)		Shift to a majority of external directors		
Diversity of the Board of Directors			Appointed female directors	Introduced skills matrix	
Effectiveness of the Board of Directors			Commenced effectiveness evaluations of the Board of Directors		Introduced "discussions" during Board of Directors meetings
Executive Officers			Introduced mandated executive officer system		
Established voluntary committees	Management Advisory Committee, Human Resources Committee, Compensation Committee	Compliance Committee			

III. Corporate Governance Framework (company with an Audit & Supervisory Board)

◆ Board of Directors

The Board of Directors is comprised of a majority of external directors (five members). 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 and executive officers. Through these means, every effort is made to ensure that the Bank's overall operations continue to function in an appropriate and effective manner. In fiscal 2022, the Board of Directors met 17 times and deliberated for approximately 28 hours. Discussions were focused on our personnel system, human capital management, and DX promotion.

◆ Audit & Supervisory Board, Audit & Supervisory Board Members

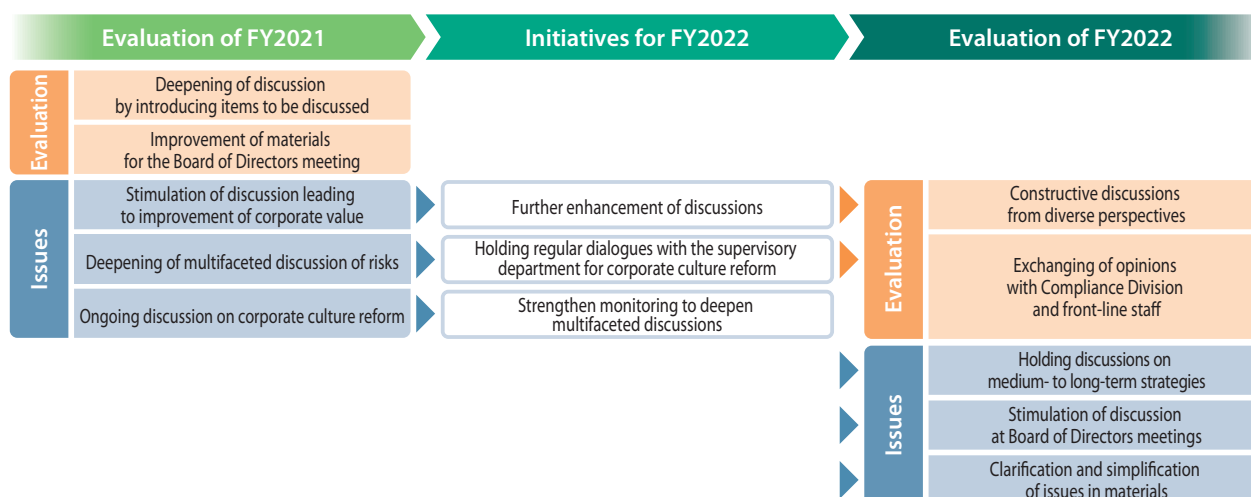
The Audit & Supervisory Board is comprised of four members, two of whom are external Audit & Supervisory Board Members. Audit & Supervisory Board Members monitor and audit the execution and performance of each director's duties. Moreover, the Audit & Supervisory Board prepares audit reports, appoints and removes standing Audit & Supervisory Board Members and determines the Bank's overall audit policy. In fiscal 2022, the Audit & Supervisory Board met 14 times and deliberated for approximately 29 hours. Discussions were focused on the preparation of the audit report, audit policies and plans, and other matters related to the execution of duties by the Audit & Supervisory Board Members.



9 Directors, including 5 External Directors
(June 21, 2022: appointed one internal director who has spent his entire career with the Bank)

IV. Effectiveness Evaluation of the Board of Directors

The Shoko Chukin Bank has been evaluating the effectiveness of the Board of Directors since fiscal 2018 in an effort to thoroughly strengthen governance. We conduct a questionnaire survey of all members of the Board of Directors (Directors and Audit & Supervisory Board Members) from the perspectives of Board functions, Board operations, cooperation with audit organizations, and support for directors and Audit & Supervisory Board Members. The results are then summarized and discussed at a Board of Directors meeting, to determine initiatives for the next fiscal year. We will work to further improve the functions of the Board of Directors by repeating this PDCA cycle each year.



In fiscal 2022, self-assessment was conducted by questionnaire survey and feedback was received that, among others things, the Board of Directors is functioning appropriately, selection and discussions of agenda items are being conducted appropriately, and that management decisions are appropriately made from the perspective of overall optimization.

On the other hand, the respondents also identified “holding discussions on medium- to long-term strategies to improve corporate value” and “stimulating discussions involving the executive side” as issues to be addressed. Based on the above, some of the initiatives that the Bank will take in fiscal 2023, which were decided through discussions at the Board of Directors meeting, are outlined below.

Initiatives for FY2023 based on the results of the effectiveness evaluation of the Board of Directors in FY2022

- Holding discussion regarding our medium- to long-term strategies
- Deepening communication between directors, Audit & Supervisory Board Members, and the executive side

V. Support for Directors and Audit & Supervisory Board Members

In order for directors and Audit & Supervisory Board Members to appropriately fulfill their roles and responsibilities, the Shoko Chukin Bank provides training opportunities tailored to individual directors and Audit & Supervisory Board Members on necessary matters including laws and regulations, corporate governance, risk management, both when appointed and on an ongoing basis. In addition, briefing sessions are held for external directors and external Audit & Supervisory Board Members prior to each meeting of the Board of Directors.

Status of initiatives for FY2022

- Participation in Branch Manager Meetings and Management Advisory Committee meetings
- Executive training on top risks, human capital management, and DX
- Holding meetings to exchange opinions with the audit firm

VI. Establishment of a system to incorporate the intentions of SME cooperatives and SMEs in management

The Shoko Chukin Bank has established a Management Advisory Committee, a Human Resources Committee and a Compensation Committee as advisory bodies to the Board of Directors to build a system that reflects the intentions of SME cooperatives and SMEs in management. The Bank will strive to deepen and develop its DNA as a financial institution specializing in SMEs and further strengthen and improve its governance.

◆ Management Advisory Committee, Human Resources Committee, Compensation Committee

	Overview	Number of meetings in FY2022	Main discussions
Management Advisory Committee	Advisory body to the Board of Directors which consists of representatives, etc. of SME cooperatives and SMEs throughout Japan with which the Bank does business.	2	<ul style="list-style-type: none"> • Reporting related to business performance • Matters pertaining to the Medium-Term Business Plan • Matters pertaining to privatization discussions, etc.
Human Resources Committee * Compensation Committee	Advisory body to the Board of Directors which comprises representatives of SMEs with which the Bank does business, external experts and external directors, etc.	2 3	<ul style="list-style-type: none"> • Officer personnel matters • Executive compensation and systems • Retirement benefits for officers

*Both committees are comprised of six members, including two external directors, two internal directors, and two external experts.

◆ List of Management Advisory Committee Members

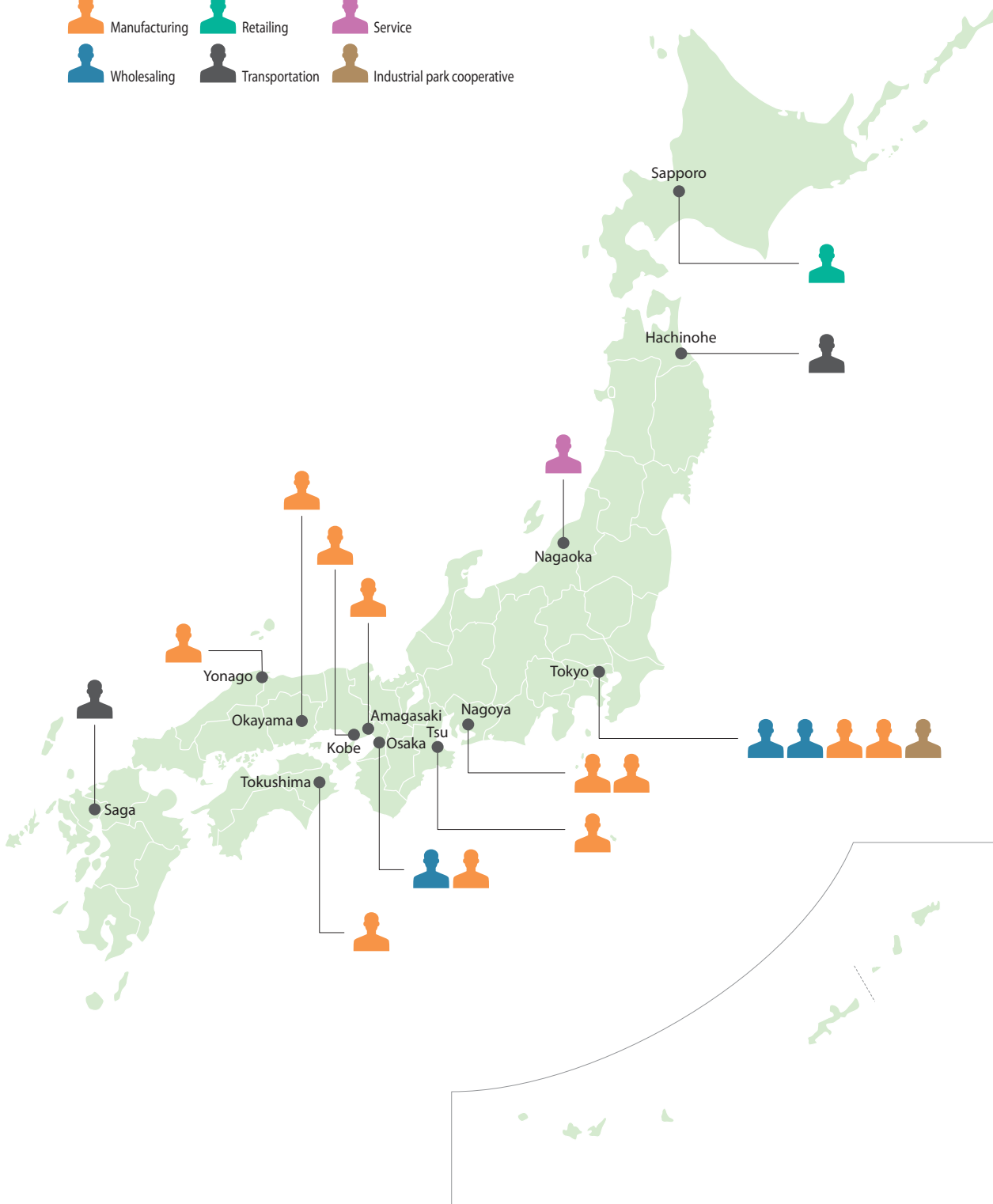
Chairperson	Kazunari Ishii	President of KANEHIRO CO., LTD.
Vice chairperson	Yoshiko Naito	Senior Adviser of NIKKO OIL & FAT CO., LTD.
Members	Fumihiko Murayama	CEO of KITANIHON AUTOBACS Co., Ltd.
	Hajime Izumiyama	President of Miyago Ryutsu Co., Ltd.
	Masayoshi Ohkubo	Chairman and CEO of Nippon Cable Co., Ltd.
	Kyoko Murakami	President of Urayasu Steel Industrial Park Cooperative
	Yasutaka Watanabe	President of Watanabe Linen CO., LTD.
	Noritada Mitsubayashi	Chairman of Yamamori Inc.
	Kaoru Miyazaki	Representative Director and Chairman of Miyazaki Seiko Co., Ltd.
	Seiji Kajikawa	Chairman of KYOSHIN PAPER & PACKAGE Co., Ltd.
	Yuzuru Kitamura	President of ARKACE Co., Ltd.
	Shigeru Ueda	President of Shikoku Kakoki Co., Ltd.
	Shinzo Hiruta	Chairman of HIRUTA KOGYO CO., LTD
	Takashi Moriwaki	President of KIKUSUI FORGING Co.
	Masatoshi Mawatari	President of MATSUURA EXPRESS CO., LTD.
	National Youth Community	Yoshiki Kawamura
Kiiko Suganami		President of Watty Corporation
Takehiro Hamaguchi		Representative Director and President of Nikken Sangyo Co., Ltd.
Masahiko Mochizuki		Senior Managing Director of Mochizuki Printing Co., Ltd.

The names are listed in Japanese alphabetical order by district.



The Management Advisory Committee consists of representatives, etc. of SME cooperatives and SMEs throughout Japan

- Manufacturing
- Retailing
- Service
- Wholesaling
- Transportation
- Industrial park cooperative



Directors and Audit and Supervisory Board Members

◆ Directors



◆ Audit and Supervisory Board Members



▶ Please also refer to the "Notice of Convocation" (in Japanese only) for details on the biographies of Directors and Audit & Supervisory Board Members.

<https://www.shokochukin.co.jp/share/stocks/stockmtg/>



1 President (Representative Director) & President and Executive Officer

Masahiro Sekine

Date of birth: May 18, 1957

Term of office as Director: 5 years ■ 17 out of 17 meetings

April 1981 Joined The Dai-ichi Kangyo Bank, Limited (currently Mizuho Financial Group, Inc.)
 June 2008 Director and Senior Managing Officer, Head of Corporate Planning Division and General Manager of Corporate Communication Office, Corporate Planning Division of SEIBU HOLDINGS INC.
 June 2009 Director and Senior Managing Officer of Prince Hotels, Inc. (currently SEIBU PRINCE HOTELS WORLDWIDE INC.)
 Director of SEIBU PROPERTIES INC. (currently SEIBU REALTY SOLUTIONS INC.)
 June 2010 Director and Executive Managing Officer of Prince Hotels, Inc.
 March 2018 President (Representative Director) of the Bank
 June 2018 President (Representative Director) & President and Executive Officer (current position)

2 Director & Deputy President and Executive Officer

Hajimu Nakatani

Date of birth: November 22, 1960

Term of office as Director: 1 year ■ 13 out of 13 meetings

April 1984 Joined the Bank
 June 2015 Executive Officer and General Manager of General Co-ordinating Division
 June 2018 Managing Executive Officer
 April 2019 Senior Managing Executive Officer
 April 2022 Deputy President and Executive Officer
 June 2022 Director & Deputy President and Executive Officer (current position)

3 Director & Senior Managing Executive Officer

Katsuhiko Kaji

Date of birth: May 2, 1961

Term of office as Director: 4 years and 9 months ■ 13 out of 13 meetings

April 1985 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
 July 2015 Director-General, Kanto Bureau of Economy, Trade and Industry
 July 2017 Executive Officer of the Bank
 June 2018 Director & Senior Managing Executive Officer
 March 2022 Retired from the position as Director & Senior Managing Executive Officer of the Bank, retired from Ministry of Economy, Trade and Industry
 June 2022 Director & Senior Managing Executive Officer of the Bank (current position)

4 Director & Managing Executive Officer

Hiroyuki Obara

Date of birth: September 22, 1964

Term of office as Director: 2 years ■ 17 out of 17 meetings

April 1987 Joined Ministry of Finance
 July 2015 General Manager of Research Department, Deposit Insurance Corporation of Japan
 July 2017 General Manager of Resolution and Financial Revitalization Department
 July 2020 Director-General of the Fukuoka Local Finance Branch Bureau, Ministry of Finance
 June 2021 Director & Managing Executive Officer of the Bank (current position)

5 External Director

Shigeharu Nakamura

Date of birth: September 17, 1953

Term of office as Director: 5 years ■ 17 out of 17 meetings

June 2008 Representative Director, Vice President and Executive Officer of Resona Bank, Limited
 June 2014 External Auditor of F-TECH INC.
 June 2015 Outside Director and Audit & Supervisory Committee Member of TOYO KANETSU K.K. (current position)
 June 2016 Outside Director and Audit & Supervisory Committee Member of RIKEN TECHNOS CORPORATION (current position)
 June 2018 External Director of the Bank (current position)

6 External Director

Junko Okawa

Date of birth: August 31, 1954

Term of office as Director: 3 years ■ 17 out of 17 meetings

December 1977 Joined Japan Airlines Co., Ltd.
 April 2016 Representative Director, Senior Managing Executive Officer
 April 2018 Director, Vice Chairperson
 April 2019 Special Director
 June 2020 External Director of the Bank (current position)
 June 2022 Outside Director and Audit and Supervisory Committee Member of Asahi Broadcasting Group Holdings Corporation (current position)
 June 2023 Outside Director of Tokyo Electric Power Company Holdings, Inc. (current position)

7 External Director

Kazutaka Okubo

Date of birth: March 22, 1973

Term of office as Director: 3 years ■ 17 out of 17 meetings

June 2019 President and Representative Director of Okubo Associates Inc. (current position)
 External Audit and Supervisory Board Member of SEGA SAMMY HOLDINGS INC.
 Outside Director of Sun Frontier Fudouso Co., Ltd. (current position)
 September 2019 External Corporate Auditor of BrainPad Inc.
 December 2019 Outside Director of LIFULL Co., Ltd. (current position)
 February 2020 Outside Director of SALA Corporation (current position)
 June 2020 External Director of the Bank (current position)
 Outside Director serving as Audit & Supervisory Committee Member of Musashi Seimitsu Industry Co., Ltd. (current position)
 November 2020 CEO of Kabushiki Kaisha SS Dnaform (current position)
 September 2021 External Director and Member of the Audit and Supervisory Committee of BrainPad Inc. (current position)
 June 2022 External Director, Audit and Supervisory Committee Member of SEGA SAMMY HOLDINGS INC. (current position)

8 External Director

Fujiyo Ishiguro

Date of birth: February 1, 1958

Term of office as Director: 1 year ■ 13 out of 13 meetings

June 2014 Outside Director of Monex Group, Inc. (current position)
 June 2015 Outside Director of Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.)
 May 2020 Representative Director, President and Chief Executive Officer of Netyear Group Corporation
 May 2021 Outside Director of WingArc 1st Inc.
 June 2021 Director of Netyear Group Corporation (current position)
 External Director of SEGA SAMMY HOLDINGS INC. (current position)
 June 2022 External Director of the Bank (current position)
 June 2023 External Director of MITSUI & CO., LTD. (current position)

9 External Director

Tomoharu Kusaka

Date of birth: September 25, 1961

Term of office as Director: 1 year ■ 13 out of 13 meetings

April 1984 Joined The Hiroshima Bank, Ltd.
 November 2015 Director of Regional Financial Planning Office, Financial Service Agency
 October 2021 Representative of Kusaka Corporate Management Consulting Office (current position)
 June 2022 External Director of the Bank (current position)

Note: Shigeharu Nakamura, Junko Okawa, Kazutaka Okubo, Fujiyo Ishiguro and Tomoharu Kusaka are external directors as stipulated under Article 2, Paragraph 15 of the Companies Act.

A Audit & Supervisory Board Member

Taiichiro Okamoto

Date of birth: December 19, 1966

Term of office as Audit & Supervisory Board Member: 3 years
■ 17 out of 17 meetings
■ 14 out of 14 meetings

April 1989 Joined the Bank
 June 2018 General Manager of Co-operative Finance Planning Division
 June 2020 Audit & Supervisory Board Member (current position)

B Audit & Supervisory Board Member

Masahiko Terauchi

Date of birth: January 19, 1967

Term of office as Audit & Supervisory Board Member: 1 year
■ 12 out of 12 meetings
■ 10 out of 10 meetings

April 1990 Joined the Bank
 April 2021 General Manager of Internal Audit Division
 June 2022 Audit & Supervisory Board Member (current position)

C External Audit & Supervisory Board Member

Kazumine Terawaki

Date of birth: April 13, 1954

Term of office as Audit & Supervisory Board Member: 5 years
■ 16 out of 17 meetings
■ 14 out of 14 meetings

September 2016 Superintending Prosecutor of Osaka High Public Prosecutors Office
 Attorney at law, Satoshi Suzuki Law Office (currently Shin Bell Law Office) (current position)
 February 2018 Outside Audit & Supervisory Board Member of Kewpie Corporation (current position)
 June 2018 External Audit & Supervisory Board Member of the Bank (current position)
 June 2019 Outside Director of Toshiba Machine Co., Ltd. (currently SHIBAURA MACHINE CO., LTD.) (current position)
 Outside Audit & Supervisory Board Member of KAJIMA CORPORATION
 June 2023 Outside Director of KAJIMA CORPORATION (current position)

D External Audit & Supervisory Board Member

Junko Kogayu

Date of birth: October 10, 1967

Term of office as Audit & Supervisory Board Member: 1 year
■ 12 out of 12 meetings
■ 10 out of 10 meetings

March 1994 Registered as a certified public accountant (CPA)
 October 2012 Professor at Graduate School of Economics and Management (Accounting School), Tohoku University (current position)
 January 2020 Opened Junko Kogayu Certified Public Accountant Office (current position)
 December 2020 Outside Director and Audit & Supervisory Committee Member of NITCHO CORPORATION (current position)
 June 2021 Outside Director and Audit & Supervisory Committee Member of NISSIN CORPORATION (current position)
 December 2021 Supervisory Director of Daiwa House REIT Investment Corporation (current position)
 March 2022 Outside Director and Audit & Supervisory Committee Member of CERES INC.
 June 2022 Outside Auditor of Private Finance Initiative Promotion Corporation of Japan (current position)
 External Audit & Supervisory Board Member of the Bank (current position)

■ Attendance at the Board of Directors Meetings (FY2022)
■ Attendance at the Audit & Supervisory Board Meetings (FY2022)

Note: Kazumine Terawaki and Junko Kogayu are external Audit & Supervisory Board Members as stipulated under Article 2, Paragraph 16 of the Companies Act.

◆ Skills Matrix of Directors and Audit & Supervisory Board Members

The Shoko Chukin Bank believes that the Board of Directors should maintain a generally well-balanced composition of knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities. Amid the drastic changes taking place in the environment surrounding the Shoko Chukin Bank and SMEs, we determined that in order to achieve our corporate philosophy, we need to hire external directors with knowledge in the areas of regional finance, digital matters, D&I, etc., in addition to the directors with a deep understanding of the operations and practices of the Bank. Accordingly, we are further enhancing the Board's supervision and decision-making functions by ensuring a Board composition in which the majority of the members are external directors with diverse experience and expertise, among other qualities.

Name	Title and Position at the Bank	Area of Expertise									
		Corporate management	Finance	Financial accounting	Law / Compliance	Global	DX / IT	Sustainability	D&I	Risk management	SMEs
Masahiro Sekine	Director & President and Executive Officer (Representative Director)	●	●							●	●
Hajimu Nakatani	Director & Deputy President and Executive Officer		●							●	●
Katsuhiko Kaji	Director & Senior Managing Executive Officer		●				●				●
Hiroyuki Obara	Director & Managing Executive Officer		●							●	
Shigeharu Nakamura	Director External Independent	●	●			●				●	
Junko Okawa	Director External Independent	●						●	●		
Kazutaka Okubo	Director External Independent			●	●		●	●		●	●
Fujiyo Ishiguro	Director External Independent	●				●	●		●		
Tomoharu Kusaka	Director External Independent		●	●						●	●
Taiichiro Okamoto	Audit & Supervisory Board Member		●	●							●
Masahiko Terauchi	Audit & Supervisory Board Member		●								●
Kazumine Terawaki	Audit & Supervisory Board Member External Independent				●					●	
Junko Kogayu	Audit & Supervisory Board Member External Independent			●		●		●		●	●

External refers to external directors or external Audit & Supervisory Board Members stipulated in the Companies Act. Independent means a person who satisfies the Criteria for Independence of External Directors and External Audit & Supervisory Board Members, which is determined independently by the Bank.

◆ Managing Executive Officers



Managing Executive Officer

Hideyuki Makino



Managing Executive Officer
General Manager of Treasury & Capital Markets Operations Division

Shinichiro Morino



Managing Executive Officer

Manabu Abe



Managing Executive Officer

Takehiko Nokami



Managing Executive Officer

Hiroyuki Nakashio



Managing Executive Officer

Shinya Yamada



Managing Executive Officer
General Manager of General Co-ordinating Division

Kazuya Sato



Managing Executive Officer

Yoshihito Sumimoto



Managing Executive Officer
General Manager of Industry Research Division

Satoshi Yamaguchi

◆ Executive Officers

Executive Officer (General Manager of Yokohama, Kawasaki and Yokohama-Nishiguchi office (General Manager of Kanagawa Business Division))

Masami Kidoguchi

Executive Officer (General Manager of Risk Management Division)

Tetsuya Dozono

Executive Officer (General Manager of Nagoya and Atsuta office)

Atsushi Sato

Executive Officer (General Manager of Osaka, Umeda and Minoo Senba office)

Mitsutaka Kimura

Executive Officer (General Manager of International Division and Capital Markets Trading Division)

Kazunori Takahata

Executive Officer (General Manager of Internal Audit Division)

Hidehiko Yamanaka

Executive Officer (General Manager of Branch Support Division)

Yoshihiro Sano

Executive Officer (General Manager of Corporate Planning Division)

Toru Tareishi

Executive Officer (General Manager of Diversity and Inclusion Division)

Mika Hayakawa

Executive Officer (General Manager of Business Division and Kanda office)

Fumihito Yazawa

Executive Officer (General Manager of Digital Transformation Promotion Division and Systems Planning Division)

Hideki Nakajima

Executive Officer (General Manager of Career Development Support Division)

Hiroo Tanaka

Executive Officer (General Manager of Tokyo office)

Masaru Futaoka

Messages from External Directors

Advancing DX at SMEs

The Shoko Chukin Bank was established as a financial institution to support the growth of SMEs that carry the future of Japan. While this mission remains unchanged, the environment surrounding SMEs is changing dramatically. One such major change is the wave of digitalization, represented by the term "DX." No industry will be able to avoid this wave and in fact, digitalization will link to company growth.

However, digitalization is not as simple as it sounds because it requires commensurate investment. Based on my many years of IT experience and knowledge, I have concluded that DX at SMEs should be approached in a different way to DX at large companies.

The Shoko Chukin Bank is currently working on its own DX to improve productivity and create new businesses, aiming to expand support as a financial institution not only directly in the form of investment and financing, but also in terms of expanding DX to support the management of SMEs. Let's grow together with SMEs.



Fujiyo Ishiguro
External Director

The Shoko Chukin Bank's role in regional finance

The Shoko Chukin Bank has 102 sites in 47 prefectures throughout Japan. The Bank finances approximately 74,000 companies and acts as the main bank for approximately 10% of these companies.



Tomoharu Kusaka
External Director

In order to provide solid loans for SMEs throughout Japan, the main bank ratio must be kept low, and this trend will not change after privatization.

In Japan, where the population continues to decline, ensuring the sustainability of regional areas is one a major theme, and it is vital to steadily move forward with DX and GX, etc.

In times like these, the Shoko Chukin Bank will take advantage of the characteristics of a financial institution with a nationwide network to remain involved with the communities in which our branches are located. Even greater importance will be placed on cooperating with regional financial institutions that serve as the main banks for local companies, and contribute to the formation of economic ecosystems in each region.

If Japan becomes more resilient to change as a result then the Purpose of the Shoko Chukin Bank will have been achieved.

Towards Enhancing Human Capital

The Shoko Chukin Bank has established the Purpose and Mission as its new corporate philosophy, and each and every member of staff has reaffirmed that he or she is working to realize this new philosophy. We have also been focused on reforming work styles and promoting D&I. At a time when the role of financial institutions is being questioned, we announced key strategies, such as shifting services and establishing differentiated fields. Such initiatives will be near impossible to achieve without creative and innovative human input. I believe that at the Shoko Chukin Bank, the recognition that human capital is the source of competitiveness was inevitable.

Now, specific human resource strategies linked to management strategies are being considered with a view to realizing the Bank's Purpose. Going forward, we will focus on developing human resources linked to strategies.

While many initiatives have already been realized, such as the establishment of an in-house university, challenges still lie

ahead in order to close the gap with existing strategies, and we have reached a critical stage. Human are important capital with unlimited potential, and staff members are assets. These messages from top management create a sense of the dependability of the Shoko Chukin Bank's shift to human capital. I have great expectations in the Shoko Chukin Bank's ability to link human capital to value creation and contribute to the happiness of society, companies, and employees.



Junko Okawa
External Director



Changes in Compliance Initiatives

As a result of our five-year compliance revitalization program, compliance awareness among employees has steadily taken root, as indicated by compliance awareness surveys, etc. On the other hand, amidst a drastically changing business environment, we need not only to prevent misconduct from happening again, but also to transition to self-directed compliance initiatives that lead



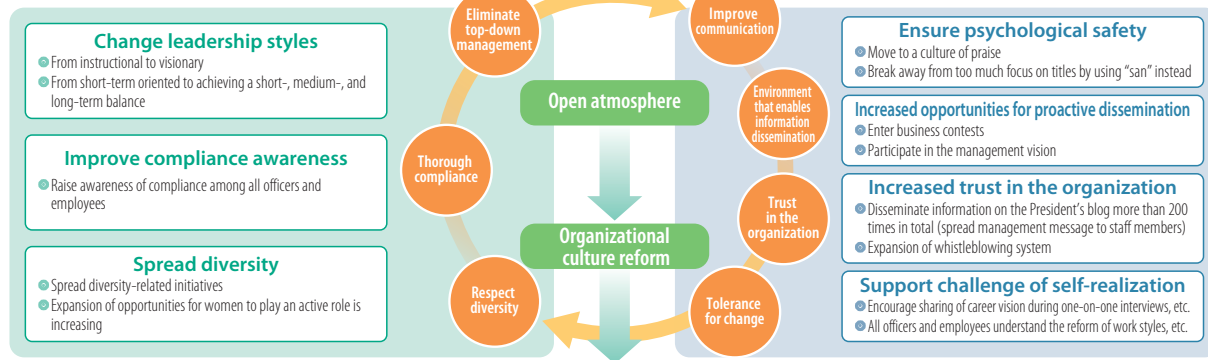
Kazutaka Okubo
External Director

to the realization of our Purpose and Mission. To achieve this, each and every staff member must improve their risk literacy so that they are constantly aware

of and keenly sense changes in the environment, while taking an interest in everything going on around them, and we must build an organizational culture that allows them to read changes and demands in social values on their own accord and flexibly respond to them.

In the three years since I became an External Director, I have noticed a change in the awareness of the participants during active discussions at meetings of the Board of Directors regarding compliance promotion measures, as well as in my role as a facilitator of the annual compliance training for management. Through these compliance initiatives, I hope to see such changes in awareness take root in the organization and ongoing efforts to foster an open and healthy organizational climate to create a workplace environment where everyone can work with vitality and enthusiasm.

Reference: The Shoko Chukin Bank's organizational culture reform initiatives



Create a corporate culture in which each and every employee has the autonomy to embody our mission of assisting SMEs

The Future of Shoko Chukin Bank

Five years ago, when I was first appointed as an External Director, the Shoko Chukin Bank feared losing its creditworthiness, which is the foundation of its existence as a bank. There are two driving forces that have made us resilient in times of crisis.

The first is the front-line skills of officers and employees who took on the challenge of reforming the organization. President Sekine, who was recruited from outside the Bank, demonstrated strong leadership and implemented a management reform plan, which after a long, hard struggle, produced steady results.

The second is the strict but warm watchful eye of our clients, in other words our customers. In my view, the creditworthiness that we had been worried about has been restored by customers who understand that the customer-oriented approach in our reform plan is genuine.

I have continued to monitor management. The key point that I place particular importance on is whether the Bank and its staff are facing the same direction. From around the time that we established our corporate philosophy last year, I have felt that

these vectors have become much more in line with each other. We are now entering a period called "privatization in progress," which in some respects will be even more severe and difficult than organizational restructuring.

However, there is a marked difference from five years ago, in that many staff members hold their Purpose in high regard. I see great potential in the fact that there are definitely more people seriously thinking about what they can do for SMEs, not just in terms of classical business processes, but also in terms of thinking up various approaches and solutions as if the problem were their own.



Shigeharu Nakamura
External Director

Status of Compliance System Development

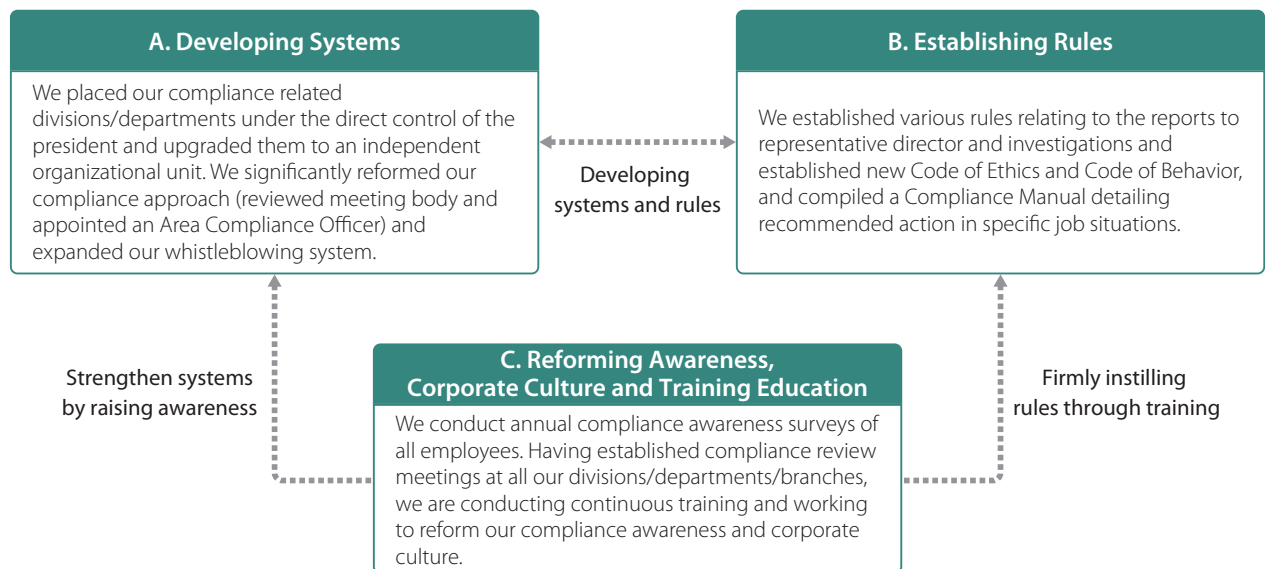
Status of the initiatives to develop compliance systems in the wake of misconduct in crisis response operations

Regarding the misconduct announced in 2016 in our crisis response operations, we would like to once again offer our sincere apologies for the considerable inconvenience and concern caused to our business partners, shareholders, and the general public.

The Shoko Chukin Bank recognizes that the four fundamental causes of the misconduct in the past were: (1) a lack of internal control and excessive pressure for business performance in crisis response operations; (2) the use of crisis response loan facilities as a dominant tool; (3) the attitude of the Bank's Headquarters and management, as well as a decline in compliance awareness that led to misconduct; and, (4) a lack of governance. Based on that recognition, we have developed various approaches and have been steadily raising the employees' compliance awareness.

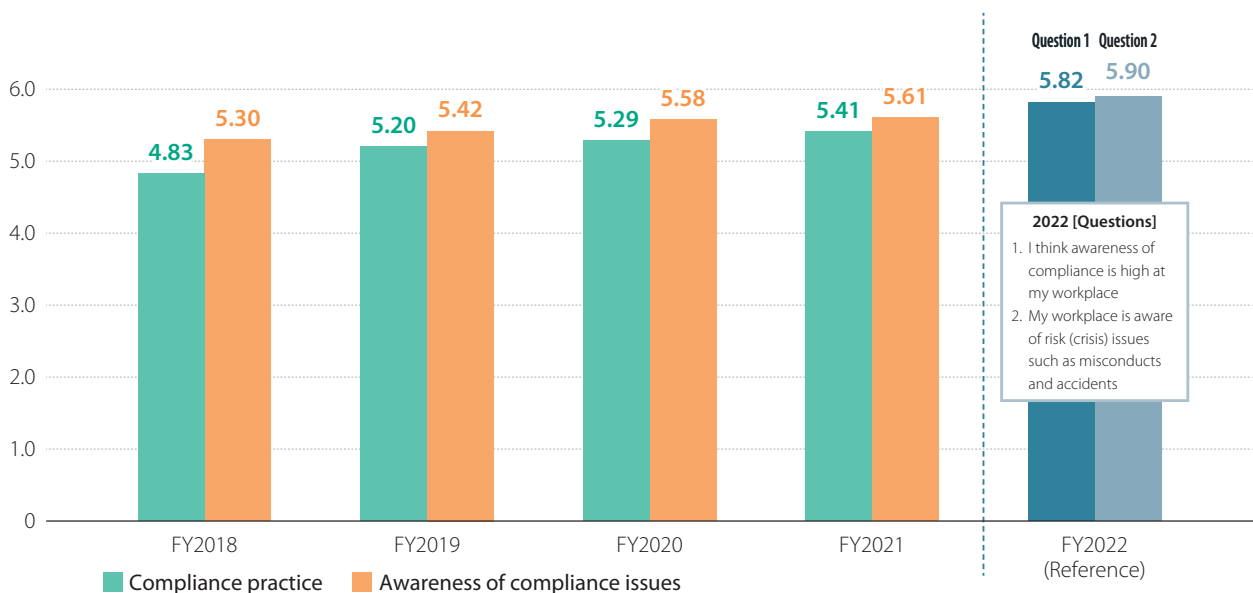
Going forward, we will aim to transition from uniform companywide measures to the promotion of self-directed measures tailored to the issues facing each division, department and branch and to shift away from headquarters-led initiatives to "self-directed compliance" that is planned, reviewed, and operated independently by each division, department and branch.

◆ Three Initiatives to Rebuild Organization After the Misconduct Incident



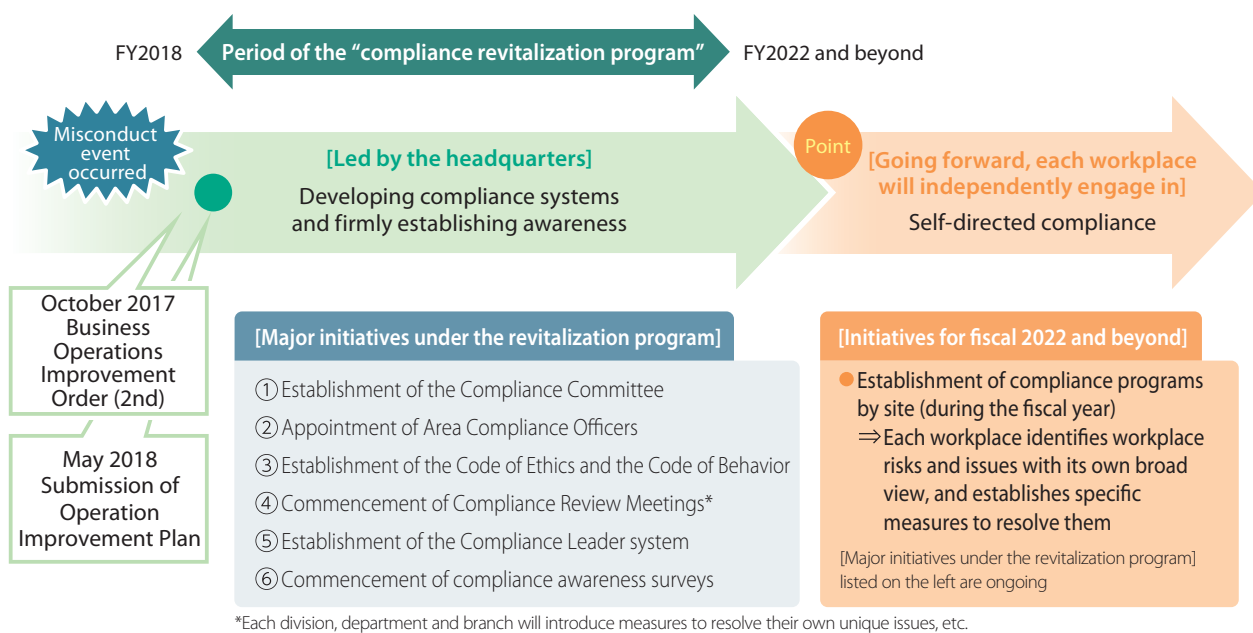
◆ Change in Compliance Awareness

We have been conducting an annual survey of staff compliance awareness since fiscal 2018. (Due to a change in the survey method, figures for fiscal 2022 are for reference only)



*The surveys were conducted by having respondents rate their compliance from 1 to 7 (the higher the number the more positive the action).

◆ Initiatives after discovering the misconduct event [overview of future initiatives]



● Examples of initiatives under the compliance programs by site

As part of our initiative toward self-directed compliance, we have established and are implementing “compliance programs by site” at each workplace. Some of these initiatives are introduced below.

Sendai Office

The Sendai Office organized a cleanup of the local Hirose River in an effort to raise awareness of the SDGs among employees. Family members of staff also participated, which helped to stimulate communication.



Fukutoshin Business Division

Recognizing that the risk of money laundering is higher than in other regions, the Fukutoshin Business Division arranged a money laundering training course for staff in cooperation with the Shinjuku Police Station.



INTERVIEW

Compliance Leader

Compliance Leaders are responsible for promoting overall compliance-related activities in each division, department and branch. Not only formulate and implement compliance programs by site, but we also share initiatives across sites.

As a Compliance Leader, I try to create a fun environment in which colleagues can relax and talk freely. My goal is to acquaint every member of staff with the importance of compliance.

Kaori Izawa, Omori Office



Compliance Committee

◆ The Role of the Compliance Committee

The Compliance Committee is delegated by the Board of Directors to engage in the following three tasks, (1) to (3). The Committee is consulted on all incidents that involve personnel decisions and other disciplinary actions, ensures objectivity and fairness, and provides guidance and checks so that appropriate actions are taken.



◆ Compliance Committee Members

Compliance Committee members are appointed by the Board of Directors and its chairperson is elected from among members who are outside attorneys-at-law by mutual election.

Compliance Committee	Chairperson	Takanori Ishikawa (Attorney at law, Mori Hamada & Matsumoto)
	Vice chairperson	Katsumi Nakamura (Attorney at law, T. Kunihiro & Co., Attorneys-at-Law)
	Member	Hajimu Nakatani (Deputy President and Executive Officer, the Shoko Chukin Bank)

◆ Activities of the Compliance Committee

The Compliance Committee meets once a month in principle to carefully examine various agendas under the guidance of outside attorneys at law. In fiscal 2018, monitoring commenced under the Committee members (chairperson and vice chairperson) to verify the process of agenda submission to the Committee, which has contributed to preventing omissions in the agenda to be submitted to the Committee while also improving efficiency.

- **Monitoring details:** In addition to the monthly Committee meetings, the chairperson and vice chairperson (outside attorneys-at-law) also conduct monitoring of operational risk events. They also confirm whether there are any omissions in the agenda to be discussed by the Committee on a risk basis and do the process verification including giving instructions to submit the necessary agenda to the Committee.

[Monitoring of operational risk events]

- ▶ Monitoring of operational risk events which occurred in the previous month (a certain number is randomly extracted)
- ▶ Verifies the investigation results of incidents determined to pose compliance risks and the status of formulating measures to prevent such recurrences, and confirms the appropriateness of decisions on matters which were not submitted as agenda to the Compliance Committee (provides instructions to refer the matter to the Committee, as necessary)

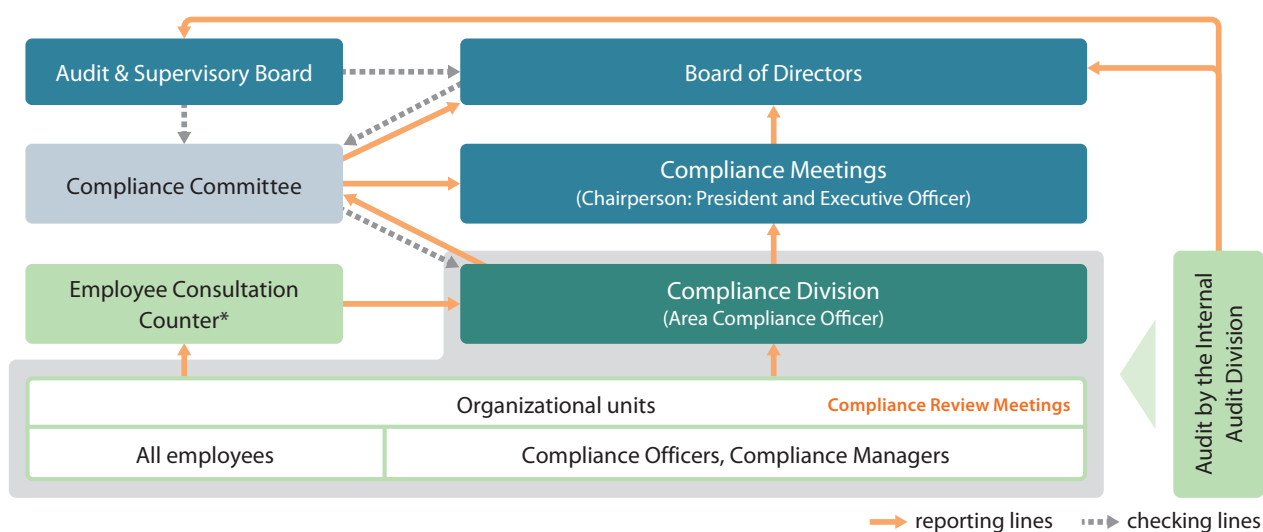
Compliance Committee

● Number of the Committee and Monitoring held

	FY2018	FY2019	FY2020	FY2021	FY2022
Compliance Committee	21	13	13	12	12
Monitoring	7	12	13	12	12
Total	28	25	26	24	24



◆ Compliance Structure



*The Shoko Chukin Bank has established internal and external employee consultation contact points and accepts a wide range of alerts and consultations for the early discovery and correction of misconducts, violations of internal rules, harassment, etc.

Act on Prevention of Transfer of Criminal Proceeds and Anti-Money Laundering, Counter Financing of Terrorism, and Counter-Proliferation Financing

The Shoko Chukin Bank established the Financial Crimes Compliance Department in April 2020 to upgrade our systems to prevent money laundering and other crimes. Taking into account relevant laws and regulations, we are working to strengthen our systems to prevent money laundering and other crimes by thoroughly checking overseas remittance transactions, updating information on our clients, and preventing special types of frauds.

Strengthening systems to prevent money laundering and other crimes is an international trend. Financial institutions will be required to strengthen their stance in the future. The Shoko Chukin Bank, which has positioned money laundering as one of its importance management issues, will continue to upgrade its systems to tackle the issue.

The importance of countermeasures against money laundering and other crimes has become more and more acute in recent years for both Japan and the international community, and the Shoko Chukin Bank will continue to cooperate with the relevant government agencies, respond to the increasingly complex and sophisticated methods used in money laundering and other crimes, and go forward with measures to effectively prevent such crimes.

◆ Customer Management (Customer Due Diligence)

To effectively prevent crimes such as money laundering, financial institutions are required to have a grasp of customers' information including the purpose of each transaction, their occupation and business description, and to update and maintain such details. The Shoko Chukin Bank, since fiscal 2019, has also been regularly asking its customers to provide such information.

◆ Overseas Remittances

In terms of handling overseas remittances, we are required by the Japanese government, international agencies, and foreign government authorities to rigorously confirm whether overseas remittances constitute money laundering or infringe various domestic and overseas laws and regulations. To this end, the Shoko Chukin Bank asks customers to provide materials and other data on the content of the transactions and information about customers and beneficiaries, etc.

Zero-Tolerance of Anti-social Forces

As a financial institution, to maintain public confidence and ensure the adequacy and soundness of our business operations, it 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 Division as a supervising division for the elimination of anti-social forces, and assigning a person responsible for elimination of anti-social forces within each division, department and branch, thereby working to cut off the relationships and eliminate transactions with anti-social forces, in cooperation with external professional bodies including the police and lawyers.

Risk Management

I. Basic Policy for Risk Management

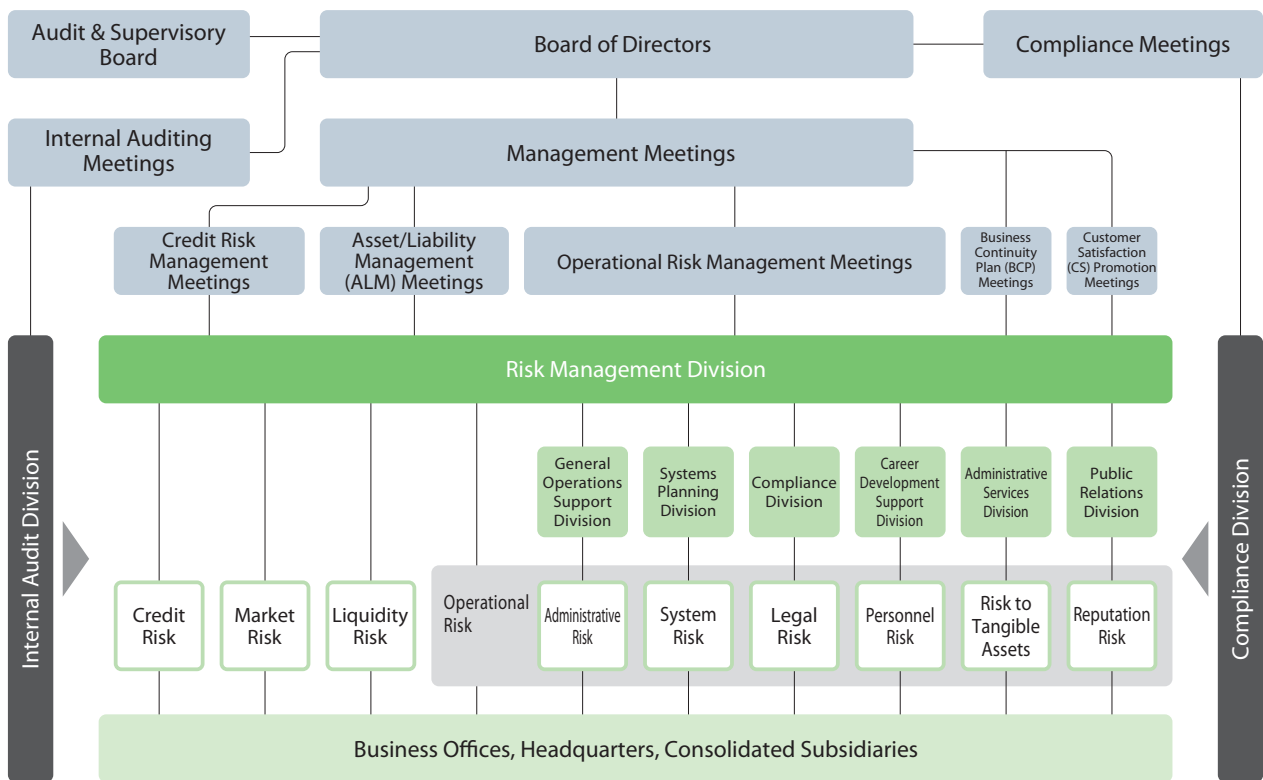
In order to sufficiently exhibit our role as a financial institution specializing in SMEs while maintaining the soundness of management, the Shoko Chukin Bank has laid down its basic policy of thoroughly communicating the importance of risk management to all officers and employees, and accurately grasping and managing risks by defining the type of risks that should be recognized, their content and the organizational structure for managing such risks.

II. Risk Management Structure

The Shoko Chukin Bank, in light of the importance of risk management, conducts risk management with the ample involvement of senior management. Specifically, important matters on risk management are deliberated and decided at the Board of Directors meetings or the Management Meetings, while periodic reports are given to the Board of Directors on the status of risk management, as well as its issues and countermeasures.

Additionally, divisions to manage the risks are designated for each type of risk, and management specific to the features of risk is conducted while the Risk Management Division comprehensively monitors these risks and supervises risk management as a whole.

◆ Risk Management Structure and System



III. Integrated Risk Management

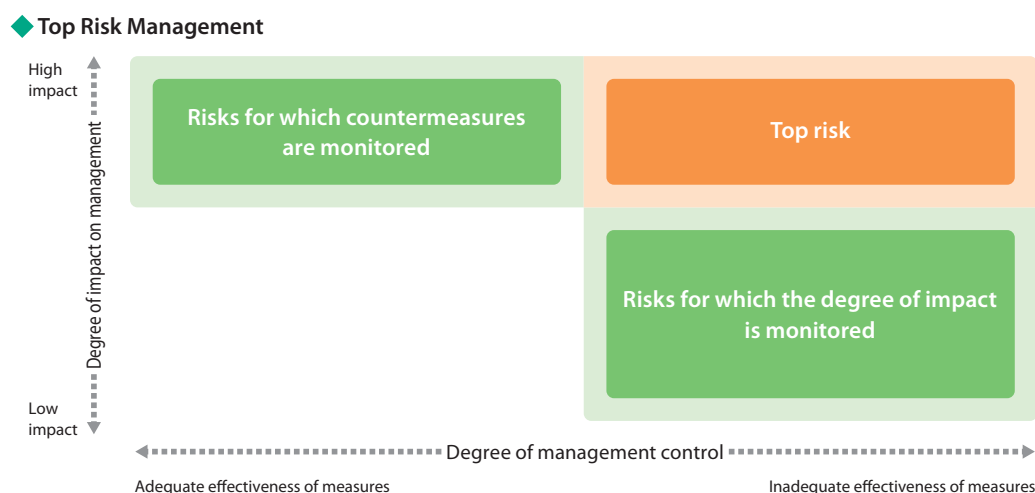
The Shoko Chukin Bank comprehensively understands risks that have been qualitatively or quantitatively assessed and ensures the soundness of management by comparing and contrasting such risks against its financial stability while allocating appropriate management resources commensurate with such risks. Top risk management and risk capital allocation management are undertaken as a concrete process within this framework.

IV. Top Risk Management

The Shoko Chukin Bank has adopted “Top risk management,” which, based on the discussions of senior management, recognizes risk events thought to have a particularly significant impact on management as top risks.

Specifically, every half-year period, the Board of Directors selects risk events surrounding the Bank and determines top risks by utilizing a risk map, which takes into account the degree of impact of such risks on management and the adequacy of the countermeasures (the degree of management control).

For the top risks determined, risk management is conducted that allows for flexible responses in the event that the risk materializes, by determining the management policy and monitoring the status of the risks, among others.



◆ Shoko Chukin Bank’s Top Risks (as of March 2023)

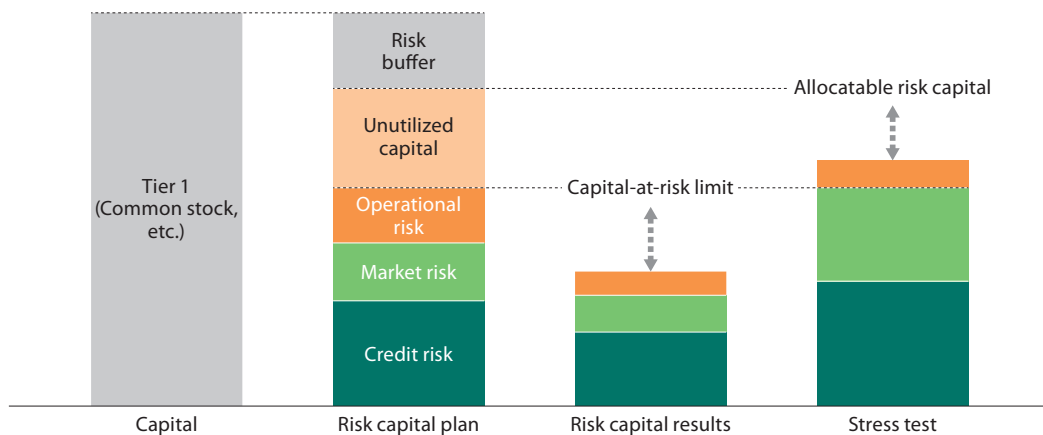
Risk events	Risk scenarios (examples)
Responses against climate change risks	<ul style="list-style-type: none"> •The transition to a decarbonized society may affect customers’ businesses and increase credit costs. •Perceived inadequate climate change efforts and disclosures may cause reputational damage.
Changes in industrial structure	<ul style="list-style-type: none"> •Changes in the external environment may affect customers’ businesses and increase credit costs. •The competitive environment may change drastically, resulting in an erosion of the effects of strategic investments, a shortage of human resources, etc.
Occurrence of large-scale natural disasters	<ul style="list-style-type: none"> •Customers’ businesses may be affected and credit costs may increase. •The Shoko Chukin Bank’s domestic and overseas offices may be damaged, making it difficult to continue operations.
Risks related to cyber attacks	<ul style="list-style-type: none"> •The Shoko Chukin Bank’s operations or services may be shutdown, customer information may leak, or unauthorized transfer of funds through Internet banking may occur which could have a significant impact on its management.
Securing and developing human resources	<ul style="list-style-type: none"> •The lack of progress in securing and training human resources may make it impossible to implement strategies in key areas as expected. •Perceived inadequate human capital management efforts and disclosures may cause reputational damage.
Rating downgrade	<ul style="list-style-type: none"> •A downgrading of the Shoko Chukin Bank’s credit rating by a rating agency could have a negative impact on financing and market-related operations (market procurement and derivatives transactions).
Inadequate measures against money laundering and terrorist financing	<ul style="list-style-type: none"> •Measures against money laundering may not function effectively and administrative penalties may be imposed by the financial authorities, which may result in the termination of the correspondent arrangements and may impede international operations such as overseas remittance operations.

V. Risk Capital Allocation Management

At the Shoko Chukin Bank, we manage risks by quantifying various risks using criteria that are as uniform as possible, aggregating the risks and comparing the risks with capital (integrated capital management). The Board of Directors determines the capital-at-risk limit for overall and each risk, while periodically monitoring the status of the use of risk capital and reports to the Asset/Liability Management (ALM) Meetings and the Management Meetings.

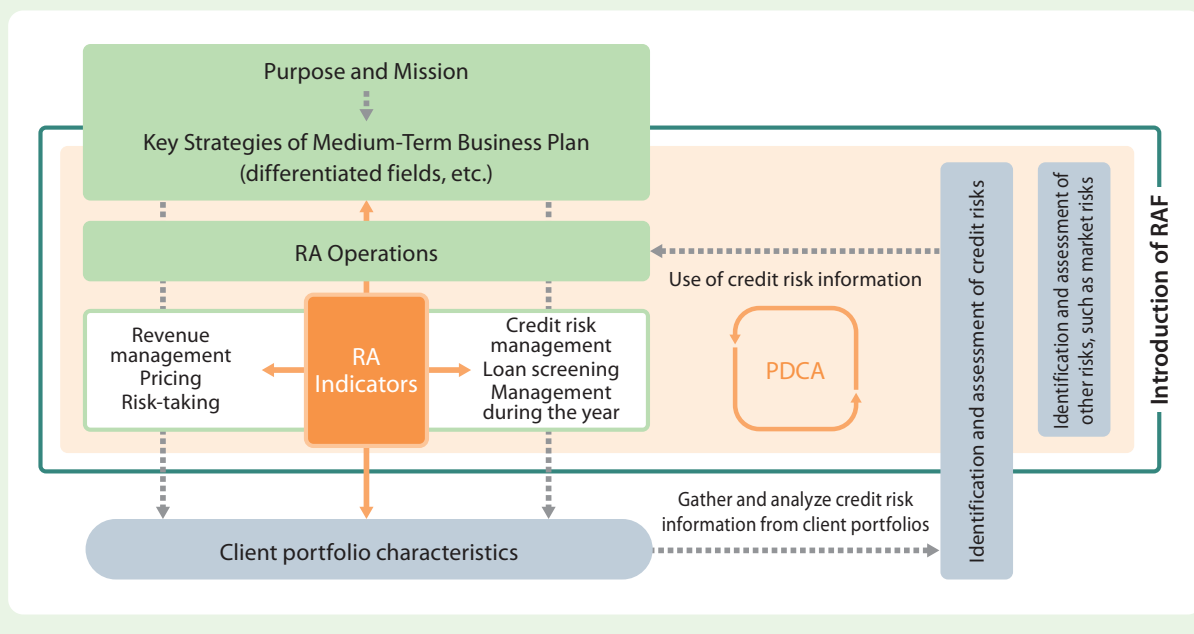
Additionally, we set multiple stress scenarios, including the re-emergence of past stress events and the occurrence of specific stress events, and conduct stress tests based on these scenarios to evaluate internal capital adequacy.

◆ Overview of Risk Capital Allocation Management



✓ TOPIC Introduction of a Risk Appetite Framework (RAF)

In order to realize the Medium-Term Business Plan, the Shoko Chukin Bank monitors risks, capital employed, and economic returns, etc., with regard to our main strategic differentiated fields and investment operations, and determines the policies to be taken in each field. New initiatives will be discussed as necessary to further advance risk management and business management.



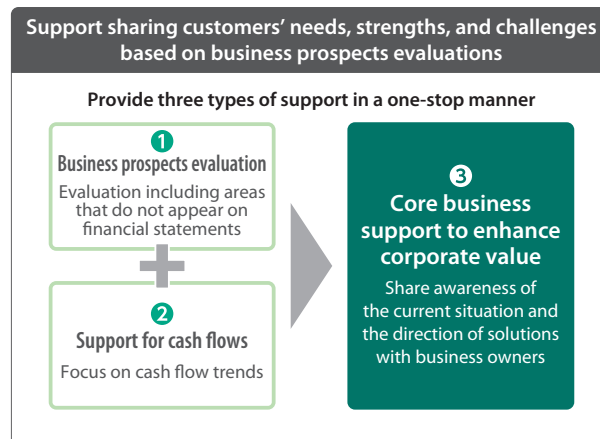
VI. Credit Risk Management

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. The Bank's 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.

Additionally, we analyze and assess the credit portfolio from various perspectives, such as by credit rating, business sector, and geographical region, aiming to improve the soundness of the Bank's assets, while also quantifying credit risk to understand and manage credit risk quantitatively.

In terms of credit screening, the Finance Group strives to maintain and improve the soundness of assets through appropriate screening and management based on business prospects evaluations. The Bank has also established the Corporate Support Division as a specialist unit to provide customers with support for management improvement and revitalization. This department proactively works with customers in this area.

◆ Basic Concept of Loan Screening



VII. Market Risk Management

The Bank controls the volume of market risk within a certain range by setting risk limits within the scope of the capital-at-risk limit allocated to market risk by objectives of the task and type of risks, and also setting limits on amount of positions and valuation gains and losses, and managing these limits.

VIII. Liquidity Risk Management

The Bank appropriately controls liquidity risk by setting various limits related to liquidity risk involving yen and foreign currencies and managing such limits.

Additionally, the Bank appropriately controls liquidity risk by classifying the status of cash flows into three categories, "Normal times," "Times of concern," and "Times of crisis," managing the cash flows according to each category, and formulating specific measures at Times of concern and Times of crisis.

IX. Operational Risk Management

The Shoko Chukin Bank manages operational risk by classifying it into the six sub-risks consisting of administrative risk, system risk, legal risk, personnel risk, risk to tangible assets, and reputation risk.

In its role of overseeing operational risk, the Risk Management Division is responsible for managing and minimizing operational 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, we have established a department in charge of each sub-risk to manage risk according to the attributes of each risk in an effort to minimize risk.

A Risk Control Self-Assessment (RCSA) has been introduced for risk management, whereby the department in charge of operations monitors losses that occur and also identifies and evaluates inherent risk. The Bank is promoting initiatives to make improvements based on this evaluation.

In addition, the Operational Risk Management Meetings deliberate on matters relating to operational risk. These include efforts to clearly identify operational risks and to establish countermeasures to ensure their reduction.

Special Notes

■ Initiatives toward Customer Protection

The Shoko Chukin Bank has formulated the Customer Protection Management Rules and practices a customer-first management approach, to provide appropriate and sufficient explanations to customers (customer explanation management), appropriately respond to customers' requests and complaints (customer support), appropriately manage customer information (customer information management), appropriately manage customer information and appropriately respond to customers when outsourcing operations (outsourcing management), and appropriately manage transactions that may unjustly harm the customer's interests (conflict of interest management).

For example, we carefully explain the contract terms and conditions to gain the understanding and approval of customers in loan and deposit transactions.

Particularly when soliciting products in which the investor may suffer a loss of principal, we appropriately conduct solicitations in accordance with the Solicitation Policy related to the Sale of Financial Instruments.

We have also established a Customer Service Center and set up a system for receiving requests and complaints from customers, and regarding the requests and complaints received, we discuss them at the Customer Satisfaction (CS) Promotion Meetings and make efforts to prevent recurrence and improve business operations. In addition, we have formulated and announced the CS Declaration. To appropriately oversee these initiatives toward customer protection, we have established the necessary systems such as the appointment of managers responsible for each field including the customer explanation management, customer support, customer information management, outsourcing management, and conflict of interest management.

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. We listen carefully to any complaints and other comments we receive so that we can investigate and fully grasp the facts and then cooperate with relevant departments to solve issues quickly. Other institutions can also accept complaints and comments from customers and we encourage some customers to contact appropriate institutions* depending on the content of their complaints or comments.

*The Dispute Resolution Center and Arbitration and Mediation Center set up and operated by the Tokyo Bar Association, the Dai-Ichi Tokyo Bar Association, and the Daini Tokyo Bar Association, or the Financial Instruments Mediation Assistance Center.

Initiatives toward Personal Information Protection

In keeping with the purpose of the Act on the Protection of Personal Information, we announced our declaration regarding initiatives, etc., toward the personal information protection (Personal Information Protection Declaration) on our website and other materials and we are striving to protect personal information under a rigorous safety management system and make continuous improvements. In addition, at the personal information protection contact, we offer consultation regarding personal information protection, provide information on disclosure requests and other procedures, and accept various requests.

▶▶ Please access the following website
(in Japanese only) to view our privacy policy.
<https://www.shokochukin.co.jp/privacy/>



Status of the Initiatives to Comply with the Guidelines for Personal Guarantee Provided by Business Owners

The Shoko Chukin Bank respects and thoroughly enforces the Guidelines for Personal Guarantee Provided by Business Owners released in December 2013, taking into consideration the purpose and details contained in the Guidelines.

Specifically, we strive to respond in good faith in accordance with the Guidelines for Personal Guarantee Provided by Business Owners (including the Special Provisions) when we receive a loan application from a customer, a request to modify or cancel a guarantee agreement, or a request to liquidate guaranteed liabilities.

In addition, we consider the possibility of not accepting a personal guarantee as a comprehensive judgment, taking into account information obtained through our relationships with customers and the details in the business prospects evaluation. When asking customers to provide a guarantee, we strive to explain in detail the need for the guarantee and details in the guarantee agreement. We use alternative lending methods to the Personal Guarantee Provided by Business Owners, such as a joint guarantee with a termination clause, when necessary.



■ 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 Headquarters divisions under the direct control of the President and Executive Officer, carries out audits of the Bank's risk management systems, etc.

Operational audits are implemented to ensure that risk management and other processes at business offices and Headquarters 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 or Management Meetings attended by Audit & Supervisory Board Members, and are then reported periodically at Board of Directors' meetings.

■ Crisis Management System

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

■ Disclosure Policy Concerning Important Facts

The Shoko Chukin Bank, as a financial institution run for SMEs by SMEs, strives to maintain a high level of transparency and fulfill its obligation of accountability as well as fair, timely, and appropriate disclosure regarding our business activities and financial position, to gain the further understanding and trust from all stakeholders including our shareholders, SMEs, investors and depositors.

Based on this basic concept, we have formulated the following Disclosure Policy concerning Important Facts as a way of announcing to the public how our disclosures of important facts should be and thoroughly communicating the policy to the officers and employees of the Shoko Chukin Bank and ensure that it is enforced appropriately.

1. Definition of important facts

The Shoko Chukin Bank considers not only those matters required to be disclosed under relevant domestic and foreign laws and regulations but also information that may significantly impact the decision of its stakeholders including our shareholders, SMEs, investors, and depositors, as important matters requiring disclosure.

2. Disclosure method

With regard to the disclosure of important facts, we strive for fair information disclosure by, for example, posting the information on

the Shoko Chukin Bank website, in principle, on the day of disclosure.

3. Treatment of forward-looking information

Descriptions containing forward-looking statements disclosed by the Shoko Chukin Bank, including forecasts, strategies, policies, and targets are based on information available at the time of disclosure, and are subject to the impact of various risks and uncertainties. Accordingly, the actual results may differ significantly from the outlook.

4. Investment decisions

Information is disclosed by the Shoko Chukin Bank so that stakeholders gain a deeper understanding of the Bank and not for the solicitation of securities and other instruments issued by the Shoko Chukin Bank. Investment decisions should be made based solely on your own judgment.

5. Development of internal systems

The Shoko Chukin Bank strives to develop and improve the required internal systems in accordance with this policy. In addition, the information to be disclosed shall appropriately reflect the discussions and deliberations of the Management Meetings.

■ Disclosure Status

Type of materials	Location and method of announcement	Timing of announcement
Report of business ● Business Report ● Non-consolidated financial statements ● Consolidated financial statements ● Supplementary schedules ● Accounting Auditor's Report ● Audit report	Available at sales offices, our website	Each June
Announcement of financial results/Announcement of interim financial results	Electronic public notice	Each June/Each December
Integrated Report and Disclosure Publication (Interim Disclosure Publication)	Available at sales offices, our website	Each July/Each January
Annual Securities Report/Semi-annual Securities Report	EDINET, available at the Head Office and Osaka Office, our website	Each June/Each December
Basel regulation-related ratios	Our website	Each quarter

(Note) Disclosure materials in accordance with the Shoko Chukin Bank Limited Act, the Companies Act, and the Financial Instruments and Exchange Act.

10-Year Key Financial Data

Summary of Financial Results (Consolidated)					
Fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	
Operating Income	219.6	212.9	204.4	195.3	
Income before Income Taxes and Other	27.4	38.1	34.9	50.8	
Net Income Attributable to Owners of Parent	12.8	16.8	12.4	32.4	
Comprehensive Income	11.1	23.6	6.1	35.9	
Net Assets	884.5	902.2	903.8	935.3	
Total Assets	12,524.1	12,633.8	12,570.4	12,845.0	
Net Assets per Share (Yen)	151.56	159.73	160.48	174.92	
Net Income per Share (Yen)	5.91	7.75	5.72	14.90	
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	12.18	12.18	12.00	11.98	
Consolidated Tier 1 Ratio (%)	12.18	12.18	12.00	11.98	
Consolidated Total Capital Ratio (%)	13.70	13.56	13.37	13.13	
Return on Equity (%)	1.46	1.89	1.38	3.54	
Cash Flows from Operating Activities	(32.1)	222.9	(121.3)	535.3	
Cash Flows from Investing Activities	169.2	31.0	218.6	149.5	
Cash Flows from Financing Activities	(4.5)	(4.5)	(4.5)	(10.5)	
Cash and Cash Equivalents at the End of the Year	665.4	914.8	1,007.6	1,682.0	
Number of Employees [Average Number of Temporary Employees excluded from Above] (Persons)	4,145 [929]	4,140 [977]	4,102 [1,018]	4,080 [1,047]	

Summary of Financial Results (Non-Consolidated)					
Fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	
Gross Operating Profit	151.7	149.6	141.3	134.4	
Net Interest Income	134.1	131.7	126.0	119.3	
General and Administrative Expenses (Excluding Nonrecurring Items)	75.0	75.5	76.1	78.2	
Net Operating Profit	76.6	74.0	65.2	56.2	
Credit-Related Expense (Reversal of the General Reserve for Possible Loan Loss)	48.9	38.9	34.3	6.9	
Income before Income Taxes and Other	26.7	36.0	33.5	49.1	
Net Income	12.5	15.6	11.5	31.3	
OHR (General and Administrative Expenses/Gross Operating Profit) (%)	49.4	50.5	53.8	58.1	
Net Assets	882.7	898.2	909.1	937.7	
Total Assets	12,459.6	12,565.5	12,507.4	12,778.8	
Outstanding Loans	9,488.4	9,503.1	9,539.5	9,356.8	
Balance of Investment Securities	1,971.1	1,931.4	1,703.5	1,543.1	
Outstanding Deposits	4,857.4	5,019.1	5,164.8	5,109.0	
Outstanding Debentures	4,825.2	4,833.5	4,816.8	4,744.1	
Non-consolidated Tier 1 (Common Stock etc.) Ratio (%)	12.25	12.25	12.07	12.04	
Non-consolidated Tier 1 Ratio (%)	12.25	12.25	12.07	12.04	
Non-consolidated Total Capital Ratio (%)	13.73	13.59	13.41	13.17	
Return on Equity (%)	1.42	1.75	1.28	3.39	
Number of Employees [Average Number of Temporary Employees excluded from Above] (Persons)	3,815 [814]	3,816 [853]	3,773 [884]	3,753 [908]	



(Billions of yen)

	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
	204.7	181.2	153.8	151.7	149.3	161.0
	58.4	32.1	21.6	8.5	30.6	31.4
	37.3	15.4	14.5	9.2	18.5	23.3
	41.5	11.2	5.3	24.6	13.6	21.2
	972.3	964.0	959.4	979.5	988.4	1,005.1
	11,957.3	11,818.5	11,219.5	13,083.2	12,787.7	13,049.9
	191.95	195.04	195.44	204.71	208.80	216.48
	17.15	7.08	6.68	4.24	8.51	10.72
	12.69	12.31	11.68	11.74	11.72	11.56
	12.69	12.31	11.68	11.74	11.72	11.92
	13.53	13.00	12.38	12.68	12.77	13.19
	3.93	1.59	1.51	0.95	1.88	2.34
	(165.6)	223.9	(582.5)	502.6	(370.5)	(38.4)
	16.6	113.5	73.7	(184.5)	236.1	223.7
	(24.5)	(24.5)	(10.0)	5.4	0.4	45.4
	1,508.5	1,821.5	1,302.7	1,626.2	1,492.4	1,723.1
	4,083	4,113	4,020	3,909	3,765	3,712
	[1,058]	[1,036]	[1,018]	[1,018]	[1,010]	[1,008]

	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
	116.5	106.1	100.7	105.4	118.9	121.8
	105.6	94.6	88.6	97.9	103.6	107.5
	75.2	75.4	72.5	72.5	66.1	69.3
	41.3	30.6	28.2	32.9	52.8	52.5
	(19.4)	2.0	7.1	19.5	20.7	20.7
	56.9	30.7	20.5	7.6	30.2	30.8
	36.2	14.4	13.7	8.7	18.3	22.9
	64.5	71.1	72.0	68.8	55.5	56.8
	971.5	962.3	956.6	969.9	979.7	997.1
	11,890.2	11,749.8	11,149.3	13,012.6	12,719.3	12,980.4
	8,648.1	8,289.7	8,294.1	9,521.4	9,607.8	9,639.0
	1,514.6	1,383.9	1,283.3	1,464.4	1,215.1	977.9
	4,892.2	5,057.9	5,082.0	5,893.6	5,707.9	5,786.3
	4,459.5	4,238.3	3,990.1	3,787.1	3,542.5	3,448.8
	12.75	12.35	11.69	11.74	11.71	11.53
	12.75	12.35	11.69	11.74	11.71	11.89
	13.57	13.02	12.39	12.68	12.76	13.16
	3.80	1.49	1.43	0.91	1.87	2.32
	3,765	3,798	3,703	3,599	3,419	3,377
	[917]	[895]	[879]	[890]	[886]	[883]

Balance Sheets	75
Statements of Operations	77
Statements of Comprehensive Income	77
Statements of Changes in Net Assets	78
Notes to Financial Statements	82
Capital Account Details	90

Trends in Principal Financial Indicators (Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Operating Income	¥ 161.0	¥ 149.3	¥ 151.7	¥ 153.8	¥ 181.2
Income before Income Taxes and Other	31.4	30.6	8.5	21.6	32.1
Net Income Attributable to Owners of Parent	23.3	18.5	9.2	14.5	15.4
Comprehensive Income	21.2	13.6	24.6	5.3	11.2
Net Assets	1,005.1	988.4	979.5	959.4	964.0
Total Assets	13,049.9	12,787.7	13,083.2	11,219.5	11,818.5
Net Assets per Share (Yen)	216.48	208.80	204.71	195.44	195.04
Net Income per Share (Yen)	10.72	8.51	4.24	6.68	7.08
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.67	7.69	7.45	8.51	8.12
Consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.56	11.72	11.74	11.67	12.30
Consolidated Tier 1 Ratio (%)	11.92	11.72	11.74	11.67	12.30
Consolidated Total Capital Ratio (%)	13.19	12.77	12.68	12.37	12.99
Return on Equity (%)	2.34	1.88	0.95	1.51	1.59
Price Earnings Ratio	—	—	—	—	—
Cash Flows from Operating Activities	(38.4)	(370.5)	502.6	(582.5)	223.9
Cash Flows from Investing Activities	223.7	236.1	(184.5)	73.7	113.5
Cash Flows from Financing Activities	45.4	0.4	5.4	(10.0)	(24.5)
Cash and Cash Equivalents at the End of the Year	1,723.1	1,492.4	1,626.2	1,302.7	1,821.5
Number of Employees (Persons)	3,712	3,765	3,909	4,020	4,113
[Average Number of Temporary Employees excluded from Above]	[1,008]	[1,010]	[1,018]	[1,018]	[1,036]

Notes: 1. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.

2. The Capital Ratio is calculated as follows:

(Total Net Assets as of the fiscal period-end - Share award rights 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

3. 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. The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines. From effective fiscal 2022, the finalized Basel III framework has been early adopted for the calculation of the figures.

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

5. Number of Employees refers to the number of persons employed (excluding seconded workers).



Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
ASSETS				
Cash and Due from Banks	¥ 1,741,181	¥ 1,515,860	\$ 13,039	\$ 12,385
Call Loans and Bills Purchased	377,420	174,817	2,826	1,428
Monetary Claims Purchased	23,816	23,718	178	193
Trading Assets	18,465	13,147	138	107
Investment Securities	974,629	1,211,789	7,298	9,901
Loans	9,628,093	9,597,836	72,104	78,420
Foreign Exchange	22,925	27,954	171	228
Other Assets	197,128	168,841	1,476	1,379
Tangible Fixed Assets	39,793	41,250	298	337
Buildings	15,213	16,592	113	135
Land	21,868	22,003	163	179
Construction in Progress	209	—	1	—
Other Tangible Fixed Assets	2,502	2,653	18	21
Intangible Fixed Assets	16,938	12,886	126	105
Software	8,237	8,883	61	72
Other Intangible Fixed Assets	8,700	4,003	65	32
Net Defined Benefit Asset	23,464	24,984	175	204
Deferred Income Taxes	40,231	37,002	301	302
Customers' Liabilities for Acceptances and Guarantees	131,426	120,768	984	986
Reserve for Possible Loan Losses	(185,519)	(183,150)	(1,389)	(1,496)
Total Assets	¥ 13,049,997	¥ 12,787,705	\$ 97,730	\$ 104,483



Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. and Subsidiaries As of March 31, 2023 and 2022

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.

The consolidated financial statements presented below are not audited or certified. They have been reproduced from audited and certified consolidated financial statements above.

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
LIABILITIES				
Deposits	¥ 5,781,137	¥ 5,701,444	\$ 43,294	\$ 46,584
Negotiable Certificates of Deposit	689,176	491,452	5,161	4,015
Shoko Chukin Bank Debentures	3,448,450	3,542,170	25,825	28,941
Payables under Securities Lending Transactions	200,687	139,173	1,502	1,137
Trading Liabilities	10,356	5,197	77	42
Borrowed Money	1,583,148	1,642,658	11,856	13,421
Foreign Exchange	492	75	3	0
Corporate Bonds	80,000	30,000	599	245
Other Liabilities	69,098	73,393	517	599
Reserve for Bonuses	4,907	4,227	36	34
Net Defined Benefit Liability	2,075	2,232	15	18
Reserve for Retirement Benefits for Directors	174	115	1	0
Reserve for Losses on Refund for Dormant Bonds	43,526	46,162	325	377
Reserve for Environmental Measures	65	67	0	0
Other Reserves	81	77	0	0
Deferred Tax Liabilities	50	50	0	0
Acceptances and Guarantees	131,426	120,768	984	986
Total Liabilities	12,044,854	11,799,266	90,203	96,407
NET ASSETS				
Capital	218,653	218,653	1,637	1,786
Crisis Response Reserve	129,500	129,500	969	1,058
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,001	3,274
Capital Surplus	0	0	0	0
Retained Earnings	245,274	226,437	1,836	1,850
Treasury Stock	(1,153)	(1,146)	(8)	(9)
Total Shareholders' Equity	993,086	974,255	7,437	7,960
Unrealized Gains on Other Securities	16,233	17,340	121	141
Deferred Hedge Gains	2	2	0	0
Remeasurements of Defined Benefit Plans	(7,976)	(6,956)	(59)	(56)
Total Accumulated Other Comprehensive Income	8,259	10,386	61	84
Non-controlling Interests	3,796	3,796	28	31
Total Net Assets	1,005,142	988,439	7,527	8,076
Total Liabilities and Net Assets	¥ 13,049,997	¥ 12,787,705	\$ 97,730	\$ 104,483



Consolidated Statements of Operations

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
Operating Income	¥ 161,030	¥ 149,384	\$ 1,205	\$ 1,220
Interest Income	115,759	107,615	866	879
Interest on Loans	105,290	100,352	788	819
Interest and Dividends on Securities	4,007	3,371	30	27
Interest on Call Loans and Interest on Bills Purchased	543	96	4	0
Interest on Deposits	1,232	1,136	9	9
Interest on Interest Swaps	3	—	0	—
Other Interest Income	4,681	2,658	35	21
Fees and Commissions	11,970	11,047	89	90
Trading Revenue	8,425	6,128	63	50
Other Operating Income	22,595	23,214	169	189
Other Income	2,277	1,378	17	11
Collection of Written-off Claims	36	90	0	0
Other Income	2,241	1,288	16	10
Operating Expenses	129,603	118,780	970	970
Interest Expenses	8,420	4,152	63	33
Interest on Deposits	2,521	2,545	18	20
Interest on Negotiable Certificates of Deposit	1,300	149	9	1
Interest on Debentures	2,108	281	15	2
Interest on Call Money and Interest on Bills Sold	(4)	0	(0)	0
Interest on Payables under Repurchase Agreements	—	0	—	0
Interest on Securities Lending Transactions	—	15	—	0
Interest on Borrowed Money	1,955	1,023	14	8
Interest on Corporate Bonds	524	105	3	0
Interest on Interest Swaps	—	21	—	0
Other Interest Expenses	14	9	0	0
Fees and Commissions	3,280	3,227	24	26
Trading Expenses	—	0	—	0
Other Operating Expenses	22,902	19,453	171	158
General and Administrative Expenses	73,197	70,414	548	575
Other Expenses	21,803	21,530	163	175
Provision for Possible Loan Losses	19,131	19,942	143	162
Other Expenses	2,671	1,587	20	12
Profit before Income Taxes and Other	31,426	30,604	235	250
Other Gains	355	1,228	2	10
Gains on Disposal of Fixed Assets	355	1,228	2	10
Other Losses	236	607	1	4
Losses on Disposal of Fixed Assets	159	194	1	1
Impairment Losses	77	412	0	3
Profit before Income Taxes	31,544	31,224	236	255
Provision for Income Taxes	10,503	8,153	78	66
Adjustment for Income Taxes	(2,295)	4,544	(17)	37
Total Income Taxes	8,208	12,698	61	103
Profit	23,336	18,526	174	151
Profit Attributable to Non-controlling Interests	3	3	0	0
Profit Attributable to Owners of Parent	¥ 23,332	¥ 18,522	\$ 174	\$ 151

Consolidated Statements of Comprehensive Income

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
Profit	¥ 23,336	¥ 18,526	\$ 174	\$ 151
Other Comprehensive Income	(2,127)	(4,844)	(15)	(39)
Unrealized Gains on Other Securities	(1,107)	(3,736)	(8)	(30)
Deferred Hedge Gains	(0)	28	(0)	0
Remeasurements of Defined Benefit Plans	(1,019)	(1,135)	(7)	(9)
Comprehensive Income	21,209	13,682	158	111
Total Comprehensive Income Attributable to Owners of Parent	21,205	13,678	158	111
Non-controlling Interests	¥ 3	¥ 3	\$ 0	\$ 0

Consolidated Statements of Operations / Consolidated Statements of Comprehensive Income



Consolidated Statements of Changes in Net Assets

The Shoko Chukin Bank, Ltd. and Subsidiaries For the years ended March 31, 2023 and 2022

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2022	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 226,437	¥ (1,146)	¥ 974,255
Changes during the Period							
Dividends from Surplus					(4,495)		(4,495)
Profit Attributable to Owners of Parent					23,332		23,332
Acquisition of Treasury Stock						(7)	(7)
Disposition of Treasury Stock				0		0	0
Net Changes of Items Other Than Shareholders' Equity							
Total Changes during the Period	—	—	—	0	18,837	(6)	18,830
Balance, March 31, 2023	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 245,274	¥ (1,153)	¥ 993,086

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2022	¥ 17,340	¥ 2	¥ (6,956)	¥ 10,386	¥ 3,796	¥ 988,439
Changes during the Period						
Dividends from Surplus						(4,495)
Profit Attributable to Owners of Parent						23,332
Acquisition of Treasury Stock						(7)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(1,107)	(0)	(1,019)	(2,127)	—	(2,127)
Total Changes during the Period	(1,107)	(0)	(1,019)	(2,127)	—	16,703
Balance, March 31, 2023	¥ 16,233	¥ 2	¥ (7,976)	¥ 8,259	¥ 3,796	¥ 1,005,142

Millions of yen

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2021	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 212,698	¥ (1,136)	¥ 960,526
Cumulative Effects of Changes in Accounting Policies					(288)		(288)
Restated Balance	218,653	129,500	400,811	0	212,410	(1,136)	960,238
Changes during the Period							
Dividends from Surplus					(4,495)		(4,495)
Profit Attributable to Owners of Parent					18,522		18,522
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	14,026	(10)	14,017
Balance, March 31, 2022	¥ 218,653	¥ 129,500	¥ 400,811	¥ 0	¥ 226,437	¥ (1,146)	¥ 974,255

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2021	¥ 21,076	¥ (25)	¥ (5,820)	¥ 15,230	¥ 3,796	¥ 979,554
Cumulative Effects of Changes in Accounting Policies						(288)
Restated Balance	21,076	(25)	(5,820)	15,230	3,796	979,266
Changes during the Period						
Dividends from Surplus						(4,495)
Profit Attributable to Owners of Parent						18,522
Acquisition of Treasury Stock						(10)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(3,736)	28	(1,135)	(4,844)	—	(4,844)
Total Changes during the Period	(3,736)	28	(1,135)	(4,844)	—	9,173
Balance, March 31, 2022	¥ 17,340	¥ 2	¥ (6,956)	¥ 10,386	¥ 3,796	¥ 988,439

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, 2023 and 2022

Millions of U.S. dollars

	Shareholders' Equity						
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, April 1, 2022	\$ 1,637	\$ 969	\$ 3,001	\$ 0	\$ 1,695	\$ (8)	\$ 7,296
Changes during the Period							
Dividends from Surplus					(33)		(33)
Profit Attributable to Owners of Parent					174		174
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	141	(0)	141
Balance, March 31, 2023	\$ 1,637	\$ 969	\$ 3,001	\$ 0	\$ 1,836	\$ (8)	\$ 7,437

	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance, April 1, 2020	\$ 129	\$ 0	\$ (52)	\$ 77	\$ 28	\$ 7,402	
Changes during the Period							
Dividends from Surplus						(33)	
Profit Attributable to Owners of Parent						174	
Acquisition of Treasury Stock						(0)	
Disposition of Treasury Stock						0	
Net Changes of Items Other Than Shareholders' Equity	(8)	(0)	(7)	(15)	—	(15)	
Total Changes during the Period	(8)	(0)	(7)	(15)	—	125	
Balance, March 31, 2023	\$ 121	\$ 0	\$ (59)	\$ 61	\$ 28	\$ 7,527	

	Shareholders' Equity						Total Shareholders' Equity
	Capital	Crisis Response Reserve	Special Reserve	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, April 1, 2021	\$ 1,786	\$ 1,058	\$ 3,274	\$ 0	\$ 1,737	\$ (9)	\$ 7,848
Cumulative Effects of Changes in Accounting Policies					(2)		(2)
Restated Balance	1,786	1,058	3,274	0	1,735	(9)	7,845
Changes during the Period							
Dividends from Surplus					(36)		(36)
Profit Attributable to Owners of Parent					151		151
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	114	(0)	114
Balance, March 31, 2022	\$ 1,786	\$ 1,058	\$ 3,274	\$ 0	\$ 1,850	\$ (9)	\$ 7,960

	Accumulated Other Comprehensive Income				Non-controlling Interests	Total Net Assets
	Unrealized Gains on Other Securities	Deferred Hedge Gains	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance, April 1, 2021	\$ 172	\$ (0)	\$ (47)	\$ 124	\$ 31	\$ 8,003
Cumulative Effects of Changes in Accounting Policies						(2)
Restated Balance	172	(0)	(47)	124	31	8,001
Changes during the Period						
Dividends from Surplus						(36)
Profit Attributable to Owners of Parent						151
Acquisition of Treasury Stock						(0)
Disposition of Treasury Stock						0
Net Changes of Items Other Than Shareholders' Equity	(30)	0	(9)	(39)	—	(39)
Total Changes during the Period	(30)	0	(9)	(39)	—	74
Balance, March 31, 2022	\$ 141	\$ 0	\$ (56)	\$ 84	\$ 31	\$ 8,076



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 ¥133.53=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2023, has been used for translation purposes for the year ended March 31, 2023, and ¥122.39=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2022, has been used for translation purposes for the year ended March 31, 2022. 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 subsidiary: 2 companies

Names of non-consolidated subsidiary:

YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
Tsunagaru Mirai Fund (silent partnership)

Non-consolidated subsidiary is excluded from the scope of consolidation because its 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 subsidiary that is not accounted for by the equity method: 2 companies

Names of non-consolidated subsidiary that is not accounted for by the equity method:

YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI
Tsunagaru Mirai Fund (silent partnership)

(4) Affiliated companies that are not accounted for by the equity method:

None

Non-consolidated subsidiary that is not accounted for by the equity method is excluded from the scope of the equity method because its 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 Sheets 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 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.

For derivatives, the Bank holds groups of financial assets and financial liabilities that are exposed to market risks and credit risk. The Bank manages those instruments on the basis of its net exposure to a particular market risk (or risks) or to a particular credit risk.

(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). Other securities are valued using the mark-to-market method (cost of sales are primarily calculated with the moving average method). However, stocks, etc. that do not have market prices 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.

The Bank holds groups of financial assets and financial liabilities that are exposed to market risks and credit risk. The Bank manages those instruments on the basis of its net exposure to a particular market risk (or risks) or to a particular credit risk.

(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 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, April 14, 2022), and are grouped into secured loans relating to crisis response operations and other loans. Additionally, among loans that require special attention, loans other than those requiring special management (hereinafter, "other loans requiring special attention") are grouped by whether they have been restructured or not. For each of these groups, reserve provisions are made respectively, mainly based on the amount of expected loss for the subsequent year or the amount of expected loss for the subsequent 3 years. The amount of expected loss is determined by calculating a loss rate based on the average default rate over a specific period based on defaults over 1 year or 3 years, to which necessary adjustments are made including reflecting future estimates. 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.

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
Reserves for Bonuses are set up for the payment of employees' bonuses and appropriate 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
Reserves for Retirement Benefits for Directors are 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
Reserves for Environmental Measures are set up for the estimated payment for disposal of PCB (polychlorinated biphenyl) waste.
- (10) Accounting standard for Other Reserves
Other Reserve is the estimated amount of Reserve for Sales Promotion to provide for the exchange of items.
- (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) Interest rate risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of interest fluctuations arising from financial assets and liabilities of the Bank, as stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Committee Practical Guideline No. 24, March 17, 2022). Interest swap transactions are carried out for the purpose of offsetting the risk of market fluctuations arising from financial assets and liabilities. The effectiveness of the hedge is identified and evaluated by grouping the loans as hedged items and interest rate swap transactions as hedged instruments by a certain remaining period.
- (b) Currency risk hedging
Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated financial assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Committee Practical Guideline No. 25, October 8, 2020). 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.
- (c) 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 JICPA Industry Committee Practical Guideline No. 24. 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.



SIGNIFICANT ACCOUNTING ESTIMATES

Amounts recorded in the consolidated financial statements of the current fiscal year based on accounting estimates that may materially impact the consolidated financial statements of the following fiscal year are as follows.

1. Reserve for Possible Loan Losses

- (1) Amount of Reserve for Possible Loan Losses recorded in the consolidated financial statements for the current fiscal year totaled ¥185,519 million.
- (2) Information that will facilitate the understanding of significant accounting estimates related to identified items

(a) Calculation method

The calculation method of the Reserve for Possible Loan Losses is as stated in “(5) Accounting standard for Reserve for Possible Loan Losses” of “5. Accounting policies.”

(b) Major assumptions

Major assumptions are made for “Future results forecasts of the borrowers in determining business partner category” and “Future estimates, etc. of expected loss.” The former is determined by individually evaluating the revenue-generating capability of each debtor. “Future estimates, etc. of expected loss” incorporate credit risk that has not been reflected in the default rates, etc. in individual categories for which provisions are calculated as of the consolidated balance sheet date.

For normal loans and loans requiring special attention, additional reserve is provided on the basis of the balance of receivables from major customers as of the consolidated balance sheet date remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees, to incorporate the unexpected default risks after the consolidated balance sheet date. For other loans requiring special attention that have not been rescheduled, the expected loss rate is adjusted based on the actual occurrence of rescheduling of loans during the time of the financial crisis of 2007-08 by taking into consideration the risk of occurrence of rescheduling of loans due to the start of repayment of a COVID-19 Related Loan. For other loans requiring special attention that have been rescheduled, the Bank focuses on the characteristic that the default rate is higher for loans immediately after being classified as such loans and the Reserve for Possible Loan Losses to which the necessary adjustments are made, including reflecting future estimates, is calculated by adjusting the overall default rates based on the respective actual default rates of the loans immediately after being classified as such loans and of other loans, as well as the ratios of the outstanding balance of each of these loans as of the consolidated balance sheet date.

The expected loss rate of loans to debtors at risk of bankruptcy (excluding those to which the discounted cash flow (DCF) method has been applied) is based on a historical default rate on which the medium- to long-term effects of the business cycle have been leveled through the extension of the calculation period. Subsequently, the relationship between the actual values of economic indicators and the loss rate of loans to debtors at risk of bankruptcy in the past are analyzed. If the loss rate estimated from the latest actual values of the economic indicators exceeds the historical default rate, the Reserve for Possible Loan Losses is calculated using the obtained loss rate as the expected loss rate, to reflect the current conditions of the deteriorating economy. Based on this calculation method, the historical default rate is used as the expected loss rate for the year ended March 31, 2023.

- (c) Impact on the consolidated financial statements of the following fiscal year

Any changes to “Future results forecasts of the borrowers in determining business partner category” used in the initial estimates due to changes in the business results of individual borrowers, or changes in the “Future estimates, etc. of expected loss” used in the initial estimates due to changes in the status of the COVID-19 pandemic or its impact on the economic environment, may significantly impact the Reserves for Possible Loan Losses in the consolidated financial statements of the following fiscal year.

CHANGES IN ACCOUNTING POLICIES

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Bank has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”), from the beginning of the year ended March 31, 2023. The Bank will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance.

There is no impact on the consolidated financial statements for the year ended March 31, 2023.

In addition, in notes on fair value information by level within the fair value hierarchy for investment trusts under the notes on “Financial Instruments,” notes pertaining to the previous fiscal period are not presented in accordance with Paragraph 27-3 of the Fair Value Measurement Guidance.



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 has 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 operations, 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 Bank deems it has sufficiently secured the necessary financial foundation for the smooth implementation of crisis response operations, 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

- The total amount of shares and investments in capital of non-consolidated subsidiaries and affiliated companies is ¥47 million.
- The total amount of Investment Securities lent through unsecured loan agreements, which are included in Government Bonds under "Investment Securities," is ¥115,634 million.
- Loans based on the Shoko Chukin Bank Law and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Loans include the following items in the Consolidated Balance Sheets: Corporate Bonds, presented as a sub-item of "Investment Securities" (limited to privately-offered corporate bonds (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act) for which redemption of principal and payment of interest are guaranteed in whole or in part); Loans; Foreign Exchange; Accrued Interest and Suspense Payments, presented as sub-items of "Other Assets"; and Customers' Liabilities for Acceptances and Guarantees, and also include Investment Securities lent that are described in the notes (limited to investment securities under loan for consumption or leasing agreements).

Loans to legally bankrupt and substantially bankrupt companies	¥106,186 million
Loans with collection risk	¥175,623 million
Loans requiring special management	¥54,608 million
Loans overdue by three months or longer	¥466 million
Rescheduled loans	¥54,141 million
Subtotal:	¥336,418 million
Normal loans	¥9,534,859 million
Total:	¥9,871,278 million

Loans to legally bankrupt and substantially bankrupt companies are loans to debtors that are in business failure due to a petition for the commencement of bankruptcy proceedings, the corporate reorganization proceedings, or rehabilitation proceedings, etc., and loans equivalent to such loans.

Loans with collection risk are loans to debtors, while not yet in a state of business failure but whose financial position and result of operations have deteriorated, and from whom the contractual collection of loan principal and receipt of interest are unlikely, excluding loans to legally bankrupt and substantially bankrupt companies.

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 legally bankrupt and substantially bankrupt companies and loans with collection risk are excluded from this category.

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 legally bankrupt

and substantially bankrupt companies, loans with collection risk, and loans overdue by three months or longer.

Normal loans are loans to debtors who have no problems in terms of their financial position and result of operations that are not classified as loans to legally bankrupt and substantially bankrupt companies, loans with collection risk, loans overdue by three months or longer, or rescheduled loans.

The above figures represent the amounts of loans before the deduction of Reserve for Possible Loan Losses.

- Bills discounted are handled as financial transactions in accordance with JICPA Industry Committee Practical Guideline No. 24. 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 ¥100,113 million.
- Assets provided as collateral are as follows.

Assets provided as collateral:	
Securities	¥593,185 million
Liabilities corresponding to collateral assets:	
Deposits	¥1,021 million
Payables under Securities Lending Transactions	¥200,687 million
Borrowings	¥140,059 million

In addition to the above amounts, securities worth ¥2,474 million have been substituted for futures margin money, etc.

Other Assets include ¥86,308 million of Cash Collateral Received for Financial Instruments and ¥1,409 million of guarantees and deposits.

- 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 ¥1,712,586 million. Of this amount, ¥1,543,038 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 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.



Notes to Consolidated Financial Statements

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2023

- Accumulated depreciation of Tangible Fixed Assets is ¥70,610 million.
- Advanced depreciation of Tangible Fixed Assets is ¥16,136 million.
(There is no advanced depreciation for the current fiscal period.)
- Corporate Bonds include subordinated bonds totaling ¥80,000 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 ¥12,316 million.

CONSOLIDATED STATEMENTS OF OPERATIONS

- Other Income includes ¥13 million of revenue from dormant bonds.
- General and Administrative Expenses include ¥38,197 million of salaries and allowances.
- Other Expenses include ¥695 million of Write-off of Loans, ¥169 million of Write-off of Stocks, ¥542 million of provision for reserves for losses on refund for dormant bonds.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen	
	2023	2022
Unrealized Gains on Other Securities		
Amount arising during the current fiscal year	¥ (3,272)	¥ (4,881)
Reclassification Adjustments	1,679	(494)
Before adjustment of Deferred Income Tax	(1,592)	(5,375)
Deferred Income Tax	485	1,638
Unrealized Gains on Other Securities	(1,107)	(3,736)
Deferred Hedge Gains		
Amount arising during the current fiscal year	3	19
Reclassification Adjustments	(3)	21
Before adjustment of Deferred Income Tax	(0)	40
Deferred Income Tax	0	(12)
Deferred Hedge Gains	(0)	28
Remeasurements of Defined Benefit Plans		
Amount arising during the current fiscal year	(3,657)	(4,257)
Reclassification Adjustments	2,190	2,623
Before adjustment of Deferred Income Tax	(1,467)	(1,633)
Deferred Income Tax	447	498
Remeasurements of Defined Benefit Plans	(1,019)	(1,135)
Total Other Comprehensive Income	¥ (2,127)	¥ (4,844)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

- Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

- Matters relating to the type and number of shares issued

(Thousand shares)

	Number of Shares as of April 1, 2022	Increase	Decrease	Number of Shares as of March 31, 2023	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	10,666	39	0	10,704	(Note)
Total	10,666	39	0	10,704	

Note: The increase in the common stock is due to claims by shareholders for repurchase of shares less than one unit. The decrease in common stock is due to claims by shareholders for additional purchase of shares less than one unit.

- Matters Relating to Dividends

- 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 21, 2022	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2022	June 23, 2022
	Common stock (nongovernment portion)	3,479	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).

- Cash dividends for which the effective date falls after the fiscal year ended March 31, 2023 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2023

Resolution	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 20, 2023	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2023	Ordinary General Meeting of Shareholders held on June 20, 2023 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,479		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, 2022 (April 1, 2021 to March 31, 2022)

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

(Thousand shares)

	Number of Shares as of April 1, 2021	Increase	Decrease	Number of Shares as of March 31, 2022	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	10,618	49	0	10,666	(Note)
Total	10,618	49	0	10,666	

Note: The increase in the common stock is due to claims by shareholders for repurchase of shares less than one unit. The decrease in common stock is due to claims by shareholders for additional purchase 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 22, 2021	Common stock (government portion)	1,016	1.0 (Note)	March 31, 2021	June 24, 2021
	Common stock (nongovernment portion)	3,479	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, 2022 included in cash dividends for which the base date falls within the fiscal year ended March 31, 2022

Resolution	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 21, 2022	Common stock (government portion)	1,016	Retained earnings	1.0 (Note 1)	March 31, 2022	Ordinary General Meeting of Shareholders held on June 21, 2022 and after competent minister authorization (Note 2)
	Common stock (nongovernment portion)	3,479		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.



Capital Account Details (Consolidated)

The Shoko Chukin Bank, Ltd. and Subsidiaries For the year ended March 31, 2023

CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2023)
1. Total Risk-weighted Capital Ratio (4/7)	13.19
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.92
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.56
4. Total Capital	11,046
5. Tier 1 Capital	9,987
6. Common Equity Tier 1 Capital	9,687
7. Risk-weighted Assets	83,748
8. Total Required Capital	6,699

LEVERAGE RATIO (Uniform International Standards)

(%)

	(As of March 31, 2023)
Leverage Ratio	8.61



Financial Data (Non-Consolidated)

Year Ended March 31, 2023

Balance Sheets	92
Statements of Operations	94
Capital Account Details	96
Profit and Loss Details	97
Details of Operations	98

Trends in Principal Financial Indicators (Non-Consolidated)

Fiscal period ended	Billions of yen				
	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Total Operating Income	¥ 139.8	¥ 128.5	¥ 117.9	¥ 119.0	¥ 146.4
Income (Loss) before Income Taxes and Other	30.8	30.2	7.6	20.5	30.7
Net Income (Loss)	22.9	18.3	8.7	13.7	14.4
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	997.1	979.7	969.9	956.6	962.3
Total Assets	12,980.4	12,719.3	13,012.6	11,149.3	11,749.8
Outstanding Deposits	5,786.3	5,707.9	5,893.6	5,082.0	5,057.9
Outstanding Debentures	3,448.8	3,542.5	3,787.1	3,990.1	4,238.3
Outstanding Loans	9,639.0	9,607.8	9,521.4	8,294.1	8,289.7
Balance of Investment Securities	977.9	1,215.1	1,464.4	1,283.3	1,383.9
Net Assets per Share (Yen)	214.56	206.56	202.05	195.91	195.97
Dividends per Share (Yen)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)	Common stock (non-government portion)
	3.00	3.00	3.00	3.00	3.00
	(government portion)	(government portion)	(government portion)	(government portion)	(government portion)
1.00	1.00	1.00	1.00	1.00	
Net Income per Share (Yen)	10.56	8.41	4.03	6.31	6.65
Net Income per Share (Diluted) (Yen)	—	—	—	—	—
Capital Ratio (%)	7.68	7.70	7.45	8.58	8.18
Non-consolidated Tier 1 (Common Stock etc.) Ratio (%)	11.53	11.71	11.74	11.69	12.34
Non-consolidated Tier 1 Ratio (%)	11.89	11.71	11.74	11.69	12.34
Non-consolidated Total Capital Ratio (%)	13.16	12.76	12.68	12.38	13.02
Return on Equity (%)	2.32	1.87	0.91	1.43	1.49
Price Earnings Ratio	—	—	—	—	—
Dividend Payment Ratio (%)	19.54	24.55	51.24	32.73	31.04
Number of Employees (Persons)	3,377	3,419	3,599	3,703	3,798
[Average Number of Temporary Employees excluded from Above]	[883]	[886]	[890]	[879]	[895]

Notes: 1. The figure for Net Income per Share (Diluted) is not disclosed because there were no shares with a dilutive effect.

2. 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.

3. The Capital Ratio is calculated as follows:

(Total Net Assets as of the fiscal period-end - Share award rights as of the fiscal period-end - Stock acquisition rights as of the fiscal period-end) / Total Assets as of the fiscal period-end × 100.

4. Figures for Price Earnings Ratio are not disclosed because the Shoko Chukin Bank is not publicly listed or registered. From effective fiscal 2022, the finalized Basel III framework has been early adopted for the calculation of the figures.

5. 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. The Shoko Chukin Bank has adopted the BIS international capital adequacy guidelines.

6. 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.

7. 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, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
ASSETS				
Cash and Due from Banks	¥ 1,741,022	¥ 1,515,777	\$ 13,038	\$ 12,384
Cash	17,692	20,378	132	166
Due from Banks	1,723,329	1,495,399	12,905	12,218
Call Loans	377,420	174,817	2,826	1,428
Monetary Claims Purchased	23,816	23,718	178	193
Trading Assets	18,465	13,147	138	107
Trading-related Financial Derivatives	18,465	13,147	138	107
Investment Securities	977,951	1,215,141	7,323	9,928
Government Bonds	340,828	537,291	2,552	4,389
Local Government Bonds	445,354	454,866	3,335	3,716
Corporate Bonds	84,378	123,868	631	1,012
Stocks	46,208	41,814	346	341
Other Securities	61,180	57,299	458	468
Loans	9,639,065	9,607,809	72,186	78,501
Bills Discounted	99,386	100,797	744	823
Loans on Notes	371,450	354,051	2,781	2,892
Loans on Deeds	7,675,971	7,811,004	57,484	63,820
Overdrafts	1,492,257	1,341,955	11,175	10,964
Foreign Exchange	22,925	27,954	171	228
Due from Foreign Banks	13,715	16,385	102	133
Foreign Exchange Bills Purchased	726	1,229	5	10
Foreign Exchange Bills Receivable	8,483	10,340	63	84
Other Assets	107,572	82,640	805	675
Prepaid Expenses	10,263	11,012	76	89
Accrued Income	6,135	4,852	45	39
Financial Derivatives	1,277	2,283	9	18
Cash Collateral Received for Financial Instruments	86,308	61,653	646	503
Other Assets	3,588	2,838	26	23
Tangible Fixed Assets	38,832	40,261	290	328
Buildings	14,784	16,144	110	131
Land	21,346	21,480	159	175
Construction in Progress	209	—	1	—
Other Tangible Fixed Assets	2,492	2,635	18	21
Intangible Fixed Assets	17,219	13,014	128	106
Software	8,334	8,919	62	72
Other Intangible Fixed Assets	8,885	4,094	66	33
Prepaid Pension Cost	33,490	33,356	250	272
Deferred Income Taxes	36,150	33,296	270	272
Customers' Liabilities for Acceptances and Guarantees	131,426	120,768	984	986
Customers' Liabilities for Acceptances and Guarantees	130,543	119,831	977	979
Customers' Liabilities for Guaranteeing Agency Loans	882	936	6	7
Reserve for Possible Loan Losses	(184,859)	(182,364)	(1,384)	(1,490)
Total Assets	¥ 12,980,499	¥ 12,719,338	\$ 97,210	\$ 103,924

Non-Consolidated Balance Sheets

The Shoko Chukin Bank, Ltd. As of March 31, 2023 and 2022

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.

The non-consolidated financial statements presented below are not audited or certified. They have been reproduced from audited and certified non-consolidated financial statements above.

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
LIABILITIES				
Deposits	¥ 5,786,324	¥ 5,707,939	\$ 43,333	\$ 46,637
Current Deposits	548,211	548,030	4,105	4,477
Ordinary Deposits	1,739,647	1,592,943	13,028	13,015
Deposits at Notice	33,046	35,373	247	289
Time Deposits	3,396,472	3,453,371	25,436	28,216
Other Deposits	68,946	78,221	516	639
Negotiable Certificates of Deposit	689,176	491,452	5,161	4,015
Shoko Chukin Bank Debentures	3,448,850	3,542,570	25,828	28,944
Shoko Chukin Bank Debentures Issued	3,448,850	3,542,570	25,828	28,944
Payables under Securities Lending Transactions	200,687	139,173	1,502	1,137
Trading Liabilities	10,356	5,197	77	42
Trading-related Financial Derivatives	10,356	5,197	77	42
Borrowed Money	1,523,823	1,584,123	11,411	12,943
Borrowings	1,523,823	1,584,123	11,411	12,943
Foreign Exchange	492	75	3	0
Due to Foreign Banks	2	1	0	0
Foreign Exchange Bills Payable	489	73	3	0
Corporate Bonds	80,000	30,000	599	245
Other Liabilities	63,793	67,954	477	555
Corporate Taxes Payable	7,643	8,089	57	66
Accrued Expenses	7,346	5,902	55	48
Unearned Income	6,845	7,047	51	57
Financial Derivatives	2,635	5,464	19	44
Cash Collateral Received for Financial Instruments	3,928	5,311	29	43
Asset Retirement Obligations	1,733	1,752	12	14
Debenture Principal Payable	—	13	—	0
Other Liabilities	33,660	34,372	252	280
Reserve for Bonuses	4,680	4,000	35	32
Reserve for Retirement Benefits for Directors	131	79	0	0
Reserve for Losses on Refund for Dormant Bonds	43,526	46,162	325	377
Reserve for Environmental Measures	65	67	0	0
Acceptances and Guarantees	131,426	120,768	984	986
Acceptances and Guarantees	130,543	119,831	977	979
Guarantees for Agency Loans	882	936	6	7
Total Liabilities	¥ 11,983,333	¥ 11,739,563	\$ 89,742	\$ 95,919
NET ASSETS				
Capital	218,653	218,653	1,637	1,786
Crisis Response Reserve	129,500	129,500	969	1,058
Special Reserve under the Shoko Chukin Bank Law	400,811	400,811	3,001	3,274
Capital Surplus	0	0	0	0
Other Capital Surplus	0	0	0	0
Retained Earnings	233,123	214,620	1,745	1,753
Earnings Reserve	26,008	25,109	194	205
Other Retained Earnings	207,115	189,511	1,551	1,548
Reserve for Advanced Depreciation of Noncurrent Assets	332	354	2	2
Reserve for Particular Purposes	49,570	49,570	371	405
Retained Earnings Brought Forward	157,211	139,586	1,177	1,140
Treasury Stock	(1,153)	(1,146)	(8)	(9)
Total Shareholders' Equity	980,935	962,439	7,346	7,863
Unrealized Gains on Other Securities	16,227	17,332	121	141
Deferred Hedge Gains	2	2	0	0
Total Valuation and Translation Adjustments	16,229	17,334	121	141
Total Net Assets	997,165	979,774	7,467	8,005
Total Liabilities and Net Assets	¥ 12,980,499	¥ 12,719,338	\$ 97,210	\$ 103,924



Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
Operating Income	¥ 139,806	¥ 128,520	\$ 1,047	\$ 1,050
Interest Income	115,778	107,636	867	879
Interest on Loans	105,312	100,376	788	820
Interest and Dividends on Securities	4,005	3,368	29	27
Interest on Call Loans	543	96	4	0
Interest on Deposits	1,232	1,136	9	9
Interest on Interest Swaps	3	—	0	—
Other Interest Income	4,681	2,658	35	21
Fees and Commissions	11,571	10,663	86	87
Domestic and Foreign Exchange Commissions	1,221	1,312	9	10
Other Fees and Commissions	10,350	9,351	77	76
Trading Revenue	8,425	6,128	63	50
Revenue from Trading-related Securities	1	—	0	—
Revenue from Trading-related Financial Derivatives	8,424	6,128	63	50
Other Operating Income	1,491	2,553	11	20
Revenue from Foreign Exchange Trading	1,139	1,343	8	10
Revenue from Sales of Government and Other Bonds	351	1,210	2	9
Other Income	2,539	1,537	19	12
Collection of Written-off Claims	36	90	0	0
Revenue from Sales of Stocks and Other Securities	1,148	55	8	0
Other Income	1,355	1,391	10	11
Operating Expenses	108,969	98,312	816	803
Interest Expenses	8,267	3,992	61	32
Interest on Deposits	2,521	2,545	18	20
Interest on Negotiable Certificates of Deposit	1,300	149	9	1
Interest on Debentures	2,109	282	15	2
Interest on Call Money	(4)	0	(0)	0
Interest on Payables under Repurchase Agreements	—	0	—	0
Interest on Debenture Rental Transactions	—	15	—	0
Interest on Borrowed Money	1,802	863	13	7
Interest on Corporate Bonds	524	105	3	0
Interest on Interest Swaps	—	21	—	0
Other Interest Expenses	14	9	0	0
Fees and Commissions	3,255	3,183	24	26
Domestic and Foreign Exchange Commissions	257	302	1	2
Other Fees and Commissions	2,998	2,881	22	23
Trading Expenses	—	0	—	0
Expenses on Securities and Derivatives Related to Trading Transactions	—	0	—	0
Other Operating Expenses	3,877	813	29	6
Losses on Sales of Government and Other Bonds	3,099	698	23	5
Losses on Redemption of Government and Other Bonds	—	39	—	0
Amortization of Government and Other Bonds	0	0	0	0
Amortization of Debenture Issue Expenses	13	22	0	0
Expenses on Financial Derivatives	758	52	5	0
Other Operating Expenses	4	1	0	0
General and Administrative Expenses	71,728	68,969	537	563
Other Expenses	21,841	21,352	163	174
Provision for Possible Loan Losses	19,175	19,766	143	161
Write-off of Loans	694	150	5	1
Losses on Sales of Stocks and Other Securities	30	16	0	0
Write-off of Stocks	169	45	1	0
Other Expenses	1,772	1,373	13	11
Profit before Income Taxes and Other	30,836	30,207	230	246

Non-Consolidated Statement of Operations

The Shoko Chukin Bank, Ltd. For the years ended March 31, 2023 and 2022

	Millions of yen		Millions of U.S. dollars	
	2023	2022	2023	2022
Other Gains	354	1,228	2	10
Gains on Disposal of Fixed Assets	354	1,228	2	10
Other Losses	223	589	1	4
Losses on Disposal of Fixed Assets	155	193	1	1
Impairment Losses	67	396	0	3
Profit before Income Taxes	30,967	30,846	231	252
Provision for Income Taxes	10,339	8,064	77	65
Adjustment for Income Taxes	(2,370)	4,476	(17)	36
Total Income Taxes	7,969	12,541	59	102
Profit	¥ 22,998	¥ 18,305	\$ 172	\$ 149



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	46.69
National Federation of Fire Insurance	9,300	0.42
Chubu Automobile Insurance Cooperative for Truck Transport Companies	8,085	0.37
Kantoh Automobile Insurance Cooperative for Truck Transport Companies	6,639	0.30
Koeisha Co., Ltd.	6,032	0.27
Kagoshima Prefecture Fire Insurance Cooperative	5,786	0.26
BOT LEASE CO., LTD.	5,300	0.24
Tokyo Mokuzai Tonya Kyoudou Kumiai	5,000	0.22
Kyodokumiai Koyama Kyoiku Sangyo Group	4,823	0.22
OSAKA SEMBA FASHION CO-OPERATIVE ASSOCIATION	4,810	0.22
Total	1,071,775	49.25

Notes: 1. As of March 31, 2023.

2. In addition to the principal shareholder information presented in the preceding chart, the Shoko Chukin Bank holds 10,704 thousand shares of treasury stock, representing 0.49% of total common stock issued and outstanding.

CAPITAL RATIO (Uniform International Standards)

(¥100 million, %)

	(As of March 31, 2023)
1. Total Risk-weighted Capital Ratio (4/7)	13.16
2. Tier 1 Risk-weighted Capital Ratio (5/7)	11.89
3. Common Equity Tier 1 Risk-weighted Capital Ratio (6/7)	11.53
4. Total Capital	10,928
5. Tier 1 Capital	9,874
6. Common Equity Tier 1 Capital	9,574
7. Risk-weighted Assets	82,994
8. Total Required Capital	6,639

LEVERAGE RATIO (Uniform International Standards)

(%)

	(As of March 31, 2023)
Leverage Ratio	8.56

The Bank's Capital Ratio, etc.:

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 standard method for Operational Risk calculation. Market Risk is not calculated according to special provision for exclusion.

In addition, the Bank's leverage ratio, an indicator that supplements the capital ratio, is calculated in accordance with the formula stipulated in "Standard for Assessment of Soundness Concerning Leverage that is Stipulated as Indicator that Supplements Standard for Assessment of Management Soundness under Announcement No. 3 of 2019 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." Furthermore, the Bank's capital ratio and leverage ratio are calculated based on the finalized Basel III standard, which was early adopted from March 31, 2023.

SUMMARY OF INCOME			(¥100 million)
Fiscal period ended	March 31, 2023	March 31, 2022	
Gross Operating Profit	1,218	1,189	
General and Administrative Expenses (Excluding Nonrecurring Items)	693	661	
Net operating profit	525	528	
Provision for the General Reserve for Possible Loan Losses	7	3	
Operating Profit	518	525	
Nonrecurring Loss (Including Nonrecurring Expenses)	(209)	(223)	
Income before Income Taxes and Other	308	302	
Other Gains and Losses	1	6	
Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax	103	80	
Adjustment of Income Taxes	(23)	44	
Net Income	229	183	

Note: Operating Profit is income generated by the Bank's primary businesses and is calculated using the following formula:
 Operating Profit = Gross Operating Profit - (Provision for the General Reserve for Possible Loan Losses + General and Administrative Expenses (Excluding Nonrecurring Items))
 Net operating profit = (Gross operating profit) - (General and administrative expenses (excluding nonrecurring items))

GROSS OPERATING PROFIT							(¥100 million, %)
Fiscal period ended	March 31, 2023			March 31, 2022			
	Domestic	International	Total	Domestic	International	Total	
Net Interest Income	1,026	48	1,075	1,015	20	1,036	
Fees and Commissions	73	9	83	65	9	74	
Trading Revenue	15	68	84	25	35	61	
Other Operating Income	(27)	3	(23)	4	12	17	
Gross Operating Profit	1,087	131	1,218	1,110	79	1,189	
Gross Operating Profit Ratio (%)	0.85	4.89	0.95	0.87	3.02	0.92	

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

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

Operating profit, etc.			(¥100 million)
	March 31, 2023	March 31, 2022	
Operating profit	518	525	
Net operating profit	525	528	
Core operating profit	552	523	
Core operating profit (excluding gains (losses) on cancellation of investment trusts)	552	523	

(Note) Core operating profit = (Gross operating profit) - (General and administrative expenses (excluding nonrecurring items)) - (Net gains (losses) related to bonds, including Japanese government bonds)



BALANCE OF LOANS (¥100 million)							
Fiscal period ended	March 31, 2023			March 31, 2022			
	Domestic	International	Total	Domestic	International	Total	
Fiscal Period-end Balance	Loans on Deeds	75,262	1,497	76,759	76,609	1,500	78,110
	Loans on Notes	3,086	628	3,714	3,009	531	3,540
	Overdraft	14,922	—	14,922	13,419	—	13,419
	Bills Discounted	993	—	993	1,007	—	1,007
	Total	94,264	2,125	96,390	94,046	2,031	96,078
Average Balance	Loans on Deeds	76,161	1,585	77,746	76,914	1,406	78,321
	Loans on Notes	3,030	600	3,630	2,834	503	3,338
	Overdraft	14,118	—	14,118	12,673	—	12,673
	Bills Discounted	947	—	947	944	—	944
	Total	94,258	2,185	96,443	93,367	1,910	95,277

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

BREAKDOWN OF LOAN BALANCE BY INDUSTRY (¥100 million, %)		
	As of March 31, 2023	As of March 31, 2022
Manufacturing	29,051 (30.1)	28,967 (30.2)
Machinery and Metal Product Manufacturing	15,419 (16.0)	15,333 (16.0)
Agriculture and Forestry	311 (0.3)	328 (0.3)
Fisheries	67 (0.1)	64 (0.1)
Mining and Quarrying of Stone and Gravel	108 (0.1)	106 (0.1)
Construction	2,955 (3.1)	2,939 (3.1)
Electricity, Gas, Heat Supply and Water	357 (0.4)	300 (0.3)
Information and Communications, Transport and Postal Activities	12,514 (13.0)	12,601 (13.1)
Wholesale and Retail	27,447 (28.5)	27,520 (28.6)
Finance and Insurance	416 (0.4)	485 (0.5)
Real Estate and Goods Rental and Leasing	7,776 (8.1)	7,683 (8.0)
Various Services	14,747 (15.3)	14,467 (15.1)
Local Governments	2 (0.0)	2 (0.0)
Others	95 (0.1)	104 (0.1)
Overseas and Special International Financial Accounts	538 (0.5)	506 (0.5)
Total	96,390	96,078

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

LOANS BASED ON FINANCIAL RECONSTRUCTION ACT AND PROBLEM LOANS (Non-consolidated)

(¥100 million, %)

		As of March 31, 2023	As of March 31, 2022
Bankrupt or de facto bankrupt loans	(A)	1,061	1,097
Doubtful loans	(B)	1,749	1,652
Special Attention Loans	(C)	546	355
Loans Overdue for 3 Months or Longer		4	10
Rescheduled Loans		541	345
Subtotal	(D) = (A) + (B) + (C)	3,356	3,105
Loss Classification Loans	(G)	616	640
(Other than Loss Classification Loans)	(D) - (G)	(2,739)	(2,465)
Normal Loans		94,593	94,500
Total	(H)	97,949	97,606
Percentage to Total Credit (%)	((D) - (G)) / ((H) - (G))	2.8	2.5

(Reference) Coverage of Assets Other than Loss Classification Loans

Amount of (D) Expected to Be Recovered through Collateral and Guarantees	(E)	1,544	1,459
Reserve for Possible Loan Losses Recorded for (D)	(F)	1,291	1,267
Allowance Ratio (%)	$\frac{(F) - (G)}{((D) - (G)) - (E)}$	56.4	62.4
Coverage Ratio (%)	$\frac{((E) + (F)) - (G)}{(D) - (G)}$	81.0	84.6

Notes: 1. The above represents the four categories of "Bankrupt or de facto bankrupt loans," "Doubtful loans," "Special attention loans," and "Normal loans," classified through the assessment based on the Act on Emergency Measures for the Revitalization of the Financial Functions.

2. Categories of disclosed loans

- (1) Bankrupt or de facto Bankrupt Loans Loans to debtors with failed business status due to the grounds such as commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, and any other type of claims equivalent thereto
- (2) Doubtful Loans Loans whose debtor is not yet in the status of failure in business although such debtor's financial status and business performance are worsening, and for which it is highly likely that the collection of principal and receipt of interest in accordance with the contract is impossible
- (3) Special Attention Loans Loans overdue for three months or longer and rescheduled loans excluding loans under (1) and (2) above
- (4) Normal Loans Loans categorized as loans other than those under (1), (2), and (3) above, whose debtors are not found to be problematic in terms of the financial status and business performance

3. Loss Classification Loans are loans categorized as unrecoverable based on self-assessment and for which a reserve for possible loan losses is reported for the entire amount of the loan.

4. Other than Loss Classification Loans represents the total amount of disclosed loans under (1) through (3) of Note 2 less the amount of Note 3.



Business Activities

The Shoko Chukin Bank Group is comprised of the Shoko Chukin Bank and 9 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 March 31, 2023).

Shoko Chukin Bank Group	Banking Business	The Shoko Chukin Bank (Banking business) A head office and 93 branches, 3 sub-branch offices, 7 representative offices, and 3 overseas representative offices (106 locations in total)
	Leasing Business	SHOKO CHUKIN LEASE CO., LTD. (leasing business)
	Other Businesses	YAESU SHOKO, LTD. (administrative agency services) SHOKOCHUKIN COMPUTER SYSTEMS CO., LTD. (software development, contracted calculation and computer services) SHOKO SERVICE, LTD. (employee welfare benefit services) YAESU KOSAN CO., LTD. (property management services) THE SHOKO CHUKIN BANK INSTITUTE of COMMERCE, INDUSTRY & ECONOMICS, LTD (management information and consulting services) SHOKO CHUKIN CARD, LTD. (credit card services) YAESU MIDORI KANREN JIGYOU KYOUDOUKUMIAI (joint accounting services) Tsunagaru Mirai Fund (Silent Partnership) (Investment business)

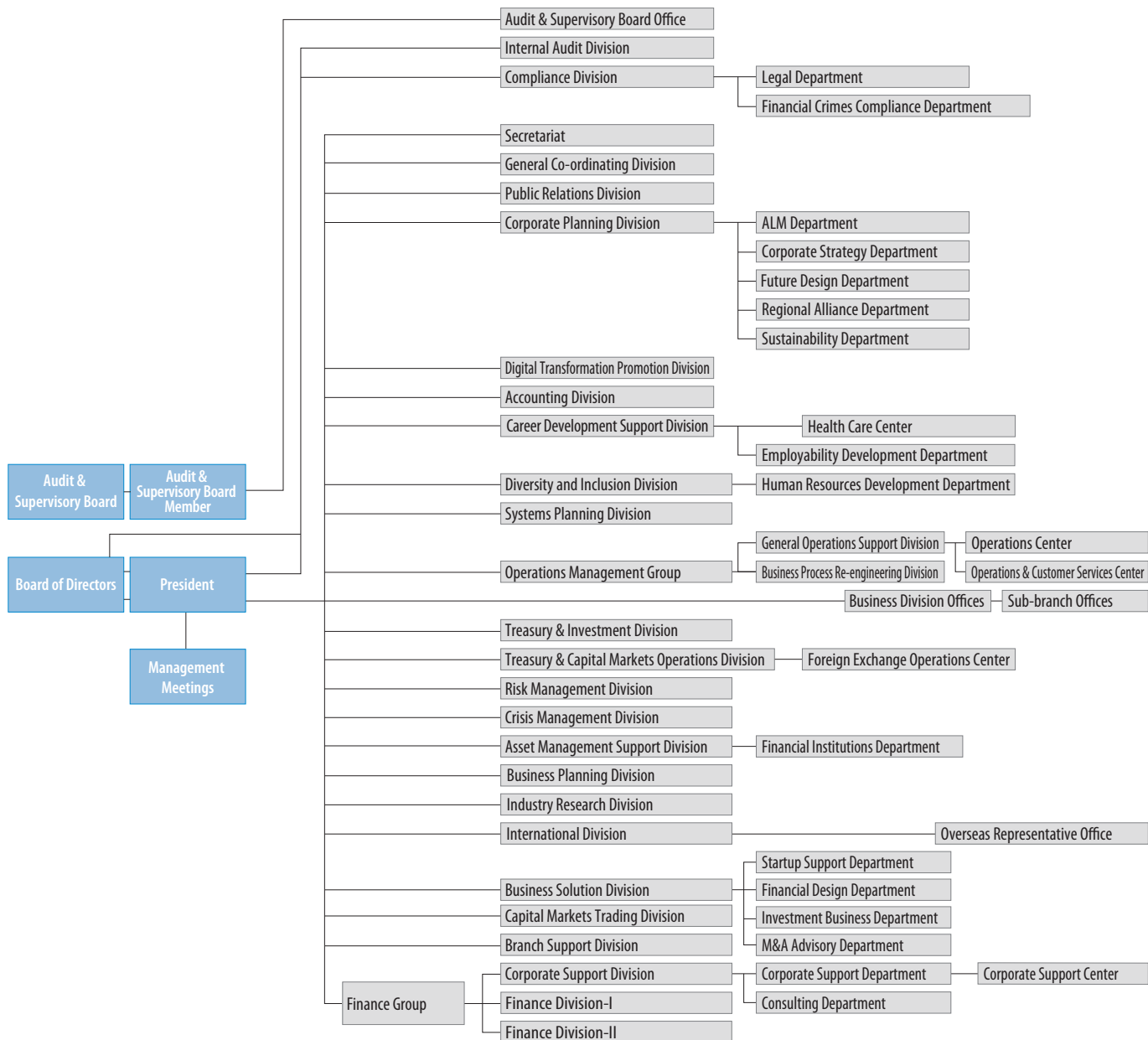
Subsidiaries

Subsidiaries (As of March 31, 2023)

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.	2-12-18 Shiba-Daimon, Minato-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

Organization Chart



(As of April 1, 2022)

Stock Information

- **Number of Authorized Shares (As of March 31, 2023)**
Common stock 4,000,000,000 shares
Crisis response reserve stock 10 shares
- **Number of Issued and Outstanding Shares (As of March 31, 2023)**
 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
 Tel: 0120-232-711 (Toll free)
 9:00 to 17:00 Tokyo local time (Excluding Saturdays, Sundays and public holidays)
- **Mailing Address**
 Mitsubishi UFJ Trust and Banking Corporation
 Securities Agency Division
 Shin-Tokyo Post Office Box No. 29
 137-8081
- **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

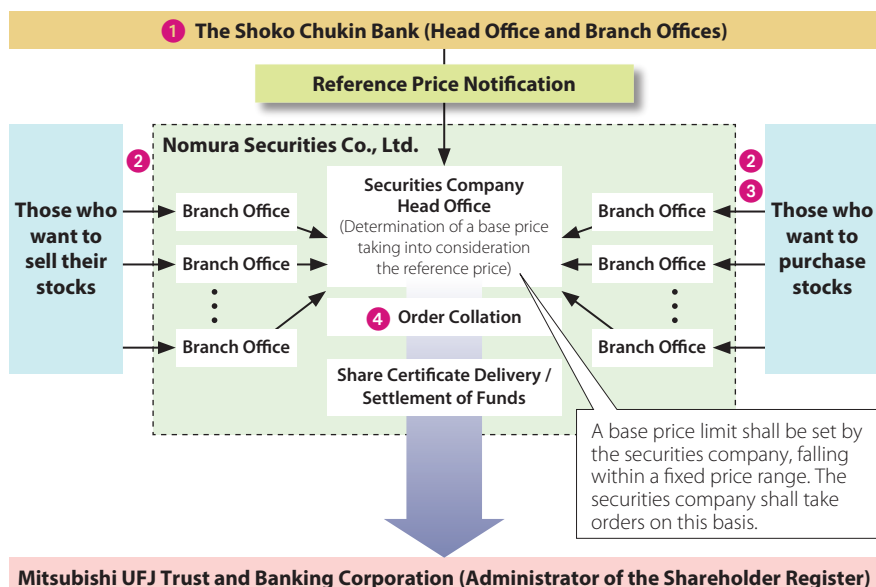
- When a cooperative member applies for loans at the Shoko Chukin Bank, certificate of membership of the cooperative is required. We ask for your understanding on this matter.

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. However, for order collation from February 2020 onward, we have followed the stock exchange system, and adopted the "stop allocation method" if the price reaches the upper or lower limit of the range.
 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	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
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
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)
December	2016	The Crisis Response Measures Management Department was newly established in the Co-operative Finance Planning Division (currently Business Planning Division) (Reorganized as the Crisis Management Division in October 2017, as an independent organization at Headquarters)
October	2017	Reorganized the Compliance Department into the Compliance Division as an independent organization at Headquarters
June	2018	Restructured organizations at Headquarters (Established the Finance Group, etc. as the Management Group. Established the Audit & Supervisory Department. Established the Corporate Strategy Department, IT Strategy Department (incorporated into the Digital Transformation Promotion Division as an independent group in April 2021), and Regional Cooperation Department in the Corporate Planning Division, etc.)
June	2018	Introduced mandated executive officer system
April	2019	Diversity and Inclusion Department was newly established in the Personnel Division (Reorganized as the Diversity and Inclusion Division in April 2022, as an independent organization at Headquarters)
April	2020	Risk Management Division established. Financial Crimes Compliance Department established in the Compliance Division. Future Design Department established in the Corporate Planning Division.
April	2021	Established the M&A Advisory Department, etc. in the Business Solution Division
April	2022	Sustainability Department was newly established in the Corporate Planning Division. Reorganized the Personnel Division into the Career Development Support Division
October	2022	Startup Support Department and Financial Design Department established in the Business Solution Division. Consulting Department established in the Corporate Support Division
April	2023	Restructured organizations at Headquarters (Established the Operations Management Group as the Management Group. Reorganized the Co-operative Finance Planning Division as the Business Planning Division. Reorganized the Finance Management Department and the Finance Management Center as the Corporate Support Department and the Corporate Support Center, etc.)
June	2023	The Shoko Chukin Bank Limited Act revised (requiring the government to sell all its shares in the Bank and revising the Bank's scope of business)



>>> The Shoko Chukin Bank Network

(As of June 30, 2023)

Head Office	2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028, Japan	+81-3-3272-6111
Hokkaido		
Sapporo Office	3-1-20, Kita-2jonishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0002, Japan	+81-11-241-7231
Hakodate Office	33-1, Goryokaku-cho, Hakodate-shi, Hokkaido 040-0001, Japan	+81-138-35-5022
Obihiro Office	9-23, Nishi-3jomnami, 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	43-1, Youka-machi, Hachinohe-shi, Aomori 031-0086, Japan	+81-178-45-8811
Morioka Office	3-4-6, Chuodori, 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
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	1-1-15, Nishi, Utsunomiya-shi, Tochigi 320-0861, Japan	+81-28-633-8191
Ashikaga Office	2-2751, Tori, Ashikaga-shi, Tochigi 326-0814, Japan	+81-284-21-7131
Maebashi Office	1-1-11, Hon-machi, Maebashi-shi, Gunma 371-0023, 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	1-4-3, Shin-chiba, Chuo-ku, Chiba-shi, Chiba 260-0031, 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	6-26-3, Minamioji, Shinagawa-ku, Tokyo 140-0013, Japan	+81-3-3763-1251
(* Moved to the above address on March 6, 2023)		
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	(Inside the Fukutoshin Business Division) 6-11-3, 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, Shibadaimon, 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	(Inside the Fukutoshin Business Division) 6-11-3, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan	+81-3-3340-1551
Kanda Office	(Inside the Head Office Business Division) 2-10-17, Yaesu, Chuo-ku, Tokyo 104-0028, Japan	+81-3-3272-6111
Shinkiba Office	(Inside the Fukagawa Office) 5-11-17, Kiba, Koto-ku, Tokyo 135-0042, Japan	+81-3-3642-7131
Shinkiba Office	1-18-6, Shinkiba, Koto-ku, Tokyo 136-0082, Japan	+81-3-5569-1711
(* Deposits and other counter operations consolidated with the Fukagawa Office, operated as a Shinkiba Office)		
Yokohama Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952
Kawasaki Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952
Yokohama-Nishiguchi Office	(Inside the Kanagawa Business Division) 4-40, Kitanakadori, Naka-ku, Yokohama-shi, Kanagawa 231-0003, Japan	+81-45-201-3952
Sagamihara Representative Office	4-3-14, Sagamihara, Chuo-ku, Sagamihara-shi, Kanagawa 252-0231, Japan	+81-42-786-6230
Niigata Office	2-4-4, Higashiodori, Chuo-ku, Niigata-shi, Niigata 950-0087, Japan	+81-25-255-5111
Nagaoka Office	1-2-10, Jonai-cho, Nagaoka-shi, Niigata 940-0061, Japan	+81-258-35-2121
Kofu Office	2-2-1, Marunouchi, Kofu-shi, Yamanashi 400-0031, 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	(Inside the Nagoya Office) 3-23-18, Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003, Japan	+81-52-951-7581
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
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 Dojisha-cho, Shimogyo-ku, 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
[The Sakai Office will be relocated to the address below on September 4, 2023. The telephone number will remain unchanged.]		
Umeda Office	(Inside the Osaka Office) 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
Senba Office	1-18-17, Minamisenba, Chuo-ku, Osaka-shi, Osaka 542-0081, Japan	+81-6-6261-8431
Minoo Senba Office	(Inside the Osaka Office) 1-7-13, Awaza, Nishi-ku, Osaka-shi, Osaka 550-0011, Japan	+81-6-6532-0309
Minoo Senba Office	2-5-55, Senbahiigashi, Minoo-shi, Osaka 562-0035, Japan	+81-72-729-9181
(* Deposits and other counter operations consolidated with the Osaka Office, operated as a Minoo Senba Office)		
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	4-281-1, Hayashikoji-cho, Nara-shi, Nara 630-8115, Japan	+81-742-30-1051
Wakayama Office	2-1, Juban-cho, Wakayama-shi, Wakayama 640-8152, 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	1-26, Minamiginza, Shunan-shi, Yamaguchi 745-0033, Japan	+81-834-21-4141
Shikoku		
Tokushima Office	2-30, Nishisenba-cho, Tokushima-shi, Tokushima 770-0901, Japan	+81-88-623-0101
Takamatsu Office	1-3-8, Kawara-machi, Takamatsu-shi, Kagawa 760-0052, Japan	+81-87-821-6145
Matsuyama Office	3-3-8, Chifune-machi, 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, and this sub-branch operates the ATMs only.]		
● Kitakyushu Office	3-8-1, Asano, Kokurakita-ku, Kitakyushu-shi, Fukuoka 802-0001, Japan	+81-93-533-9567
(Moved to the above address on May 15, 2023)		
● 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	2-13, Doza-machi, Nagasaki-shi, Nagasaki 850-0841, 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	17-24, Nishisengoku-cho, Kagoshima-shi, Kagoshima 892-0847, Japan	+81-99-223-4101
● Naha Office	2-22-10, Kumoji, Naha-shi, Okinawa 900-0015, Japan	+81-98-866-0196

Overseas		
● New York	527 Madison Avenue, 17th Floor, New York, N.Y. 10022 U.S.A.	+1-212-581-2800
◆ Hong Kong	Suite 804, 8/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	+852-2524-5111
◆ Shanghai	Room 1706, Shanghai International Trade Center, 2201 Yan-An Xi Road, Shanghai, China	+86-21-6275-3860
◆ Bangkok	Unit 6, 10th Floor CRC Tower, All Seasons Place, 87/2 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	+66-2-654-0588

Others		
■ ●	Head Office and Branch Offices 93 (including 1 overseas branch office)	
■	Sub-branch Offices 3 ▲ Representative Offices 7	
◆	Overseas Representative Offices 3	
Total 106 (including 4 overseas offices)		

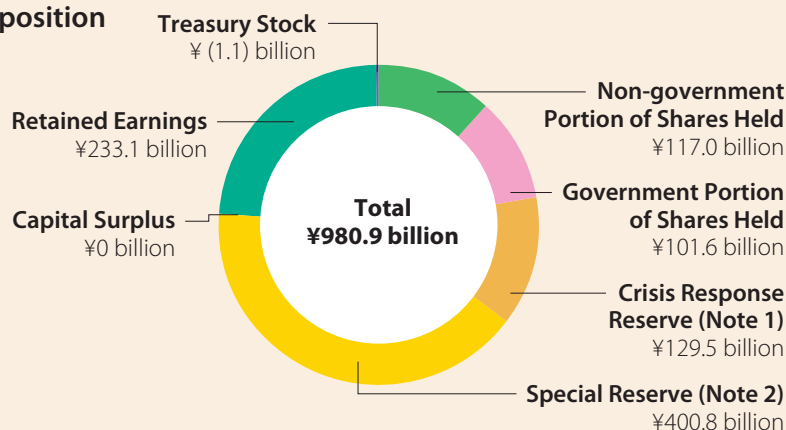


Outline of the Bank

(As of March 31, 2023)

- ▶ **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: ¥5,786.3 billion
Negotiable Certificates of Deposit: ¥689.1 billion
Debentures: ¥3,448.8 billion
- ▶ **Loans Outstanding** ¥9,639.0 billion
- ▶ **Offices** Domestic: 102
Overseas: 4
- ▶ **Number of Employees (Persons)** 3,472

▶ Rating

	R&I	JCR	Moody's
Long-term	AA ⁻ (stable)	AA ⁺ (stable)	A1 (Under review)

▶ 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 and exchange operation
 - (1) Deposits We are handling current deposits, saving account, deposits at notice, time deposits, specified deposits, non-resident yen deposits and foreign currency deposits.
 - (2) Negotiable certificates of deposit We are handling negotiable deposits.
 - (3) Exchanges We are handling both domestic exchanges and foreign exchanges.
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 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
 - HAPPY DESIGN SURVEY
 - Business concerning M&A
 - Provision of management information
 - Management support for client associations such as Chukin kai and Youth kai
 - Industrial/economic research
 - Fiduciary services
 - Other services incidental or related to the above, etc.



The Shoko Chukin Bank, Ltd. (Shoko Chukin Bank)
Published in October 2023 by Public Relations Division
10-17, 2-Chome, Yaesu, Chuo-ku, Tokyo 104-0028, Japan
TEL: 03(3272)6111
URL <https://www.shokochukin.co.jp/>

