



Shoko Chukin Bank will work to realize the society resilient to change, and continue to be a partner to take on the challenges with our customers.

Masahiro Sekine, President (Representative Director)

1. Purpose and Mission, and the Value We Create

Beliefs leading to the establishment of the Purpose and Mission

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

Under the Shoko Chukin Bank Management Reform Plan, which ran until fiscal 2021, the entire organization worked to establish a compliance and governance system, build a new business model, and streamline management, starting with the reform of the organizational climate from one of top-down instructions to one of openness, with the aim of recovering from the misconduct in crisis response operations. Thanks to these efforts, we were able to achieve our initial targets for all management indicators.

However, since taking office in 2018, I have felt that we need to once again confirm our origins, to identify what the Shoko Chukin Bank exists for. I also felt that the lack of clarity about our identity may have led to the misconduct.

With this strong feeling, we solicited proposals for a new management vision from all staff members the year before last. One of the younger staff members proposed to redefine the Shoko Chukin Way, which questioned the reason for being of the Shoko Chukin Bank once again. This proposal received the top vote of support from all employees. I was very happy to see that the employees themselves questioned our reason for being and our origins, rather than by top-down instructions.

Process of establishing the Purpose and Mission

In June 2021, members of a team for studying and formulating a new corporate philosophy were openly recruited. The new team was formed mainly with young staff from both the headquarters and branch offices, and external directors participated as advisors to deepen these studies. Workshops were held repeatedly, and I myself participated in the discussions.

Furthermore, we believed that it must be in a form that all officers and employees can feel as their own, and that it must appeal to and resonate with all stakeholders. Based on the results of the team discussions, we conducted group work involving all employees at all branch offices and headquarters divisions. Then, in 2022, thorough discussions had been held at the Management Meetings and the Board of Directors meetings on multiple occasions, leading to a final decision by the Board of Directors in March.

For more than 85 years, we have conducted our business with the same strong desire to support SMEs.

Our new corporate philosophy, Purpose and Mission, is the embodiment of our organization's DNA, which is to ensure that this desire will remain unchanged. We will continue to position the Purpose and Mission as the North Star that points the way to the starting point to which each and every one of our officers and employees should always return.

Value creation model of the Shoko Chukin Bank

Next, I would like to talk about the value creation model we are aiming for under the new Purpose and Mission.

The common value that Shoko Chukin Bank and our customers create together

Economic value

Social value

Happiness of workers

Over the course of its long history, the Shoko Chukin Bank has been entrusted with a wide variety of "capital". The "capital" in this context refers to a broad range of concept, including loan assets and equity capital in accounting terms, funds raised through bonds and deposits (financial capital), mutual trust and relationships with our many customers and shareholders nationwide and external institutions with which we collaborate and cooperate (social capital), and staff with the motivation and ability to solve our customers' problems (intellectual and human capital).

We are committed to proper governance of these valuable forms of "capital", and to making the best use of them to create new value. Specifically, as a partner to our clients, we take a long-term perspective and continue to provide resources that meet their needs through financial and core business support.

Through this process, we will work with our customers and stakeholders to create not only economic value, such as financial profit. We also aim to create social value and happiness for our employees. We are already implementing specific initiatives such as the Happiness Design Survey, which measures the level of happiness of our employees. If we can enhance our "capital" through value creation, we will be able to further expand our efforts and contribute to solving critical issues facing society, such as addressing climate change, improving productivity, and revitalizing local communities, thereby making Japan more resilient to change.

This is the value creation model that the Shoko Chukin Bank aims for.

2. New Medium-Term Business Plan

Ever-changing challenges and needs

Of course, the challenges and needs of our customers vary by industry, region, size, and stage of growth. The world is constantly changing, and the environment facing SMEs and cooperatives is also changing rapidly.

While our Purpose and Mission and value creation model are universal themselves, it is necessary to adapt to changes in the environment and needs with regard to the measures and business model we focus on. What is important in this process, I believe, is not only an accurate understanding of changing

issues and needs through in-depth dialogue with our customers, but also an attitude of working together with our customers to develop countermeasures, back calculating (backcasting) from a vision of the future society and economy that should be achieved over the medium to long term.

Backcasting from the vision of the future to which we should aspire

Looking ahead to the year 2030, while we see an inevitable trend of population decline and aging, we are required to shift

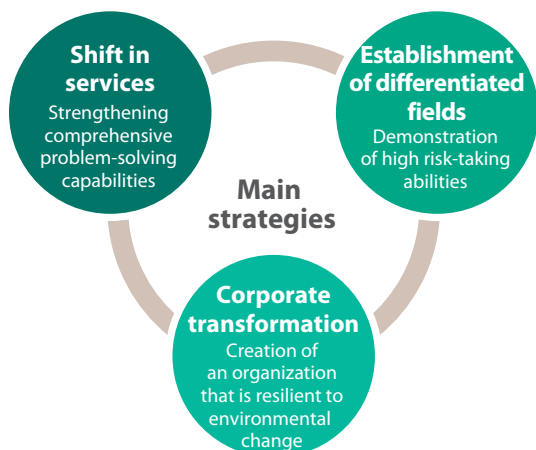
to a sustainable social and economic system on the premise of the achievement of greenhouse gas reduction targets and other goals. The Shoko Chukin Bank itself, as well as the SMEs and cooperatives that are its customers, need to promote initiatives with a firm vision of the future it should aim for as mentioned above.

On the other hand, in addition to the impact of Covid-19, the conflict in Ukraine and the sharp rise in resource and food prices triggered by the conflict have recently brought about a series of unforeseen challenges. For this reason, it has become more difficult than ever for individual companies and cooperatives to consider and realize measures to adapt to the future they should aim for in accordance with their own actual circumstances, and management resources for this purpose are not sufficient.

Therefore, in our new Medium-term Business Plan for the period from the current fiscal year to fiscal 2024, our basic approach is to understand our customers' management issues backcasted from the vision of Japanese society and economy in 2030, and to provide necessary management resources to our customers while creating the future together with them as a partner.

Three key strategies

Under the new Medium-term Business Plan, the Shoko Chukin Bank will leverage its strengths and characteristics, including nationwide deployment, shareholder composition, and business prospects evaluation, to become a unique and unparalleled financial institution that accurately understands the business and management environment of individual customers and accompanies them in their efforts from a long-term perspective. Specifically, based on the Shoko Chukin Bank Management Reform Plan that we have been working on until last fiscal year, we will focus on three main strategies: 1)



shift in services, 2) establishment of differentiated fields, and 3) corporate transformation.

(Please refer to page 20 for details.)

1) Shift in services

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

2) Establishment of differentiated fields

The management issues faced by our customers are not uniform, but vary depending on their stage of growth (life stage) as companies. Therefore, based on the financial support and core business support that we have cultivated over the years, we will establish three areas of support (start-up support, sustainable management support, and business revitalization support) for each stage of our customers' lives and intensively sophisticate them, with the aim of becoming a financial institution that our customers continue to choose for the long term.

Perspective of SPEED for a sustainable society

It may be difficult to understand what we mean by sustainable management support, so allow me to provide a bit of an explanation.

For example, with regard to climate change risk, efforts to review business activities from the perspective of reducing greenhouse gas emissions have begun to accelerate in order to realize a carbon neutral society. The Bank does business with many customers in automobile-related industries (manufacturing, transportation, etc.), which are expected to be greatly affected by this trend. In addition to climate change, various sustainability issues are emerging in society as a whole, such as inequality and human rights. We are working with our customers to resolve these issues through our support for sustainable management.

However, in addressing sustainability issues, it is expected that there will be cases where various time frames and values will intersect, and we ourselves, as a financial institution, will be required to take on significant challenges from time to time. Therefore, we have established our own SPEED perspective in the Sustainability Basic Guidelines formulated in March 2022. Based on the SPEED perspective, we will work toward the realization of a sustainable society by placing the highest priority on empathy with our stakeholders, including our customers, expanding our circle of activities, and creating empathy.

(Please refer to page 33 for details.)

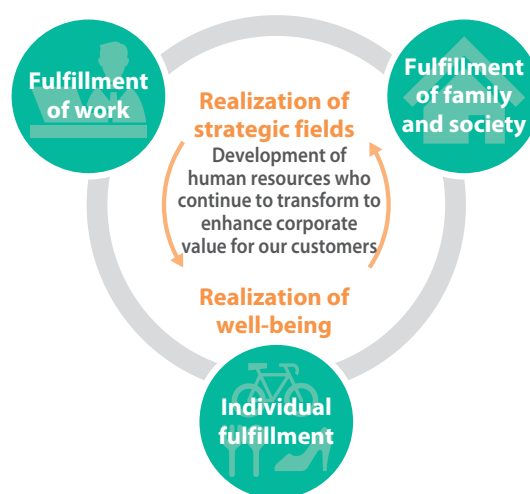
3) Corporate transformation

Corporate transformation is an initiative in which the Shoko Chukin Bank will continue to change itself in order to sustain the support it provides to its customers. The Shoko Chukin Bank will go beyond the boundaries of a conventional financial institution and engage in corporate transformation and operational reforms to foster many new challenges. Specifically, we will continue to work on establishing compliance awareness as the backbone of the company and strengthening the internal control system, as well as take on the challenge of transforming the Shoko Chukin Bank itself, including the establishment of a personnel system that enables employees to maximize their abilities, well-being, D&I, and DX.

In operational reforms, we will secure a stable procurement base by utilizing non-face-to-face channels such as the web and smartphone applications. In addition, we will steadily promote the effective replacement of existing systems and work to reduce store operating costs by centralizing store administration at the headquarters. Furthermore, we will

strengthen customer support by allocating the time saved by improving operational efficiency to communication with customers.

(Please refer to pages 29 and 32 for details.)



In Closing: Toward a Society That Is Resilient to Change



As I have mentioned, this fiscal year marks a major milestone for us as we begin a new Medium-term Business Plan under the new corporate philosophy.

First of all, each and every one of our employees must have a sincere desire to support our customers, feel a sense of fulfillment in doing so, and work with an upbeat and positive attitude.

In order to continue to support our customers' future in this era of rapid change, it is also necessary for our employees to continue to change on their own initiative, and we will work to develop self-directed human resources so that they can maximize their abilities. We will continue to reform our working style and further improve our systems and environment so that our employees can work with vigor and enthusiasm.

We will adapt to changes in the social economy together with our customers and grow together with them, while taking advantage of our unique position as a financial institution by SMEs for SMEs.

The Shoko Chukin Bank will continue to be your partner in taking on the challenges of realizing society that is resilient to change.

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