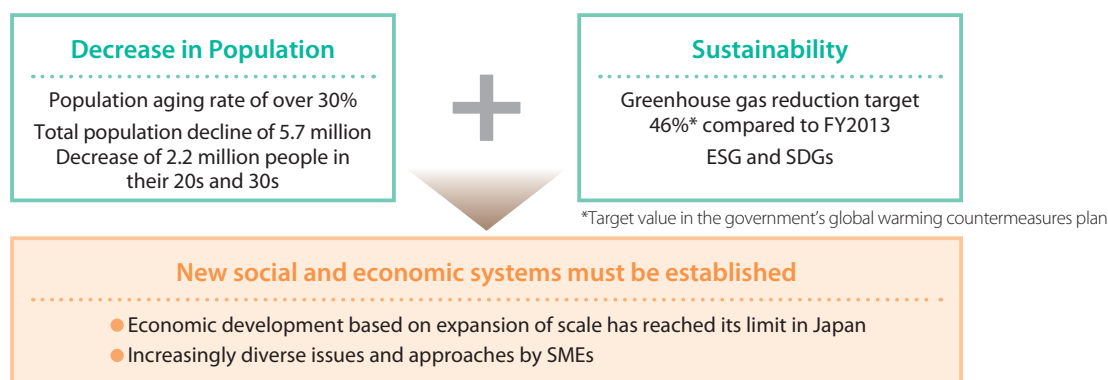


Recognition of issues assumed in the new Medium-term Business Plan

In Japan, economic development based on expansion of scale has reached its limits, and the challenge is to shift to a sustainable system based on a declining population and reduced environmental impact. In the SME sector as well, there is a need to address issues such as DX, automation of operations, decarbonization and other environmental measures, effective utilization of intellectual and human capital, capturing external demand, and industry restructuring, in order to link them to sustainable growth. The Shoko Chukin Bank recognizes the challenges facing society and SMEs, looking to changes in the environment in 2030, and is committed to providing systematic and ongoing support.

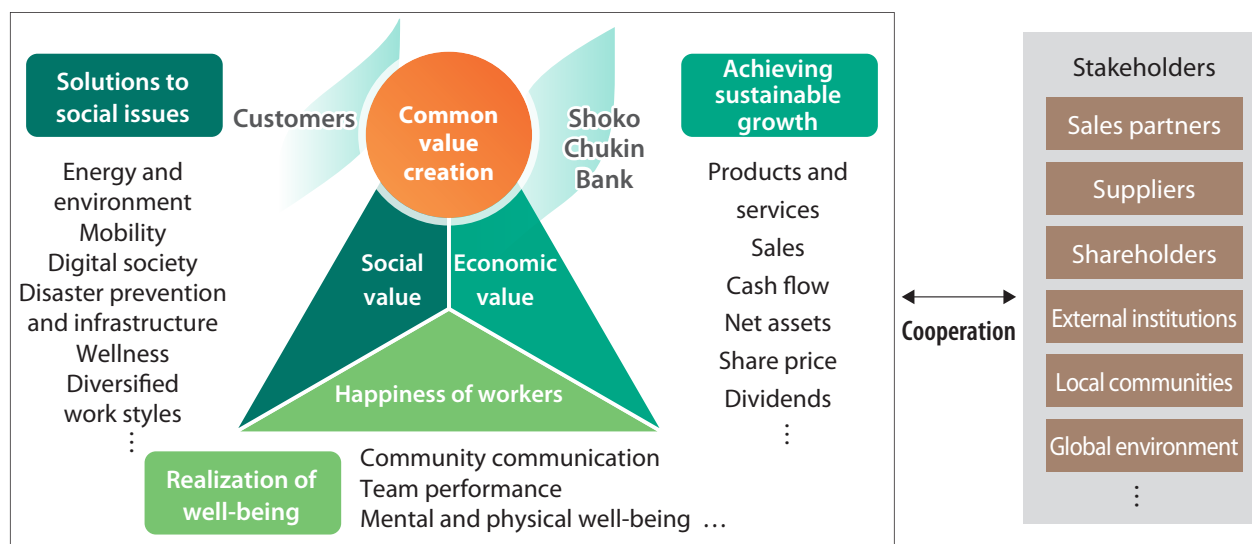
Society and SMEs in 2030

SMEs, the customers of the Shoko Chukin Bank, are under pressure to address issues such as labor shortages and the aging of management personnel, as well as to respond to global environmental concerns and establish a crisis management system to deal with natural disasters. In the future, SMEs will be required to expand sales channels with a global perspective, improve productivity, and shift to decarbonized management.



Background concepts

In the midst of the drastically changing social situation described above, the Shoko Chukin Bank has realized the need to clarify why and for what purpose it exists in society. As a partner to its customers, the Shoko Chukin Bank will go beyond conventional financial services to take on the challenges of ever-changing social issues and pursue management that will enable sustainable growth together.

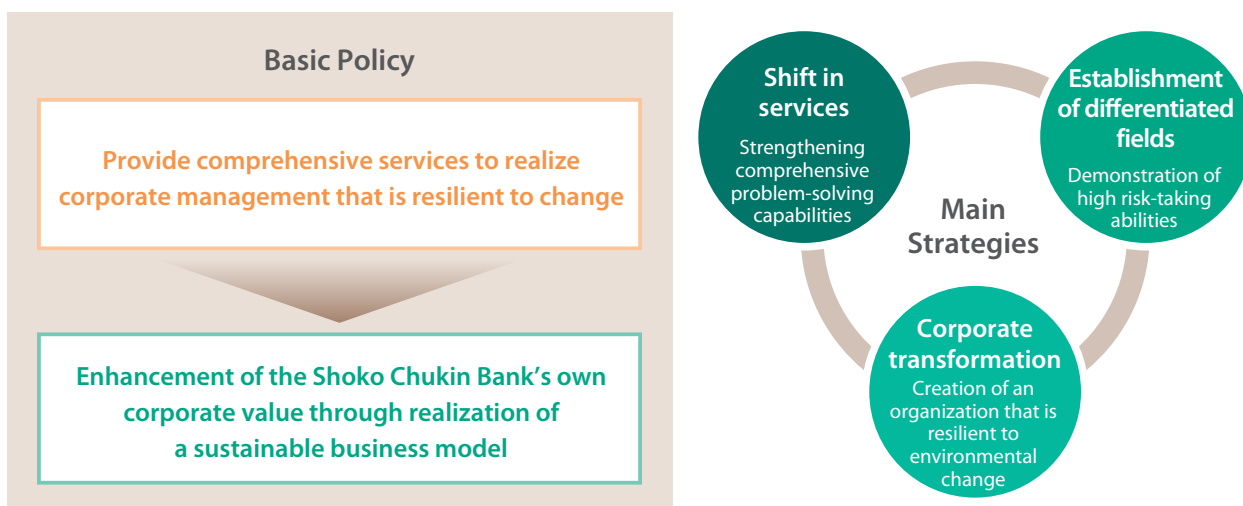


Basic policy of the new Medium-term Business Plan

We have 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.” Based on the medium- to long-term business challenges to be faced by SMEs, we will provide more in-depth corporate support by reinforcing the business model developed through the Shoko Chukin Bank Management Reform Plan. Specifically, we will provide a variety of management resources to customers who are working to resolve issues, thereby strengthen their comprehensive problem-solving capabilities, and together we will realize corporate management that is resilient to change.

Basic Policy

Under the new Medium-term Business Plan, the Shoko Chukin Bank aims to enhance its corporate value by providing customers with comprehensive services to realize corporate management that is resilient to change. To achieve this, we have set “shift in services”, “establishment of differentiated fields”, and “corporate transformation” as our main strategies.



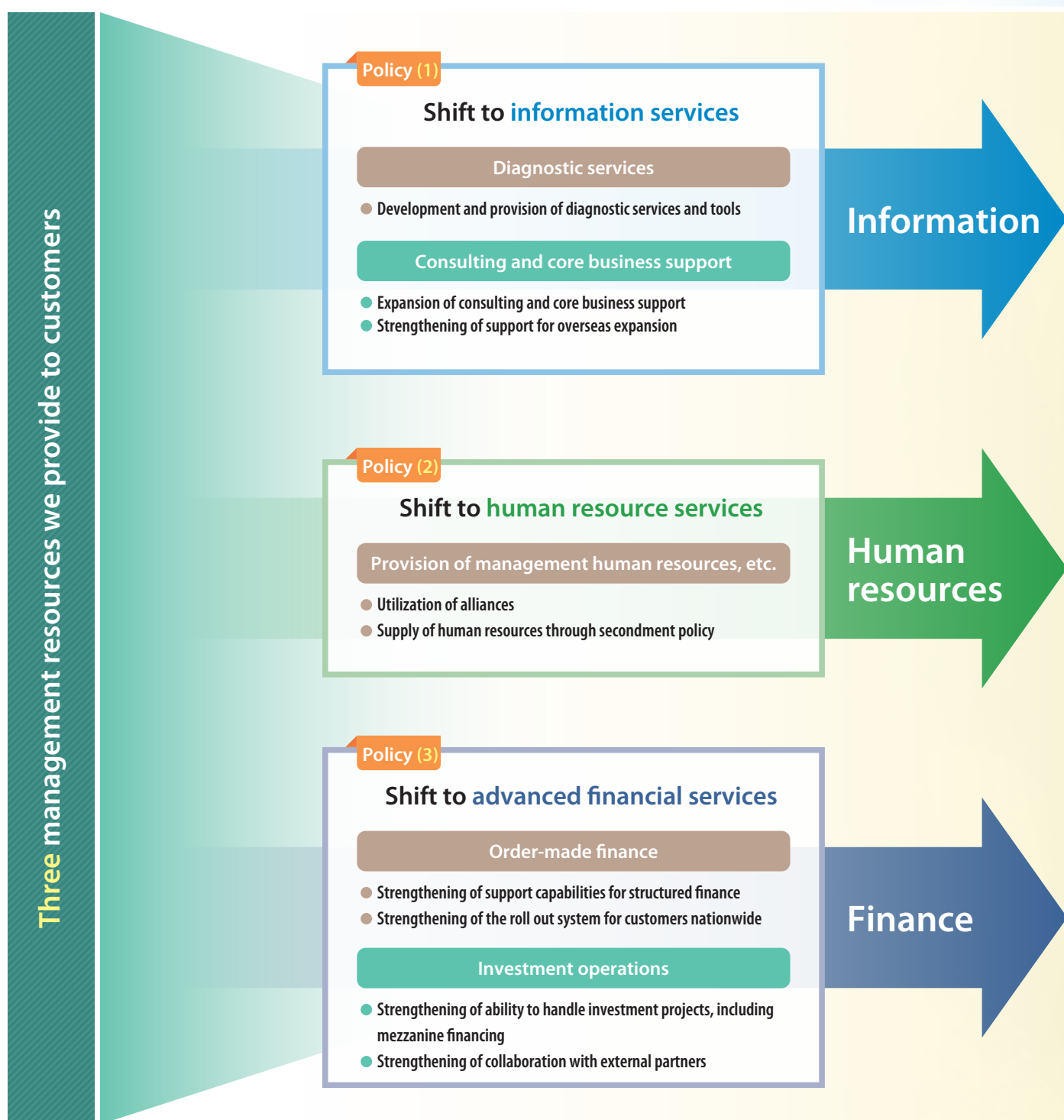
Target Management Indicators (non-consolidated)

		FY2024
Profitability	Operating profit	Approx. ¥50.0 billion
	Net income	Approx. ¥25.0 billion
	ROA	Approx. 0.2%
	ROE	High 2% range
Soundness	Total capital ratio	12% or more
Efficiency	OHR	Approx. 60%

Main strategy (1) Shift in services

The Shoko Chukin Bank will work together with its customers to achieve hope beyond change, take on the challenge of resolving issues together with customers as a partner, and support the future of our customers. While continuing to be committed to the financial and core business support that we have cultivated over the years more deeply than ever, we will shift to information services, human resource services, and advanced financial services to meet the changing business challenges and needs of our customers.

We will continue to think together, create together, and change together. We will link the growth of our customers to the growth of the Shoko Chukin Bank.



Providing SMEs with management resources that they lack



Sales channels expansion and productivity improvement

Responding to changes in industrial structure

Business succession to the next generation

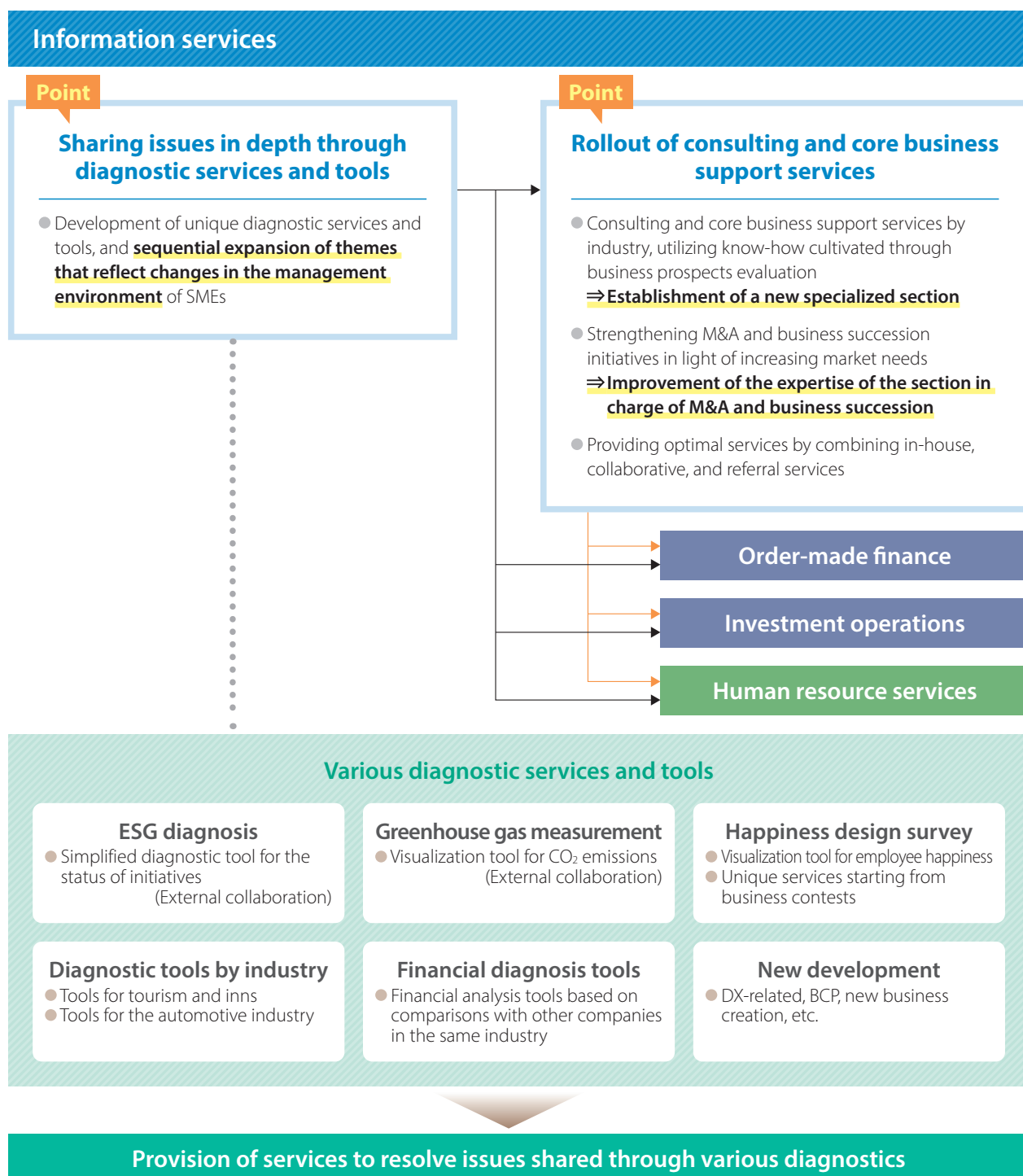
Upgrading human resource strategy

Promotion of digital transformation

Policy (1) Shift to information services

Providing visualization of management issues and support for problem-solving implementation as a service

Recently, the management issues of SMEs have become increasingly complex and diverse, including labor shortages, reduction of environmental impact, business succession, industry restructuring, and response to the post-coronavirus world. The Shoko Chukin Bank will share management issues with customers, develop diagnostic services and tools that will serve as a starting point for providing a variety of services, and begin to offer them in order. The Shoko Chukin Bank will also establish a specialized section to provide consulting and core business support services to resolve issues and establish a service provision system.



Policy (2) Shift to human resource services

Contributing to securing human resources who can help solve management issues through understanding of the business

In addition to the shortage of management personnel due to the aging of the workforce, SMEs in various industries are facing the challenge of securing highly specialized executive personnel who can strengthen governance, review business strategies, and reform operations. In order to meet these needs, the Shoko Chukin Bank is committed to providing human resource services as a solution based on management issues shared with customers, utilizing the relationships and business prospects evaluation know-how we have cultivated over the years.

Human resource services

Point

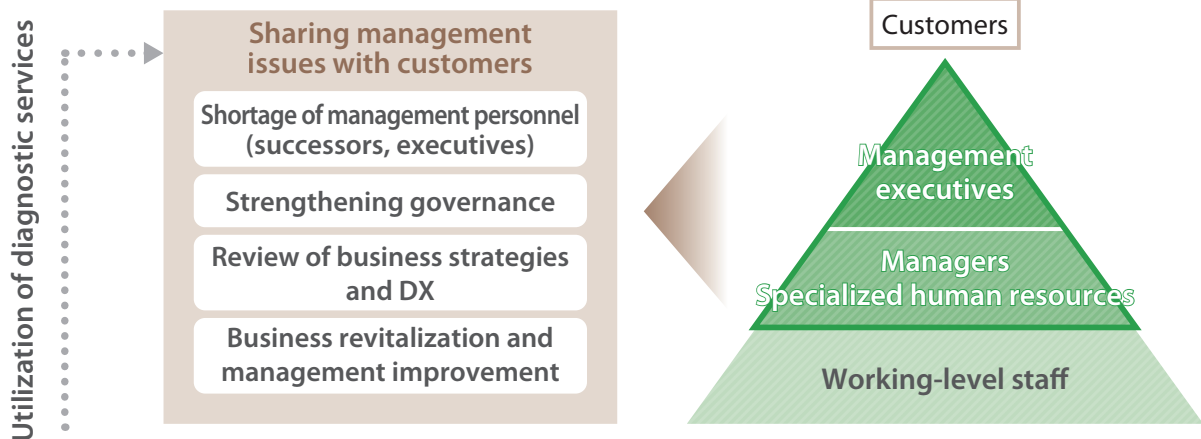
Sharing of management issues and utilization of alliances

- One-stop proposals by combining in-depth dialogue through the use of diagnostic services, tools, with the human resource introduction function
⇒ **Strengthening alliances with companies that have human resource introduction functions**
- Contributing to solving issues of regional SMEs that have difficulty in securing managerial and specialized human resources by leveraging the strength of our nationwide network
⇒ **Promotion of matching of human resources in the Tokyo metropolitan area with local SMEs**

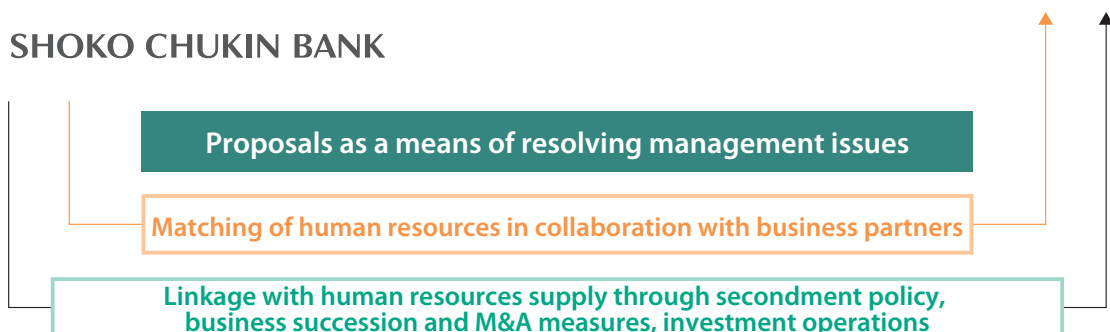
Point

Human resources supply through secondment policy

- **Providing management personnel through the secondment policy** to address business revitalization of major obligors and governance enhancement for clients with whom we have acquired equity
- **Establishing training programs for seconded staff for promoting secondment** of young and mid-career staff to outside companies aiming at enhancing their expertise in various fields, and for supplying personnel to serve as executives of client companies



SHOKO CHUKIN BANK



Policy (3) Shift to advanced financial services

Proposing optimal financing to SMEs nationwide in line with their management strategies

We will strengthen our initiatives to provide advanced financial services, such as structured finance that meets the increasingly complex and sophisticated business challenges of SMEs and achieves large-scale financing and appropriate risk control. Although these services are generally provided by mega banks, foreign financial institutions, and some large regional banks that deal with large corporations, the Shoko Chukin Bank will leverage its strengths, such as its nationwide branch network and cooperation with a wide range of regional financial institutions, to reach SMEs nationwide.

Order-made finance

Point

Reinforcement of project support capabilities

- Expansion of the solution lineup in areas to be reinforced
- Consolidation and accumulation of construction know-how, and development of a structure to improve expertise
⇒ **Establishment of a specialized section** (including strengthening of the agent function)
- Development of branch office staff with a wide range of knowledge, who can understand customer needs and utilize the organization effectively and promptly

Point

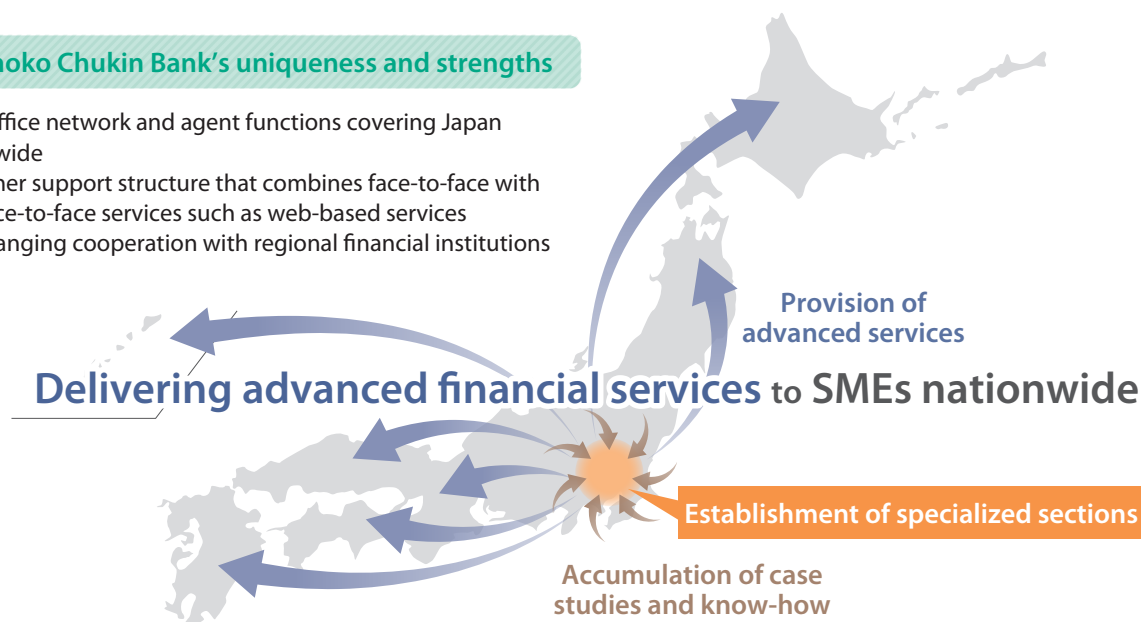
Strengthening of the roll out structure

- **Strengthening collaboration with regional financial institutions and external institutions** to increase the effectiveness of solution provision
- Exploring the establishment of regional bases of the specialized section in consideration of customer needs and convenience, while taking into account know-how and management issues

The Shoko Chukin Bank's uniqueness and strengths

- ◆ Sales office network and agent functions covering Japan nationwide
- ◆ Customer support structure that combines face-to-face with non-face-to-face services such as web-based services
- ◆ Wide-ranging cooperation with regional financial institutions

Delivering advanced financial services to SMEs nationwide



Areas to be reinforced (examples)

Renewable energy

- Lead manager for project finance/ non-recourse loans
- Lead manager for corporate loans

LBO finance

- M&A deals
- MBOs and other business succession projects

Regional revitalization projects

- Redevelopment projects of the station-front areas, etc.
- Facility projects, PFI/PPP

Supporting the realization of the future aspirations and strategies of business owners nationwide through investment operations

We support taking on challenges for the future by providing the necessary equity funds to address important issues in the lifecycle of corporate management. Specifically, we combine conventional investment methods (common stock, class shares, subordinated loans, loans with stock acquisition rights, etc.) with human resource and information services to help customers realize their future aspirations and strategies. We will also consider strengthening and expanding collaboration with external partners. Through these efforts, we will fulfill our role as a membership financial institution where customers are viewed as shareholders.

Investment operations

Point

Reinforcement of project support capabilities

- Expanding the system based on the current investment model, which emphasizes income gains originated from retained earnings generated by the enhancement of corporate value
⇒ **Significant expansion of points of contact with customers by strengthening investment operations**
- Emphasizing collaboration when customer needs match the support stance of the partner companies (three investment development companies, etc.), and adding and expanding support methods in line with the timing and details of the customer's life cycle

Point

Responding to sophisticated needs

- Consider establishing a subsidiary specializing in investment to expand investment schemes
- Work on ideal support schemes (equity investment not limited by voting rights, etc.) from the customer's perspective in the phases of business revitalization and business succession.

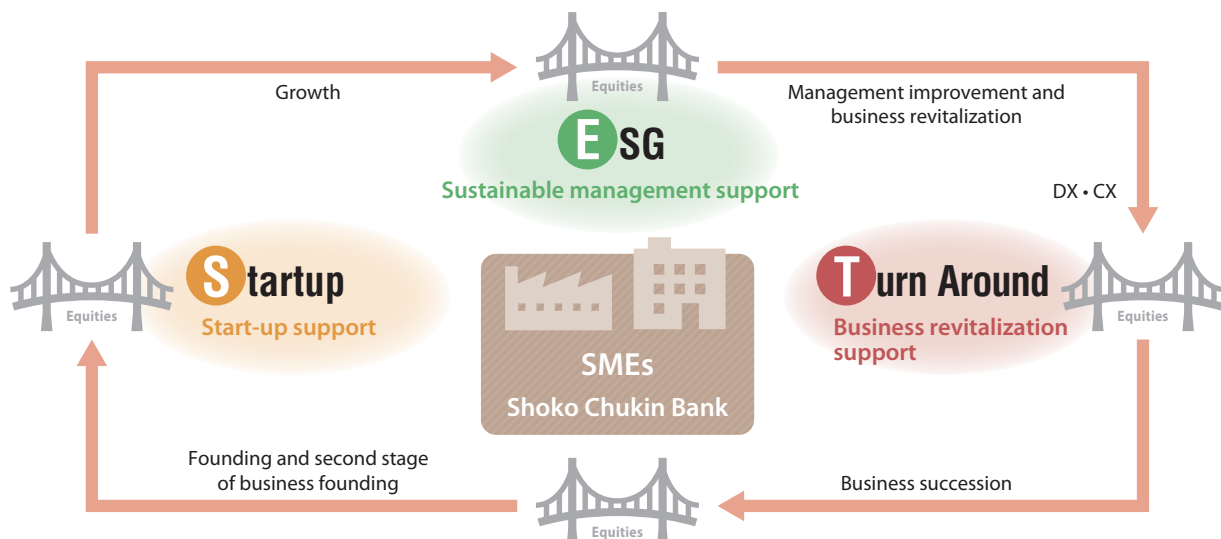
Background

Life-cycle financing needs, such as for the Covid-19 pandemic, business succession, and sustainable development, are shifting from debt to equity financing.

The Shoko Chukin Bank's uniqueness and strengths

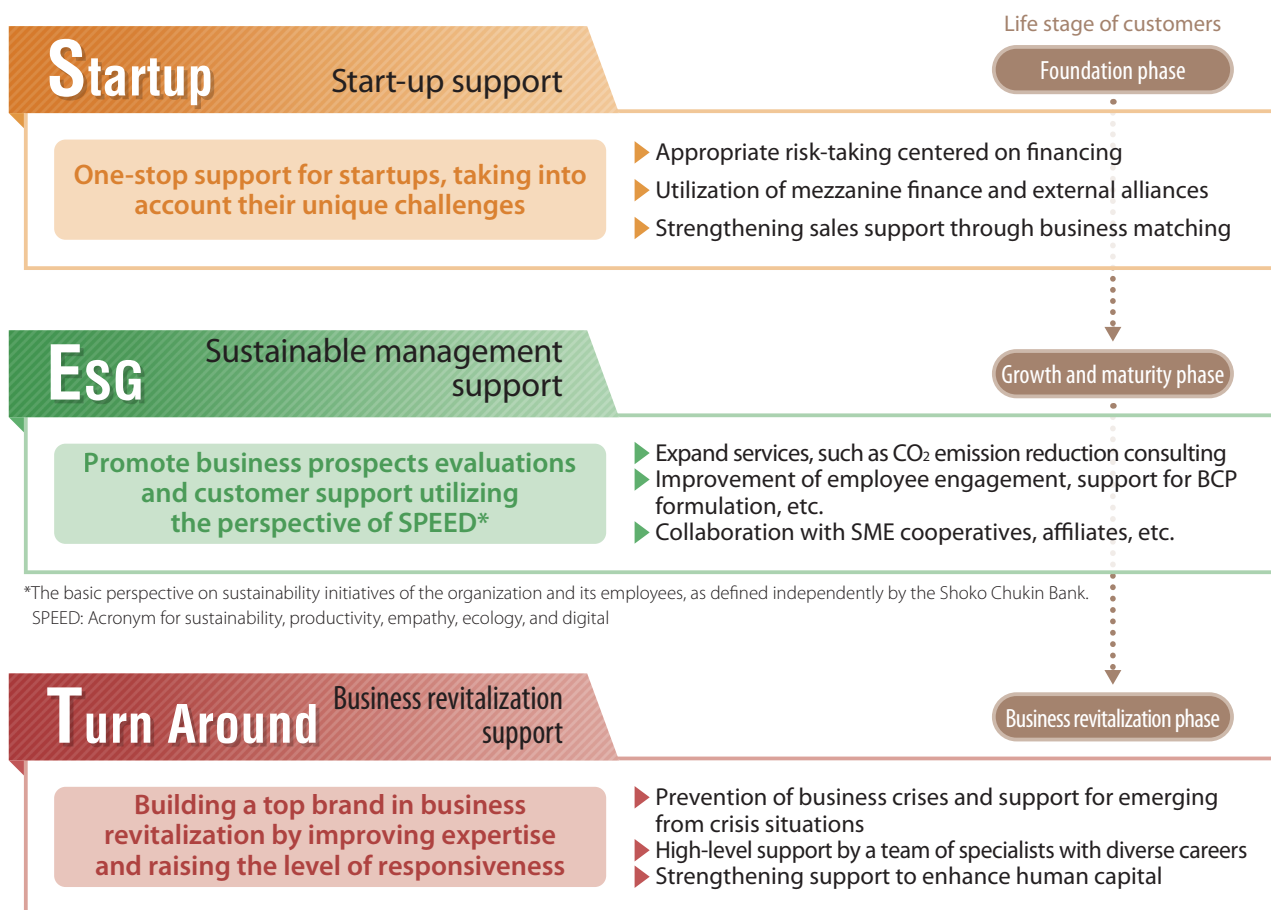
As a financial institution specializing in SMEs, we have a nationwide customer base of family-owned businesses and a track record and expertise in supporting various life cycles

- (Image) Smoothly "bridge" the lifecycle transition of corporate management through equity financing

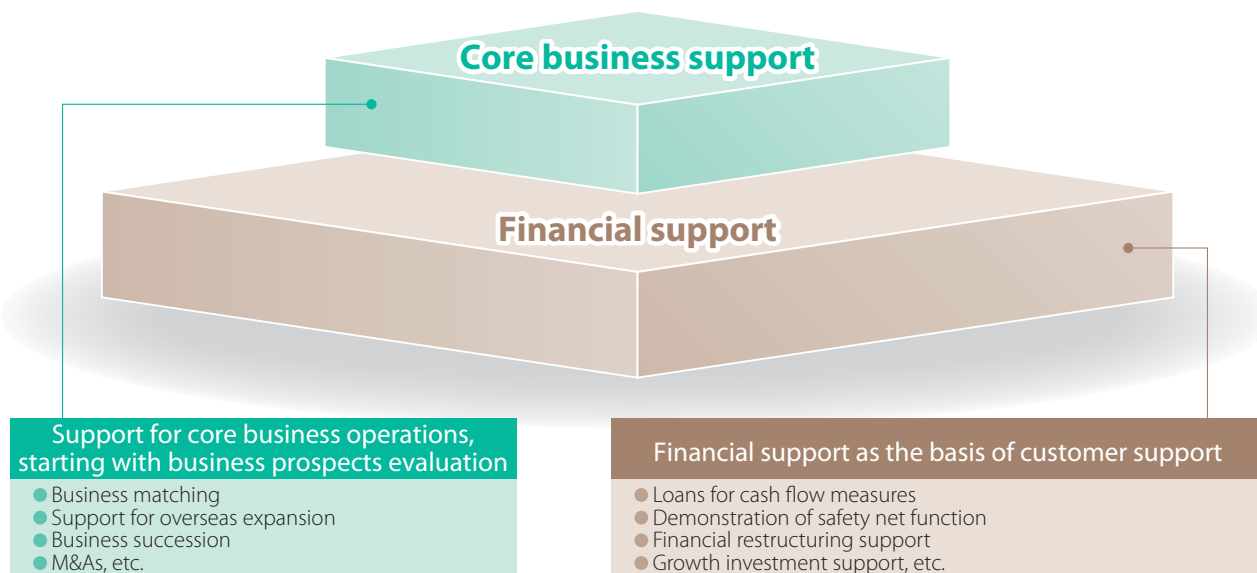


Main strategy (2) Establishment of differentiated fields

Focusing on management issues at a customer's each life stage, the Shoko Chukin Bank has positioned three areas (Category S, E, and T) as differentiated areas where we will improve our ability to evaluate business prospects and actively strengthen our capabilities. These are areas in which the Shoko Chukin Bank will aggressively improve its ability to respond to customers' business needs in order to enhance their corporate value, as well as to expand its own long-term earnings base, and achieve sustainable growth through appropriate risk-taking.



*The basic perspective on sustainability initiatives of the organization and its employees, as defined independently by the Shoko Chukin Bank.
SPEED: Acronym for sustainability, productivity, empathy, ecology, and digital



S WOTA CORP. (Tokyo) Financial support to achieve water utilization with new technology

WOTA CORP. is a University of Tokyo venture company that produces and develops water-circulating showers and hand-washing stations that can be installed in places without running water by combining several technologies, including its proprietary autonomous water treatment control technology. The recently developed WOSH water circulation hand-washing stand uses AI and IoT sensors to autonomously control the water treatment process, and can reuse 98% of the water used once through the use of RO (reverse osmosis) membranes and other technologies.

The Shoko Chukin Bank compiled an in-depth business prospects evaluation through interviews with external experts and purchasers, in addition to management, and provided the necessary funds on a non-guaranteed basis in accordance with the Guidelines for Management Guarantee. In addition, we have provided various financial support, including the provision of an equity subordinated loan, which has the effect of increasing capital and contributes to cash flow stabilization, and a separate loan facility of ¥500 million that can be used freely.



[Thoughts from a member of the Shoko Chukin Bank] Kazuhiro Fukushima, Ikebukuro Office
It was a surprise for me when I met CEO Maeda. They had the desire to solve water infrastructure problems and the technology to make it possible. The company is brimming with potential, and we supported it from a financial perspective to enhance its potential.

E IKEDA Manufacturing Co., Ltd. (Gunma Prefecture) Introduction of a service to visualize CO₂ emissions from the viewpoint of business prospects evaluation

This is a case study of support for efforts to visualize CO₂ emissions at IKEDA Manufacturing Co., Ltd., which aims to become a next-generation automotive parts supplier. Ikeda Manufacturing is a manufacturer of pressed metal parts for automobiles, including brakes, suspensions, and body parts. The company has earned the trust of many tier 1 manufacturers because of its ability to perform integrated production from metal mold design and fabrication to press forming, welding, and surface treatment.

Ikeda Manufacturing is also working to rebuild its business by researching motor cases and gear parts and entering new fields through industry-academia collaboration in anticipation of the spread of electric vehicles. The Shoko Chukin Bank conducted an in-depth business prospects evaluation through on-site visits and interviews with management to deepen dialogue and mutual understanding, and provided the company with boost technologies, Inc.'s CO₂ emissions visualization service as the first project after the Shoko Chukin Bank formed business alliance with boost technologies. We are supporting Ikeda Manufacturing's efforts to achieve carbon neutrality and sustainability management as a responsible next-generation automotive parts supplier.



T Sanwa Tsusho Co., Ltd. (Ibaraki Prefecture) Supporting emergence from the revitalization phase and realization of future growth strategies

Sanwa Tsusho Co., Ltd. is a general logistics provider that handles everything from storage to delivery of lumber and other construction materials and daily commodities. Since its establishment, Sanwa Tsusho has been aggressively investing in warehouses and other facilities, winning stable orders from major companies and steadily increasing its business performance. However, the deterioration of business conditions at its major customers and the decline in logistics due to the collapse of Lehman Brothers put pressure on the company's management, and since 2013, with the involvement of public support organizations, the company has been working to improve its management.

In order to meet the increasingly large and sophisticated logistics solution needs of its shippers, Sanwa Tsusho planned to normalize its financial transactions by refinancing its existing debt and acquire a new warehouse.

The Shoko Chukin Bank supported the company by conducting an in-depth business prospects evaluation through on-site visits and interviews with key business partners, and shared management issues with the company. While there were restrictions on financial transactions due to the past restructuring scheme, the Shoko Chukin Bank refinanced the existing debt to normalize financial conditions and provided a loan for the construction of a new warehouse to support the diversification of logistics operations to achieve the company's growth strategy. This project is supported by the Shoko Chukin Bank Enabler Business, which provides solutions to the business challenges of SMEs by offering sophisticated solutions and thorough hands-on support, without being bound by conventional financial practices.



[Thoughts from a member of the Shoko Chukin Bank] Yusuke Kawazome, Tokyo Office (at the time of interview)
We believed that the company is an integral part of the local economy. The development of local SMEs is our mission, and we approached this project consciously not being bound by existing financial practices.

Main Strategy (3) The Shoko Chukin Bank’s Corporate Transformation

Based on Purpose and Mission, Shoko Chukin Bank will go beyond the boundaries of a conventional financial institution and engage in corporate transformation to foster many new challenges. We will also create manpower in strategic areas by reforming operations and improving productivity through automation and centralization, which also utilize digital technology.

Well-being and D&I

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

Link strengthening of human resource development to organizational growth

● Diversity and inclusion
● Enhancement of work-life management
● Strengthen career design

INTERVIEW

Realization of well-being of employees and Purpose

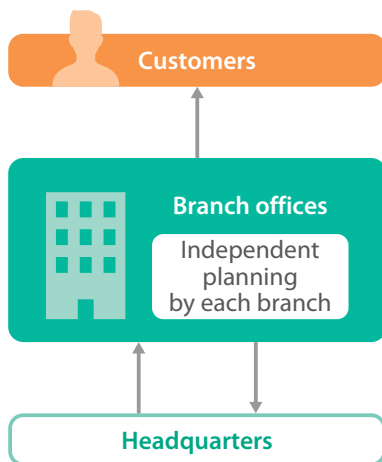
I am currently engaged in creating a corporate culture and planning various measures to realize the well-being of employees. I rely on the Purpose, our new corporate philosophy, as a compass in this process. We believe that, in this era of rapid change, the future of our customers, SMEs, and a Japan that is resilient to change will be created when each and every employee looks at himself or herself, makes the most of his or her individuality, and takes the initiative in charting his or her career.

Ryoko Shinohara,
Diversity and Inclusion Division

Customer-oriented business operations

Be a partner in creating peace of mind and prosperity for our customers, starting from the independent planning of branches tailored to the characteristics of each region

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



- Continue to conduct customer questionnaires
- PDCA management based on independent plans
- Review and upgrade of performance evaluation

Digital transformation

Achieve overwhelming customer and employee satisfaction and support the future of companies

Three projects to be undertaken as a starting point

Customer contact point and experience reform

Introduction of a corporate portal

Reform of liaison activities

CRM renewal

Advanced utilization of data

INTERVIEW

Headquarters support for bottom-up independent plans

The Branch Support Division is involved in supporting the creation and implementation of voluntary plans formulated by branches. The independent plans include not only performance targets but also human resource development tailored to the actual conditions of each region and branch, and we will support the skill improvement and growth of staff to meet the changing needs of customers.



Shiho Suzuki,
Branch Support Division

INTERVIEW

DX to create shared value with customers

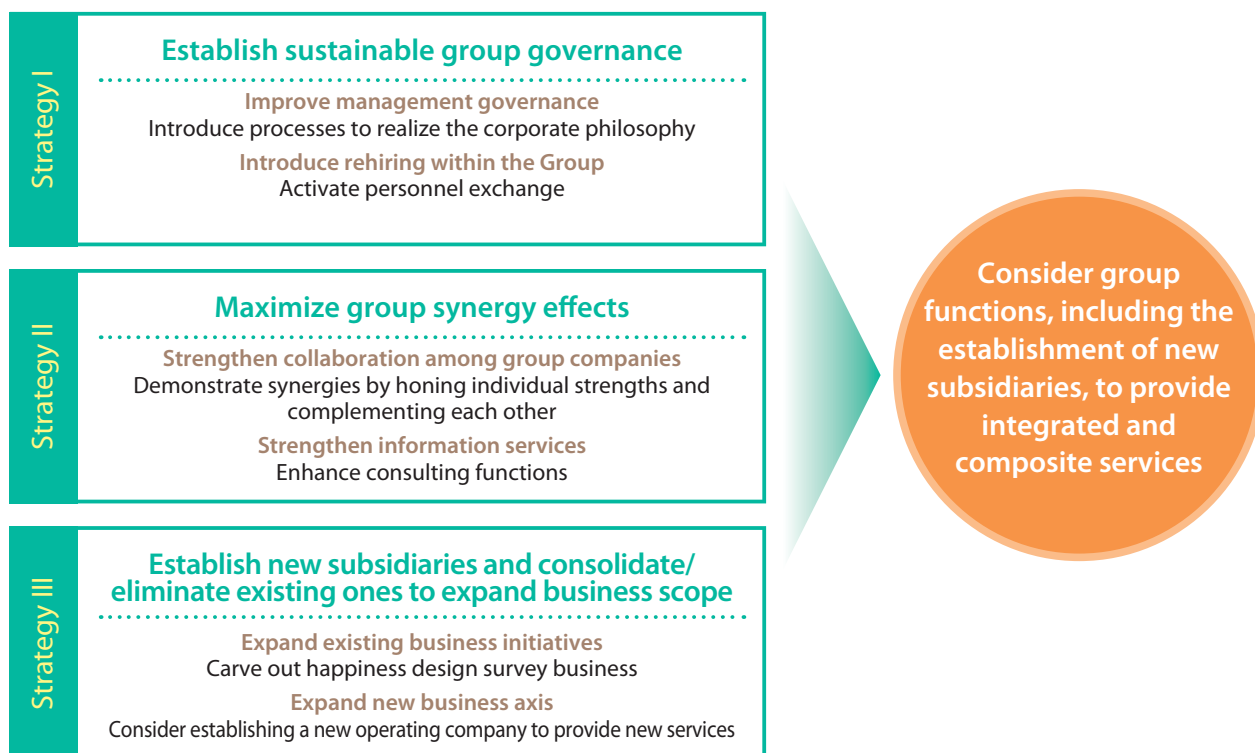
Digital Transformation Promotion Division is working on reforms centered on three projects: (1) customer experience reforms starting with the introduction of the corporate portal, an online contact point; (2) liaison reforms starting with the renewal of the branch support system; and (3) advanced utilization of data to create business value from data. Through these reforms, I would like to create an organization in which employees can support our customers' future with greater vitality, speed, and sophistication.



Yusuke Shinoki,
Digital Transformation
Promotion Division

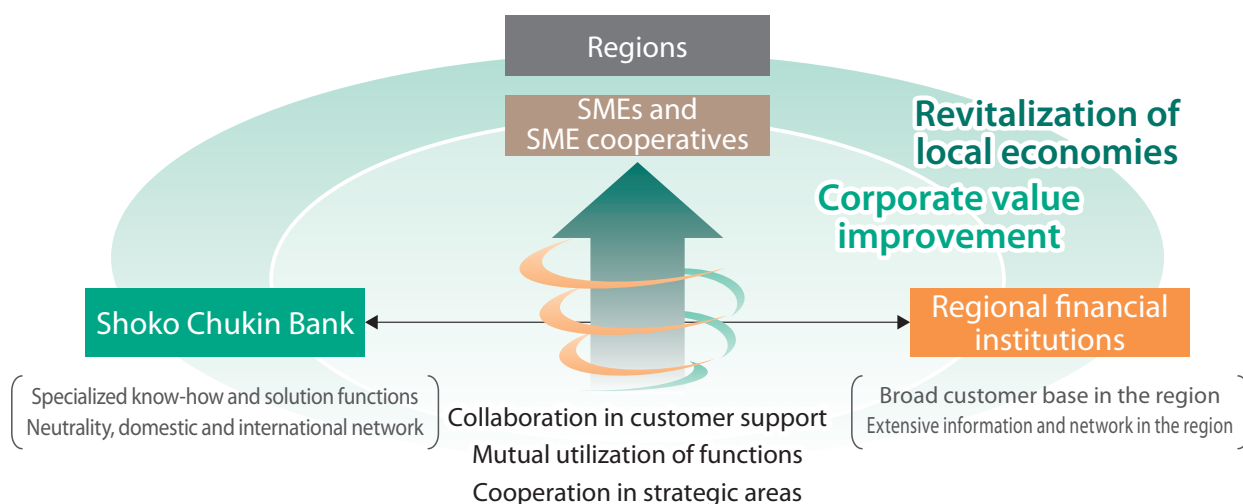
Group strategy/collaboration with regional financial institutions and SME cooperatives

We will maximize group synergies in order to provide services that agilely respond to customer needs. We will manage our organization in a sustainable and vibrant manner by promoting active personnel exchanges among group companies and developing autonomous management plans.



Cooperation with regional financial institutions

We will further strengthen cooperation with regional financial institutions and contribute to regional revitalization by enhancing 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 provide a wide range of services, including advanced financial services and core business support services, to customers 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.



Cooperation with SME cooperatives and external institutions

SME cooperatives are the Shoko Chukin Bank's largest stakeholders. Maintaining and improving relationships with these cooperatives through support for their revitalization is essential to maintaining a stable management base for the Shoko Chukin Bank. In providing support to SMEs and small business owners for business restructuring and BCP in face of the Covid-19 pandemic, as well as DX, and sustainability improvement, we will utilize the cooperatives' information dissemination function while combining the knowledge of external institutions with it.

For regional revitalization, support for restructuring of industrial structure, and other area-wide support, we believe it is effective to utilize the organizing function of the cooperatives, and we will work together effectively.

