



Toward further enhancement of the corporate value of the Shoko Chukin Bank

Kazutaka Okubo, External Director × Junko Okawa, External Director × Hajimu Nakatani, Deputy President and Executive Officer

The Shoko Chukin Bank had been working on the Shoko Chukin Bank Management Reform Plan up until fiscal 2021 in order to steadily implement the contents of the Operation Improvement Plan submitted to the competent ministries in charge in May 2018. Deputy President and Executive Officer Hajimu Nakatani, spoke with Junko Okawa and Kazutaka Okubo, who have been serving as external directors of the Shoko Chukin Bank since June 2020, with a view to further enhancing the Shoko Chukin Bank's corporate value.

Characteristics of the Shoko Chukin Bank's Board of Directors

Nakatani: It has been two years since you both became external directors of the Bank. How do you view the Bank's Board of Directors?

Okawa: I think that the directors have diverse qualities and that there is an atmosphere in which it is easy to speak up and opinions are freely and openly exchanged. Depending on the topic, I sometimes feel that discussions could be deepened and made more substantial. For example, I think the need to discuss the themes related to sustainable corporate value enhancement management, including future of financial institutions, social issues such as the environment, and the promotion of digital transformation, will become more and more important.

Okubo: As mentioned by Director Okawa, I feel that the Board of Directors has a rich diversity of members with different backgrounds. The younger generation, including myself, also participates in discussions, and it is easy for various values to overlap. Before holding the Board of Directors meeting, we are given a thorough explanation of the agenda, taking sufficient time. We also express our frank opinions and questions there, and by connecting the results of these discussions to the Board of Directors, I feel that it leads to more in-depth discussions. What is particularly unique about the Bank's Board of Directors is that directors and Audit & Supervisory Board Members from different backgrounds engage in serious and direct discussions.



Nakatani: By receiving multifaceted opinions from the Board of Directors, not only the executives, but also the front-line staff always think about what the Shoko Chukin Bank exists for in their daily work. We have also established a system to utilize the results of evaluation of the effectiveness of the Board of Directors, which has been implemented since fiscal 2018, for management in the next fiscal year, and we will continue to work toward further revitalization of the Board of Directors.

From a communication-oriented organization with uniform thinking to a dialogue-oriented organization with diverse values

Corporate culture reform

Nakatani: The Bank has also been working to reform its performance evaluation and compliance systems with the aim of transforming from a vertically organized organization with a top-down approach to a more open corporate culture. At the Branch Manager Meeting, held twice a year, we put an intensive effort to allow top management and branch managers to engage in thorough dialogue, from the perspective of developing the management-level human resources. You both have attended every one of these meetings. What are your impressions?

Okawa: In the dialogue with management, President Sekine and other members of top management carefully respond to the frank opinions and questions of the branch managers. I feel that the distance between the two sides has got much closer quickly through these dialogues.

Okubo: The results of the leadership style diagnosis and compliance awareness survey have shown significant improvement over the past several years, and from my own observation of the workplace, I feel that efforts to develop management-level employees are making steady progress. I would like to see people engage in even more active dialogue with the staff.

Okawa: It is very important to emphasize dialogue in this way, and I think it is only natural that the uniform management of the past must change. Through the corporate culture reform of the Bank over the past

few years, we are beginning to see leaders taking a more independent and self-reliant approach. I would also like to see the Bank evolve toward a more diverse management style that is more altruistic in its approach toward customers, colleagues, and society.

Promotion of D&I

Nakatani: The Bank is promoting diversity & inclusion (D&I) as part of its management strategy. We are working to change our communication-oriented organization with uniform thinking, and to become an innovative interactive dialogue-oriented organization with diverse values. Do you have any advice for promoting D&I?

Okawa: Although D&I is not only about gender, I will use gender as an example for simplicity. I believe that the two main points are “Why?” and “How?” At the Bank, the top management’s commitment is clear, especially in communicating the importance of inclusion, in order to improve openness, to understand each other, and to enable all staff members to fulfill their potential. Given that, we have to think about how this can be achieved. Care measures (support for time off) as well as fair measures (support for working) that free staff from paper-based operations, fixed locations, and fixed times are gradually being developed. Furthermore, if concrete data on the results of these efforts, such as the number of male employees who have taken childcare leave, can be clearly presented, it will show that these initiatives are beneficial to all employees, and more employees will be willing to follow along. The visualization of initiatives will increase the effectiveness of the system and change the overall awareness of the organization. D&I will depend on how much we can achieve a major change in consciousness, which will ultimately change the human aspects, namely values, while improving the tangible and intangible aspects of D&I.

Okubo: D&I promotion is not only about gender. It is about creating an environment that facilitates dialogue across generations. Dialogue and conversation are literally different things. It is not enough to just meet and talk, but it is necessary to be aware of dialogue in which different values are put into conflict with each other. Moreover, in order to resolve issues, I think it is important for both the speaker and listener to respect each other’s different values, making suggestions rather than criticisms, and presenting concrete measures rather than abstract arguments.

Strengthening compliance

Nakatani: We asked Director Okubo to coordinate with us during the compliance enhancement month in October, and he gave us advice such as sharing risk awareness through risk visualization. What initiatives do you think are necessary to further strengthen the Bank’s compliance in the future?

Okubo: Up until now, the Bank has focused on strengthening compliance from the perspective of preventing the recurrence of cases of misconduct, and various surveys have shown remarkable results. Going



forward, it is important to raise the stage to compliance through intrinsic motivation, an approach rooted in the newly established corporate philosophy, while enhancing risk literacy to be able to read social trends in order to respond in an agile manner to social changes. The awareness of managers is key to the penetration of compliance. I would like to see managers take the initiative and show leadership to evolve the efforts toward compliance through intrinsic motivation.

New corporate philosophy that officers and employees should always return to

Establishment of a new corporate philosophy

Nakatani: Director Okawa was involved from the initial stages in the formulation of the new corporate philosophy. How did you see the study team and the project being implemented?

Okawa: What I realized in discussions with the officers and employees is that they all value the cause of supporting SMEs. Although it remains to be seen how the privatization discussion will proceed, I think this is something I can say to all stakeholders. In addition, many young staff members participated in the study team, and they are very sensitive to the word “change,” and I strongly felt that they are not only passive in responding to change, but also have the attitude of taking the initiative to change themselves and showing the future of finance themselves.

Nakatani: I would like to make sure that our new corporate philosophy permeates the minds of all officers and employees as something to which they should always return. Finally, what are your expectations for the Shoko Chukin Bank in realizing the Purpose and Mission?

Okubo: In the future, it will be essential for each and every one of our officers and employees to read the social trends and respond flexibly to changes in society. I hope that you will always take a social perspective and support your SME clients in going to a higher level with a higher perspective that allows us to see changes in the trends from a bird’s eye view. I know this is a difficult task, but I believe that a willingness to take on challenges will lead to genuine trust from our customers.

Okawa: The Bank is entering a phase in which it is rethinking its reason for being. The new Medium-term Business Plan incorporates concrete measures that reflect the way the Shoko Chukin Bank should be. Through the implementation of this Medium-term Business Plan, I hope that you will show us a new landscape of finance.

Nakatani: This fiscal year, we will launch our new Medium-term Business Plan under a new corporate philosophy. The Shoko Chukin Bank will go beyond the boundaries of a conventional financial institution and the Bank itself will engage in corporate reform. All officers and employees will act as one, aiming for management that takes on the challenges of ever-changing social issues. Thank you very much for your valuable opinions today. We would be grateful if you could continue to offer us advice from a variety of perspectives.

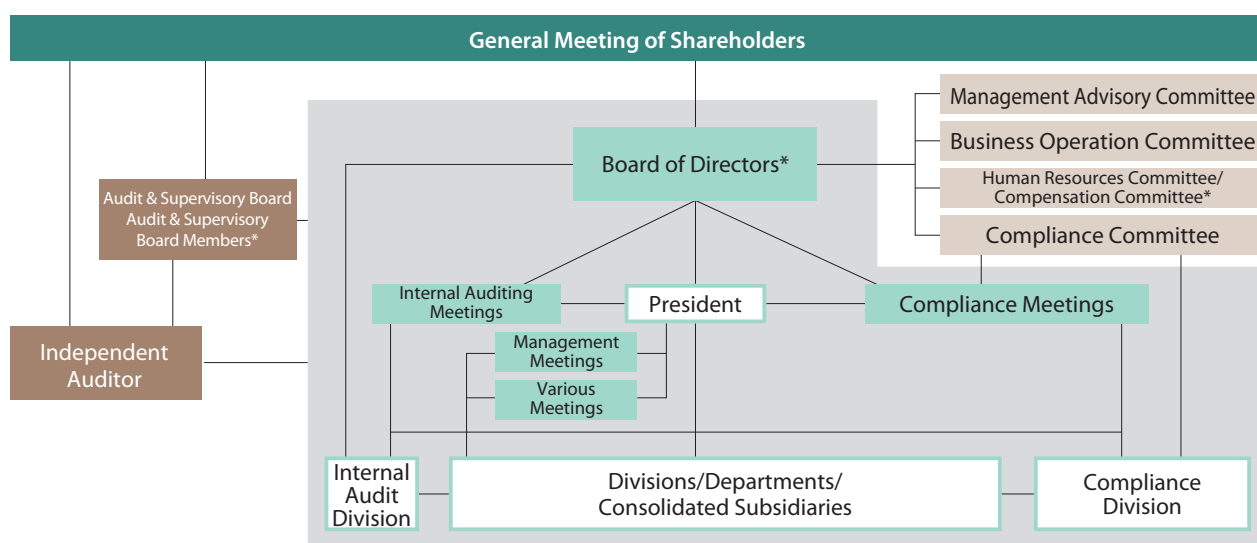
Governance Structure of the Shoko Chukin Bank

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



Note: Organization with external directors and external Audit & Supervisory Board Members

II. Corporate Governance Framework

Board of Directors

The Board of Directors is comprised of a majority of external directors (five out of nine 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.

Audit & Supervisory Board, Audit & Supervisory Board Members

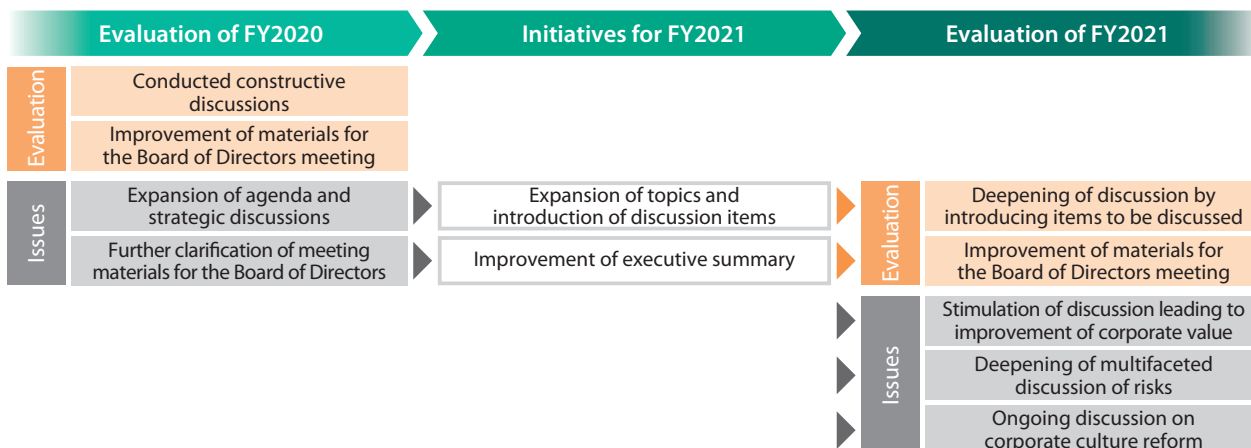
The Audit & Supervisory Board is comprised of four members, two of whom are external Audit & Supervisory Board Members. Audit & Supervisory Board Members monitor and audit the execution and performance of each director's duties. Moreover, the Audit & Supervisory Board prepares audit reports, appoints and removes standing Audit & Supervisory Board Members and determines the Bank's overall audit policy.

III. Effectiveness Evaluation of the Board of Directors

Analyze and evaluate effectiveness of the Board of Directors

Based on the lessons learned from two Administrative Orders we received in the past for misconduct in crisis response operations and other inappropriate business operations, the Bank has adopted a governance structure to realize a monitoring-oriented Board of Directors with the separation of supervision and execution and a management structure that appoints a majority of external directors. Each year, the Bank analyzes and evaluates the effectiveness of the Board of Directors, and works to strengthen the functions of the Board of Directors by considering and implementing improvement measures to address issues identified.

For analysis and evaluation, 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 a meeting to exchange opinions is held, followed by deliberations at a Board of Directors meeting, to determine initiatives for the next fiscal year.



In fiscal 2021, a questionnaire survey was conducted by an external consultant to confirm, among others, that the Board of Directors is appropriately comprised, that agenda items are appropriately selected, and that management decisions are appropriately made from the perspective of overall optimization, incorporating a third-parties' perspective. With regard to the issues identified at the time of the evaluation in the previous fiscal year (FY 2020), namely, (1) expansion of strategic discussions, (2) clarification of explanatory materials, and (3) expansion of agenda items, we confirmed steady improvement, including an evaluation that discussions at the Board of Directors meetings are getting deeper due to the addition of items to be discussed to the agenda of the Board of

Directors meetings, in addition to the existing items to be resolved and items to be reported.

On the other hand, new issues raised by the Board of Directors included the need to promote discussion on how sustainable corporate value enhancement management should be and how it should be carried out, and to share recognition of the role the Board of Directors should play in realizing the enhancement of the Group's corporate value through the promotion of digital transformation (DX).

Based on the above, some of the initiatives that the Bank will take in fiscal 2022, which were decided through discussions at the Board of Directors meeting, are as follows.

Examples of initiatives for FY2022

- Further expansion of discussions to disseminate and realize the new corporate philosophy (which will lead to an improvement in corporate value)
- Strengthen monitoring to deepen multifaceted discussions at the Board of Directors' meetings
- Holding regular dialogues with the supervising department for ongoing discussions on corporate culture reform

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

The Shoko Chukin Bank has established the following 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

The committee consists of representatives of SME cooperatives and SMEs throughout Japan with which the Bank does business, and provides opinions and advice on the Bank's business operations.

■ Human Resources Committee/Compensation Committee

The committee comprises representatives of SMEs with which the Bank does business, external experts, external Directors, etc., and provides opinions and advice on personnel matters for officers, executive compensation and systems, and performance evaluations related to retirement benefits.

Directors and Audit and Supervisory Board Members

Directors

President (Representative Director) & President and Executive Officer

Masahiro Sekine

Date of birth: May 18, 1957



Term of office as Director: 4 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 of SEIBU HOLDINGS INC.
June 2009 Director and Senior Managing Officer of Prince Hotels, Inc. (currently SEIBU PRINCE HOTELS WORLDWIDE INC.)
Director and Senior Managing Officer of SEIBU RAILWAY Co., Ltd.
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 (current position)

Director & Deputy President and Executive Officer

Hajimu Nakatani

Date of birth: November 22, 1960



Term of office as Director: -
● -

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)

Director & Senior Managing Executive Officer

Katsuhiko Kaji

Date of birth: May 2, 1961



Term of office as Director: 3 years and 9 months
● 17 out of 17 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)

Director & Managing Executive Officer

Hiroyuki Obara

Date of birth: September 22, 1964



Term of office as Director: 1 year
● 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)

Audit and Supervisory Board Members

Audit & Supervisory Board Member

Taiichiro Okamoto

Date of birth: December 19, 1966



Term of office as Audit & Supervisory Board Member: 2 years
● 17 out of 17 meetings
● 16 out of 16 meetings

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

Audit & Supervisory Board Member

Masahiko Terauchi

Date of birth: January 19, 1967



Term of office as Audit & Supervisory Board Member: -
● -
● -

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

● Attendance at the Board of Directors Meetings (FY2021)

● Attendance at the Audit & Supervisory Board Meetings (FY2021)

External Director

Shigeharu Nakamura

Date of birth:
September 17, 1953



Term of office as Director: 4 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)

External Director

Junko Okawa

Date of birth:
August 31, 1954



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

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 External Director of KDDI CORPORATION (current position)
Outside Director and Audit and Supervisory Committee Member of Asahi Broadcasting Group Holdings Corporation (current position)

External Director

Kazutaka Okubo

Date of birth:
March 22, 1973



Term of office as Director: 2 years
● 16 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. (current position)
Outside Director of Sun Frontier Fudouso Co., Ltd. (current position)
September 2019 External Corporate Auditor of BrainPad Inc.
December 2019 External Director of LIFULL Co., Ltd. (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)

External Director

Fujiyo Ishiguro

Date of birth:
February 1, 1958



Term of office as Director: -
● -

June 2014 Outside Director of Monex Group, Inc. (current position)
June 2015 Outside Director of Sampo Japan Nipponkoa Insurance Inc. (currently Sampo Japan Insurance Inc.)
May 2021 Outside Director of WingArc 1st Inc. (current position)
June 2021 External Director of SEGA SAMMY HOLDINGS INC. (current position)
Director of Netyear Group Corporation (current position)
June 2022 External Director of the Bank (current position)

External Director

Tomoharu Kusaka

Date of birth:
September 25, 1961



Term of office as Director: -
● -

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.

External Audit & Supervisory Board Member

Kazumine Terawaki

Date of birth:
April 13, 1954



Term of office as Audit & Supervisory Board Member: 4 years
● 17 out of 17 meetings
● 16 out of 16 meetings

September 2016 Superintending Prosecutor of Osaka High Public Prosecutors Office
June 2017 Attorney at law, Satoshi Suzuki 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 (current position)

External Audit & Supervisory Board Member

Junko Kogayu

Date of birth:
October 10, 1967



Term of office as Audit & Supervisory Board Member: -
● -
● -

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. (current position)
June 2022 External Audit & Supervisory Board Member of the Bank (current position)

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	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			●		●		●		●	●

■ Managing Executive Officers



Managing Executive Officer
General Manager of Industry Research Division

Katsuya Motohata



Managing Executive Officer
General Manager of Corporate Planning Division

Hideyuki Makino



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

Shinichiro Morino



Managing Executive Officer

Futoshi Hagio



Managing Executive Officer

Manabu Abe



Managing Executive Officer

Takehiko Nokami



Managing Executive Officer
Head of Finance Group

Hiroyuki Nakashio



Managing Executive Officer

Shinya Yamada

■ Executive Officers

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

Shigetada Iwashita

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

Masami Kidoguchi

Executive Officer (General Manager of General Co-ordinating Division)

Kazuya Sato

Executive Officer (General Manager of Tokyo office)

Yoshihito Sumimoto

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

Tetsuya Dozono

Executive Officer (General Manager of Nagoya and Atsuta office)

Atusi Satou

Executive Officer (General Manager of Branch Support Division)

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 Career Development Support Division and Administrative Services Division)

Yoshihiro Sano

Executive Officer (General Manager of Systems Planning Division)

Toru Tareishi

Human Resources Strategies

Human Resources Strategies to Realize the Purpose and Mission

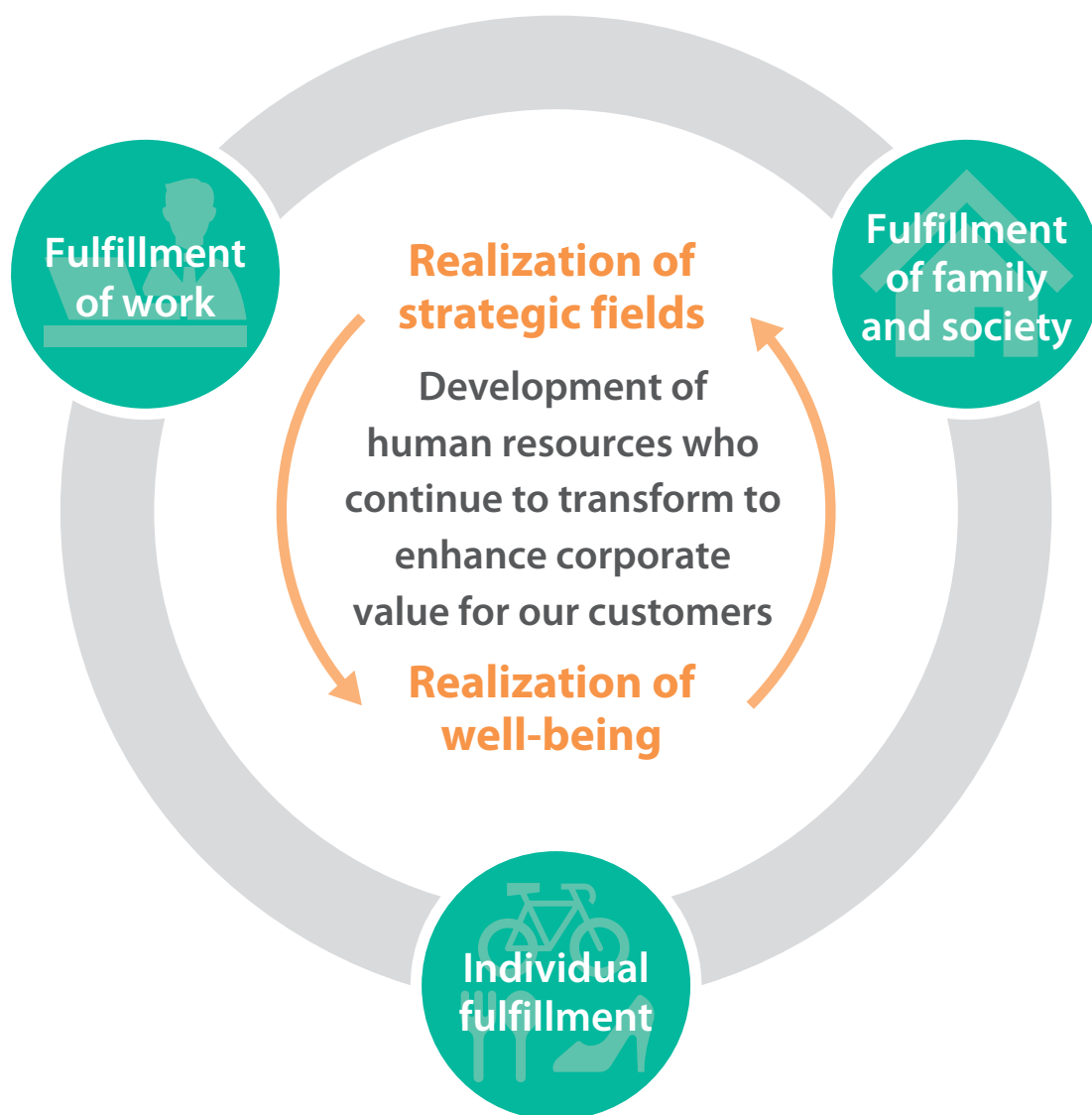
The Shoko Chukin Bank, as a partner to our customers that goes beyond traditional finance, aims to pave the way toward a society resilient to change while also pursuing management that is capable of sustainable growth.

A fundamental part of this is the human resources who have a heartfelt desire to draw close to customers and gain satisfaction from proactively and vibrantly engaging in initiatives to materialize this desire, while achieving growth alongside customers. As a partner in creating security and prosperity for customers, each employee is proactively engaged in learning, acquiring expertise and advanced skills, and taking on the challenge of self-directed “personal development” so that he or

she can share the dreams and needs of customers, think of what can be done, create and change together with customers.

In order to swiftly and appropriately keep up with the drastically changing times and continue to support the future of our customers, it is imperative that each employee continues to proactively change. We will provide an environment that realizes the well-being of our employees by enriching their work, personal, family, and social lives keeping a balance (harmony) between them, so that they can demonstrate their abilities to the maximum and work vibrantly, while at the same time enhancing customers’ value.

Strengthening Human Resource Development for Organizational Growth

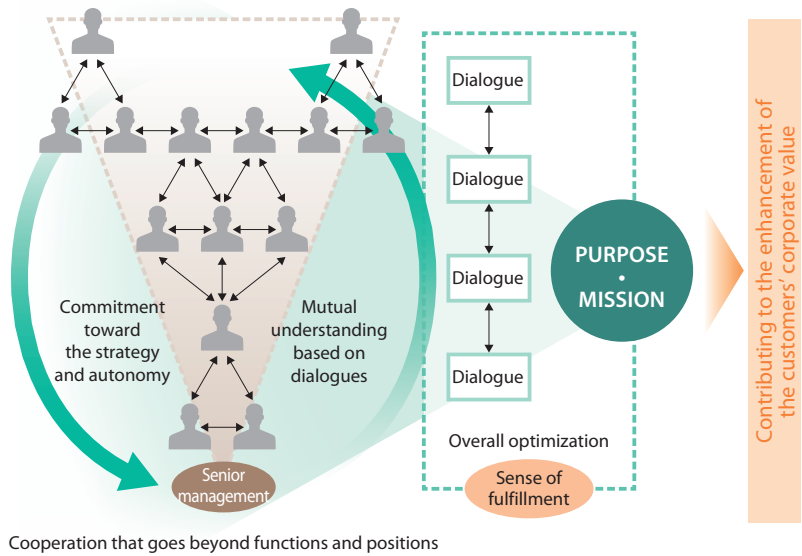




1. Fulfillment of work

(1) Development of an organizational culture based on the Purpose and Mission

Under the banner of our Purpose and Mission, we are developing an organizational culture where each employee can take advantage of his or her personality to the maximum extent, maintain health in both mind and body, work vibrantly and find fulfillment. To this end, we are expanding and improving the system that aims to enhance work based on dialogues and that draws close to diverse social developments and employee work styles.



Cooperation that goes beyond functions and positions

(2) Initiatives toward improving engagement

The “Career Campus (in-house nickname),” a talent management system, was adopted as a portal for each employee to play a key role in envisioning and materializing his or her future career and workstyle. Initiatives to enhance employee engagement

are being reinforced through activities to promote internal communications including the “Connection Meetings,” in which employees from around the country gather with in-house guest speakers.



INTERVIEW

To become an organization where self-directed individuals think and act, and grow together

The Shoko Chukin Bank split the Personnel Division into two organizations, the Career Development Support Division and the Diversity and Inclusion Division, in April 2022. We are building a system where individuals can design their ideal careers and actively improve themselves to self-actualization. We are fully committed to developing human resources who are capable of addressing the continuously changing issues facing our society and our customers’ needs.

Mika Hayakawa, General Manager of Diversity and Inclusion Division





2. Individual fulfillment

(1) Human resources development policy

The Shoko Chukin Bank is developing 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.

(2) Development programs to nurture professionals

The human resources development program effectively combines the three elements of group seminars, OJT, and self-development. Additionally, as options for support in capacity development, various education and training programs are provided, where employees are dispatched to graduate

schools both in Japan and abroad and other external training institutions to acquire an comprehensive knowledge of management and decision-making skills, enhance leadership skills, and take advantage of opportunities to build networks as well as design their careers.

Capacity development		Development of basic skills (Employees in their first to fourth year)	Development of practical skills (Employees in fifth year onward)	Development of administration and specialized skills	Development of management skills
Group training	Level-specific training	<ul style="list-style-type: none"> New employee training Start training Sales counter Step I, II, III, and IV trainings Business Skills Training for each position 	<ul style="list-style-type: none"> Brother-Sister Training Mid-level Employees Training Management Skills Training (beginner) Manager Training (beginner) 	<ul style="list-style-type: none"> Newly Appointed Section Chief Training Management Skills Training for Section Chief Step-up Training for Section Chief Manager Training (intermediate) Challenge Collage for each position 	<ul style="list-style-type: none"> Newly Appointed Deputy General Manager Training Management Skills Training for Deputy General Manager Step-up Training for Deputy General Manager Training for newly Appointed General Manager for branch office
	Elective training	<ul style="list-style-type: none"> Financial analysis Business prospects evaluation Initial response 	<ul style="list-style-type: none"> Derivatives operations International operations Business skills 	<ul style="list-style-type: none"> Solutions operations Business diagnosis seminar Management improvement support 	<ul style="list-style-type: none"> Credit screening trainee Business succession and M&As
OJT		Basic knowledge acquisition, Management of operational skills acquisition In-house training, On-site instruction, Training at peer branches Area instructor education Brother-Sister system Individual instructions			
Self-development		<ul style="list-style-type: none"> Payment of scholarships Granting self-development points Indicating a self-development model Elective in-classroom courses External examinations and correspondence courses Keio Marunouchi City Campus Waseda Business School GLOBIS Management School LEC SME Consultant course			
Study at outside institutions		<ul style="list-style-type: none"> Graduate schools in Japan and abroad (MBA) Government offices, overseas financial institutions, Bank of Japan SME Training Institutes, Japan Productivity Center 			

(3) Self-directed career development support

We have a wide variety of offerings from “designated” education and training based on the employee’s years of service to “elective” education and training, where employees can choose courses that match their challenges and interests, to strengthen the specialties and skills of our employees.

● Career Challenge System

The system supports opportunities for employees to take on challenges by nominating themselves for transfers to positions at the organizations including the headquarters divisions based on their career plans envisioned by each employee.

The positions offered have been expanded to all divisions and departments. We are strengthening the career support of highly motivated employees who are taking on the challenge of new operations.

Employees who applied to this program have increased by 1.4-fold or more compared to 2019.



The learning platform “MaNAVI”



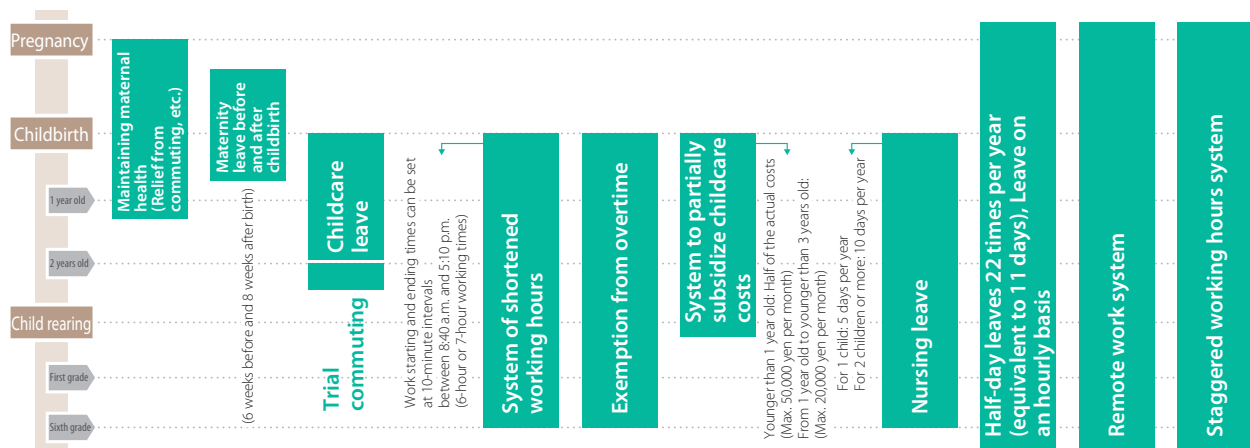
3. Fulfillment of family and society

(1) Developing an environment that supports diverse work styles

In light of the impact of Covid-19 and diversifying perceptions, we are working to provide a pleasant workplace for the employees by achieving flexible work styles. We have adopted systems including remote work and staggered working hours to prevent the spread of Covid-19 and ensure operational

continuity, as well as aiming to improve productivity. We are also cooperating with industrial physicians to provide a workplace where employees can work and maintain health in both mind and body.

Work and Home/Family



- Support for balancing work and child-rearing

Employees can choose flexible work styles in line with various milestones such as marriage, childbirth, and child-rearing. The Shoko Chukin Bank promotes well-balanced work styles so that each employee can achieve fulfillment both at work and at home.

- Remote work, staggered working hours, and 4-day work week

From the standpoint of work styles in line with the employee's life plan and concept of work, we have adopted such systems as remote work using thin client terminals, staggered working hours where employees can choose their starting and ending times, and a 4-day work week, which may be chosen under certain conditions.

New work styles

- Adoption of business casual

We have introduced a business casual dress code to all employees and by allowing flexible attire, we are raising the awareness of the employees and facilitating changes to our culture.

- Side businesses and additional businesses

As a way of supporting the various workstyles of our employees, we have introduced the system of side businesses and additional businesses.

- Introduction of the UD Talk app

To ensure smooth communications among employees, regardless of their disabilities, we have adopted the voice-recognition software, "UD Talk," and are lending it out to those who wish to use it.



(2) Initiatives to balance work and home life

To improve the work-life balance, we are recommending male employees to take childcare leave. We are promoting male participation in childcare, encouraging mutual understanding among employees, and changing the mindset of the workplace as a whole.

	FY2019	FY2020	FY2021
Number of male employees who took childcare leave	66	75	67
Percentage of male employees who took childcare leave	71.7%	75.0%	76.1%



We acquired the "Platinum Kurumin" certification which is awarded to companies providing a high level of childcare support to their employees.

Status of Compliance System Development

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

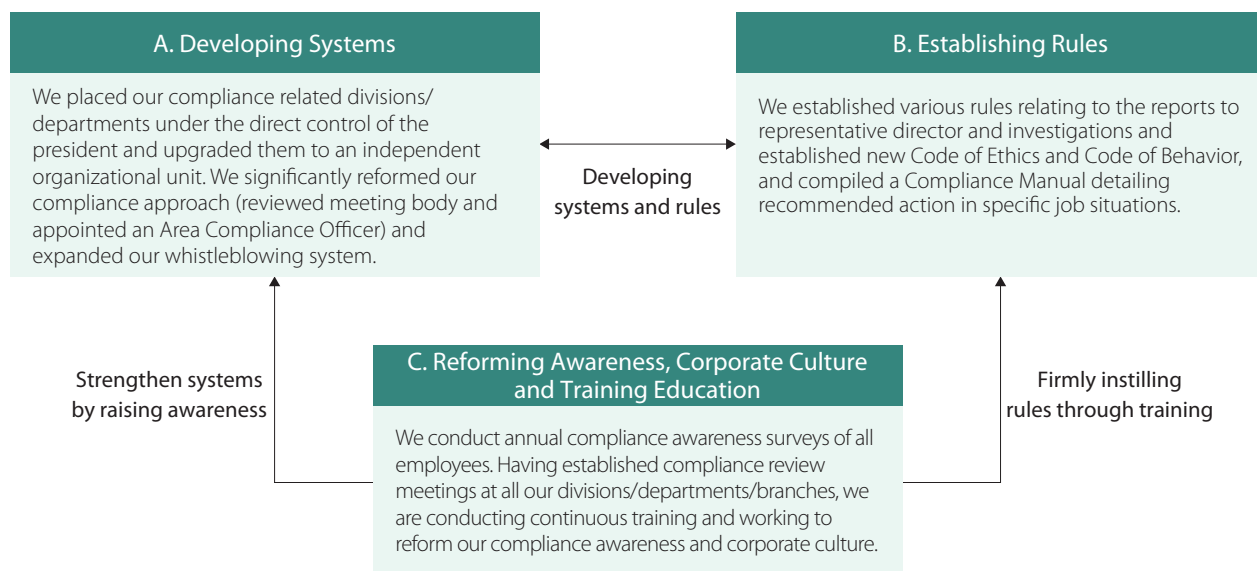
Regarding the misconduct announced in 2016 in our crisis response operations, we would like to once again offer our sincere apologies for the considerable inconvenience and concern caused to our business partners, shareholders, and the general public.

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

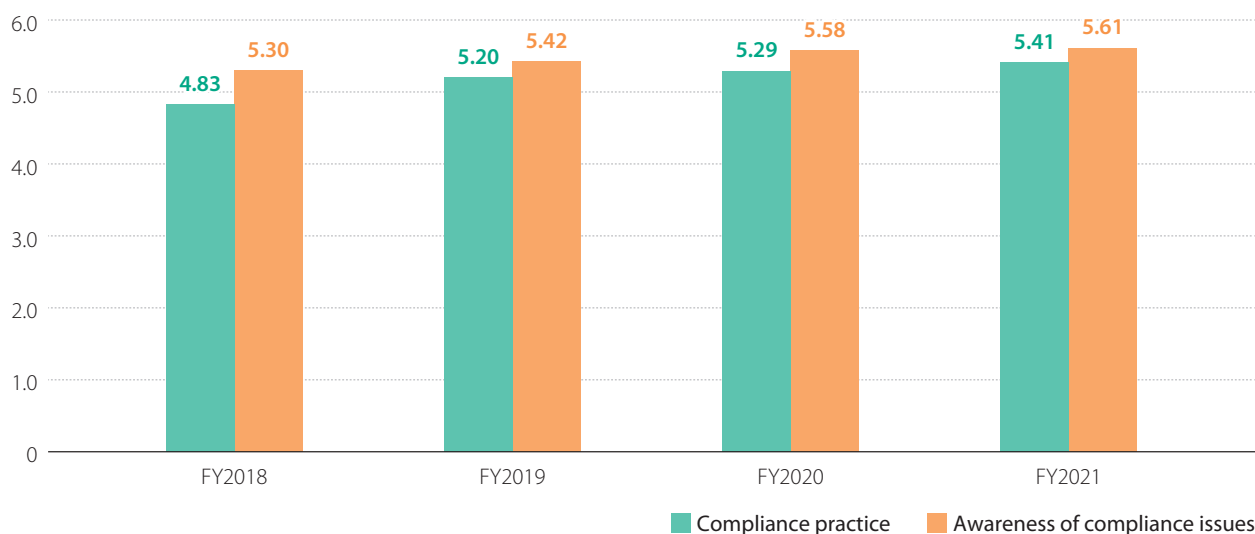
a dominant tool; (3) the attitude of the Bank's Headquarters and management, as well as a decline in compliance awareness that led to misconduct; and, (4) a lack of governance. Based on that recognition, we have developed various approaches and have been steadily raising the employees' compliance awareness.

Going forward, we will aim to transition from uniform companywide measures to "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

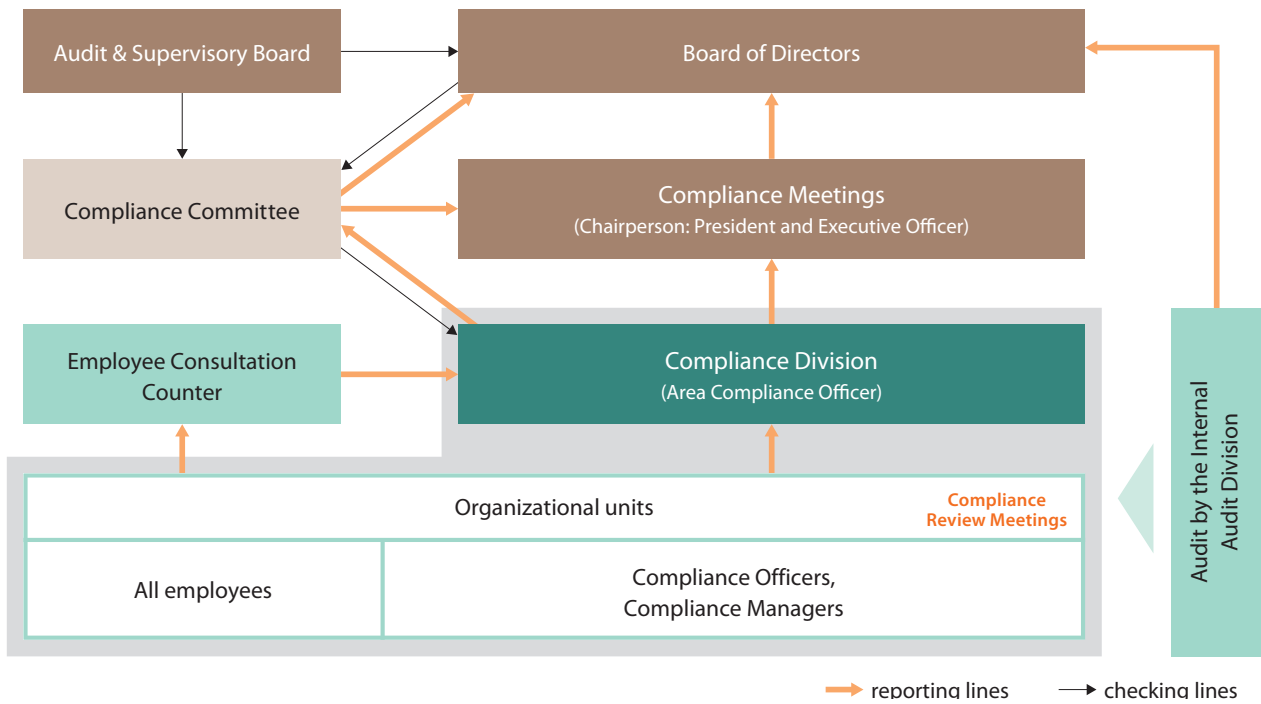


Change in Compliance Awareness



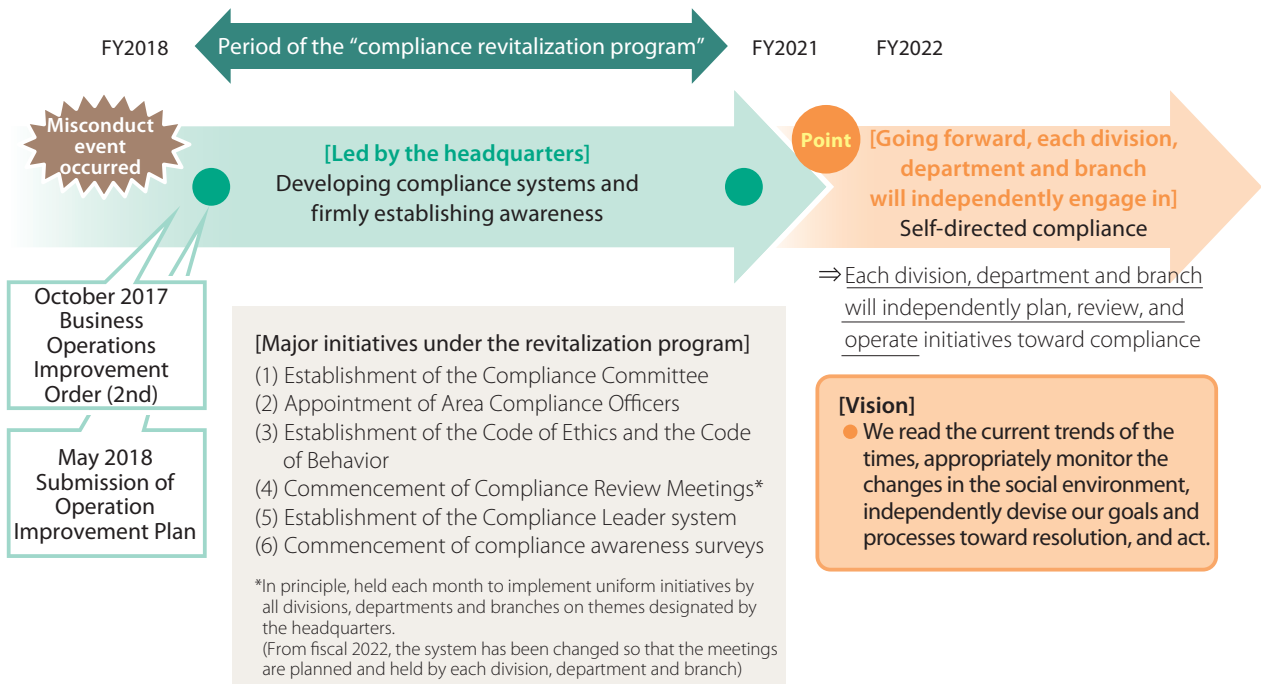
*The surveys were conducted by having respondents rate their compliance from 1 to 7 (the higher the number the more positive the action).

Compliance Structure



Initiatives for fiscal 2022 and Beyond

Overview of future initiatives



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	Manabu Adachi (Attorney at law, Tokyo Fuji Law Office)
	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, for about two hours per meeting to carefully examine various agendas under the guidance of outside attorneys at law. In 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
Compliance Committee	21	13	13	12
Monitoring	7	12	13	12
Total	28	25	26	24

Act on Prevention of Transfer of Criminal Proceeds and Measures to Prevent Money Laundering and Terrorist Financing

Strengthening the prevention system of money laundering and terrorist financing is becoming increasingly important each year for the international community. The Shoko Chukin Bank also positioned this as one of the important management issues, while taking into account relevant laws and regulations, and established the Financial Crimes Compliance Department in April 2020. In doing so, we are working to strengthen our systems including the thorough confirmation of overseas remittance transactions and updating information on our clients. We 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 the latest information. The Shoko Chukin Bank, since fiscal 2019, has also been asking its customers to provide such information.

■ Overseas Remittances

In terms of 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 is making the necessary checks on the content of the transactions and information about customers and beneficiaries, etc., based on the materials and other data.

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.

▶ Acquisition of Whistleblowing Compliance Management System Certification*

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.

The employee consultation contact point system at the Shoko Chukin Bank has acquired Whistleblowing Compliance Management System certification by thoroughly ensuring the confidentiality of the whistleblower and the consulting employee, continuously providing education and training to employees so that the whistleblower is not subject to prejudicial treatment, and providing an environment where employees can easily provide alerts and receive consultations.



**Whistleblowing
Compliance
Management
System**

*The Whistleblowing Compliance Management System certification is a system whereby business operators assess their own whistleblowing system and if the system is found to conform to certification standards, a designated registration agency registers the result of confirmation based on the application from the business operator.

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

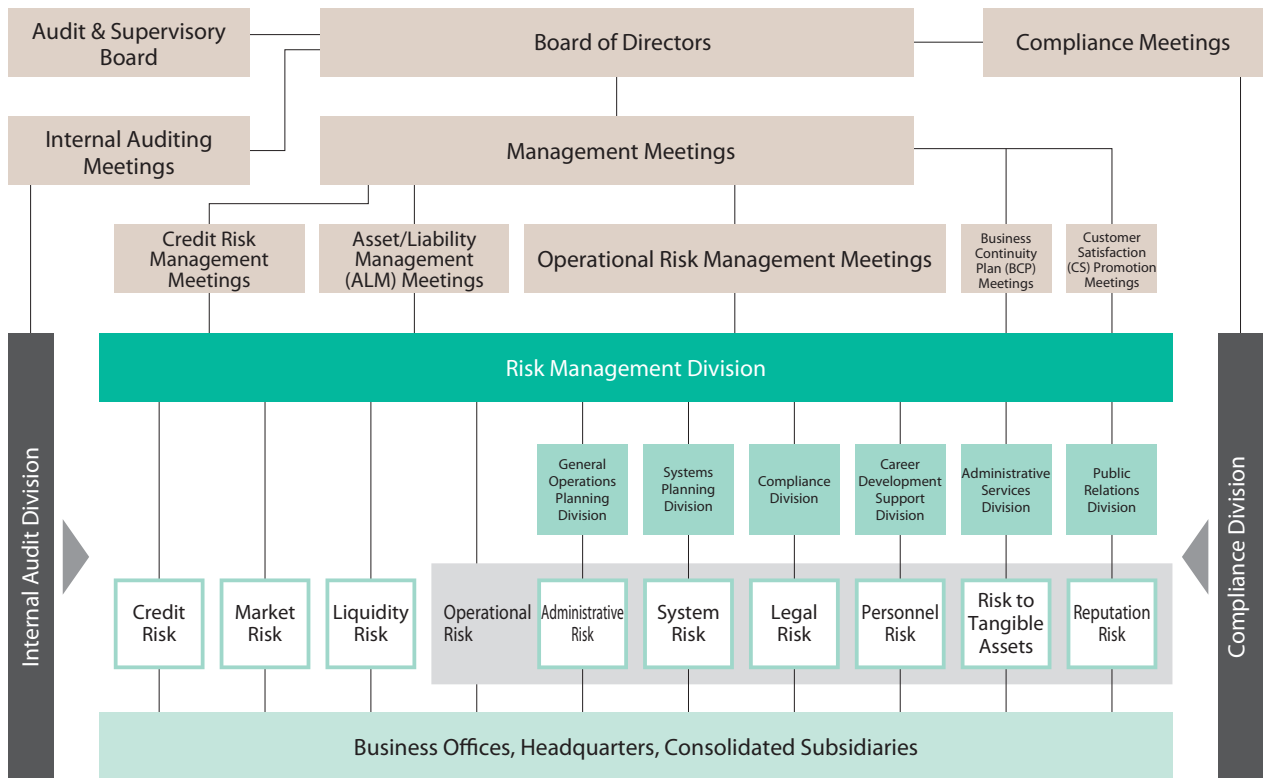
management to all officers and employees, and accurately grasping and managing risks by defining the type of risks that should be recognized, their content and the organizational structure for managing such risks.

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. To this end, it has developed a concrete framework of top risk management and risk capital allocation management.

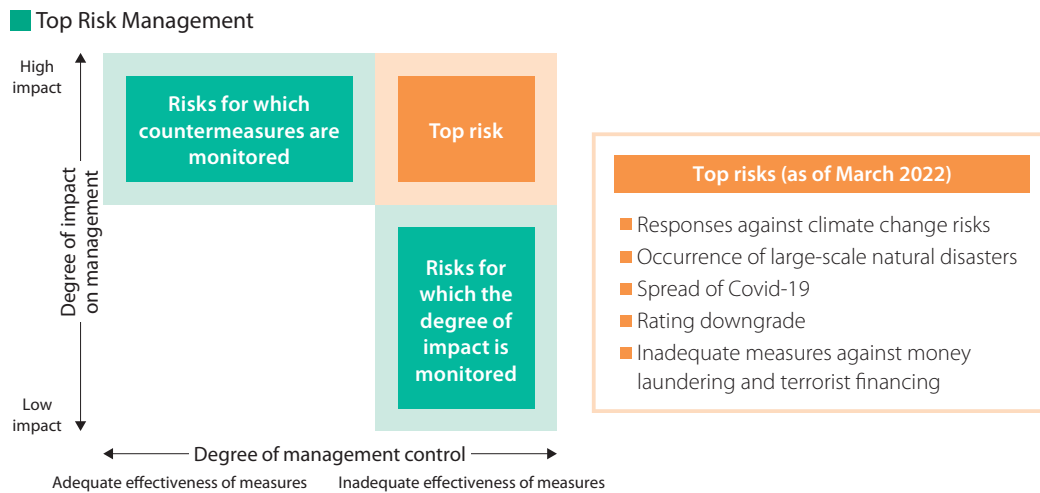
IV. Top Risk Management

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).

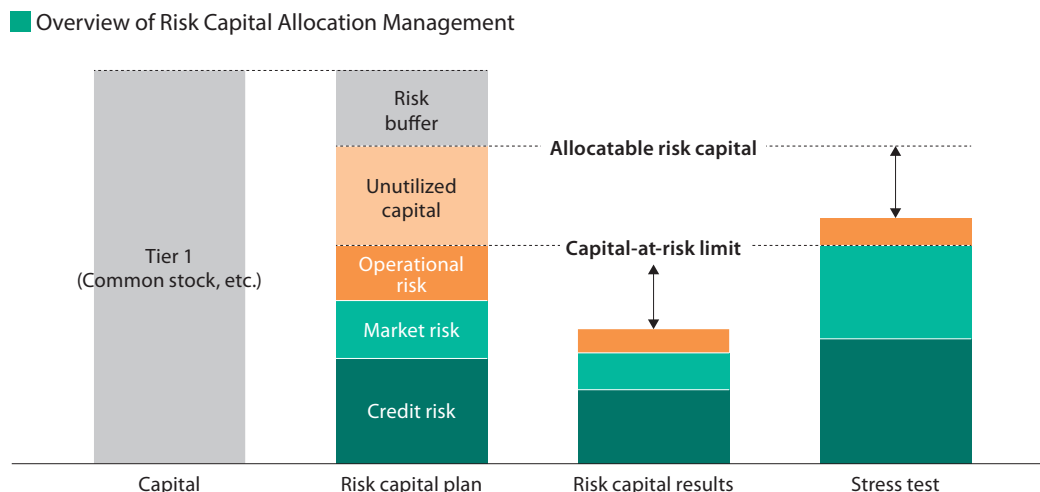
For the top risks determined, risk management is conducted that allows for flexible responses in the event that the risk materializes, by determining the management policy and monitoring the status of the risks, among others.



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 quantified 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.



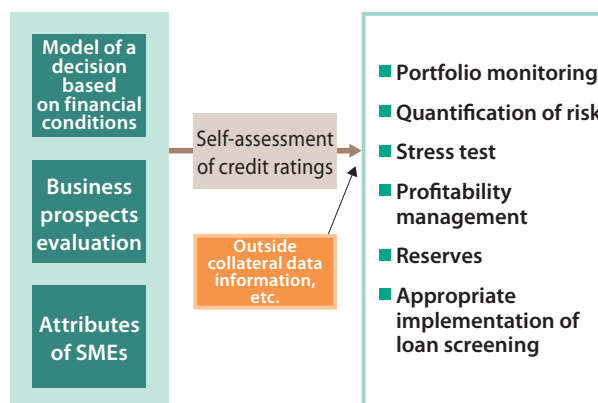
VI. Credit Risk Management

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 conducts appropriate screening and management. 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.

■ 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 including disclosure requests.

■ 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
Securities Report/Interim Report	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.