

Establishment of Differentiated Fields

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

Start-up

Start-up support

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

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

Main initiatives in FY2022

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

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

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

ESG

Sustainable management support

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

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

Main initiatives in FY2022

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

Provision of ESG diagnostic services
Approx. 800 cases

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

Turn Around

Business revitalization support

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

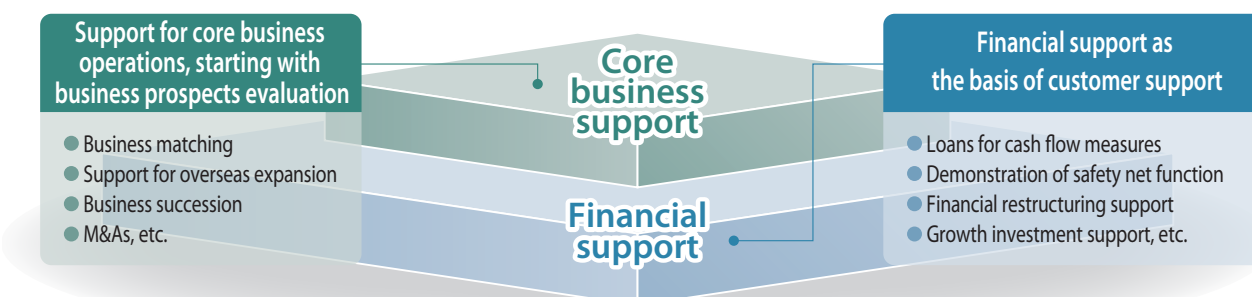
- ▶ Prevention of business crises and support for emerging from crisis situations
- ▶ High-level support by a team of specialists with diverse careers
- ▶ Strengthening support to enhance human capital

Main initiatives in FY2022

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

Percentage of increase in rank of support recipients
8.9%

Allowance reversals for support recipients
¥2.2 billion



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

Collaboration with group companies

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

Start-up

Cykinso, Inc. (Tokyo)

Concluded loan agreement with stock acquisition rights totaling ¥300 million

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

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

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



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



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

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



ESG

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

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

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

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

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



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



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

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



Turn Around

Kurokawa Onsen Ryokan Association
(Kumamoto Prefecture)

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

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

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

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



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



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

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



Roundtable Discussion of Employees Taking on Challenges

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



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

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

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

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

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

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

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



Wataru Shimato
Startup Support Department,
Business Solution Division



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

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

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



Nana Niikura
Corporate Planning Division
Sustainability Department

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

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

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

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

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



Hiroyuki Mizushima
Corporate Support Division
Consulting Department