

Messages from External Directors

Advancing DX at SMEs

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

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

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



Fujiyo Ishiguro
External Director

The Shoko Chukin Bank's role in regional finance

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



Tomoharu Kusaka
External Director

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

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

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

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

Towards Enhancing Human Capital

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

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

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

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



Junko Okawa
External Director



Changes in Compliance Initiatives

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



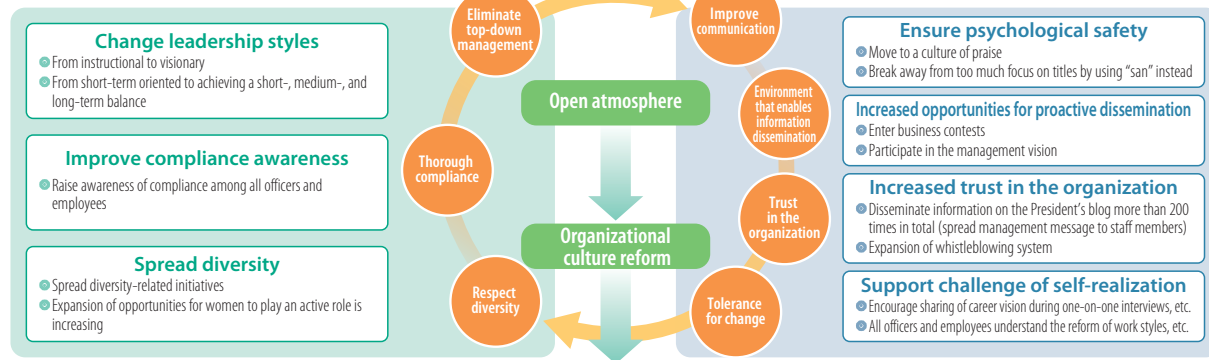
Kazutaka Okubo
External Director

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

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

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

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



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

The Future of Shoko Chukin Bank

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

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

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

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

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

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



Shigeharu Nakamura
External Director