

Improving Productivity of SMEs

Message from the Executive in Charge

Predicting future trends to bring about change in industrial structure and strengthen competitiveness

Director & Senior Managing Executive Officer

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The uncertainty facing SMEs today is greater than ever. A prime example is the state of the automotive parts manufacturing industry, which has driven the Japanese economy. Specifically, the combination of these four factors is expected to have a profound impact on the automotive parts industry, which consists of roughly 25,000 companies nationwide that are the core of the regional manufacturing industry: (1) how much will EV adoption grow? (2) will Japan be able to maintain its strong positions in the North American and Asian markets? (3) as parts increasingly feature software and are modularized, how will manufacturing processes change? (4) how will finished vehicle manufacturers adapt their business strategies to these changes? Out of the 25,000 companies, roughly 4,000 are customers of Shoko Chukin Bank. Developing a vision for structural reform of Japan's automotive parts industry as a whole while linking that vision to concrete solutions for individual companies is an important management task for Shoko Chukin Bank.

Another major theme for Japan's economy is the development of startup companies, which are a catalyst and trump card for growth. Shoko Chukin Bank has established itself as a leading

provider of funds in this sector. Going forward, we will need to respond reliably to the ever-increasing needs.

With the above concerns in mind, we launched the Industrial Innovation Business Unit as part of our headquarters organizational changes in April 2024. Its mission is to delve deeper into industry-specific challenges and resolve cross-sector issues. In the fiscal year ending March 31, 2025, we have positioned the following five areas as key support areas: (1) automotive parts manufacturing, (2) logistics, (3) startup companies, (4) industrial digital transformation (DX), and (5) green transformation (GX). As specific initiatives, we are considering proposing a strategic vision, providing a digital platform, M&A for industry restructuring, and offering debt solutions to startups. In the future, we aim to form strategic partnerships with key stakeholders building on our existing customer relationships, including major companies, IT firms, regional financial institutions, fintech companies, venture capital firms, and relevant government ministries and agencies.

We will share our 10-year industrial vision and offer solutions to challenges, driving industrial innovation. Please look forward to the new initiatives of our Industrial Innovation Business Unit.





* Please refer to page 44 for details on support for startup companies.

Efforts for industrial structure change

► Support system

In April 2024, we established the Industrial Innovation Business Unit, comprising of the Industrial Strategy Division and the Startup Business Division, to bring about change in the industrial structure and boost competitiveness. Through this new unit, we will help SMEs facing changes in industrial structure by providing innovative financial support and hands-on support for initiatives, such as those for DX and GX, tailoring our approach to industry-specific challenges.

► Key support areas

Industry			Support Details	
Automotive parts manufacturing	Logistics	Startups	Industry DX	GX
				
Support for automotive suppliers adapting to major environmental changes, such as EV adoption	Support for transportation companies adapting to structural challenges, such as labor shortages and regulatory compliance	Support for startup companies that create innovative products and services	Various DX support for enhancing productivity and responding to changes in the business environment	Support for decarbonization management to help enhance corporate value through reduced CO ₂ emissions

Support for the automotive industry

In April 2024, we formed the Mobility Industry Team within the Industrial Strategy Department to develop and strengthen our support structure for the automotive industry, which is now facing a once-in-a-century period of industrial structural transformation.

In addition to supporting our clients' emerging needs like cost control and productivity improvement, we will draw from the insights we gain from an industry-wide perspective to help formulate strategies and address potential needs, thereby enhancing our clients' corporate value.

Case studies of support for the automotive parts manufacturers

Opening of Manufacturing School

Shoko Chukin Bank provided basic courses in management accounting, which is the foundation for improving productivity, to Tier 1 and Tier 2 suppliers of Suzuki and Subaru. We will help small and medium-sized enterprises navigate changes in industrial structure and strengthen their competitiveness from the perspective of sustainable and innovative industrial finance.

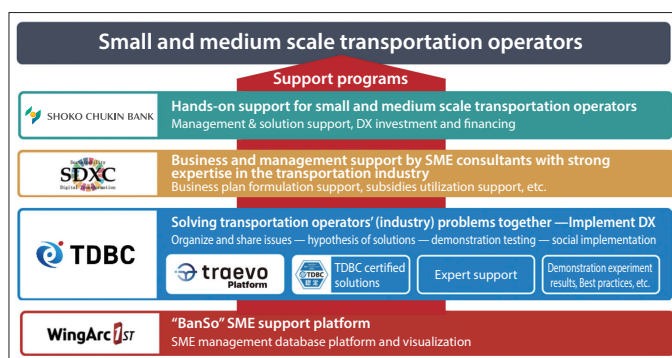


Support for the logistics industry

► Business Planning Support Program

The purpose of this program is to support the resolution of management issues faced by small and medium scale transportation operators, such as work style reform and productivity improvement, by promoting digital transformation.

We will contribute to the realization of a sustainable logistics industry by establishing a one-stop support system for problem solving, including business plan formulation, plan implementation support, improvement tool proposals, and subsidy utilization support, and by supporting the development of a comfortable work environment and the introduction of IT that increases labor productivity.



Case studies of support for a logistics company

Since its founding, Morichika Unso Co., Ltd. (Hiroshima) has been delivering construction steel to five prefectures in the Chugoku region.

For them, the so-called "2024 logistics issue" is an urgent issue. Shoko Chukin Bank partnered with a specialist agency to support the formulation of a business plan. We recommended the development of its business management systems, including the effective use of internal information effectively, and proposed a review of freight rates for each client from a profitability standpoint.

► For details of the case studies, please click here to watch the video.

<https://www.youtube.com/watch?v=75l64BtMWJk>



[Thoughts from members of the Shoko Chukin Bank] Reiji Matsui, Fukuyama Office
Morichika Unso showed strong interest in the 2024 logistics issue and a high awareness of the need to make its business more sustainable. We proposed a management planning support program in collaboration with a specialized agency with extensive experience supporting small and medium scale transportation operators.