

Message from the Head of Corporate Unit



With an eye to realizing our Purpose, we will promote the integration of management and human resource strategies to further reforms of our organizational culture, and co-create value with our stakeholders

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Review of fiscal 2023

While the upsurge in demand following the COVID-19 pandemic ran its course, fiscal 2023 saw drastic changes in the business environment, such as the occurrence of natural disasters, the worsening labor shortage, yen depreciation, soaring prices, and rising interest rates.

At the Shoko Chukin Bank, while repayments of crisis response loans related to COVID-19 starting to move into full swing, growth in the startup field and in sustainable finance, as well as an increase in projects, such as those associated with strengthening collaboration with funds in structured finance and other areas resulted in net interest income being flat year on year, while fees and commissions remained strong.

As a result, gross operating profit amounted to ¥122.8 billion, up ¥1.0 billion year on year, despite the recording of losses associated with the sale of investment securities to improve yields.

The Shoko Chukin Bank has positioned well-being, DE&I (diversity, equity, and inclusion), and DX as corporate transformation, part of its main strategies in the Medium-Term Business Plan, and is actively sowing the seeds for the future, including investments in human capital and systems. We also worked to strengthen our systems to solve the increasingly diverse management issues faced by SMEs, such as by establishing a subsidiary specializing in investment and establishing the Hanoi Representative Office. As a result, although expenses increased, operating profit amounted to ¥49.1 billion, exceeding the target.

Initiatives for fiscal 2024

In fiscal 2024, the final year of the Medium-Term Business Plan, we plan to provide more in-depth support to SME customers and secure appropriate returns by maximizing the benefits of the know-how and frameworks we have built up so far in the differentiated fields such as the S (Startup), E (ESG), and T (Turn Around) categories (startup support, sustainable management support, and business revitalization support) and advanced financial services. Through these measures, we are aiming to achieve roughly ¥127.0 billion in gross operating profit and ¥50.0 billion in operating profit.

We expect general and administrative expenses to increase due to the introduction of the new personnel system, NEXT PLAN, and the full-scale operation of the CRM/SFA and corporate portal, Shoko Chukin Biz Link. That said, we view these outlays as indispensable investments geared toward achieving sustainable growth from a long-term perspective. We aim to increase the corporate value of the Shoko Chukin Bank itself by reaping the benefits of these investments at an early stage and providing value to customers.

Toward the end of the fiscal year, monthly credit-related expenses tended to fall below the figure for the same month of the previous year. However, with the business conditions of customers growing increasingly polarized, the situation remains unpredictable. As a leader in business revitalization support for SMEs, we will focus further on providing hands-on support for customers facing management challenges.

Following the revision to the Shoko Chukin Bank Act made in June 2023, the Shoko Chukin Bank will be able to expand the scope of our operations. We will accelerate initiatives to build new sources of revenue for the Shoko Chukin Bank by developing solutions that cater to customer needs, such as human resource services and DX support.

In terms of our capital and procurement policy, in the previous fiscal year we raised capital through subordinated bonds issued via public offering. In the current fiscal year, we will continue to consider measures to expand our financial base in order to support our customers over the long term in a stable manner.



Formulating and implementing integrated management and human resource strategies from a long-term perspective

In order to strengthen its support for SMEs, the Shoko Chukin Bank fundamentally rearranged the entire headquarters organization and transitioned to a nine-business unit system in April 2024.

In the Corporate Unit, we plan to formulate and announce management strategies from a longer-term perspective in order to realize the Shoko Chukin Bank's Purpose, with the aim of providing value to customers and society as well as enhancing our own corporate value.

We need to develop our human capital management further in order to execute management strategies. As such, we will formulate and implement human resource strategies in an integrated manner within our management strategies. We will work to realize the well-being of our employees, promote DE&I, and further reform our organizational culture, the cornerstone of our management strategies.

Furthermore, we will continue to provide solutions that are truly useful to SMEs, and also generate an appropriate level of earnings, secure a long-term competitive advantage, and further strengthen our earnings and financial base.

Dialogue with stakeholders

The sale of government-owned Shoko Chukin Bank shares is currently underway. Once all shares have been sold, only SME cooperatives, their members, and SME organizations will take on governance as shareholders, after which we will truly be a financial institution by SMEs for SMEs.

With regard to dividends, our basic policy is to increase internal reserves to build a sound financial base as well as pay stable dividends. In addition, it was resolved at a General Meeting of Shareholders to enable the Bank to flexibly buy back shares while taking into account factors such as business performance and capital position. We will continue our efforts to improve share liquidity and enhance shareholder returns.

The Shoko Chukin Bank will strengthen and enhance fair and impartial disclosure of information on our management strategies and financial position, and will continue to change together with our stakeholders by gaining their understanding and co-creating value with them.

▶ Target management indicators

	Mar. 31/23 results	Mar. 31/24 results	Mar. 31/25 targets	Medium-Term Business Plan targets	
Gross operating profit	¥121.8 billion	¥122.8 billion	Approx. ¥127.0 billion	—	Gross operating profit ● Gross operating profit amounted to ¥127.0 billion, up approximately ¥4.0 billion year on year, reflecting a rise in net interest income due to a higher loan balance and yield improvement, and better yields on investment securities
(Core gross operating profit)	(¥124.6 billion)	(¥126.1 billion)	—	—	
General and administrative expenses (excluding nonrecurring items)	¥69.3 billion	¥73.7 billion	Approx. ¥77.0 billion	—	General and administrative expenses (excluding nonrecurring items) ● Amounted to approx. ¥77.0 billion due to investments in human capital and systems, and the start of depreciation associated with the account system ● OHR tightly controlled at approx. 60%
Operating profit	¥52.5 billion	¥49.1 billion	Approx. ¥50.0 billion	Approx. ¥50.0 billion	
Income before income taxes and others	¥30.8 billion	¥21.9 billion	Approx. ¥23.0 billion	—	Net income ● Lowered our net income target by ¥9.0 billion from the target set in the Medium-Term Business Plan due to a rise in credit-related expenses associated with changes in the business environment since formulating said Plan, such as fluctuations in prices and exchange rates, but secured the profit necessary for stable dividends
Net income	¥22.9 billion	¥15.3 billion	Approx. ¥16.0 billion	Approx. ¥25.0 billion	
OHR	56.8%	59.9%	Approx. 60%	Approx. 60%	

The Bank formulates an annual action plan that is based on the targets set forth in the Medium-Term Business Plan and also takes into account the current business environment.