

History of the Shoko Chukin Bank

The Shoko Chukin Bank was established in 1936 under the Shoko Chukin Bank Act as the only policy-based financial institution jointly owned by the government and SME cooperatives, and has developed for more than 85 years since then as a specialized financial institution for SMEs.

The Act, which initially had a fixed term of existence, was recognized for its role in promoting the organization of SMEs and facilitating SME financing, and in 1985, the Act was revised to remove the fixed term of existence and make the organization permanent.

Established as a specialized financial institution for SMEs
Supported Japan's economic growth

Expanded operations with the
growth of SMEs
Supported financial stability of SMEs

1936

1936

- ▶The Shoko Chukin Bank Act was enforced; six branch offices were established and began operations

1951

- ▶Started business with association members

1952

- ▶Completed establishing branches in all prefectures of Japan

1955 onwards

- ▶Actively supported capital investment to support Japan's rapid economic growth
- ▶Supported structural improvement, collaboration, and cooperation in the industry
- ▶Promptly provided financing for disaster recovery for earthquakes, windstorms, floods, etc.



The head office of The Industrial Bank of Japan, of which the Bank had been a tenant at the time of its founding (1936)



1985

1985

- ▶The Shoko Chukin Bank Act was revised, and the Bank was made permanent



1997

- ▶Financial environment drastically changed after the collapse of the bubble economy; established the Special SME Consultation Desk that enabled the Bank to demonstrate its safety net function

2001 onwards

- ▶Expanded revitalization support programs
 - 2001 Started handling DIP (debtor in possession) finance (DIP loans to support business revitalization)
 - 2004 Executed first DDS (debt-debt swaps)
 - 2006 Started handling DES (debt equity swaps) with redemption conditions

2006

- ▶Established the Business Solutions Company (BSC) to meet the needs of increasingly diverse and sophisticated SMEs

Major economic and social trends

1945 End of the Pacific War
1973 First oil crisis
1978 Second oil crisis

1985 Plaza Accord
1989 Introduced 3% consumption tax
1995 The Great Hanshin-Awaji Earthquake occurred
1997 Hokkaido Takushoku Bank bankruptcy; consumption tax raised to 5%

PICK UP

Overview of misconduct in crisis response operations and our response to date

In 2016, the organizational misconduct was uncovered at the Shoko Chukin Bank, including rewriting documents to meet requirements for crisis response operations. As a result, we received two Business Operations Improvement Orders, and we submitted the Operation Improvement Plan to the minister in May 2018. In October 2018, we formulated the Medium-Term Business Plan, titled the Shoko Chukin Bank Management Reform Plan, and implemented compliance and governance reforms, business model restructuring, and management streamlining. In August 2022, the Evaluation Committee on the Shoko Chukin Bank's Management and Crisis Response Operations compiled its report and concluded that the new business model had largely been established.

In 2008, the Shoko Chukin Bank became a special company from a cooperative financial institution under the Shoko Chukin Bank Limited Act (hereinafter, the “Shoko Chukin Bank Act”), while maintaining its purpose and function of facilitating financing to SME organizations and their members.

In 2016, a misconduct was uncovered in our crisis response operations, and since 2018, we have reformed our business model and other aspects of our operations under the Shoko Chukin Bank Management Reform Plan.

In 2023, the Shoko Chukin Bank Act was revised to further clarify its positioning as a financial institution by SMEs for SMEs, and to improve the quality of its services. Government-owned shares are to be disposed of by June 2025.

Demonstrated safety net function Supported the growth of SMEs

2008

2008

- ▶ The Shoko Chukin Bank Limited Act was enforced, and the Bank transitioned to a joint stock company form.



Opening ceremony (2008)

- ▶ Started crisis response measures as a legally designated financial institution, and since then has conducted response to the economic and financial crisis after the bankruptcy of Lehman Brothers, and response to reconstruction and recovery from the Great East Japan Earthquake and to the appreciation of the yen and deflation

- ▶ 2010 Established a comprehensive support program for growth strategies

2012

- ▶ Opened Bangkok Representative Office
Expanded the overseas network to support overseas expansion of SMEs

2016 PICK UP

- ▶ Misconduct was uncovered in crisis response operations

Contributed to the improvement of corporate value of SMEs

2018

2018

- ▶ Submission of the Operation Improvement Plan related to business models, etc.
- ▶ Announced the Shoko Chukin Bank Management Reform Plan, and implemented it through fiscal 2021

2020

- ▶ Started crisis response measures related to COVID-19

2022

- ▶ Established our corporate philosophy: Purpose and Mission
- ▶ Announced the Medium-Term Business Plan (fiscal 2022 - fiscal 2024)

2023 PICK UP

- ▶ The Shoko Chukin Bank Limited Act revised, and a policy for the disposal of government-owned shares was decided
- ▶ Articles of Incorporation partially revised to stipulate corporate philosophy in the Articles of Incorporation
- ▶ Established Shoko Chukin Capital, a subsidiary specializing in investment
- ▶ Opened Hanoi Representative Office

▶ ...Initiatives for customer support

2008 Bankruptcy of Lehman Brothers in the U.S.

2011 The Great East Japan Earthquake occurred

2014 Consumption tax raised to 8%

2019 Consumption tax raised to 10%

2020 Spread of COVID-19

2022 Conflict in Ukraine

2024 The Noto Peninsula Earthquake occurred

Outline of the Shoko Chukin Bank Management Reform Plan

① Compliance and governance reforms

We worked to improve employees' compliance awareness through the compliance revitalization program. In addition, Shoko Chukin Bank reorganized its management structure through the appointment of a majority of external directors and the introduction of a mandated executive officer system.

② Business model restructuring

We contributed to the improvement of SMEs' corporate value from a truly customer-oriented and long-term perspective by switching to a management support and comprehensive financial services company, including support for customers' financial restructuring and management improvement.

③ Management streamlining

We implemented measures such as improving productivity in loan operations, streamlining operations by reviewing back-office operations, and reviewing store functions.