

# Revision of the Shoko Chukin Bank Limited Act

In June 2023, a bill to revise the Shoko Chukin Bank Limited Act (hereinafter, the “Shoko Chukin Bank Act”) was enacted. The revised Act implements the disposal of all government-owned shares and revises the scope of the Shoko Chukin Bank’s operations, while maintaining various necessary measures, such as limiting shareholder qualifications, maintaining special reserves, and making crisis response operations its responsibility. The mission of the Shoko Chukin Bank (namely, the legal objective of facilitating financing for SME cooperatives and SMEs) will remain unchanged going forward.

## Outline of the revision to the Shoko Chukin Bank Act

- (1) **Maintained position as a financial institution for SMEs** [during normal operations]
  - Maintained restrictions on qualifications for shareholders with voting rights and the system of special reserves (¥400.8 billion)
- (2) **Reviewed scope of operations, etc. for local economic revitalization from the COVID-19 pandemic** [during normal operations]
  - Reviewed the restrictions on the scope of operations within the scope of the objective of facilitating financing for cooperatives.
    - Eased the upper limit of investment from the Shoko Chukin Bank itself in companies to be revitalized from the current 10% to 100%, the same as banks.
    - Added companies with revitalization plans involving third parties to the eligible scope for investment in companies to be revitalized through a subsidiary specializing in investment.
    - Allowed to hold regional trading companies that support supply chain restructuring (business matching) as subsidiaries, etc.
  - Also introduced regulations at the same level as those for banks (financial ADR (alternative dispute resolution) system, etc.).
- (3) **Strengthened cooperation and collaboration with regional financial institutions** [during normal operations]
  - Also specified in laws that the Bank shall cooperate with regional financial institutions in conducting business.
  - Retained the provision for avoidance of oppression of the private sector (special consideration is given so as not to impede appropriate competitive relations).
- (4) **Measures to ensure appropriate implementation of crisis responses** [during a crisis]
  - Imposed responsibility for crisis response operations even after all government-owned shares are sold.
  - The use of the Shoko Chukin Bank’s crisis-related guarantee is not permitted if crisis response operations and a crisis-related guarantee are in effect for the same crisis event. [Small and Medium-sized Enterprise Credit Insurance Act]
- (5) **Sale of government-owned shares, etc.**
  - Since the financial condition of the Shoko Chukin Bank has greatly improved and its creditworthiness has been enhanced, the Bank sold all of its government-owned shares which have declined in significance, and removed the government from eligibility for shareholders with voting rights.
    - \*Shareholder eligibility: limited to SME cooperatives and their members, extended to National Federation of Small Business Associations and other SME-related organizations
  - Measures to be taken in conjunction with the sale of government-owned shares (abolition of ministerial approval at the time of new share issuance and selection of Representative Directors\*).
  - \*Shift from ministerial approval and dismissal order at the time of illegal acts to notification and dismissal order
- (6) **Factors to be taken into consideration for future complete privatization**
  - Decided to implement complete privatization (abolition of the Shoko Chukin Bank Act) in consideration of the status of capital, including the status of special reserves, the status of establishment of business models, and the nature of crisis response operations, among other factors.

Source: The Small and Medium Enterprise Agency, “Summary of the Draft Act Amending the Small and Medium-sized Enterprise Credit Insurance Act and the Shoko Chukin Bank Limited Act”

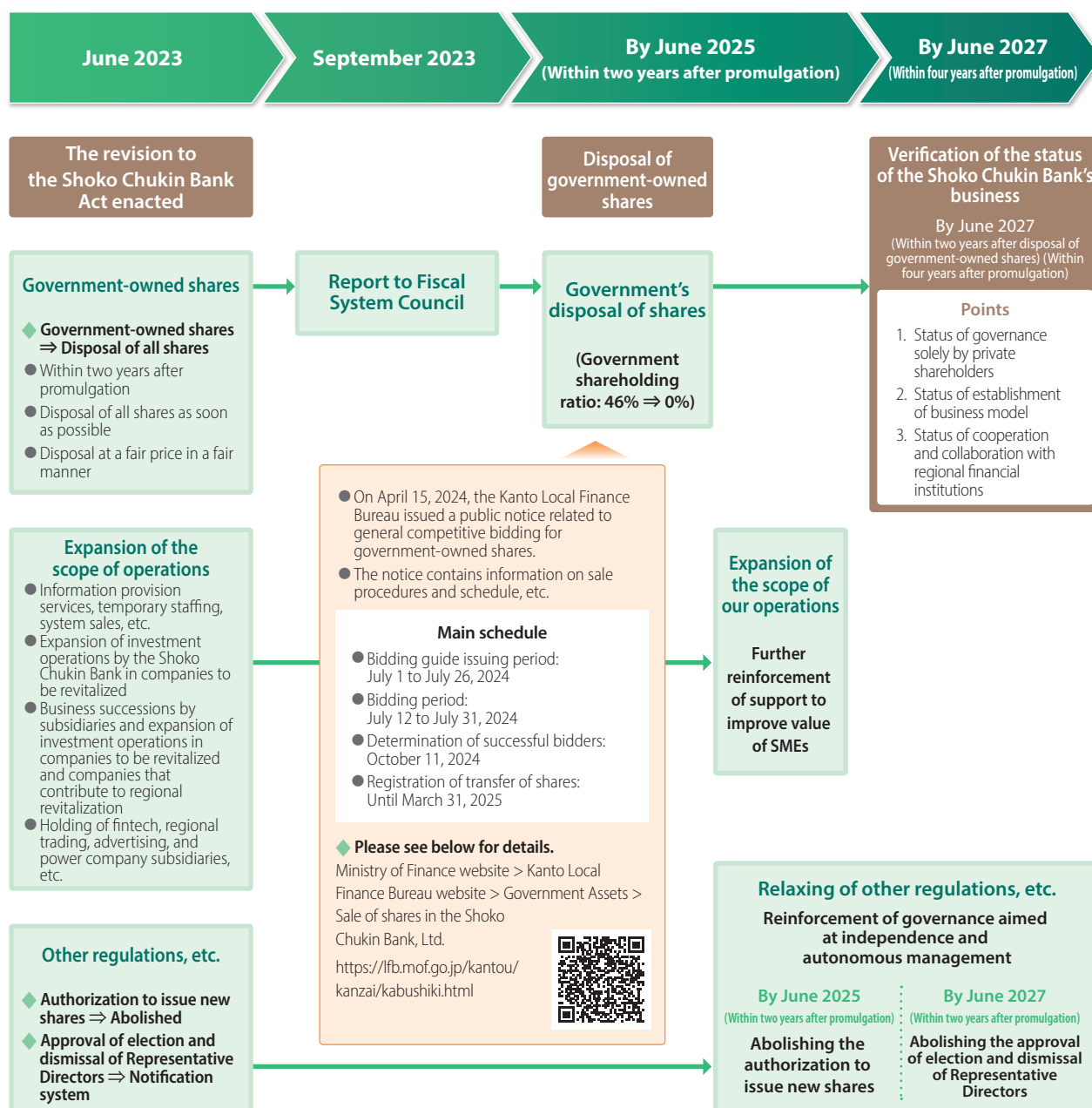
Status of considerations in line with review of scope of operations

### ► Reinforcement of investment operations

In the area of business revitalization, the upper limit of investment from the Shoko Chukin Bank itself will be eased from the current 10% to 100%. Moreover, companies that have not entered into legal liquidation but have revitalization plans involving third parties will be added to the eligible scope for investment in companies to be revitalized through a subsidiary specializing in investment, enabling investments in companies in a wider range of stages. In this area, many cases require long-term, in-depth support, and we consider investment operations an incredibly effective means. We are therefore moving forward with the relevant system development, including setting up business revitalization funds.

In addition to working in collaboration with Shoko Chukin Capital, which we established in August 2023, the expanded scope of operations following privatization will enable us to improve our investment operations and respond to customers’ needs.

## Future schedule related to privatization



\*No specific period for discussions concerning how the government should be involved in the Shoko Chukin Bank

### ► Provision of human resource services

In line with the scale of SMEs' human resource challenges, we are examining the establishment of a subsidiary to provide human resource services. Through the happiness design survey, a service which visualizes employees' happiness, we have know-how in improving employee engagement at SMEs. Going one step forward, by offering services in the area of human resources, we will proactively work to reinforce the human capital of SMEs and Japan overall.

### ► DX support

We will be able to establish a fintech subsidiary. We will move forward with discussions and preparations as we work to provide platform-based financial services, support SMEs for data-driven management, and offer various other services including collaborative services with partner companies in the future.