



Standing at the starting  
line of transformation  
as a specialized  
financial institution  
by SMEs for SMEs

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President (Representative Director), Chief Executive Officer

# 1. Creating a System That Enables the Shoko Chukin Bank to Fully Deliver Its Unique Value

## Largely achieved the target management indicators in the Medium-Term Business Plan (fiscal 2022 - fiscal 2024)

The fiscal year ended March 31, 2025, was the final year of the Medium-Term Business Plan —Toward a Shoko Chukin Bank Resilient to Change— (fiscal 2022 - fiscal 2024). During this period, we made steady progress with measures based on our three main strategies—shift in services, establishment of differentiated fields, and the Shoko Chukin Bank’s own corporate transformation—and as a result we largely achieved our target management indicators.

We positioned this three-year period as the finishing touches to our business model and corporate transformation efforts that began in 2016 in the wake of the misconduct uncovered in our crisis response operations. Specifically, we sought to transform our organization from a performance-focused organization with a less open atmosphere into one capable of customer-oriented business operations.

## Working alongside SME customers to address the management challenges they face

Take, for example, “shift in services,” one of the main strategies in the Medium-Term Business Plan. Our aim was to shift the focus of our customer services away from solely supporting cash flows to working closely alongside SMEs to provide them with management resources that they lack. In terms of information services, we worked to provide support for business succession and M&As. In this area, by steadily addressing needs arising from factors such as aging business owners, we increased the cumulative number of support projects over the three years to approximately 500. In the past, many business owners would have been reluctant to engage in discussions on M&A. Today, however, M&As are increasingly viewed in a positive light, both as elements of corporate growth strategies and as solutions to business succession challenges. In our M&A support, it is often the case that both matching companies are our customers. In this sense, one of our advantages is that we have a system in place that enables us to remain closely engaged even after the M&A is complete.

Other social issues facing our SME customers include labor shortages and recruitment challenges. These have led to an increase in business owners interested in enhancing employee engagement and in turn growing expectations for our human resource services. In response, in November 2024 we established our human resource service subsidiary Shoko Chukin Human Design and began offering human resource placement services. The company offers a unique diagnostic service called the Happiness Design Survey, an idea that came from an internal business contest at the Shoko Chukin Bank, commercialized in 2020. To date, the service has helped to visualize the happiness levels of more than 100,000 employees of SMEs, and we look forward to the service bringing even more success in the future.

We also focused on advanced financial services such as tailor-made financing schemes and investment operations. In the area of structured finance, which involves large-scale financing and appropriate risk control, we have generated results through collaboration and cooperation with other financial institutions. In terms of investment operations, in August 2023 we established the specialized investment subsidiary Shoko Chukin Capital. Using the expertise we have accumulated in the business prospects evaluations, we are conducting investments in business succession, growth support, and business revitalization projects.

In name alone, the services I have mentioned here may not appear to be too different from those offered by other financial institutions and specialist companies. However, we work alongside SMEs to confront the management challenges they face and provide solutions to their problems. Looking back at the Medium-Term Business Plan, one of our biggest achievements was the establishment of a business management system that enables us to fully demonstrate the unique value of the Shoko Chukin Bank as a financial institution specializing in SMEs.

## 2. The Journey to Privatization

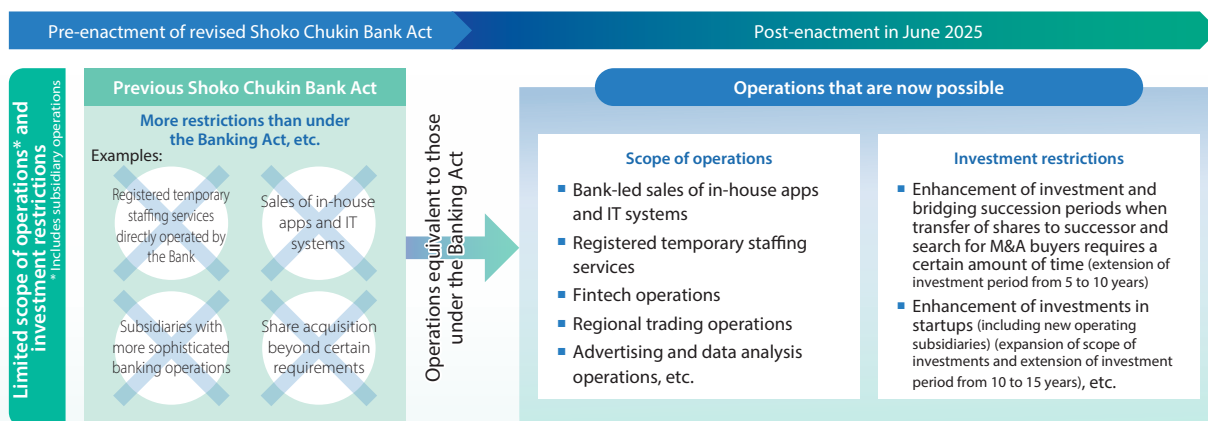
### Transformation into a thoroughly customer-oriented organization

It has taken around 20 years from the government’s decision in 2006 to fully privatize the Shoko Chukin Bank to the complete sale of all government-owned shares in June 2025 and the enactment of the revised Shoko Chukin Bank Act. Following the 2008 global financial crisis and the Great East Japan Earthquake in 2011, questions were raised as to whether the Shoko Chukin Bank could continue to demonstrate its safety net functions after privatization. Owing to the significant importance of these functions, discussions on our privatization were slow to progress.

Our safety net functions have been a particularly important part of our crisis response operations. Crisis response is one of our most important roles and one that we have undertaken earnestly to date. However, looking back at 2018, when I assumed the presidency, there seemed to be a prevailing view that engaging in crisis response operations alone was sufficient. The management challenges facing SMEs were becoming increasingly diverse, complex, and sophisticated. While the scope of private financial institutions’ operations had increased in line with the revised Banking Act, only a small portion of the Shoko Chukin Bank’s scope of operations was revised in the Shoko Chukin Bank Act, and we were lacking in the functions required to fulfill our true mission.

Our privatization enables us to provide a diverse range of unique services to truly help address the challenges facing SMEs. Moreover, it has clarified our position as a financial institution by SMEs for SMEs.

#### Change in scope of operations and investment restrictions under the revised Shoko Chukin Bank Act



### Privatization is but the start

With the enactment of the revised Shoko Chukin Bank Act, I believe we have finally created a financial ecosystem for SMEs. The complete sale of government-owned shares and the switch to exclusively private shareholders have clarified our managerial responsibilities. As a financial institution by SMEs for SMEs, the provisions of the Shoko Chukin Bank Act limiting shareholder eligibility to SME cooperatives and their members, etc., remain unchanged, and we do not foresee a public listing. Under the unique financial ecosystem created by the Shoko Chukin Bank, the funds entrusted to us by SME customers are used, together with our stakeholders, to improve the corporate value of SMEs, and profit is used to build up internal reserves for future risk-taking, and surplus is returned to our shareholders, including SMEs and SME cooperatives. Following many years of discussions with government representatives and our customers, we have finally created a system through which we can focus on addressing the challenges facing SMEs.

That said, our privatization is not the finish line; it is merely the starting point for the Shoko Chukin Bank’s transformation. In order to remain a financial institution by SMEs for SMEs, we will take a sincere approach to our customers and continue to transform ourselves.

### 3. Entering a New Stage of Transformation with Our Long-Term Strategy

#### Establishing a future vision for the Shoko Chukin Bank Group

At the Shoko Chukin Bank Group, based on our PURPOSE: “Supporting the future of companies. Making Japan more resilient to change,” we are working on transformation with an eye on the coming decade. Our aim is to go beyond the framework of conventional financial institutions and to create an ecosystem where a diverse range of stakeholders, primarily SMEs, can gather, connect, and create value. In other words, we want to build and revitalize the SME economic sphere.

While SMEs play an essential role in supporting Japan’s economy and employment, they are susceptible to external changes and have limited management resources. This may mean that they are reluctant to take on new challenges or risks, and miss some important business opportunities. That said, some SMEs boast outstanding labor productivity and are achieving growth at a rate that outperforms large companies. To maximize the potential that SMEs possess, we will directly confront the challenges they face and provide them with growth support to contribute to a society that is resilient to change.

Based on this approach, we have newly established our vision for the Shoko Chukin Bank Group: “Continue contributing to enhancing the value of participants in the SME economic sphere through its expansion and revitalization.” This vision shows our commitment to being more than just a provider of financial functions, acting instead as a central player in the economic sphere and supporting the growth and development of its participants.

#### The new value indicator “SCV” and areas of focus

To visualize the extent to which we fulfill this vision, we plan to establish a new value indicator that we have termed Shokochukin Co-Creation Value (SCV). SCV indicates the total value that the Shoko Chukin Bank provides to SMEs and measures the co-creation of value from a comprehensive viewpoint that includes economic value, social value, and human value. Moving forward, we will use SCV as a management guideline, regularly monitoring the progress for the ongoing improvement of our corporate value.

Meanwhile, we have identified five new focus areas to drive the expansion of the SME economic sphere: Industry, Innovation, Investment, Traditional Banking, and Turn Around (▶▶ p.28). To enable flexible and dynamic management that is not bound by conventional frameworks, we are also moving forward with the sophistication of digital- and AI-based management. In addition to improving operational efficiency, this will enable us to improve the quality of customer touchpoints and build even closer customer relationships.



Positioning our privatization as the starting line for even greater transformation, we will further strengthen initiatives aimed at improving corporate value, such as enhancing shareholder returns, sophisticating governance, and organizational transformation.

Our expertise in and provision of relationship banking and safety net functions will remain unchanged. On top of this, as a central player in the SME economic sphere, we will continue working to promote the co-creation of value beyond the bounds of finance. Under our future-oriented, long-term strategy, at the Shoko Chukin Bank Group, we will enter a new stage of transformation as we aim for sustainable growth together with society.

## Sophistication of governance and further organizational transformation

Moving forward, we will conduct management exclusively with the involvement of private shareholders. As part of our shift to this new stage of privatization, in June 2024 we transitioned to a company with an audit and supervisory committee. We will continue working to shift to governance that ensures transparency, accountability, and agility, including the sophistication of our Board of Directors.

In terms of organizational transformation, in July 2025 we introduced a new Group Chief Officer system. Under this new system, my role is to oversee all operations as the Chief Executive Officer, with each chief officer overseeing organizational management that transcends the conventional vertical management of each business unit. This will help reinforce the Shoko Chukin Bank Group's business management structure and maximize the value we provide to our stakeholders.

## Investment in human resources

I believe that bank employees must approach their work with full devotion and commitment. My hope is that all our officers and employees can achieve growth through their work and in turn live fruitful and fulfilling lives. We are currently working to improve efficiency and streamline various operations by incorporating digital methods. The speed of evolution in technologies such as generative AI is astonishing, with work that previously required numerous personnel being completed almost instantaneously. However, no matter how far technology advances, it is people that will be key to dialogue and communication with customers. In the year ended March 31, 2025, we introduced a new personnel system, which involved abolishing the course system that had been in place for more than 30 years, and raised the education and training budget to approximately 1.7 times the level in the year ended March 31, 2023, when we began human capital disclosure. Moving forward, our policy is to provide full support for the growth of each and every officer and employee through their work.



## 4. Becoming a Financial Institution That Truly Serves Our Customers' Needs

### Formulation of the CHUKIN Way, a set of shared values and a starting point of action for all officers and employees

In this section, I would like to talk about the progress we have made in promoting our PURPOSE as well as our future initiatives.

In 2022, we set forth our PURPOSE, "Supporting the future of companies. Making Japan more resilient to change," and our MISSION, "We will continue to think together, create together, and change together, as a partner in creating security and prosperity." These have replaced the strict quotas of the past and serve as a compass to boost employee motivation.

In order to foster values based on our PURPOSE and MISSION, we have continued our efforts through initiatives such as holding Purpose Workshops for all officers and employees. However, some feedback indicated that, although employees understood the PURPOSE and MISSION, they seemed somewhat irrelevant to day-to-day work, and that it was not always clear how to apply them in their own roles. Based on this feedback, in October 2024 we formulated the CHUKIN Way as a set of guiding principles to link our PURPOSE and MISSION with employees' day-to-day work.

The CHUKIN Way was formulated based on more than 3,500 work-related inspiring stories from numerous officers and employees. Each story was carefully read by a team comprising officers and employees of various ranks, from general managers to new employees, who then articulated the "DNA we wish to preserve as the Shoko Chukin Bank" and the "values we want to pass on to the future." This has resulted in highly positive feedback, with officers and employees now much more aware of how our PURPOSE and MISSION are linked to their everyday roles. Recently, we have also been hosting Purpose Workshops based on more practical themes, and the workshops have evolved into opportunities for employees to improve their thinking on how to act to realize our PURPOSE in line with changes surrounding society and our customers.

### Continuing with transformation to make customers' aspirations a reality

Aspirations are the starting point for all accomplishments. This does not necessarily mean one's own aspirations. It can also be the aspirations of the owners of SMEs, our customers. Our mission is to support making these aspirations a reality. What our customers' true aspirations are, and what we must do to help achieve them—by asking ourselves these questions earnestly and continuously, I believe the Shoko Chukin Bank can become a financial institution that truly serves its customers.

The Shoko Chukin Bank will celebrate its 90th anniversary in December 2026. I would like to take this opportunity to express my sincere thanks to the many SME customers and various other stakeholders that have supported our operations to date. The Shoko Chukin Bank was born from SMEs' aspirations. Following our privatization, we will continue to undergo transformation to ensure we can make the aspirations of our SME customers a reality. We look forward to your continued support for the Shoko Chukin Bank's future growth.

November 2025

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President (Representative Director), Chief Executive Officer