



Transforming our management structure into one that is resilient to change and co-creating value with our stakeholders to realize our PURPOSE

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Review of performance in the year ended March 31, 2025

In fiscal 2024, while on the one hand the Japanese economy enjoyed a gradual recovery, on the other hand, there was increasing uncertainty in the environment surrounding corporate management due to rising interest rates caused by the normalization of monetary policies, frequent natural disasters, serious labor shortages, soaring prices, growing geopolitical risks, and other factors.

At the Shoko Chukin Bank, fiscal 2024 was the final year of the Medium-Term Business Plan (fiscal 2022 - fiscal 2024), and we made steady progress with initiatives in three main areas: shift in services, establishment of differentiated fields, and the Shoko Chukin Bank's own corporate transformation. Moreover, in line with changes in the business environment, we made further progress with structural improvements by reorganizing the headquarters organization and upgrading branch office operations. In terms of well-being, DE&I, and DX, we are actively laying the foundations for sustainable future growth, such as through investments in human capital and systems. We also worked to strengthen our systems to solve the increasingly diverse management challenges faced by SMEs, such as by establishing our human resource service subsidiary Shoko Chukin Human Design.

In fiscal 2024, gross operating profit amounted to ¥136.7 billion, up ¥13.8 billion year on year. This rise can be attributed to an increase in net interest income from rising domestic interest rates, and strong progress with fees and commissions thanks to growth in advanced financial services such as syndicate loans and structured finance. Although expenses increased in line with future-oriented investments, operating profit amounted to ¥56.8 billion, exceeding the target. As a result, we largely achieved the management indicators for profitability, soundness, and efficiency that we set forth in the Medium-Term Business Plan.

Initiatives for the year ending March 31, 2026

The privatization of the Shoko Chukin Bank in fiscal 2025 marks a major turning point, and it will be an important year for us to make a new step forward toward sustainable growth. As the external environment undergoes dizzying change, it will be essential for us to conduct management with a sense of speed and with an eye on both the short term and long term. From this fiscal year onward, we will no longer formulate a Medium-Term Business Plan. Instead, we are introducing a rolling business management through which we flexibly revise our strategies to cater to changes in the business environment. In doing so, our aim is to conduct management that is resilient to change.

We have also established a new 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." Beyond the support we have long provided to individual companies, we will broaden our focus to include the diverse stakeholders surrounding SMEs as customers, and strive to co-create value using our intercompany and interindustry connections. To achieve this vision, we have identified five focus areas: Industry (industry issue resolution solutions), Innovation (startup support), Investment (equity operations and advanced finance), Traditional Banking (deepening of conventional banking operations), and Turn Around (revitalization support).

As the first step of our transformation, in fiscal 2025 we are targeting ¥143.0 billion in gross operating profit, ¥57.0 billion in operating profit, and ¥26.0 billion in net income. We will aim to do so through the creation of a high-quality sales system based on our long-term relationship concept utilizing the CRM/SFA, and through the reinforcement of our advanced financial services such as equity and structured finance.

Target management indicators

	Mar. 31/'25 results	Mar. 31/'26 targets*
Gross operating profit	¥136.7 billion	¥143.0 billion
General and administrative expenses (excluding nonrecurring items)	¥79.9 billion	¥86.0 billion
Operating profit	¥56.8 billion	¥57.0 billion
Income before income taxes and others	¥32.8 billion	¥34.0 billion
Net income	¥25.6 billion	¥26.0 billion
OHR	58.4%	Approx. 60%

Gross operating profit

Approx. ¥143.0 billion, up approx. ¥6.3 billion year on year

- Profit from yen-denominated funds: Strengthen corporate deposit and other deposit funding while steadily responding to financing needs to increase outstanding loans. Year-on-year increase of ¥3.1 billion by factoring in full-year contribution from rising interest rates
- Fees and commissions, etc.: Year-on-year increase of ¥2.3 billion by factoring in continuous growth in advanced financial services and expansion of trade settlement operations

General and administrative expenses (excluding nonrecurring items)

- Year-on-year increase of ¥6.1 billion due to expected rise in non-personnel expenses, primarily driven by the depreciation associated with the account system that began in January 2025, as well as efforts to secure human resources through higher starting wages and base pay, and increased investment in human capital, such as education and training
- OHR controlled at the same level as previous year (approx. 60%)

* Partial revisions to targets set at beginning of fiscal year due to current operating environment.

Capital restoration scenario and post-privatization capital policies

In June 2025, the Shoko Chukin Bank acquired approximately ¥140.0 billion in treasury stock through the government's general competitive bidding. This was within the scope of the acquisition approved at the Extraordinary General Meeting of Shareholders held in January 2025, and the successful bidding was the result of careful examinations from various perspectives.

As the acquisition of treasury stock is an important decision that can have a major impact on finances and stakeholders, careful discussions were held at Management Meetings and Board of Directors meetings. As a result of this acquisition of treasury stock, our non-consolidated CET1 ratio temporarily fell to approximately 9.2% as of June 30, 2025. The Shoko Chukin Bank's target is to maintain a CET1 ratio of 10% or above. As such, over the next three years we will aim to recover our CET1 ratio to the 10% level by steadily securing profit while maintaining and strengthening our solutions for SME customers.

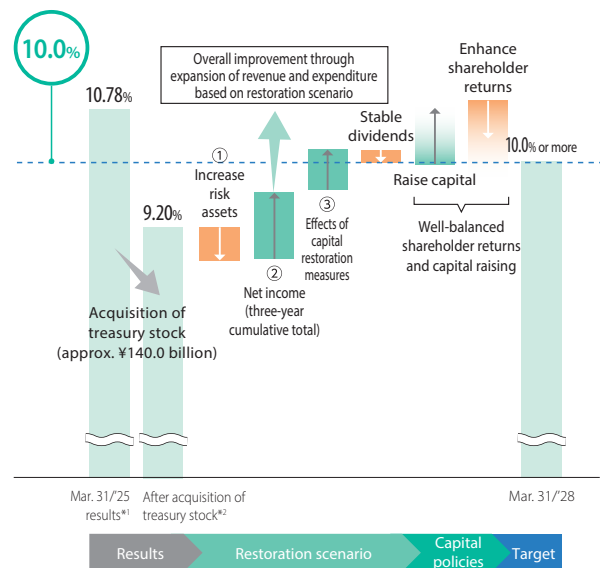
Moreover, in line with our privatization, we also reviewed our approach to capital policies. Specifically, we positioned, as a basic policy, a new capital policy model that builds upon the stable dividend policy that had been in place since our incorporation in 2008.

In this new model, by enhancing shareholder returns to boost the appeal of our shares, we aim to create a virtuous cycle of capital raising, capital distribution, and profit acquisition. As a financial institution by SMEs for SMEs, we are

in a unique position where SMEs are both our customers and our shareholders. Using the profits gained through growth alongside our SME customers to strike an appropriate balance between growth investments and internal reserves, we will ensure the thorough return of profits to our SME shareholders.

We will strive to realize our PURPOSE by meeting the expectations of our stakeholders, including SMEs, and co-creating value with them.

Overview of capital restoration scenario



*1: Excludes valuation differences

*2: Deducing treasury stock acquisition amount from CET1 capital for Mar. 31/'25

