

FY2017 Earnings Results Briefing

June 4, 2018



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Section I
Summary of FY2017
Earnings Results

FY2017 Earnings Results —Summary—

(100 million yen)	FY2014	FY2015	FY2016	FY2017		
					YoY	vs. Plan*
Core business gross profit	882	855	820	795	-25	16
Interest income	724	700	677	662	-15	13
Fees and commissions	148	150	152	146	-6	4
Other operating income	9	5	-9	-12	-3	0
Expenses (-)	572	554	548	556	8	-7
Core business net profit	309	301	271	239	-32	24
OHR (%)	64.9	64.8	66.9	69.9	3.0	-2.4
Credit expense (+ is reversal (profit))	-2	37	2	17	15	-8
Bond sales gains/redemption	0	17	-20	-24	-4	-41
Equity sales gains/redemption	37	33	43	44	1	34
Other	12	16	-7	2	9	5
Recurring profit	357	406	289	279	-10	15
Extraordinary gain/loss	-3	-3	-4	-1	3	2
Net income	209	259	190	194	4	14
Consolidated recurring profit	391	434	316	309	-7	20
Net income attributable to owners of parent	247	272	203	212	9	17

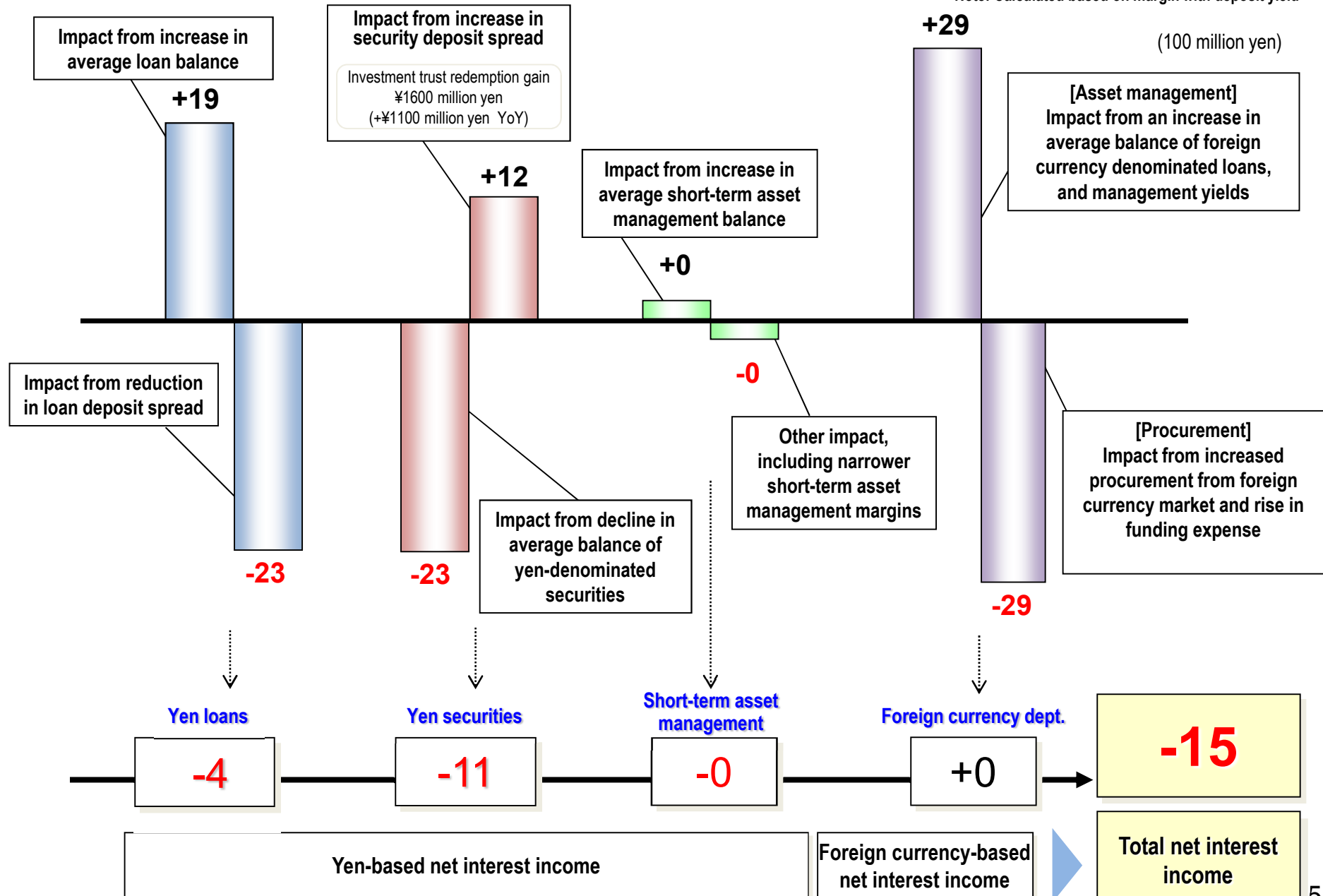
* Profit results released on Nov. 10, 2017

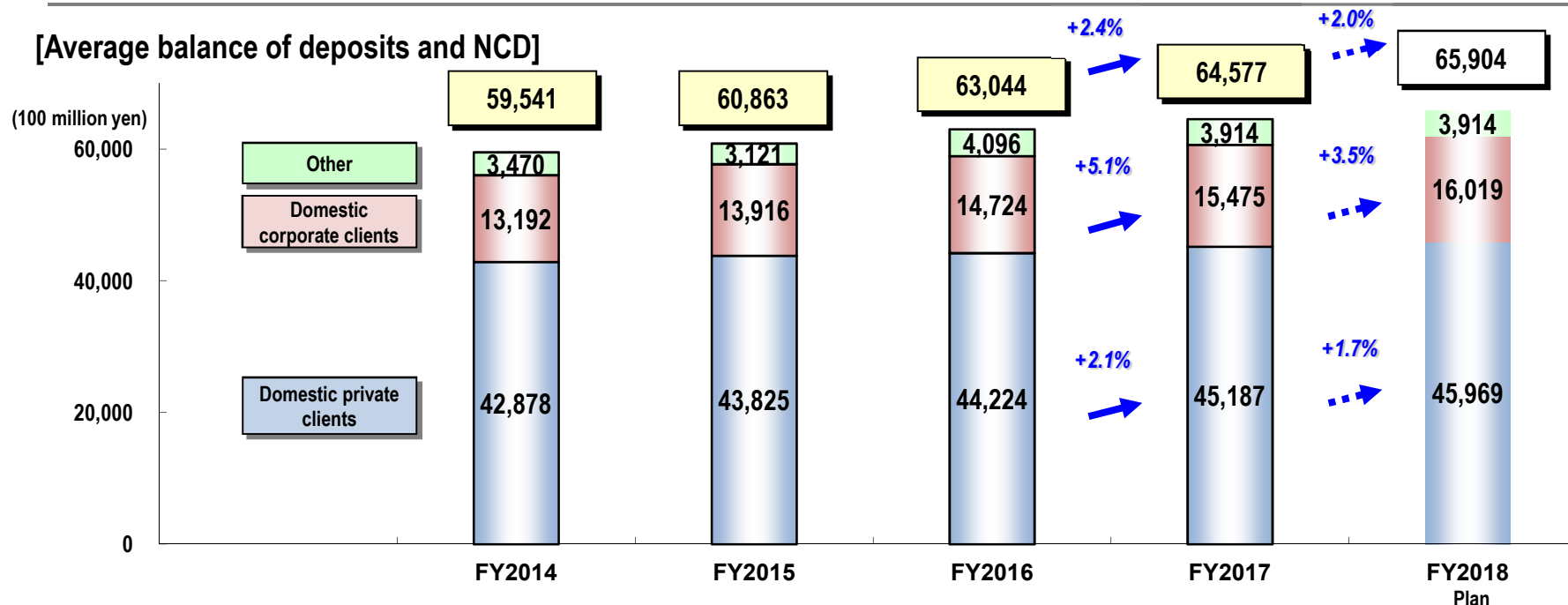
- Core business net profit decreased by 3.2 billion yen year on year due to a decrease in securities interest and increases in foreign currency procurement costs and expenses related to TSUBASA (shared system).
- Recurring profit only decreased by 1.0 billion yen year on year reflecting an increase in reversal of credit expense.

FY2017 Earnings Results — Change in net interest income (YoY) —

Note: Calculated based on margin with deposit yield

(100 million yen)





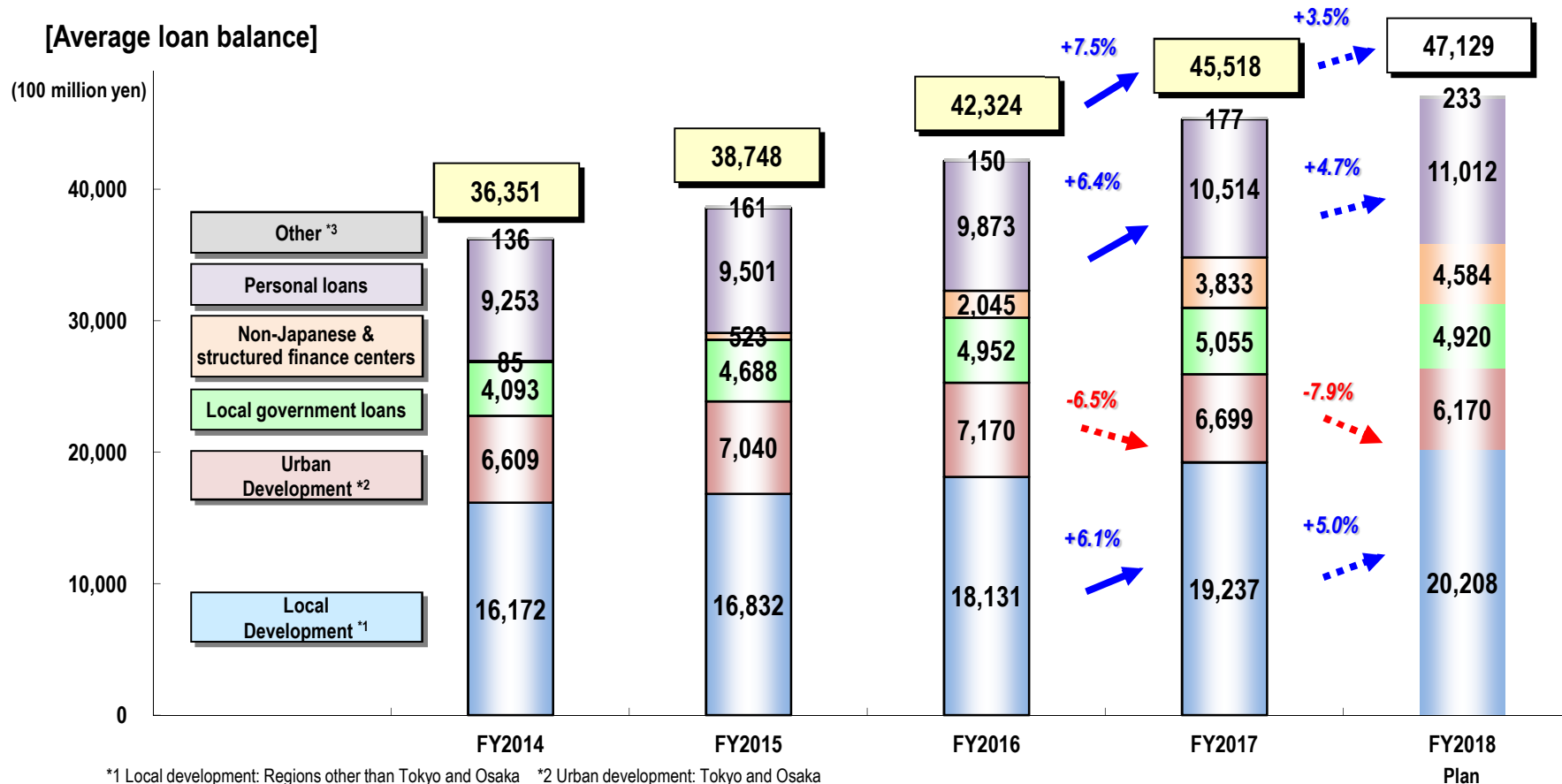
Ref: Balance of assets in custody

(100 million yen)	FY2014	FY2015	Change	FY2016	Change	FY2017	Change	FY2018 Plan	Change
	Public bonds	3,486	2,965	-521	2,880	-85	2,927	47	2,970
Investment trusts (1)	1,968	1,814	-154	1,539	-275	1,444	-95	1,510	66
Financial instrument intermediary services	1,734	1,867	133	2,045	178	1,951	-94	1,885	-66
Investment trust portion (2)	652	806	154	840	34	743	-97	705	-38
Insurance	3,423	3,402	-21	3,464	62	3,471	7	3,660	189
Bank parent	10,611	10,048	-563	9,928	-120	9,793	-135	10,025	232
Total investment trusts (1)+(2)	2,620	2,620	0	2,379	-241	2,187	-192	2,215	28
Chugin Securities	931	795	-136	830	35	897	67	918	21

* Public bonds are based on the value of the average balance. Investment trusts are based on the average balance of net assets. Financial product intermediary services are based on the average balance of the acquisition value. Insurance is based on the average balance taking into account cancellations. Chugin securities are based on the ending balance of bonds, equities and investment trusts.

- Private client deposits increased due to the inflow of funds for management through profit-taking.
- Corporate client deposits grew steadily on the back of robust corporate earnings.

FY2017 Earnings Results —Major accounts (2) Loans—

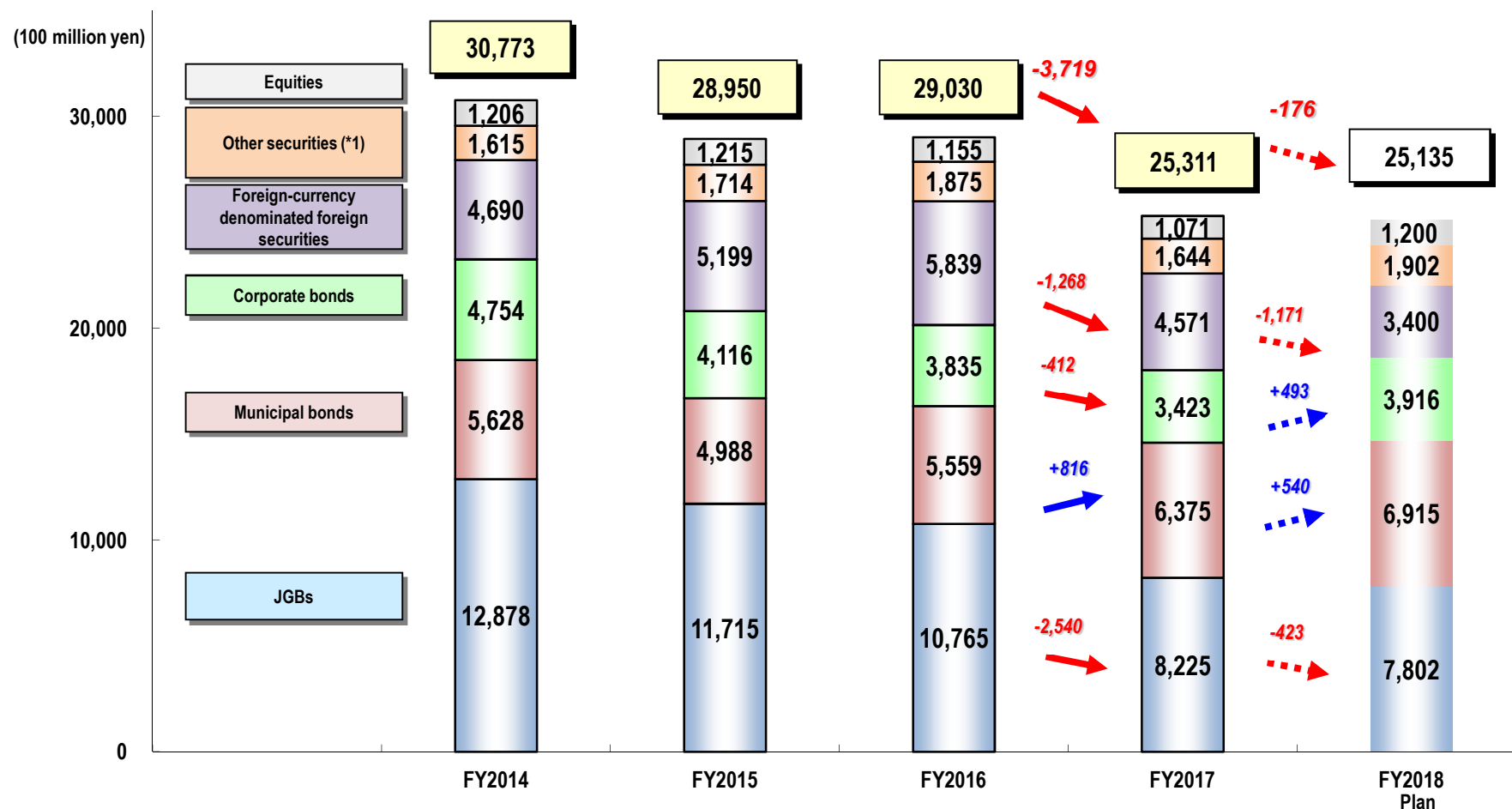


(Reference) Loan/deposit ratio

	End of Mar 2009	End of Mar 2010	End of Mar 2011	End of Mar 2012	End of Mar 2013	End of Mar 2014	End of Mar 2015	End of Mar 2016	End of Mar 2017	End of Mar 2018
Loan/deposit ratio (Ending balance basis)	66.5%	63.3%	61.8%	62.3%	61.1%	60.9%	61.6%	65.1%	68.5%	70.4%

- The annual growth rate of local development capital remained high by identifying and capturing fund demand through local promotion activities.
- Personal loans grew 6.4% annually due to an increase in apartment loans. However, growth is expected to slow in FY2018 to 4.7% per annum.

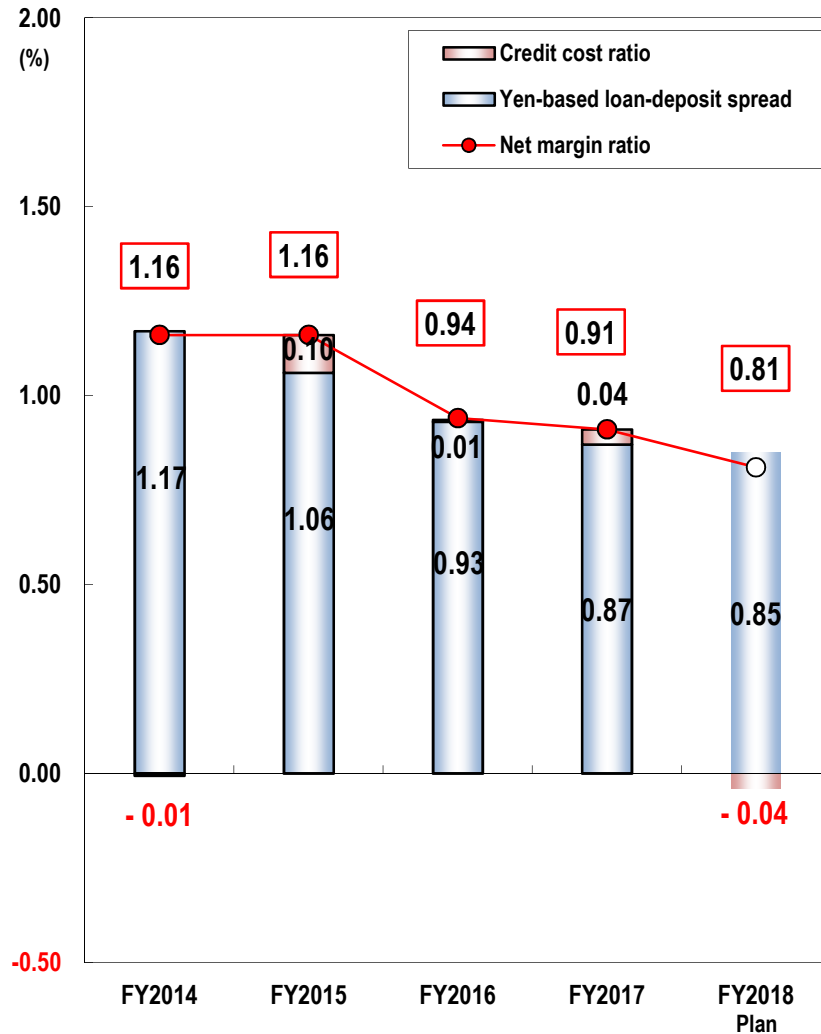
[Average balance of securities]



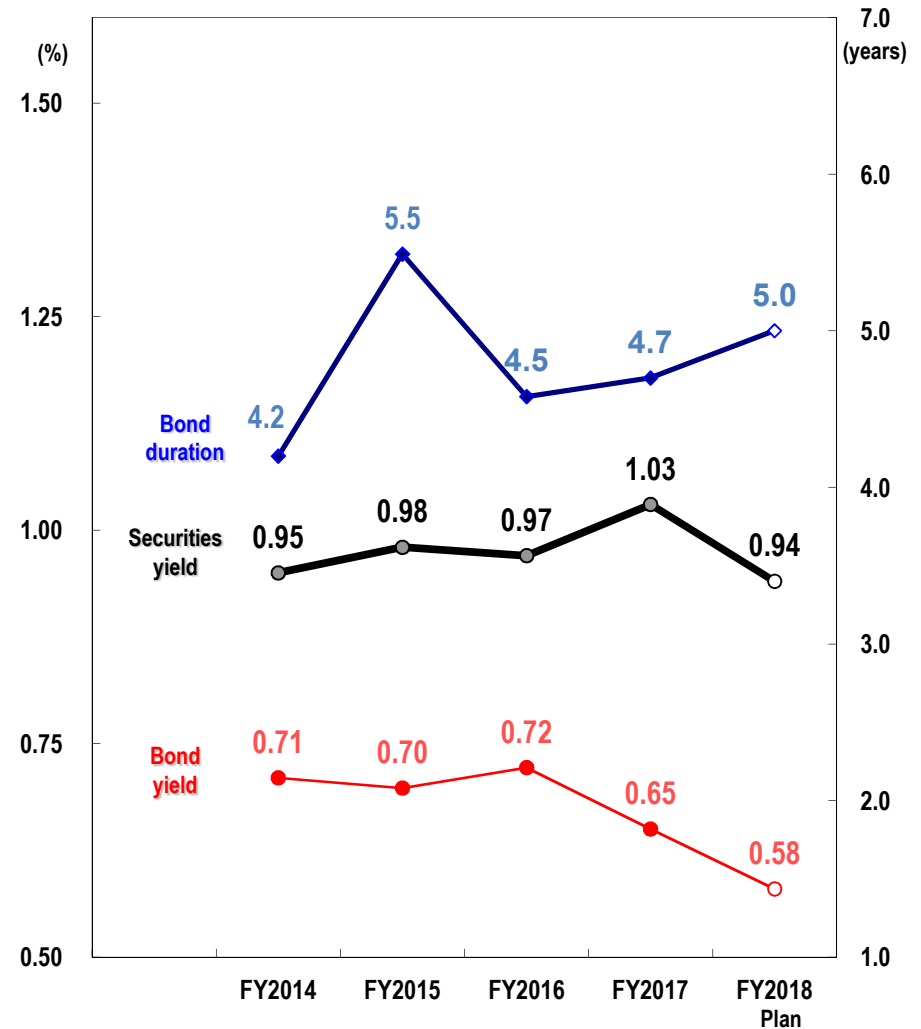
*1 Other securities: Investment trusts, yen-denominated foreign bonds, investment partnerships

- In FY2017, the balance of securities decreased by 371.9 billion yen year on year due to a decrease in the loan/deposit balance.
- In FY2018, we intend to reduce foreign bonds that are expected to face a rise in interest rates. We plan to curb the decline of revenue by increasing municipal and corporate bonds, which provide spreads, as well as investments in robust equity assets (equities and investment trusts).

[Loan/deposit spread, credit cost ratio, net margin]



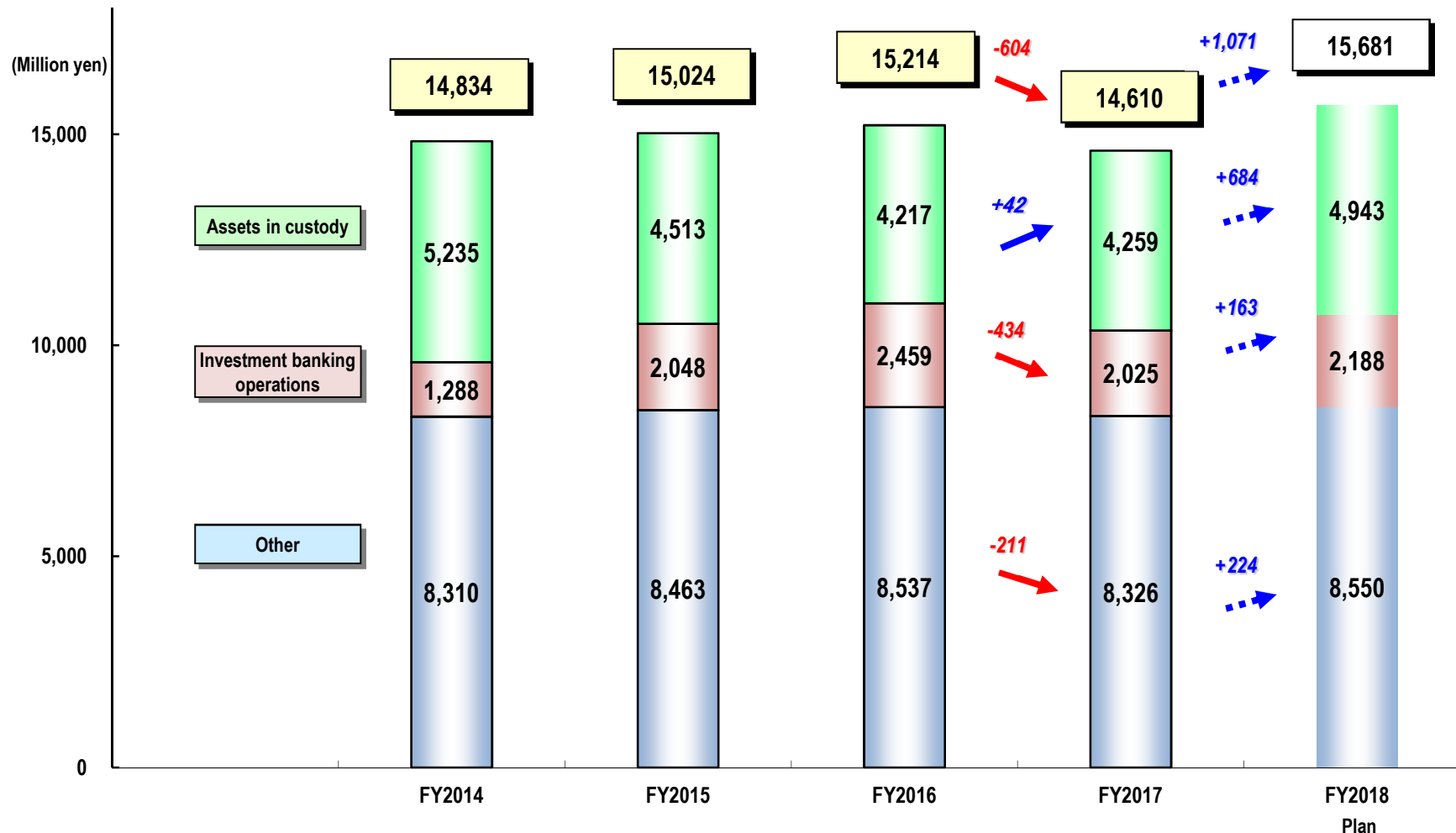
[Securities yield and duration]



- The breadth of the decline in the yen-based loan-deposit spread is gradually shrinking, and we plan to reduce the decline to 2 bp in FY2018.
- Bond durations are lengthening and are expected to remain at around five years in the coming years.

FY2017 Earnings Results —Change in fees and commissions—

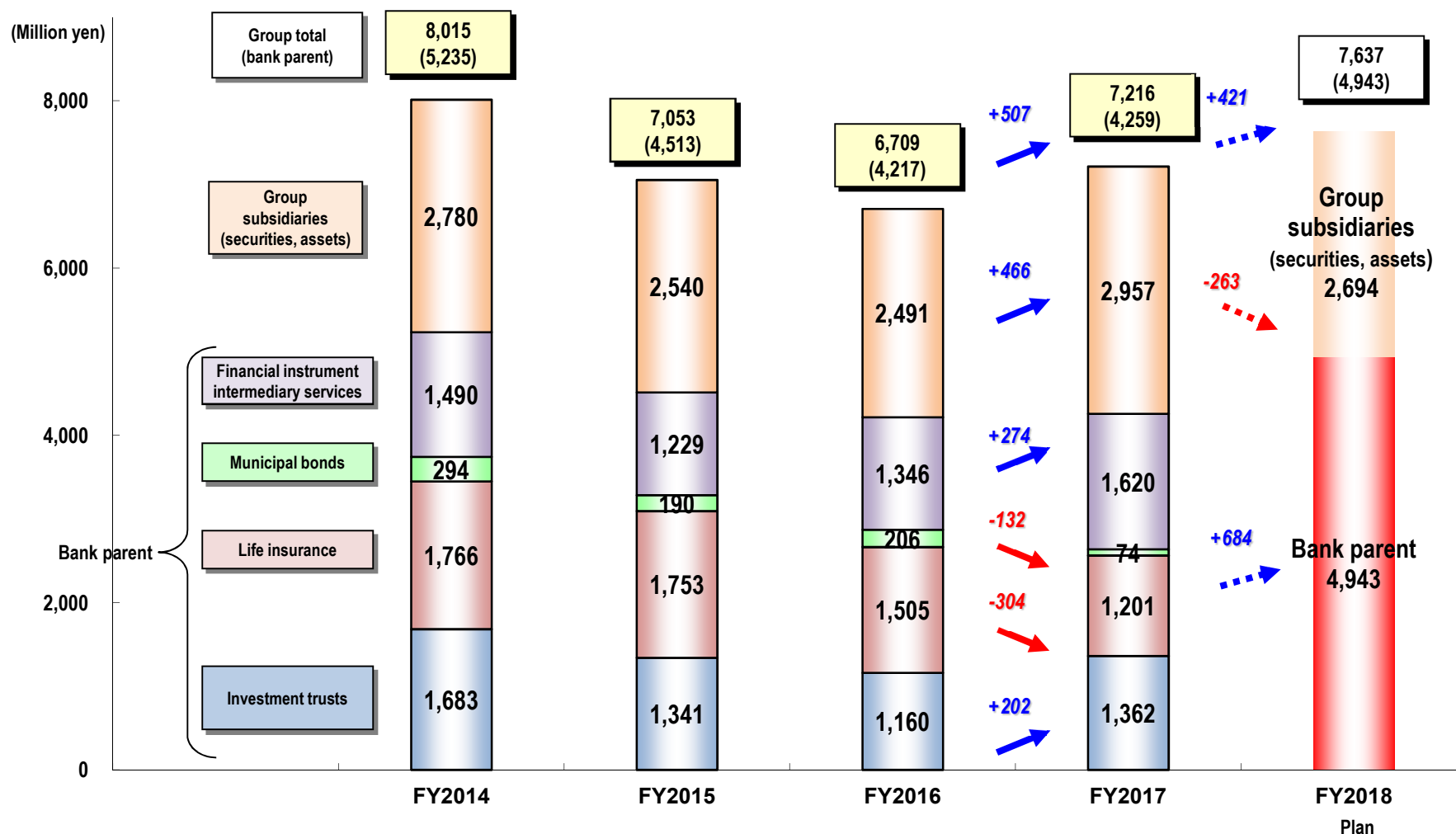
[Fee and commission (revenue) trends]



- In FY2017, revenues from investment banking operations decreased due to the removal of the upward impact due to a large-lot client in the previous year, which led to a 604 million yen drop year on year.
- In FY2018, we plan to see an increase of 1,071 million yen in fees and commissions revenue by enhancing revenues mainly related to assets in custody.

FY2017 Earnings Results —Change in assets in custody—

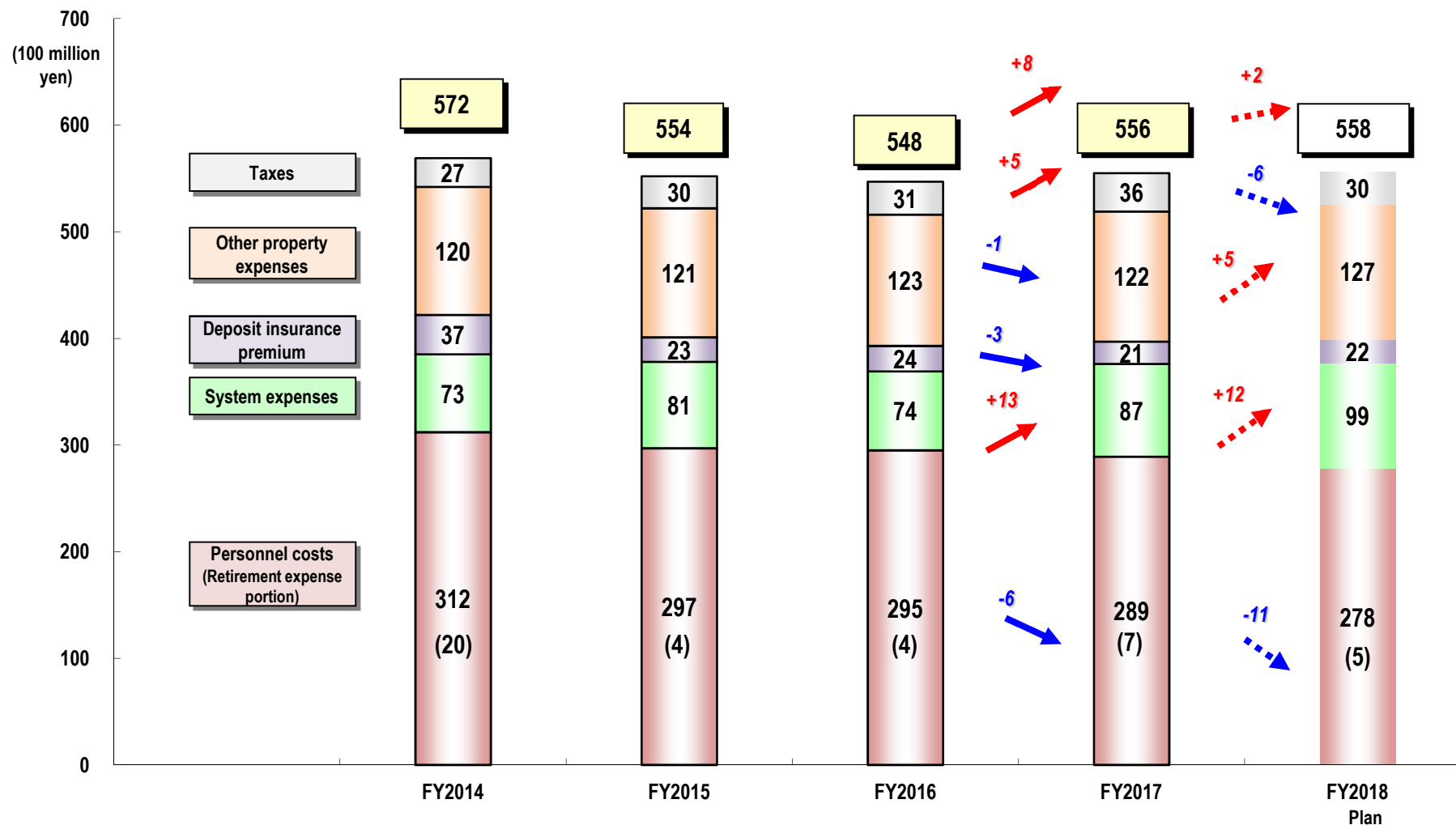
[Revenues related to assets in custody]



- In FY2017, total group revenues related to assets in custody increased by 507 million yen year on year due to a rise in financial instruments intermediary revenue in cooperation with group subsidiaries.
- In FY2018, we plan to enhance revenues by strengthening life plan support activities, increasing the amount of activities, and improving their quality.

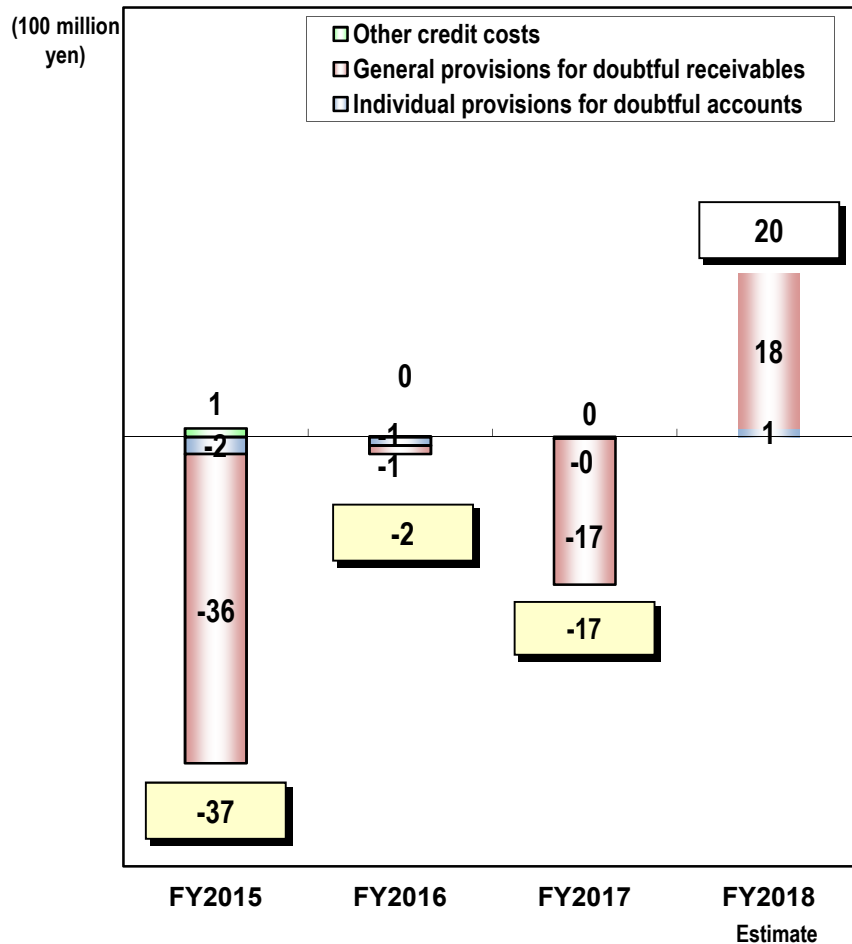
FY2017 Earnings Results —Change in expenses—

[Expense trends]



- In FY2017, expenses increased by 800 million yen year on year due to a rise in TSUBASA-related expenses (depreciation cost, tax).
- Although we plan to increase system investment projects based on the 10-year strategy project in FY2018, we expect to maintain expenses unchanged from the previous year by reducing personnel expenses such as by cutting overtime work.

[Credit cost trends]

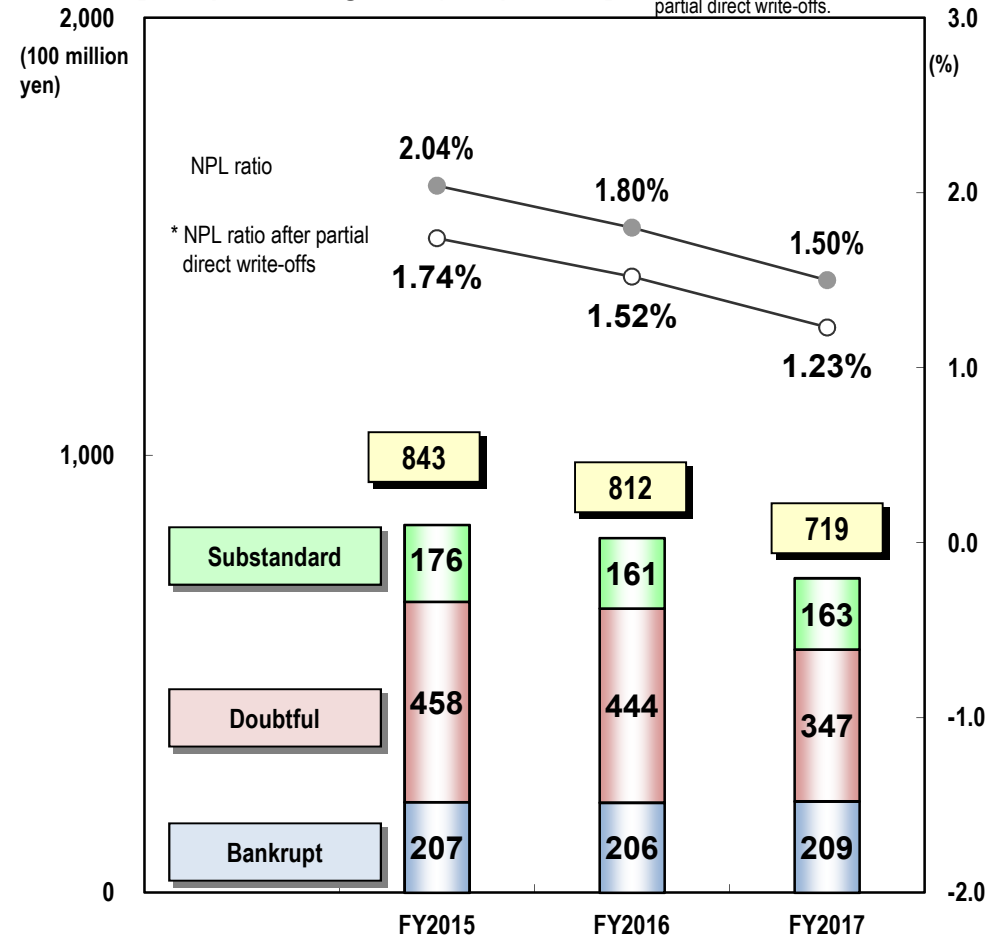


Credit cost = general provisions for doubtful receivables + individual provisions for doubtful accounts + loan write-offs + specific foreign borrowers + provisions for loss on claim sales + loss on claim sales - gain on reversal to loan loss account

Other credit costs = Loan loss write-offs, specific foreign borrowers, provisions for loss on claim sales, loss on claim sales

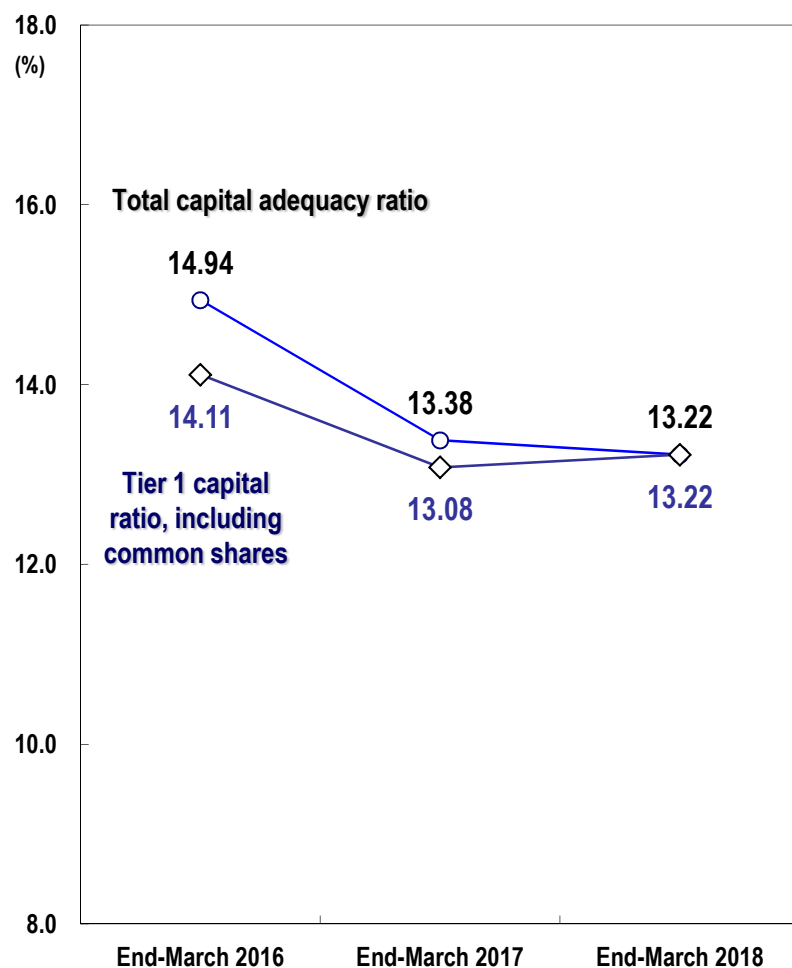
[Non-performing loan (NPL) trends]

* We do not implement partial direct write-offs.



- We expect credit cost to increase, since general provisions for doubtful receivables are expected to be booked, although we continue to assume that a low level of defaults will occur regarding individual provisions.
- With a continued decline in the NPL ratio, we maintained the quality of assets.

[Capital adequacy ratio (Basel III) (consolidated) trends]



Capital adequacy ratio (consolidated)

(100 million yen)	FY2016	FY2017	YoY
Total equity	4,978	5,250	272
Tier 1, including common shares	4,863	5,247	384
Tier 2	114	3	-111
Risk weighted assets, etc.	37,181	39,691	2,510
Credit risks	35,494	38,054	2,560
Operational risks	1,687	1,637	-50

[Other Basel regulations]

	FY2016	FY2017	<Regulatory standards>
Consolidated leverage ratio	5.70%	6.03%	3% and above
Consolidated liquidity coverage ratio (LCR)	114.9%	142.9%	90% and above

• The total capital adequacy ratio and the Tier 1 capital ratio, including common shares, remained at stable levels.

Section II

**FY2018 Forecasts and
Major Initiatives**

FY2018 Forecasts —Earnings forecasts—

(100 million yen)

	FY2017 Actual	FY2018 Plan	YoY
Core business gross profit	795	767	-28
Interest income	662	611	-51
Fees and commissions	146	156	10
Other operating income	-12	-0	12
Expenses (-)	556	558	2
Core business net profit	239	208	-31
OHR (%)	69.9	72.8	2.9
Credit expense (+ is reversal profit)	17	-20	-37
Bond sales gains/redemption	-24	10	34
Equity sales gains/redemption	44	23	-21
Other	2	-5	-7
Recurring profit	279	215	-64
Extraordinary gain/loss	-1	-4	-3
Net income	194	147	-47
Consolidated recurring profit	309	231	-78
Net income attributable to owners of parent	212	154	-58

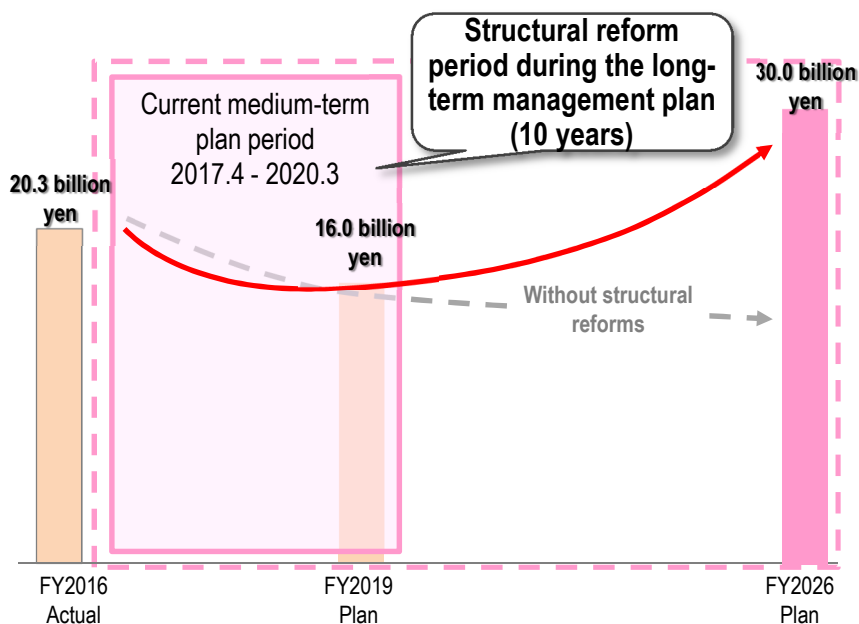
- Core business net profit is expected to decrease due to a drop in interest income.
- Recurring profit is also expected to decrease due to the expected increase in credit cost.

■ Factors relating to changes in interest income, etc.

(100 million yen)

	Change (Impact on profit)	Details
Interest income	-9	-
Loan interest	+1	Avg. balance factor +10 Yield factor -9
Securities interest & dividends	-9	Bonds -10 Inv. Trusts +2 Equities -1
Others	-1	Hedging cost -1
Foreign-currency interest income	-42	-
Loan interest	+29	Avg. balance factor +12 Yield factor +17
Securities interest & dividends	-9	Avg. balance factor -25 Yield factor +16
Foreign currency procurement cost	-62	Avg. balance factor +3 Yield factor -65
Total interest income	-51	-
Foreign currency procurement cost included in other business profit	+20	Decrease in currency swap costs

[Positioning of the current medium-term management plan]



[Numerical targets of the current medium-term management plan]

Target figures in the 10-year strategy
(Vision 2027 “Plan for Creating the Future Together”)

	In three years	In 10 years
Overall points of the local promotion project*1	15,000pt	20,000pt
Overall points of life plan support activities*2	Continuous improvement	Continuous improvement
Customer satisfaction survey	Continuous improvement	Continuous improvement
Net income attributable to owners of parent	¥16.0 billion	¥30.0 billion
Consolidated capital adequacy ratio (Basel III)	Stable at 12%	Stable at 12%
Consolidated ROE	(FY ending March 2027 Single year) 5% or more	

*1 Overall points of the local promotion project are activities that involve the provision of optimal solutions to the needs and issues of the community and client companies by appropriately evaluating the client company's business content, managerial issues and growth potential (i.e., business assessment) that have been standardized in our original way.

*2 Overall points of life plan support activities involve the provision of precise information that suits the customer's life plan and providing products and services that we think are the best through our understanding of each customer's life events.

[Four major strategies of the medium-term management plan]

Improve the quality of services provided.

1. Advance local promotion activities.
2. Strengthen sales activities based on life planning.
3. Maximize group synergy.
4. Cultivate new business domains.

Expand opportunities to provide services.

5. Restructure sales channels.
6. Generate business hours and sales personnel.
7. Re-allocate human resources.

Enhance service provision capability.

8. Strengthen the development of human resources.
9. Implement organizational reforms.
10. Enhance ALM functions.
11. Manage costs.

Reform the stances of individual employees and the corporate culture.

12. Reform the stances of individual employees and corporate culture, and improve customer and employee satisfaction.
13. Compliance

We are carrying out the four major strategies to establish our footing toward future growth. Structural reforms are proceeding steadily.

- Strengthen the solution sales system by further deepening business assessments and local promotion activities.
- Establish strong relationships with customers and seek differentiation from other banks.

Advance local promotion activities.

➤ Initiatives in business assessment and local promotion activities

- Strengthen the ability to advance from business assessment to local promotion activities by reviewing the business assessment process and developing the assessment into a tool to discuss managerial issues.

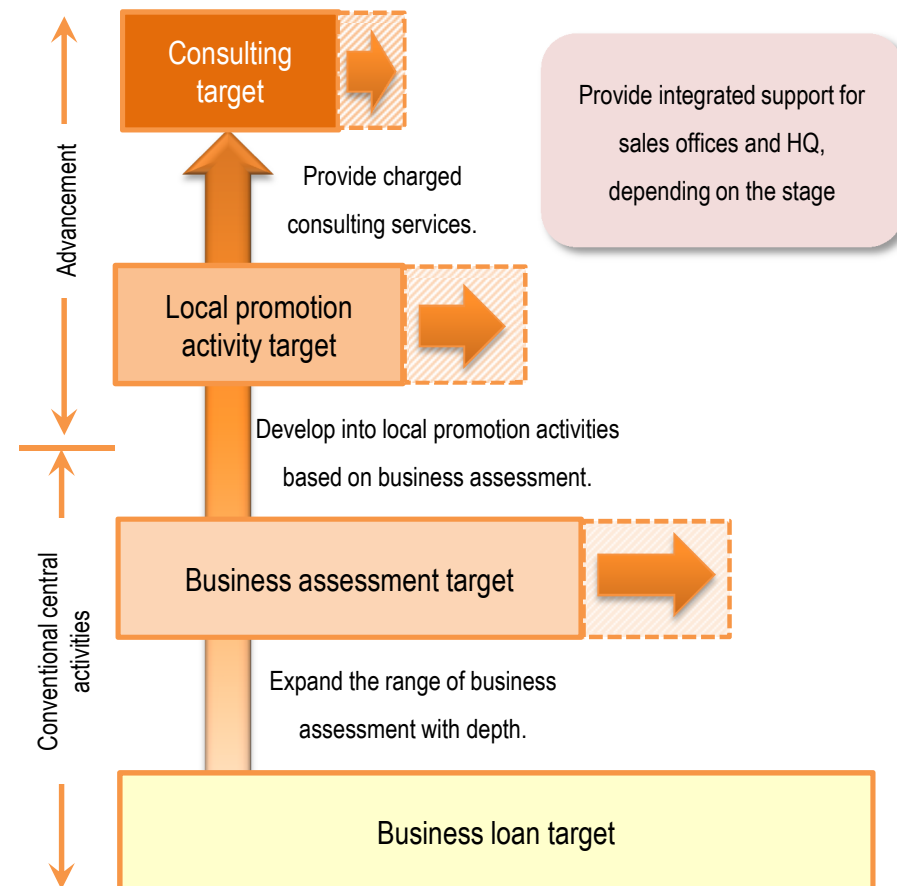
➤ Provision of consulting services

- Appoint dedicated staff at HQ and start charged consultation.
- Carry out comprehensive consulting such as management diagnosis in cooperation with external partners and assistance in personnel systems and formulating medium-term plans.

[Examples of local promotion activities]

New business (foundation)	Foundation & second foundation support	
Sales expansion	Product appeal enhancement support	Promotion enhancement support
Personnel/organizational management	Establishment & development of human resources support	Business succession
Business process improvement	Production management	Operational improvement
Overseas business	Overseas sales channel development	Establishment of local subsidiary
Management improvement	Management plan formulation support	Business closure support

[Image of advancement of business assessment & local promotion activities]

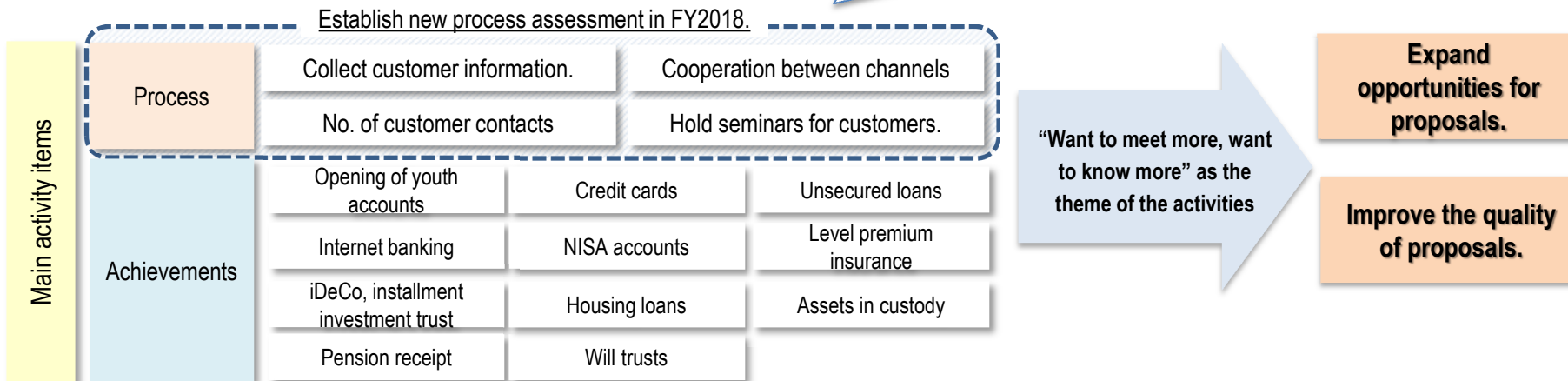


- Establish new process assessment to thoroughly enforce customer-oriented sales activities.
- Promote comprehensive support according to life plans and lead it to an increase in main business.

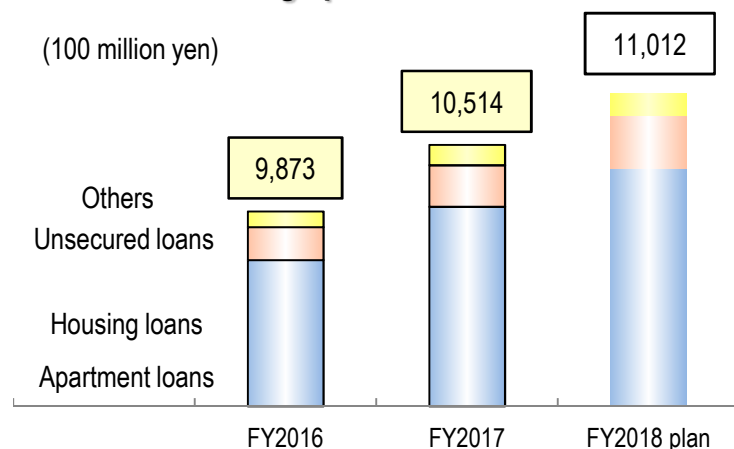
Strengthen sales activities based on life planning.

Catch phrase: "Want to meet more, want to know more"

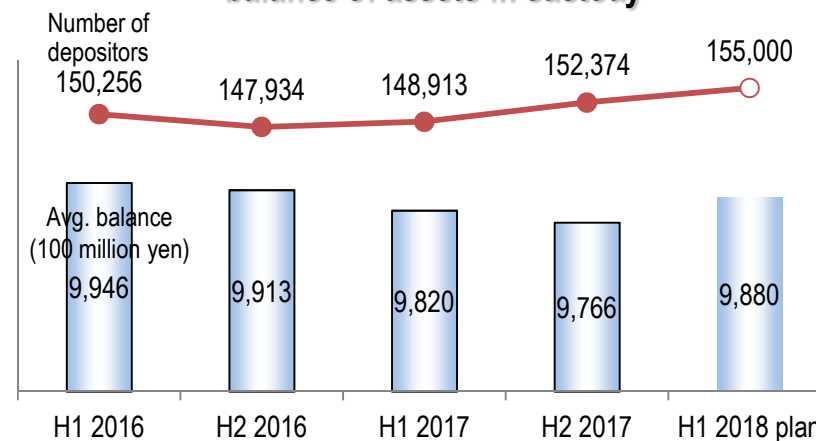
Enhance contact with customers.



Average personal loan balance



Number of depositors and average balance of assets in custody



Improve the Quality of Services Provided –Group strategy, new business– 中国銀行

■ **Strengthen Group strategy and consolidated management, and make efforts to maximize group synergies and cultivate new business domains.**

Maximize group synergy.

- **Advance the group management structure.**
 - Improve the effectiveness of performance management and speed up decision making by delegation of authority.
- **Strengthen sales cooperation.**
 - Strengthen cooperation following the reorganization of the bank sales division, and revise the performance awards system.
- **Enhance the power of human resources.**
 - Revitalize personnel exchange, allocate personnel in strategic positions, and share know-how in human resources development and hiring.

Cultivate new business domains.

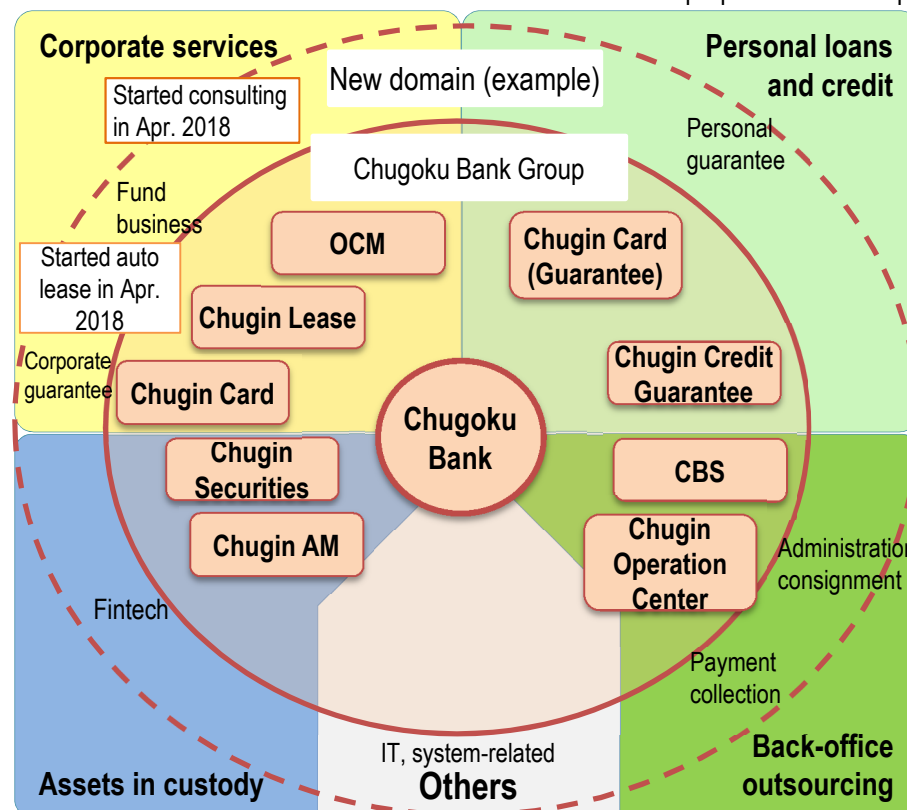
- **Study and gather information toward entry into new business.**
 - Joint research by the TSUBASA New Business Domain Cultivation Research Group (est. Jan. 2018)
- **Consider partnership with different industries and other banks.**
 - Initiatives toward expanding networks in the fintech field

— Map of Group strategy —

Note: New business proposals are examples.

— Performance of consolidated subsidiaries —

Company	Main initiatives during the medium-term plan period	Performance in FY ended Mar. 2018	
		Recurring profit	Net income
Chugin Lease	<ul style="list-style-type: none"> • Start of auto lease business • Strengthening of cooperation within the Group 	823	553
Chugin Credit Guarantee	<ul style="list-style-type: none"> • Partnership in loan promotion • Increase in risk tolerance 	1,344	885
Chugin Card	<ul style="list-style-type: none"> • Promotion of platinum corporate card • Increase in credit card member stores 	354	240
Chugin Asset Management	<ul style="list-style-type: none"> • Increase in publicly offered investment trusts • Improvement in performance 	54	39
Chugin Securities	<ul style="list-style-type: none"> • Advancement in cooperation between the Bank, securities, and asset management • Promotion of introduction-type intermediary business 	735	521
CBS	<ul style="list-style-type: none"> • Promotion of BPR through increase in contracted business from the Bank 	232	151
Chugin Operation Center		30	17
Total of seven consolidated subsidiaries		3,572	2,406



■ Carry out thorough structural reforms and generate sales personnel and business hours to establish a truly customer-oriented sales system.

Generate business hours and sales personnel.

HQ Thorough reduction of operations at HQ
 Planning to increase personnel by 110 by the end of March 2020
 (Increased by approx. 100 in FY ended Mar. 2018)

(Business office) Loans Centralization of loan administration at HQ
 By establishing a loan administration center (scheduled in July 2018), we will carry out the centralization of loan administrative work in stages starting from this fiscal year and shift administrative personnel to sales personnel.
 We plan to increase sales personnel by 40 by the end of March 2020 (150 by the end of March 2021).

(Business office) Stores Execution of store operation reforms
 By developing multi-skilled employees and introducing store tablets, we will seek to improve the efficiency of counter and back-office administration.
 We plan to increase sales personnel by 30 by the end of March 2020.

(Business office) Sales Execution of sales activity reforms
 Introduce tablets for negotiation (around October 2018). This not only allows access to information during visits to customers but also enables the complete execution of administration of sales of assets in custody, reducing the burden of administrative work upon returning to the office.

Goal of the current medium-term plan (until end of March 2020)

Increase of personnel

Increase personnel through BPR measures	180 persons
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- We managed to increase personnel by approx. 100 by the end of March 2018 and re-allocate them.
 → Approx. 40 to business offices, approx. 30 seconded or allocated as trainees, approx. 30 allocated to strategic positions
- We plan to increase personnel by an additional 80 during the current medium-term plan period and re-allocate them mainly to the sales division.
- We plan to increase personnel by a total of 700 in the long-term management plan (10-year strategy). We will further strengthen our sales structure.

Generation of business hours

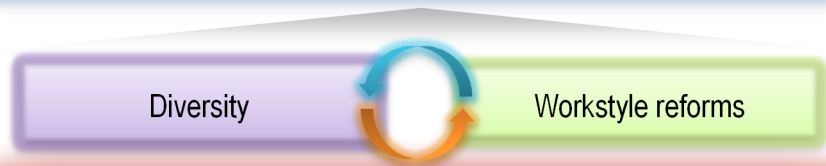
Increase the number of customer visits by external sales representatives.	30 - 40% increase
Strengthen sales capabilities.	Improve the quality of sales through OJT and role playing.

■ Aim to help the company grow and evolve by promoting diversity and workstyle reforms so that diverse human resources can exercise their capabilities to their fullest extent.

Initiatives in the reform of stances and corporate culture

➤ Initiatives in the reform of corporate culture to achieve our long-term vision

Long-term vision
Create a rich future that can be shared with the community, customers and employees together.



Chugin-no-kokoro (Philosophy of Chugoku Bank)

We will aim to achieve our long-term vision by promoting diversity and workstyle reforms based on Chugin-no-kokoro (Philosophy of Chugoku Bank).

Basic policy on diversity

Making efforts in diversity is a managerial issue aimed at achieving our management vision; we aim to grow and evolve the company by accepting diversity within the organization and connecting diverse skills with the company's management.

Basic policy on workstyle reforms

We will develop a workplace culture where diverse human resources can exercise their talents and seek to improve work-life balance and productivity as well as providing a place for fulfillment and growth.

➤ Initiatives in workstyle reforms

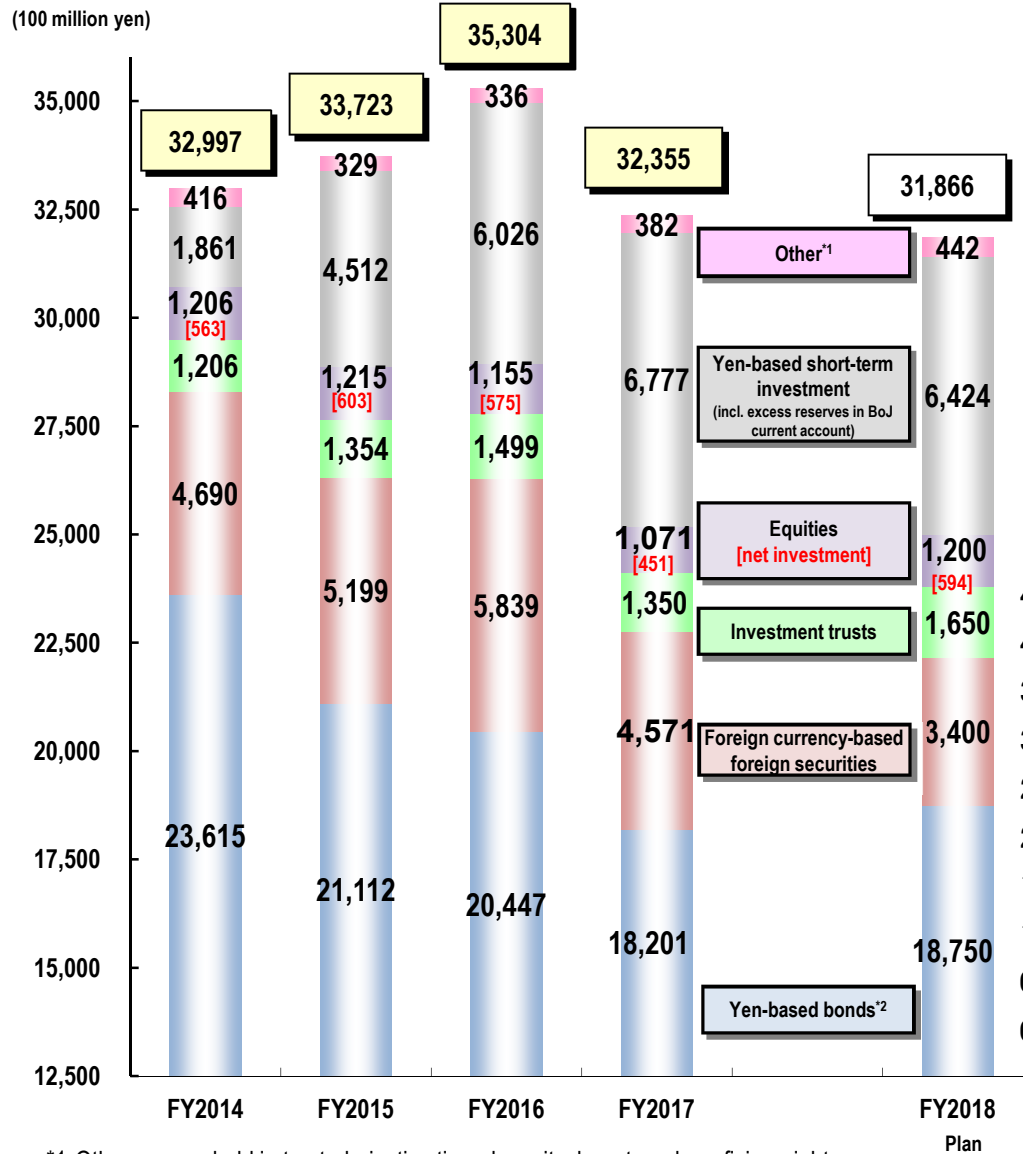


Examine measures to promote workstyle reforms from three perspectives.

Three perspectives	Examples of measures
Environment development	<ul style="list-style-type: none"> Consider a flextime system or a discretionary work system. Encourage the taking of paid leave.
Awareness reforms	<ul style="list-style-type: none"> Promote <i>Iku-boss</i>. Utilize flat meetings.* <small>* Opportunities within the workplace to discuss serious matters freely, irrespective of one's position or status.</small>
BPR	<ul style="list-style-type: none"> Review administrative work that is over specification. Improve work efficiency by introducing systems.

Securities management strategy —Asset allocation trends—

[Premise: plans for average balance of market operations]



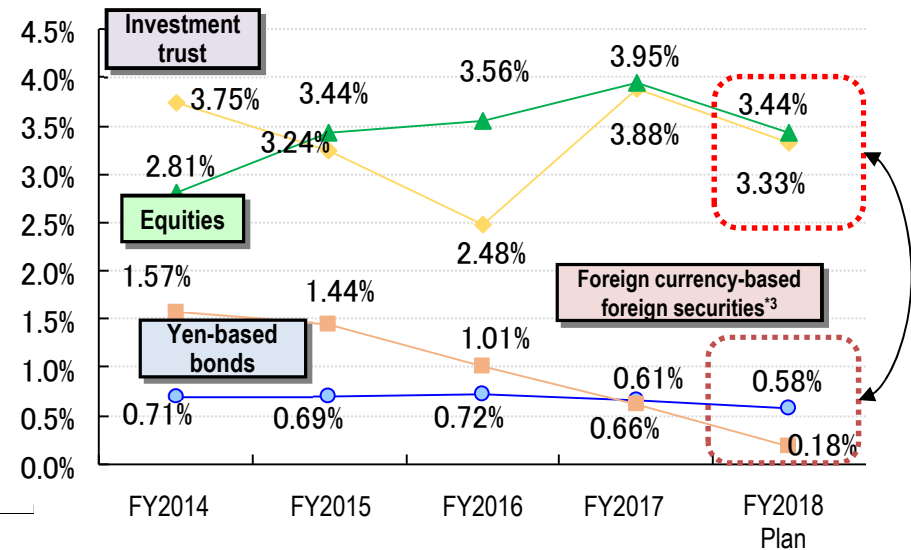
*1 Other: money held in trust, derivative time deposits, long-term beneficiary rights, investment partnerships, etc.

*2 Includes yen-denominated foreign bonds

Measure to improve earnings

- Improve earnings through asset allocation operation that takes risk and return into consideration.
- Maintain the earnings level by increasing equity assets.
- In yen-based bonds, control management so that interest rate risks do not become excessive.
- In foreign bonds, shift to investment that raises the percentage of variable bonds.

Yields by type of investment assets



Cover decline in domestic and foreign bond yields with gain from equities and investment trusts

*3 Management-procurement spread for foreign currency-based foreign securities

Actual returns in FY2017

- ◆ Planning an annual per-share dividend of ¥20, with a term-end dividend of ¥10
- ◆ Carried out share buyback of ¥3 billion in total (of which ¥1-billion worth was bought back between May 11 and May 28, 2018) in FY2017.
- ◆ The total payout ratio, which includes dividends and share buybacks, will be 35.1%, and is expected to exceed the initial target (around 35%).

Return policy for FY2018

- ◆ The total payout ratio target, which includes dividends and share buybacks, will be around 35%, the same as in the previous year.
- ◆ An annual per-share dividend of ¥20 is expected based on the current profit forecast.

Shareholder returns

	Net income [1]	Total dividends [2]		Payout ratio [2] ÷ [1]	Share buybacks [3]	Unreturned portion [4]	Total payout ratio ([2] + [3] + [4]) ÷ [1]
		Per-share dividend (interim)					
FY2018 E	147	38.0	¥20.00 (¥10.00)	25.9%	—	14	about 35%
FY2017	194	38.1	¥20.00 (¥10.00)	19.6%	30	0	35.1%
FY2016	190	38.5	¥20.00 (¥10.00)	20.3%	29	0	35.4%
FY2015	259	39.2	¥20.00 (¥10.00)	15.1%	52	0	35.2%
FY2014	209	35.6	¥18.00 (¥8.00)	17.0%	33	0	32.8%

*Share buyback as a factor in calculating pay out ratio: Calculated based on buy backs during one year from time of shareholders meeting.



This document includes forward-looking statements. These statements are not a guarantee of future performance, and involve risks and uncertainties. Note that future performance could possibly differ from the goals and targets herein due to factors, including changes in the business environment.