

# **FY2016 Earnings Results Briefing**

**June 1, 2017**



## Summary of FY2016 Earnings Results

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## New Medium-Term Management Plan

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**Section I**

**Summary of FY2016  
Earnings Results**

# FY2016 Earnings Results —Summary—

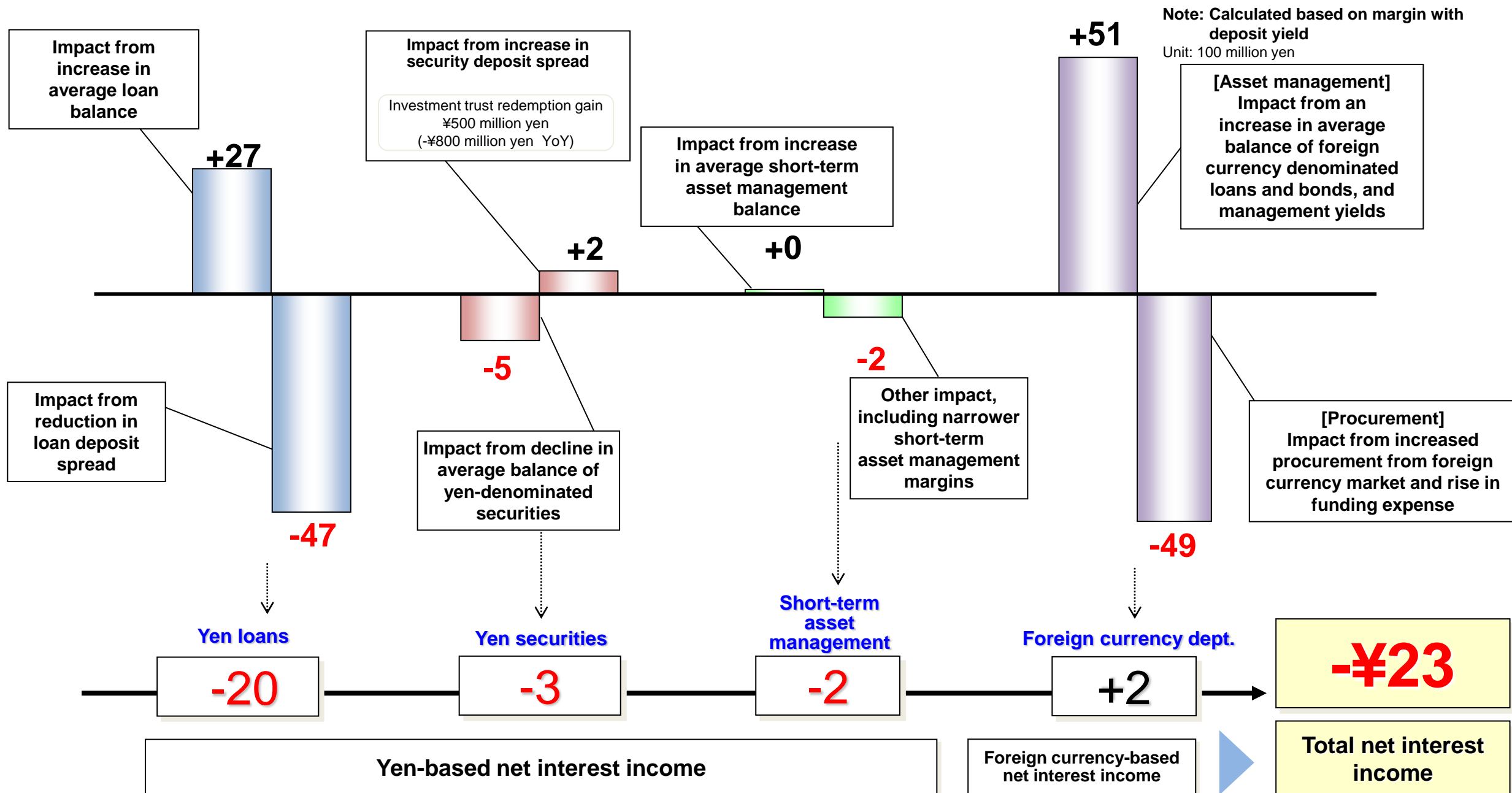
(100 million yen)	FY2013	FY2014	FY2015	FY2016	FY2016	
					YoY	vs. Plan
Core business gross profit	869	882	855	820	-35	15
Interest income	721	724	700	677	-23	4
Fees and commissions	137	148	150	152	2	4
Other operating income	11	9	5	-9	-14	6
Expenses (-)	-565	-572	-554	-548	6	5
Core business net profit	304	309	301	271	-30	20
OHR (%)	65.0	64.9	64.8	66.9	2.1	-1.8
Credit expense (+ is reversal (profit))	108	-2	37	2	-35	-21
Bond sales gains/redemption	-16	0	17	-20	-37	-37
Equity sales gains/redemption	26	37	33	43	10	37
Other	19	12	16	-7	-23	-6
Recurring profit	441	357	406	289	-117	-8
Extraordinary gain/loss	-2	-3	-3	-4	-1	-1
Net income	270	209	259	190	-69	-13
Consolidated recurring profit	481	391	434	316	-118	-4
Consolidated net income	287	247	272	203	-69	-11

Rise in foreign-currency procurement costs (-¥1.5 billion)

Profit results released on Nov. 11, 2016

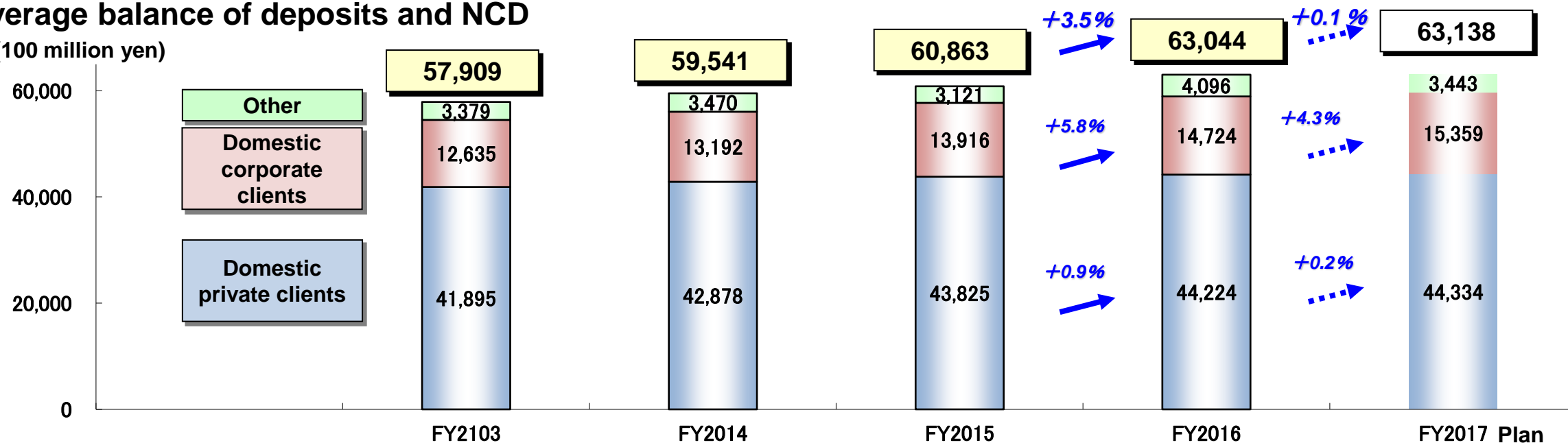
- Core business gross profit decreased ¥3.5 billion year on year, mainly due to the drop in loan yield and the rise in foreign-currency procurement costs, despite an increase in fees and commissions.
- Core business net profit decreased ¥3.0 billion year on year, due to the decrease in core business gross profit, despite a drop in expenses.

# FY2016 Earnings Results —Change in net interest income—



Average balance of deposits and NCD

(100 million yen)



Ref: Balance of assets in custody

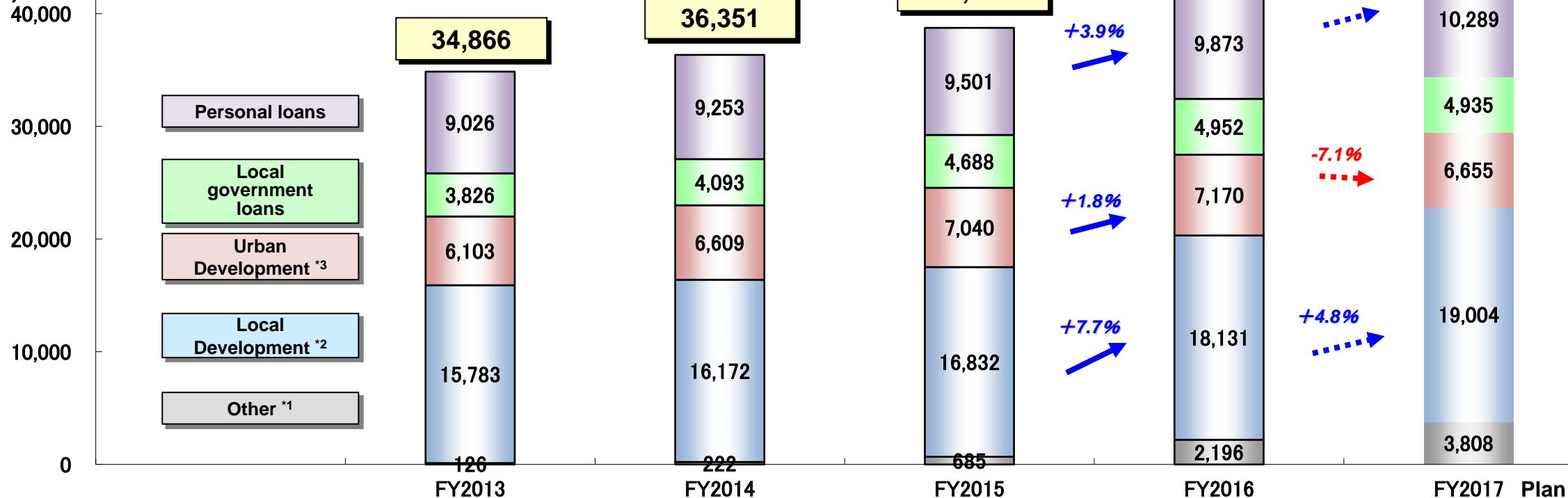
(100 million yen)	FY2013	FY2014	Change		FY2015	Change		FY2016	Change		FY2017	Change	
											Plan		
Public bonds	4,013	3,486		-527	2,965		-521	2,880		-85	2,955		75
Investment trusts (1)	2,137	1,968		-169	1,814		-154	1,539		-275	1,565		26
Financial instrument intermediary services	1,441	1,734		293	1,867		133	2,045		178	2,135		90
Investment trust portion (2)	478	652		174	806		154	840		34	855		15
Insurance	3,388	3,423		35	3,402		-21	3,464		62	-		-
Bank parent	10,979	10,611		-368	10,048		-563	9,928		-120	-		-
Total investment trusts (1)+(2)	2,615	2,620		5	2,620		0	2,379		-241	2,420		41
Chugin Securities	674	931		257	795		-136	830		35	885		55

\* 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.

- In FY2016, the growth of private client deposits weakened. Corporate client deposits grew steadily.
- In FY2017, deposits are expected to continue to grow steadily, but the overall annual rate of growth is likely to be slightly sluggish.

## Average loan balance

(100 million yen)



\*1 Other: Hong Kong branch, non-Japanese, structured finance center, credit cashing

\*2 Local development: Regions other than Tokyo and Osaka

\*3 Urban development: Tokyo and Osaka

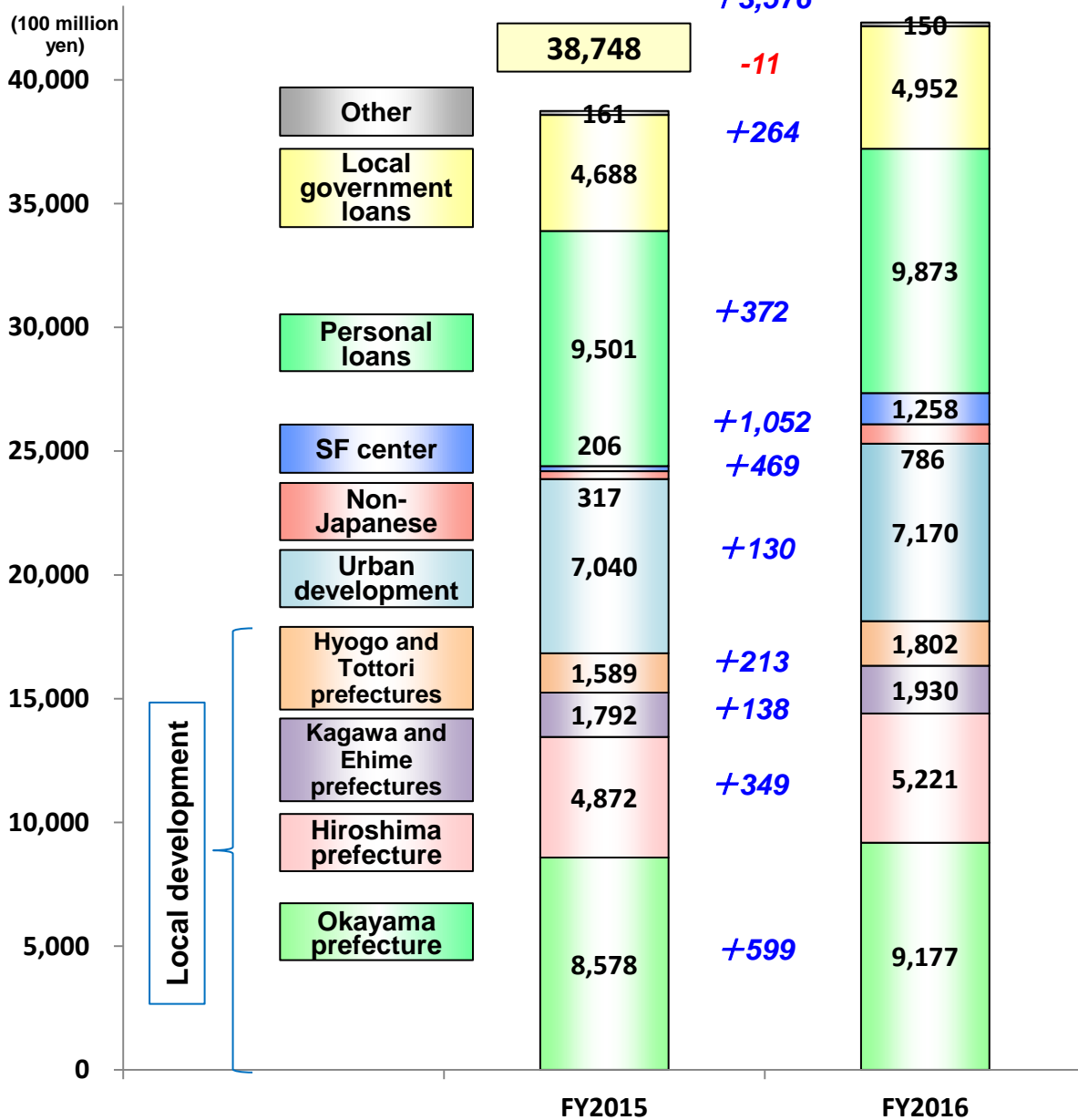
## Average loan balance at non-Japanese & structured finance center

(100 million yen)	FY2015	FY2016		FY2017	
			YoY	Plan	YoY
Non-Japanese	317	786	469	1,263	477
SF Center	206	1,258	1,052	2,341	1,083
<b>Total</b>	<b>523</b>	<b>2,044</b>	<b>1,521</b>	<b>3,604</b>	<b>1,560</b>

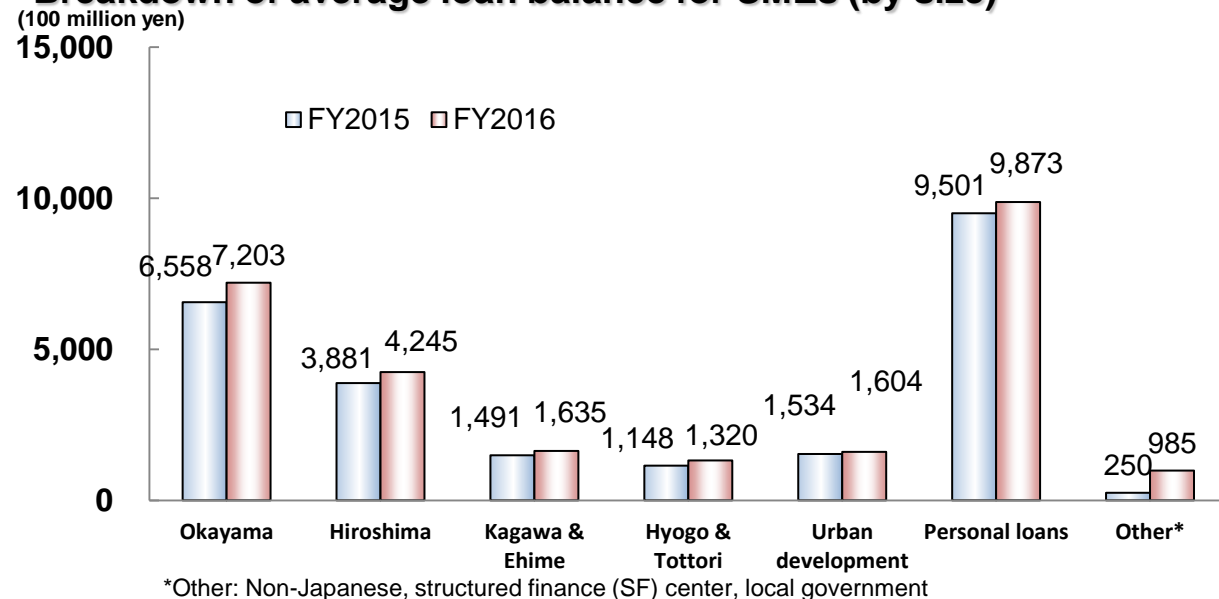
- In FY2016, the annual rate of growth for local development capital rose 7.7%, mainly due to growth in financing for SMEs.
- In FY2017, we plan an annual rate of growth of 5.6% driven by further build-up, mainly in local development capital.

# FY2016 Earnings Results —Major accounts (2) Loans—

## Breakdown of average loan balance



## Breakdown of average loan balance for SMEs (by size)



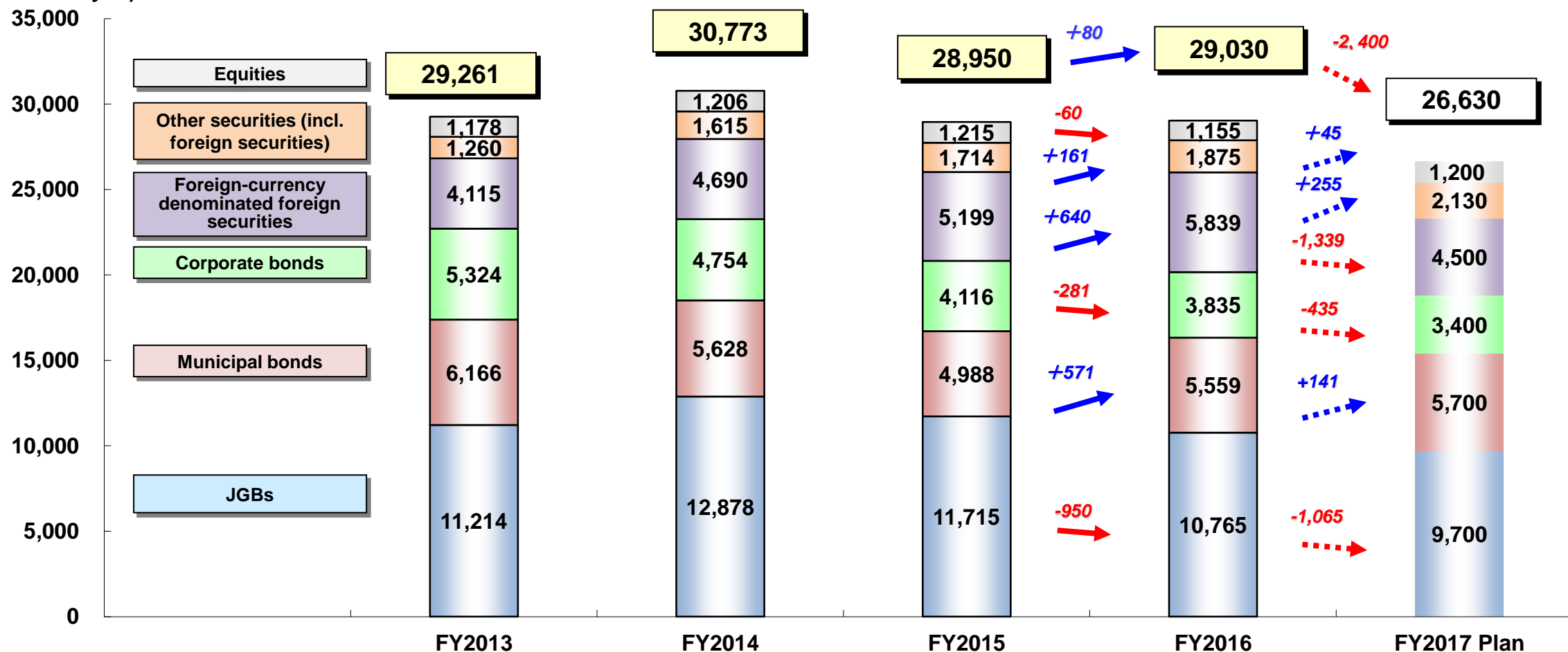
## Ending balance by industry (domestic branch basis)

(100 million yen)	FY2015	FY2016	YoY
Domestic branch total	40,206	43,835	3,629
Manufacturing	7,108	6,911	-197
Agriculture, forestry, fishery	41	59	18
Mining, stone-quarrying, gravel-gathering	22	21	-1
Construction	1,159	1,214	55
Electricity, gas, heat, water supply	965	1,392	427
Telecommunications	294	301	7
Postal and transportation	1,460	1,719	259
Wholesale and retail	5,105	5,106	1
Finance and insurance	1,964	3,474	1,510
Real estate, and rental and leasing	4,917	5,623	706
Various service businesses	2,693	2,966	273
Local government	4,836	4,847	11
Other	9,637	10,195	558



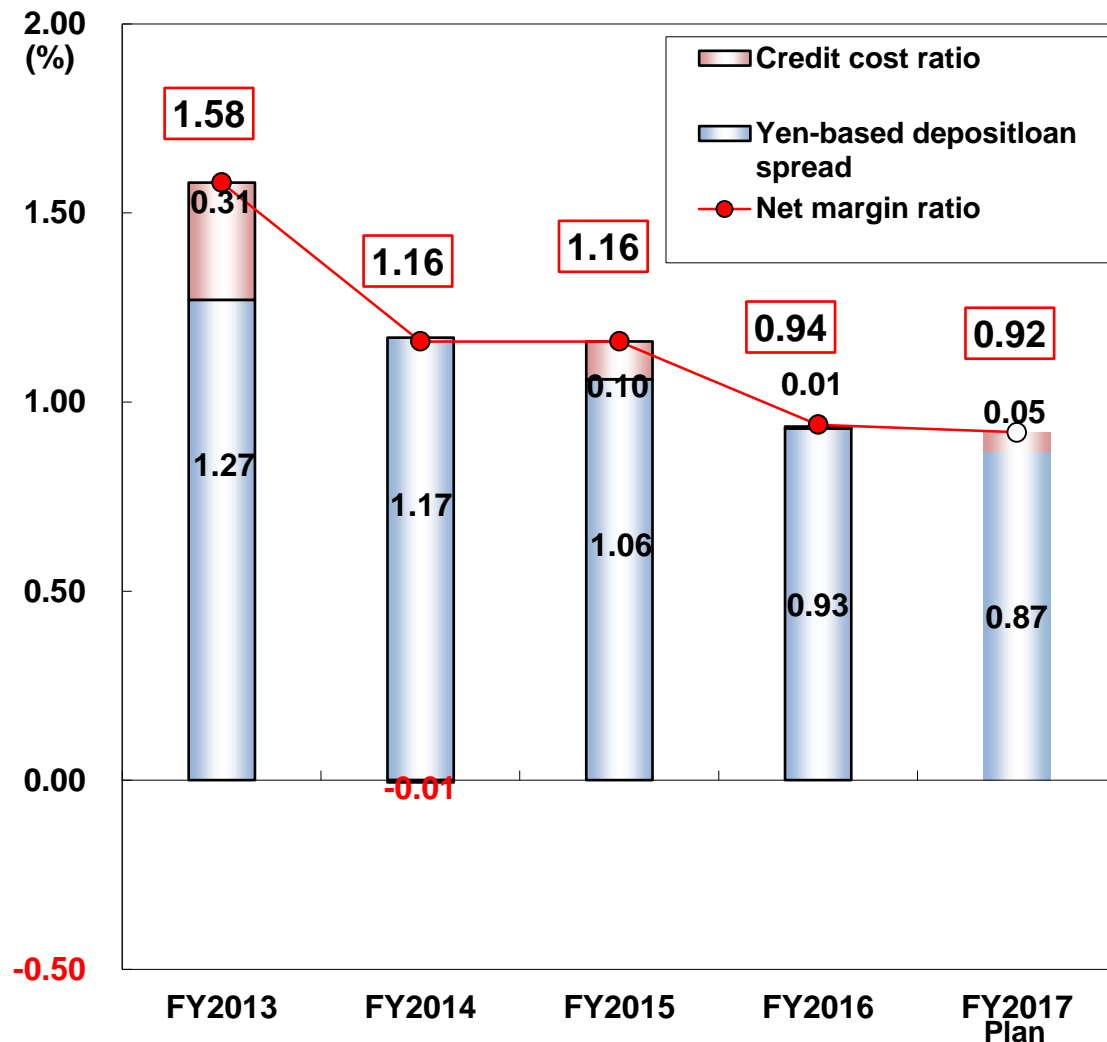
## Average balance of securities

(100 million yen)

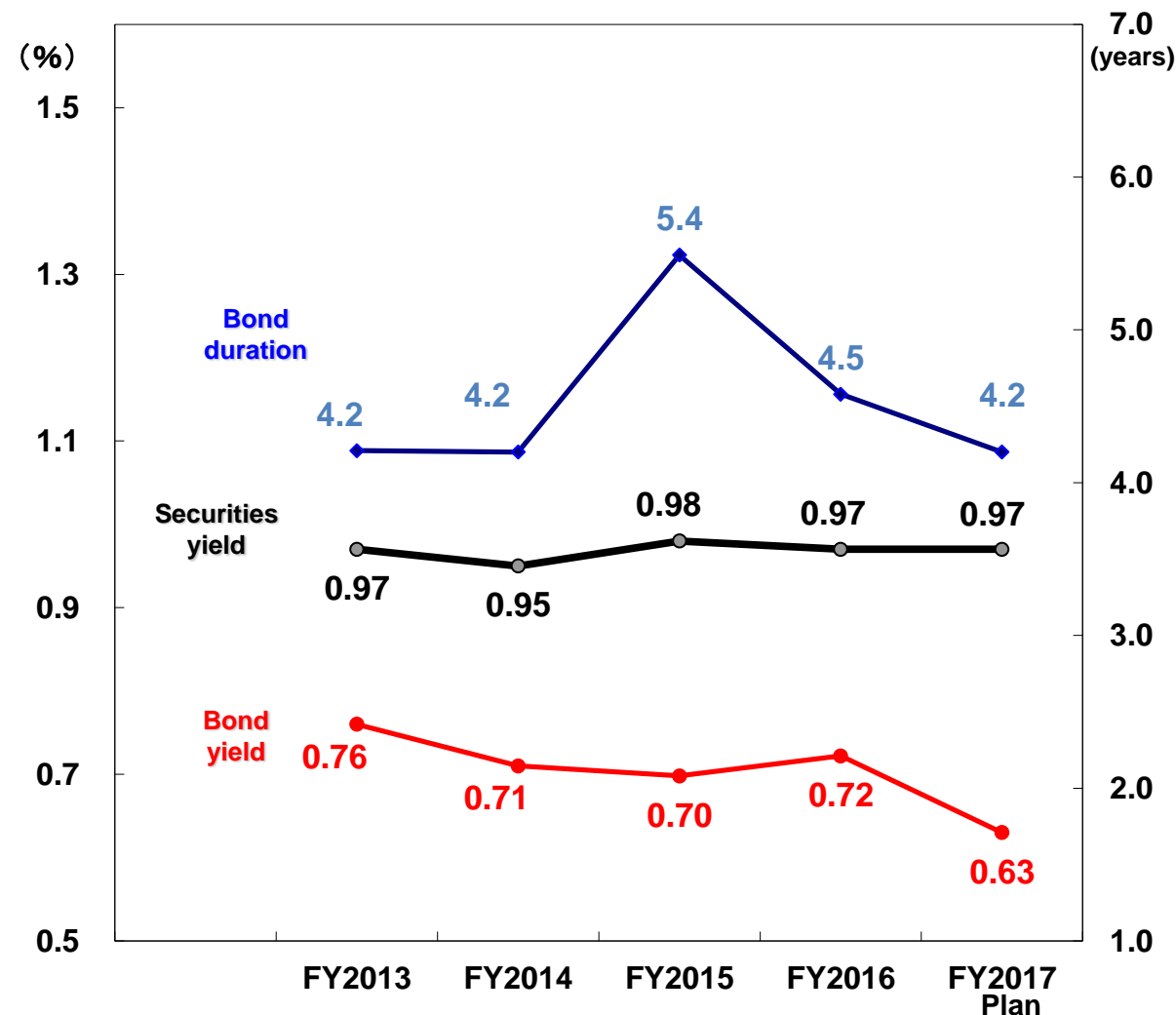


- In FY2016, the average balance of securities rose ¥8.0 billion year on year, due to an increase in investment trusts, etc.
- In FY2017, we intend to increase the balance of investment trusts and equities while reducing the balance of Japanese government bonds and foreign bonds, and continue to shuffle our portfolio according to the market environment in an effort to enhance diversification.

## Loan/deposit spread, credit cost ratio, net margin



## Securities yield and duration

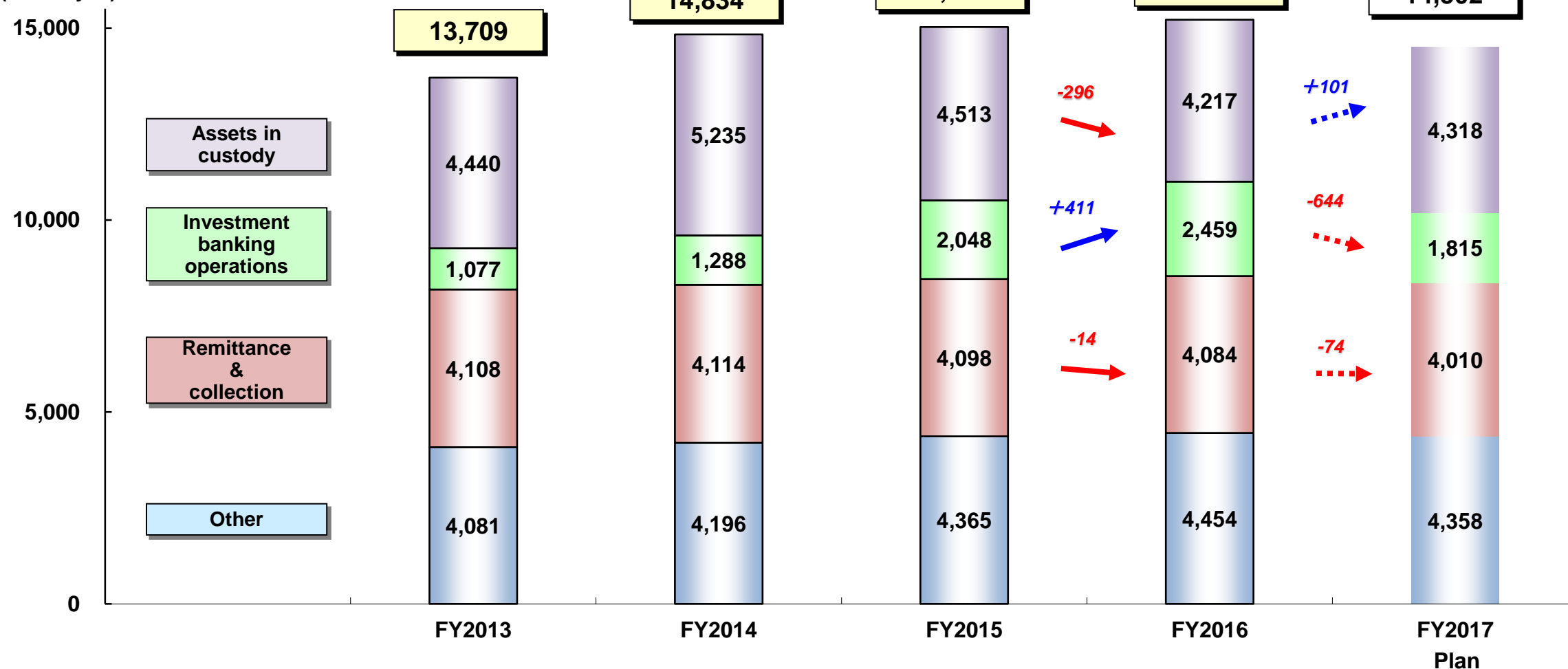


- The loan/deposit ratio is likely to continue to fall.
- The bond yield is expected to trend downward, but we anticipate the securities yield, which includes equity yield, will remain at a 0.9% level.

# FY2016 Earnings Results —Change in fees and commissions—

## Fee and commission (revenue) trends

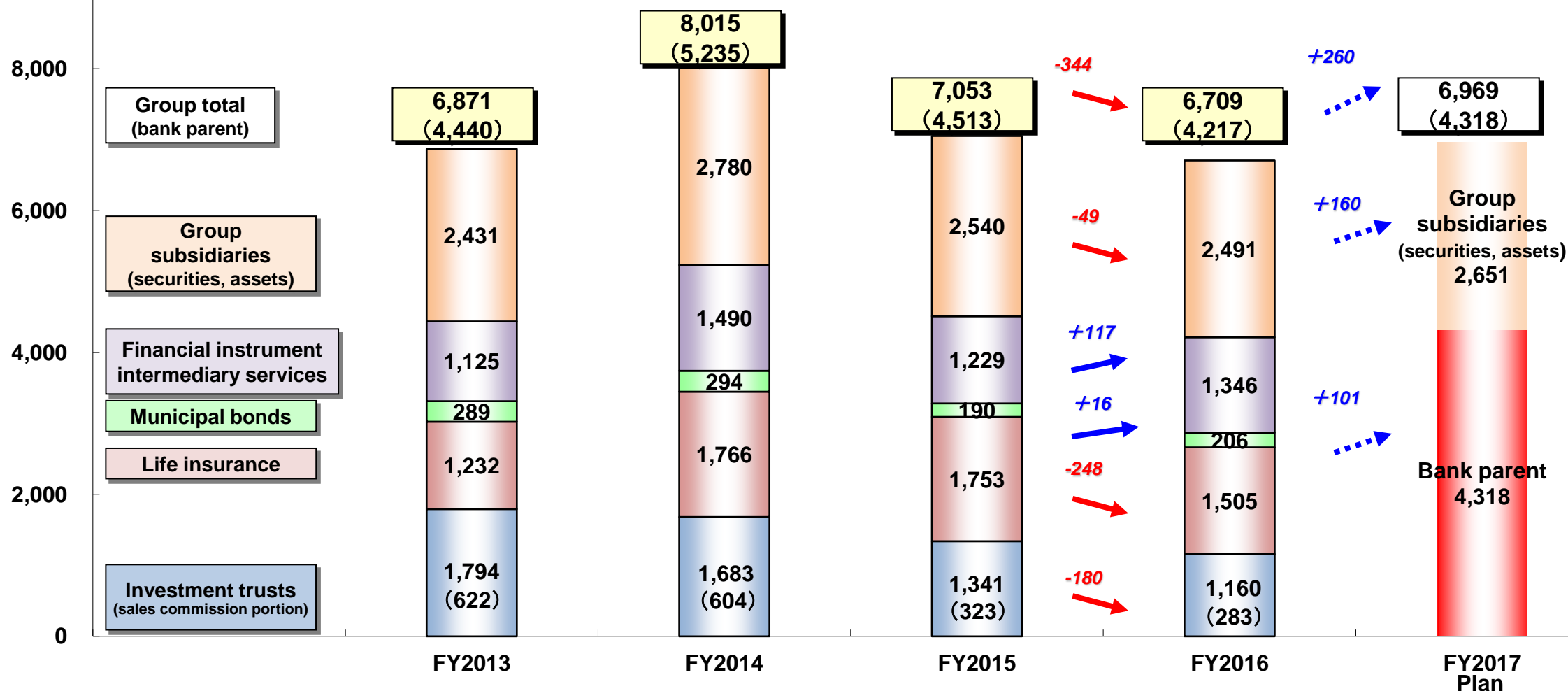
(Million yen)



- In FY2016, fees and commissions revenue rose ¥200 million year on year, due to gains from investment banking operations, despite a drop in assets in custody.

## Revenues related to assets in custody

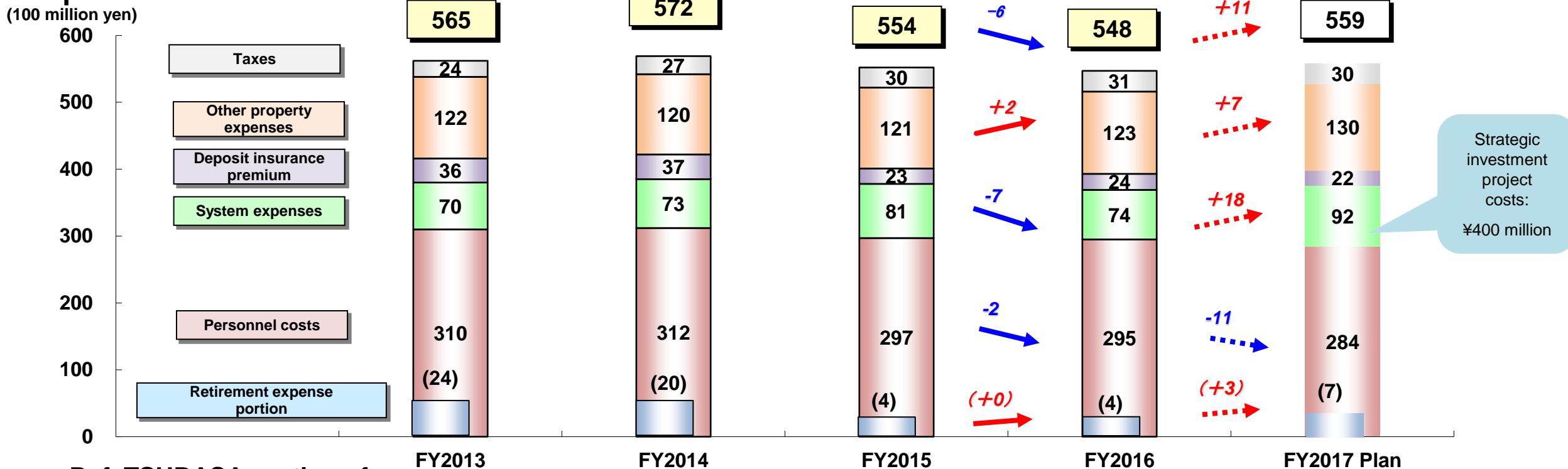
(Million yen)



- In FY2016, sales were sluggish due to unstable market trends. Total group revenue related to assets in custody declined ¥300 million year on year.
- In FY2017, we expect total group revenue related to assets in custody to rise ¥200 million, reflecting in part the strengthening of bonds and investment trusts in the financial instruments intermediary business.

# FY2016 Earnings Results —Change in expenses—

## Expense trends



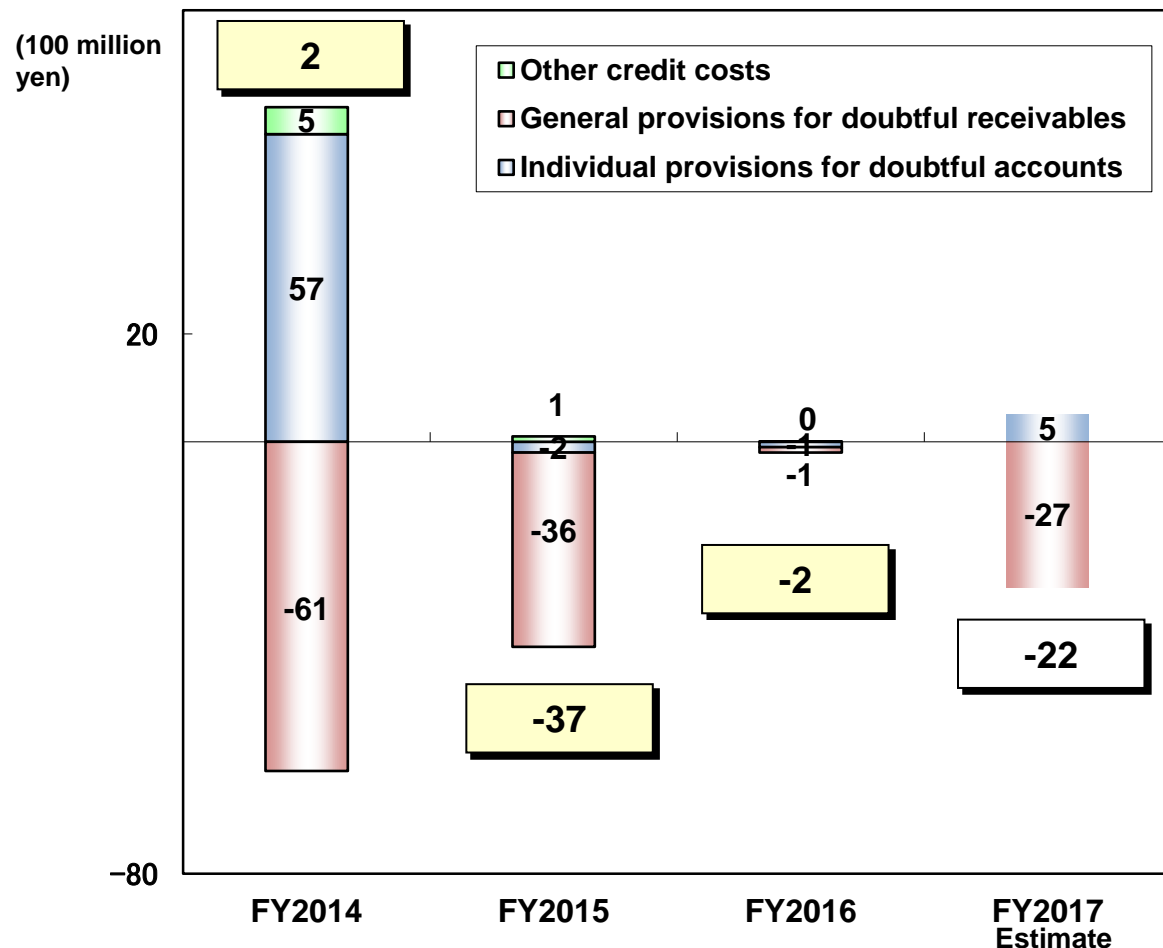
## Ref. TSUBASA portion of expenses

(100 million yen)	FY2014	FY2015	FY2016	YoY	FY2017 Plan	YoY
Office relocation expenses*1 (Other property expenses)	0.4	1.5	1.3	-0.2	1.1	-0.2
System-related expenses (System expense)	11.2	21.4	15.7	-5.7	5.0	-10.7
Amortization of intangibles (System expense)	0.0	0.0	0.0	0.0	12.1	12.1
<b>Total</b>	<b>11.5</b>	<b>22.8</b>	<b>17.0</b>	<b>-5.8</b>	<b>18.2</b>	<b>1.2</b>

\*1 Expenses for office supplies and advertising

- In FY2016, expenses decreased ¥600 million year on year, primarily due to declines in system expenses and personnel costs.
- In FY2017, we expect expenses to increase ¥1.1 billion year on year due to a rise in system expenses, including strategic investment projects, despite a drop in personnel costs.

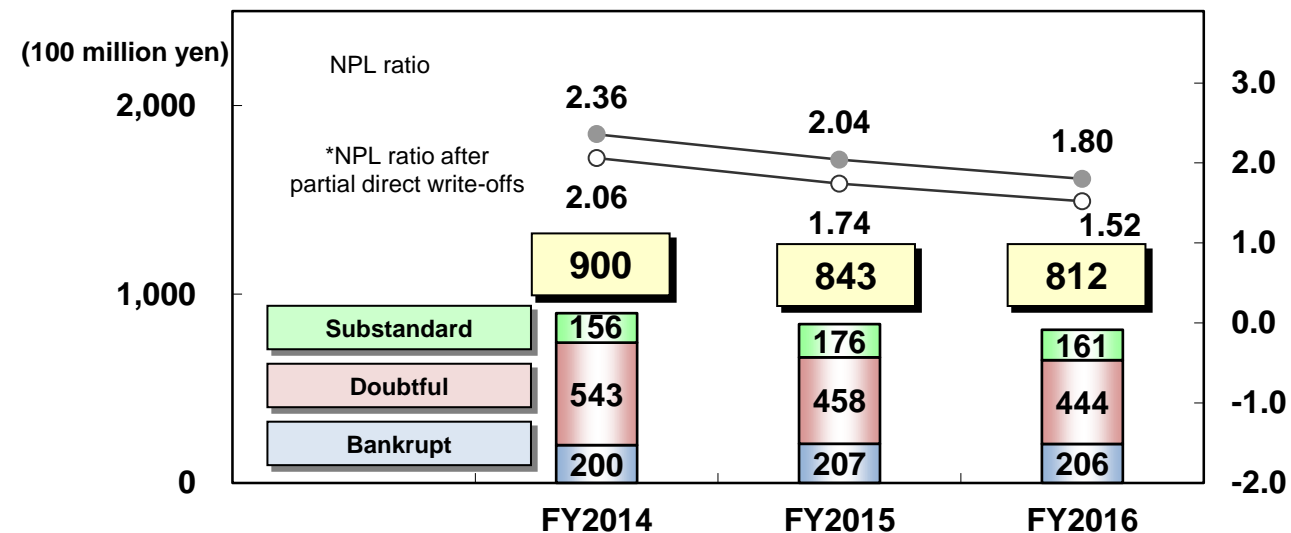
## Credit cost trends



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.

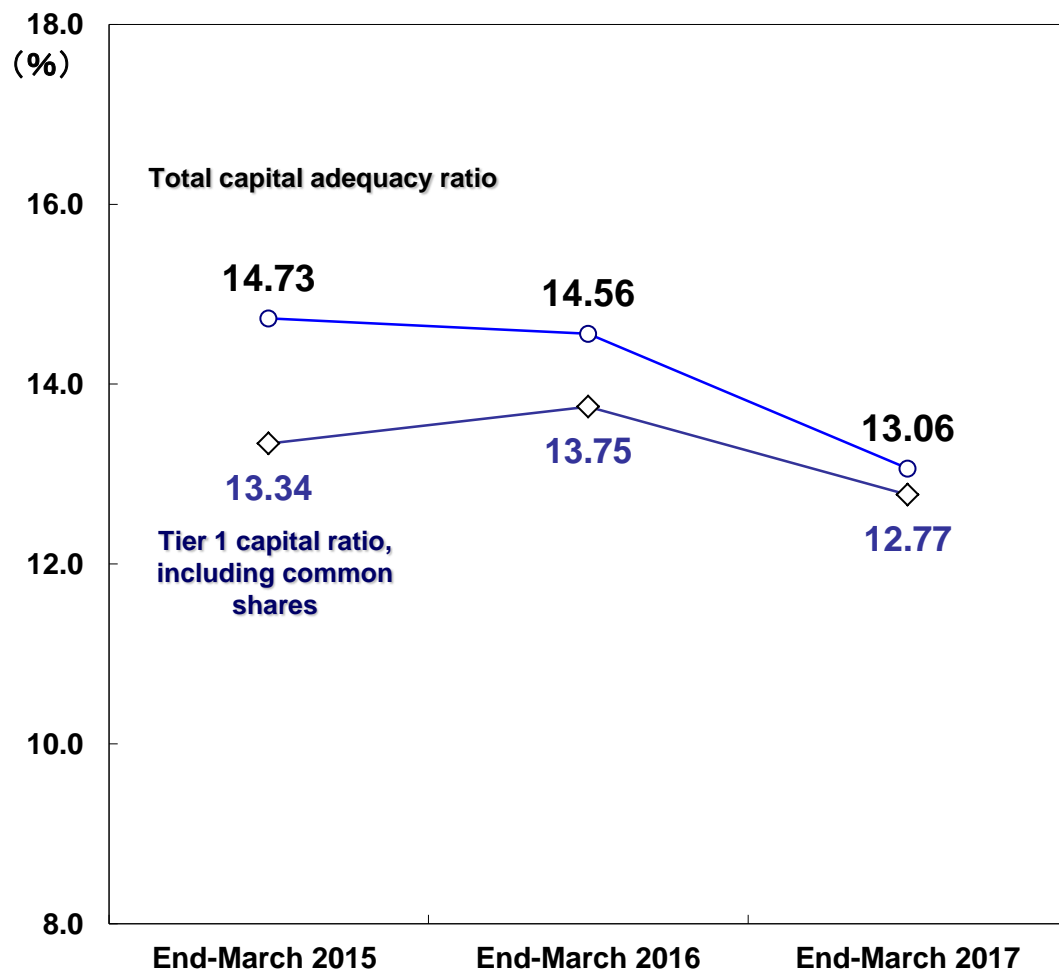


## Outstanding balance by debtor (self-assessment)

(100 million yen)	FY2015		FY2016	
	Balance	Ratio	Balance	Ratio
Healthy accounts	38,222	92.5%	42,358	93.8%
Substandard	2,422	5.9%	2,140	4.7%
Doubtful	459	1.1%	444	1.0%
Virtually bankrupt	165	0.4%	160	0.4%
Legally bankrupt	43	0.1%	46	0.1%
<b>Total</b>	<b>41,310</b>	<b>100.0%</b>	<b>45,150</b>	<b>100.0%</b>

- The loan loss ratio forecast remains on a downward trend.
- In FY2017, we also expect a reversal due to a decline in loan loss ratio forecast.

## Capital adequacy ratio (Basel III) (parent) trends



## Capital adequacy ratio (parent)

(100 million yen)	FY2015	FY2016	YoY
<b>Total equity</b>	<b>4,864</b>	<b>4,817</b>	<b>-47</b>
Tier 1, including common shares	4,595	4,712	117
Tier II	269	105	-164
<b>Risk weighted assets, etc.</b>	<b>33,407</b>	<b>36,880</b>	<b>3,473</b>
Credit risks	31,765	35,267	3,502
Operational risks	1,641	1,612	-29

## Other Basel regulations

	FY2015	FY2016	<Regulatory standards>
Consolidated leverage ratio	5.91%	5.70%	Trial period 3% and above
Parent liquidity coverage ratio (LCR)	143.9%	116.1%	80% and above

- The common equity Tier 1 ratio maintained a 12% level.
- Risk assets increased due to aggressive loan enhancement measures.

# **Section II**

## **New Medium-Term Management Plan**



(100 million yen)	FY2016	FY2017	
	Actual	Plan	YoY
Core business gross profit	820	760	-60
Interest income	677	646	-31
Fees and commissions	152	145	-7
Other operating income	-9	-31	-22
Expenses (-)	-548	-559	-11
<b>Core business net profit</b>	<b>271</b>	<b>200</b>	<b>-71</b>
OHR(%)	66.9	73.5	6.6
Credit expense (+ is reversal (profit))	2	22	20
Bond sales gains/redemption	-20	0	20
Equity sales gains/redemption	43	24	-19
Other	-7	-5	2
<b>Recurring profit</b>	<b>(Con. 316)</b> <b>289</b>	<b>(Con. 261)</b> <b>241</b>	<b>(-55)</b> <b>-48</b>
Extraordinary gain/loss	-4	-4	0
<b>Net income*</b>	<b>(Con. 203)</b> <b>190</b>	<b>(Con. 175)</b> <b>164</b>	<b>(-28)</b> <b>-26</b>

Core business net profit and recurring profit expected to decline year on year

- Increase in foreign-currency procurement costs: (-¥1.7 billion)

### YoY catalysts

#### Negative catalysts

- Decline in loan interest
- Decline in securities interest
- Increase in foreign-currency procurement costs

[ROE forecast]	FY2016	FY2017		
	1-year	1-year	3-yr avg.	5-yr avg.
Consolidated ROE (%)	3.9	3.4	4.1	4.7

\*Consolidated net income is net income attributable to owners of the parent

## —Upon formulating the Medium-Term Management Plan—

### Review of the previous Medium-Term Management Plan

- In the previous Medium-Term Management Plan that started in April 2014, we set a target consisting of total assets of ¥8 trillion, deposits of ¥7 trillion and loans of ¥4.5 trillion as a long-term indicator.
- By making aggressive efforts in new loans under a positive risk-taking policy, we achieved a total average loan balance that significantly exceeded our initial plan.
- By covering the reduction in margin by expanding loan volume, we were able to achieve our revenue targets in excess of our initial targets.
- However, the business environment surrounding the Chugoku Bank is expected to be increasingly severe, with the further drop in domestic interest rate levels owing to an accommodative monetary policy and a slowdown in economic growth caused by changes in the social structure, such as a declining population.

### Background of the formulation of the Long-Term Management Plan (10-year strategy)

- In order to survive the population decline and drop in profitability, and establish a sustainable business model, we formulated a 10-year Long-Term Management Plan based on a long-term vision of **“Creating with Our Community, Customers and Employees a Rich Future that We Can All Share,”** and announced it in March 2017. (Vision 2027: Plan for Creating the Future Together)

### Aim of the Medium-Term Management Plan

- In the 10-year strategy (Vision 2027: Plan for Creating the Future Together), our aim is to create foundations of management as well as for all of the Group’s directors and employees to make efforts in Creating a Rich Future based on Chugin-no-kokoro.
- We position this Medium-Term Management Plan as a three-year starting period to establish our footing.

Target figures of the previous Medium-Term Management Plan and final fiscal year results

	Initial plan	Final fiscal year results	Difference from plan
Total average deposit (+NCD) balance	¥6.1 trillion	¥6.3 trillion	+¥0.2 trillion
Total average loan balance	¥3.7 trillion	¥4.2 trillion	+¥0.5 trillion
Core business net profit	¥27.0 billion	¥27.1 billion	+¥100 million
Recurring profit	¥22.0 billion	¥28.9 billion	+¥6.9 billion
OHR	68% or less	66.9%	Achieved
Common equity Tier 1 ratio	Upper 13% level	12.77%	-1% level

Chugin-no-kokoro: Standards and values that form the basis of the actions and decisions of directors and employees of the Chugoku Bank Group

- **To our customers: We aim to achieve a win-win situation with our customers.**

(Added value) We deliver satisfaction and inspiration to customers with services that show we care.

(Attitude) We aim for mutual growth with our customers.

- **As individuals: We achieve our dreams through work.**

(Growth) We hold high aspirations and make efforts in our own growth.

(Consolidating strengths) We understand, respect and collaborate with one another.

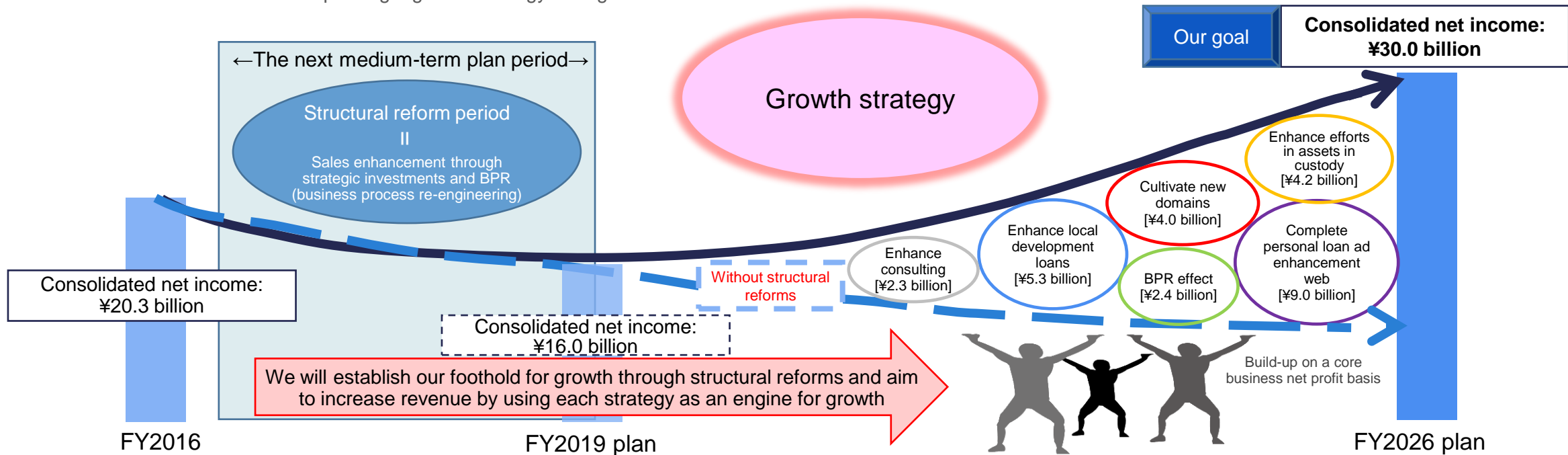
- **As a company: We will provide a place that offers job satisfaction and growth.**

(Culture) The Chugoku Bank Group provides a workplace that offers job satisfaction.

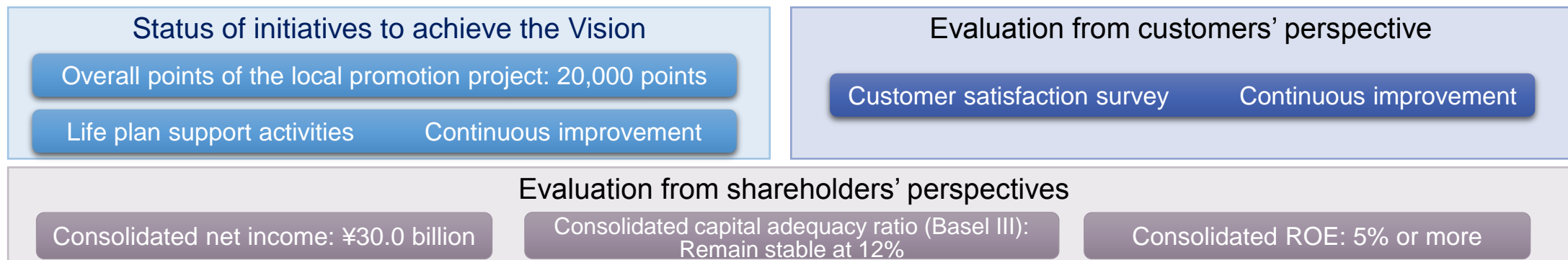
(Organizational strength) The Chugoku Bank Group gathers diverse strengths to improve the organization’s abilities.

## —The Long-Term Vision—Vision 2027: Plan for Creating the Future Together—

- Although a drop in revenues is expected due to the interest environment and changes in social structures, we will aim to increase revenues by accomplishing a growth strategy through structural reforms



Status of initiatives to achieve the Vision ⇒ How customers and shareholders evaluated us based on such initiatives will be turned into KPI (key performance indicators).



## —Outline of the Medium-Term Management Plan—

Name: “Plan for Creating the Future Together: Stage I” Period: April 2017 – March 2020 (three years)

- The name “Plan for Creating the Future Together: Stage I” indicates that it is the first stage of the 10-year strategy (Vision 2027: Plan for Creating the Future Together).
- The main theme of the new Medium-Term Management Plan is “Creating with Our Community, Customers and Employees a Rich Future that We Can All Share.” It is the same as the long-term vision stipulated in the 10-year strategy (Vision 2027: Plan for Creating the Future Together).

## Four major strategies to be implemented in the three-year period of Plan for Creating the Future Together: Stage I

### Improve the quality of service provided

We will focus on the “customer comes first” concept to provide better services

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

We will create a structure that enables us to provide services anywhere and anytime, with the aim of becoming a bank that is the most familiar to and convenient for customers.

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

### Enhance service provision capability

We will develop human resources that support the Bank as well as enhance business management functions

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

### Reform the stance of individual employees and the corporate culture

This forms the basis for all directors and employees of the Group to be as one and take on challenges positively

12. Reform stance of Individual Employees and corporate culture, improve customer and employee satisfaction
13. Compliance

Initiatives to create a rich future

Initiatives to create foundations of management

Through the four major strategies



“Creating with Our Community, Customers and Employees a Rich Future that We Can All Share”

## —Numerical Targets of the Medium-Term Management Plan—

### Numerical targets of the Medium-Term Management Plan

\* Target figures of the 10-year strategy (Vision 2027: Plan for Creating the Future Together) will be the numerical targets of the Medium-Term Management Plan

	In three years	In ten years
Overall points of the local promotion project	15,000 pt	20,000 pt
Overall points of life plan support activities	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	

Overall points of the local promotion project are activities that involve providing 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.

Overall points of life plan support activities involve providing 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.

Based on the business satisfaction item of our customer questionnaire

## —I. Improve the Quality of Services Provided—

### 1. Advance local promotion activities

- **Advance consulting that focuses on business assessment and the local promotion project**
  - Improve power to offer loans through deeper understanding of customers' business contents and growth potential, systemization of solutions for each managerial issue and provision of diverse consulting menus
- **Revitalize the community through initiatives in open innovation and growth industry development support**
  - Strengthen assistance of founding through the Okayama innovation project and promote the use of local tourist attractions
  - Revitalize the community through aggressive support of local infrastructure development and growth industries

Three year KPI Average local development loan balance ¥1.8 trillion ⇒ Increase to ¥2.0 trillion

Three year KPI Overall points of the local promotion project ⇒ 15,000 points

#### [Overall points of the local promotion project]

2H FY2015	1H FY2016	2H FY2016	1H FY2017 target	...	FY2019 target
1,185 points	5,040 points	5,544 points	7,112 points		15,000 points

### 3. Maximize group synergy

- **Strengthen the Group's collaboration and maximize synergy**
  - Improve skills and motivation, and revitalize the workplace by implementing personnel measures and creating human resource development systems according to the actual situation of each company
  - Deepen mutual understanding and business partnership between the Bank and affiliates through personnel exchanges
- **Advance the group management control structure**
  - Develop an awards system and evaluation method that encourage the Bank and affiliates to carry out activities as one

### 2. Strengthen sales activities based on life planning

- **Become a trusted partner that customers want to consult with by providing customer-oriented services**
  - Support customers in achieving their dreams by providing comprehensive financial services according to each customer's family structure, life stage, income and financial assets (Consulting sales)
  - Assist customers' asset formation, asset management and asset succession based on fiduciary duty
- **Solve customers' problems and promote lifelong support for each individual customer**
  - Improve customers' recognition of unsecured loans by strengthening promotion
  - Promote the use of AI and cash-less transactions

Three year KPI Average balance of five kinds of assets in custody: ¥1.0 trillion ⇒ Increase to ¥1.1 trillion

Three year KPI Personal loan balance: ¥1.0 trillion ⇒ Increase to ¥1.1 trillion

Three year KPI Overall points of the life plan support activities ⇒ Continuous improvement

### 4. Cultivate new business domains

- **Evolve services that the Group can provide to customers (Quality improvement + line-up expansion)**
  - Become a group that is chosen by customers for our expansive product line-up and high quality
  - Take on challenges in new domains by establishing new companies and starting new businesses at each company
  - Formulate strategies and establish systems for business domain expansion (including collaboration of different industries and the use of the TSUBASA Alliance)

## —II. Expand Opportunities to Provide Services —

### 5. Restructure sales channels

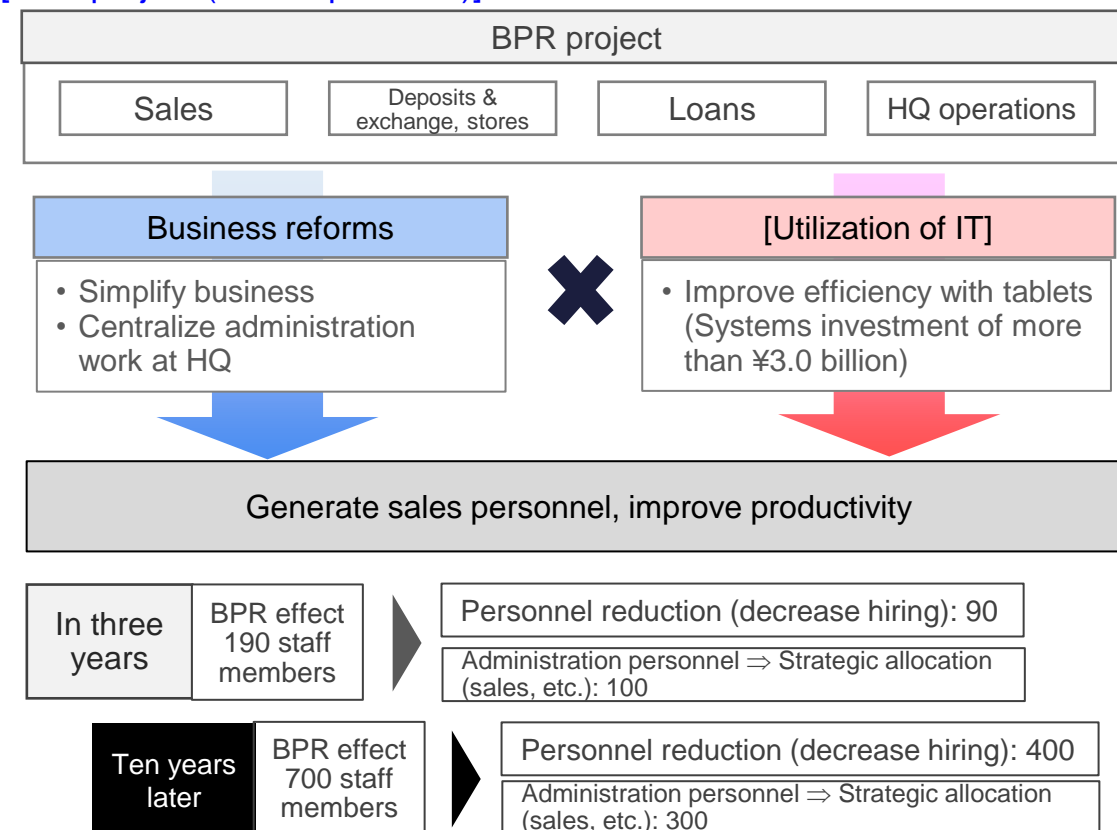
- Operate on weekends and enhance fintech services with the aim of becoming the most convenient, familiar bank to customers
  - Increase business on weekends and holidays, and respond to customers' consultation and account openings on holidays
  - Switch from a housing loan center to a retail center to address broad range of needs from various loans to asset management
  - Utilize life plan simulations and fintech to provide services that support customers' future planning
  - Enhance online services such as online bank transfers (bank transfers completed online) and advance marketing

### 7. Re-allocate human resources

- Appropriately allocate managerial resources (personnel & stores) according to the market environment
  - Clarify areas to be proactive and defensive in accordance with the market environment, and allocate personnel in the appropriate number and quality according to each area.
  - Establish district headquarters for the strengthening of local relations and expansion of strategic areas (Kurashiki, Hanshin)
  - Restructure the store network according to the market environment

### 6. Generating business hours and sales personnel

- Transform sales offices from a place for administrative processing to a place for consulting
  - Carry out examinations and trials for the introduction of next-generation-type consulting stores
- Promote BPR such as systemization and centralization at HQ, generate sales personnel and expand sales activities  
[BPR project (From April 2017)]



## —III. Enhance Service Provision Capability—

### 8. Strengthen development of human resources

- **Voluntary human resource development and improvement of management abilities through creating visual representations of skills**
  - Indicate the level of achievement by job level and work, self-acknowledge insufficient items (creating visual representations of skills) and establish a plan to make efforts in improving abilities
  - Introduce long-term training for new employees immediately after they join and restructure the in-store OJT program
  - Introduce a 360-degree evaluation for senior level posts and above with the aim of improving management abilities and overcoming indicated points for improvement through continuous training
- **Further advance professionalism by increasing long-term training and creating a system that supports the acquisition of difficult qualifications**
  - Advance professionalism by increasing external loans of young staff, long-term trainings and trainee dispatch, as well as acquiring difficult qualifications

### 10. Enhance ALM functions

- **Advance revenue and profitability management, and optimize risk/return management**
  - Evaluate risks and returns appropriately, and create the optimal portfolio
  - Further deepen discussions at the ALM Committee, and discuss future revenue on a medium-to-long term
- **Maximize securities investment that takes into account various risks and regulations, as well as profit or loss for the period and profit or loss from valuation**
  - Optimize interest risk-taking through flexible shuffling between Japanese government bonds and foreign bonds, and within the term, as well as by utilizing various means of hedging
  - Diversify and advance investment and financing measures
  - Utilize job rotation, external training and job challenges

### 9. Implement organizational reforms

- **Improve ability to act by restructuring HQ organization**
  - Restructure the sales division into corporate and individual in order to improve sales offices' and customer support's ability to act
  - In order to strengthen business assessment and consulting functions (local promotion activities), integrate the research and consulting divisions, and establish a sales office support system
  - Examine integrating the individual sales division to promote comprehensive sales activities based on life planning
- **Resolve the dispersion of functions and overlap of operations to achieve smooth operation of HQ**
  - Unify stores, non-face-to-face sales channels and the marketing division to develop the optimal sales channels for customers

### 11. Manage costs

- **Expand strategic investment capacity by reducing recurring expenses**
  - Restructure the IT governance system and re-invest in strategic areas by reducing recurring systems expenses
  - Establish investment standards based on the overhead ratio and a system to verify the effect (Achieve a balanced cost management that is conscious of cost effectiveness)
- **Improve managerial efficiency by formulating an appropriate long-term personnel plan**
  - Create a long-term personnel plan to carry out appropriate and flexible allocation of personnel



## —IV. Reform the Stance of Individual Employees and the Corporate Culture—

### 12. Reform stance and corporate culture, improve customer and employee satisfaction

- Improve employee satisfaction through career support, diversity promotion and implementing workstyle reforms
  - Formulate workstyle reform policies, make efforts in reducing long work hours and examine the introduction of various workstyles
- Improve organizational strength by practicing Chugin-no-kokoro (Philosophy of Chugoku Bank) and revitalizing communication
  - Implement problem-solving measures based on the customer satisfaction questionnaire and its results
- Achieve a high dimension of customer satisfaction mainly through local promotion activities and sales activities based on life planning
- Revitalize the community with participation-type CSR

Three year KPI

Result of the customer satisfaction survey: Continuous improvement

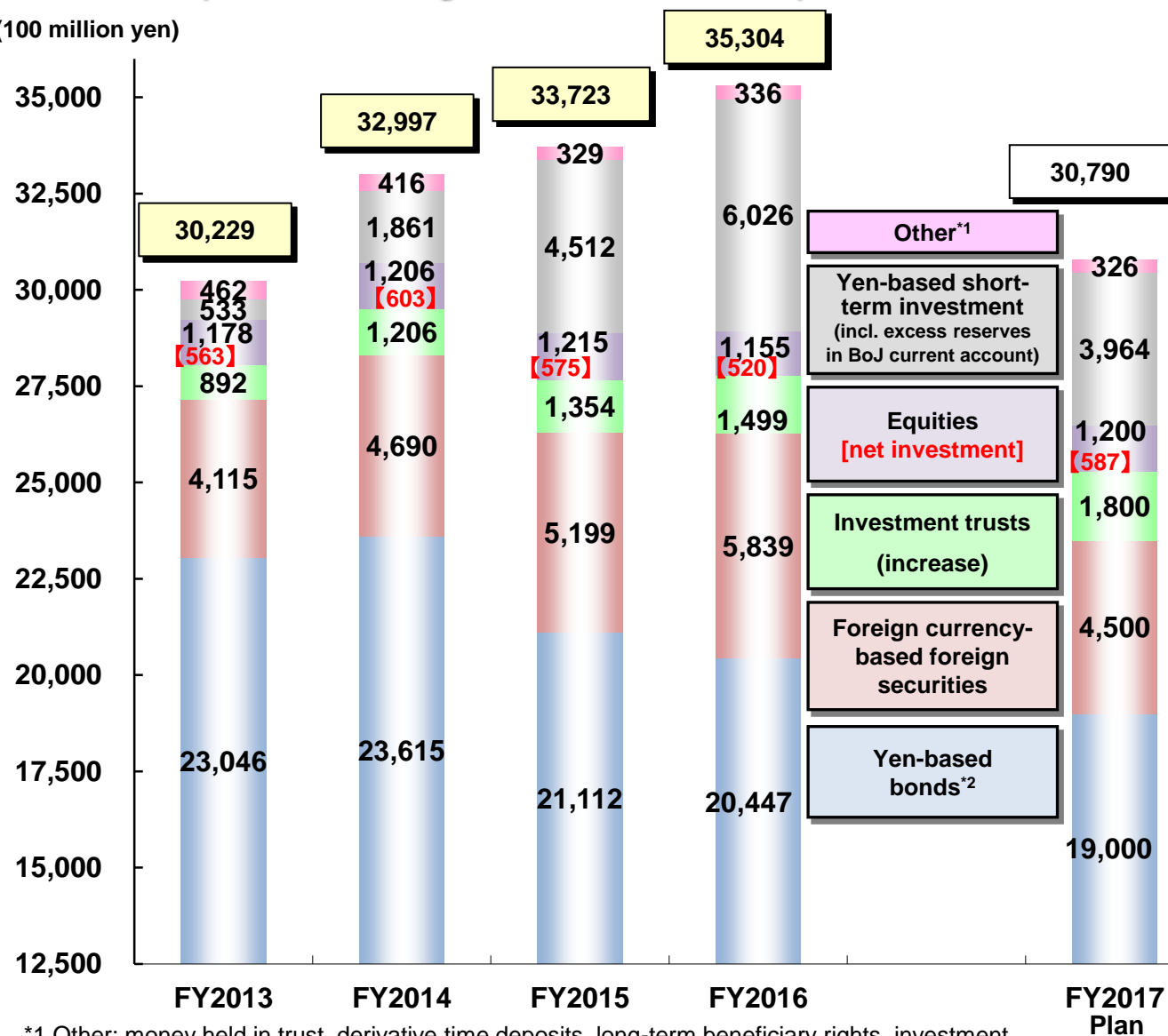
### 13. Compliance

- Continuously practice the prioritization of compliance and morals
  - Create a culture that does not generate corporate scandals
- Create better sales offices through internal audits
  - Strengthen consulting functions for sales offices (process audit)



## Premise: plans for average balance of market operations

(100 million yen)



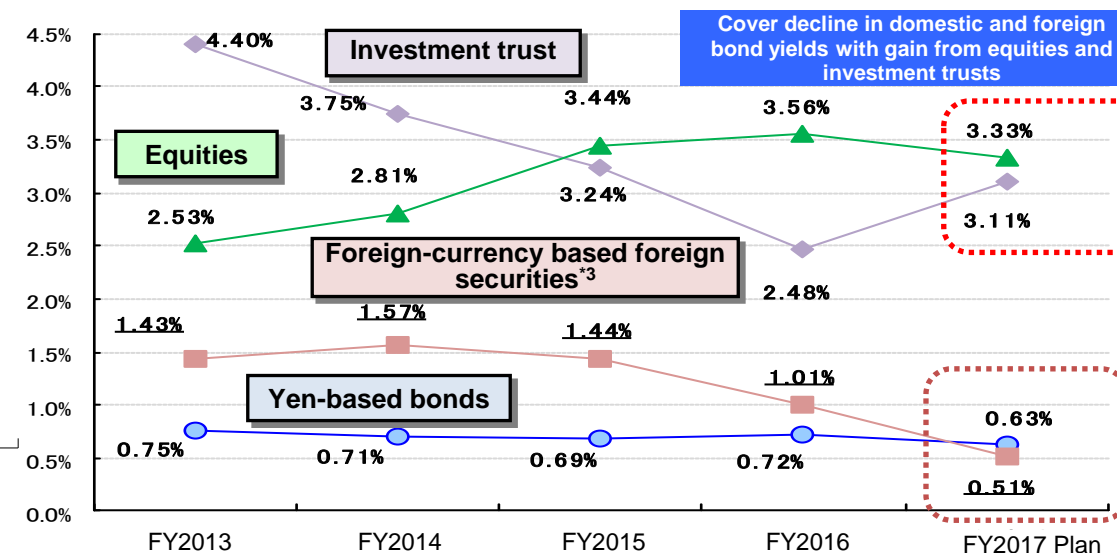
\*1 Other: money held in trust, derivative time deposits, long-term beneficiary rights, investment partnerships, etc.

\*2 Includes yen-denominated foreign bonds

## Measure to improve department earnings

- ◇ Optimize interest risk-taking by flexibly shifting JGBs and foreign bonds as well as utilizing hedging instruments.
  - In yen-based bonds, utilize various hedging instruments to suppress excessive risk-taking.
  - In foreign bonds, consider reducing the balance of low-yield bonds and raising the percentage of variable bonds.
- ◇ In equity assets, build up balance mainly in domestic equity that is expected to be robust.

## Yields by type of investment assets



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

## ■ Annual per-share dividend of ¥20 and total payout ratio of 35%

### Dividend plan for FY2016

Stable per-share dividend of ¥18.0

Annual dividend ¥20.0

\* As originally estimated

### Dividend plan for FY2017

Dividend policy based on  
current profit forecast

**Annual dividend ¥20.0/share**

**Total payout ratio 35%**

### Shareholder hospitality

Offer regional products as perks  
via the five TSUBASA banks

### Shareholder returns

(1 billion yen)

	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)					
End-Mar 2018 Est	<b>16.4</b>	<b>3.85</b>	<b>¥20.00</b> (¥10.00)	<b>23.5%</b>	-	<b>1.9</b>	<b>about 35%</b>
End-Mar 2017 Est	<b>19.0</b>	<b>3.85</b>	<b>¥20.00</b> (¥10.00)	<b>20.3%</b>	<b>2.9</b> (of which ¥0.6 billion is being acquired)	<b>0</b>	<b>35.4%</b>
End-Mar 2016	<b>25.9</b>	<b>3.92</b>	<b>¥20.00</b> (¥10.00)	<b>15.1%</b>	<b>5.2</b>	<b>0</b>	<b>35.2%</b>
End-Mar 2015	<b>20.9</b>	<b>3.56</b>	<b>¥18.00</b> (¥8.00)	<b>17.0%</b>	<b>3.3</b>	<b>0</b>	<b>32.8%</b>
End-Mar 2014	<b>27.0</b>	<b>3.23</b>	<b>¥16.00</b> (¥7.50)	<b>12.0%</b>	<b>4.9</b>	<b>0</b>	<b>30.3%</b>

\*Share buyback as a factor in calculating payout ratio: Calculated based on buybacks 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.