

The New Medium-Term Management Plan, “Plan for Creating the Future Together: Stage II”

Overview of the long-term management plan, “Vision 2027: Plan for Creating the Future Together”

In order to respond proactively to changes in the business environment, such as population decline and changes in the societal structure, the Chugoku Bank Group has formulated our ten-year long-term management plan “Vision 2027: Plan for Creating the Future Together” in 2017, consisting of what our Group wishes to become ten years from now, its long-term vision, and strategies to realize these goals.

This long-term management plan sets forth our long-term vision of “Create with Our Community, Customers and Employees a Rich Future that We Can All Share” and aims to establish a sustainable business model that builds a system which does not seek to achieve balanced contraction, in which elimination of personnel and branches is prioritized, but instead allows us to focus on our business in a true sense in terms of both quality and quantity by implementing thorough structural reforms, even in a harsh business environment, driving mutual development of our customers, the regional society and the Group.

The previous medium-term management plan, which focused on strengthening hardware aspects (Stage I)

In the previous medium-term management plan, “Plan for Creating the Future Together: Stage I” (fiscal year ended March 31, 2018 through fiscal year ended March 31, 2020), which was at the start of the long-term management plan, we regarded the period of the plan as one for building strong foundations and implemented structural reforms through strategic system investment and Business Process Re-engineering (BPR).

As part of the strategic system investment, we have introduced a variety of systems that help improve convenience for customers and productivity of operations, including an electronic approval system, in-house information terminals that can be connected from outside branches, and “TSUBASA Smile,” an in-store tablet that helps streamline operations at customer service counters. We also promoted BPR for administrative operations in sales branches and headquarters, significantly improving work efficiency and rethinking sales staff and operating hours.

In sales operations, as part of our efforts for the corporate business sector, we have shifted our focus from conventional activities of offering monetary loans to “regional support activities,” which provide a wide range of solutions to help our customers increase their corporate value. As part of our efforts for the individual sales sector, we have worked on “life plan support activities,” which provide optimal products and services personalized for customers in different life stages and life events.

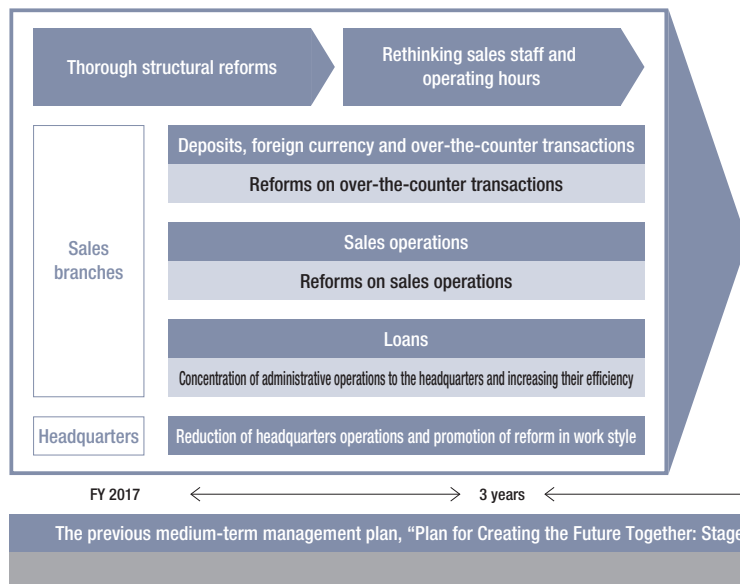
We will continue to focus on “regional support activities” and “life plan support activities” in the new medium-term management plan (Stage II), reminding ourselves of the sales with customers first spirit.

Positioning of “Plan for Creating the Future Together: Stage II” in Vision 2027

Stage I

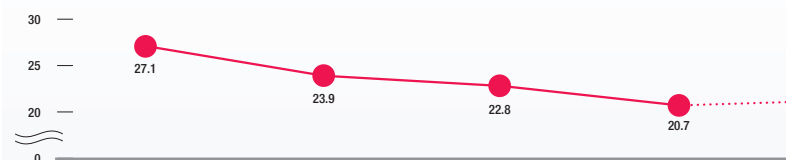
HOP

Strengthening hardware aspects



Numerical plans

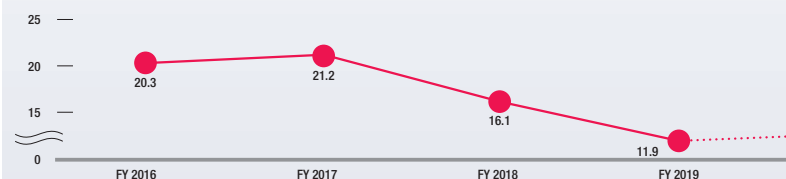
Core business net profit (Billions of Yen)



Consolidated ordinary profit (Billions of Yen)



Consolidated net income attributable to owners of parent (Billions of Yen)



The previous medium-term management plan, “Plan for Creating the Future Together: Stage I”

Stage II
STEP Strengthening software aspects
(organization and human resources)

Building a business model for growth

5 pillars

- (1) Strengthening our efforts in revitalization of regional economies and SDGs*
- (2) "Deepening" the sales with customers first spirit
- (3) Revitalization of organization
- (4) Strengthening the digital strategies
- (5) Establishing sustainable growth model

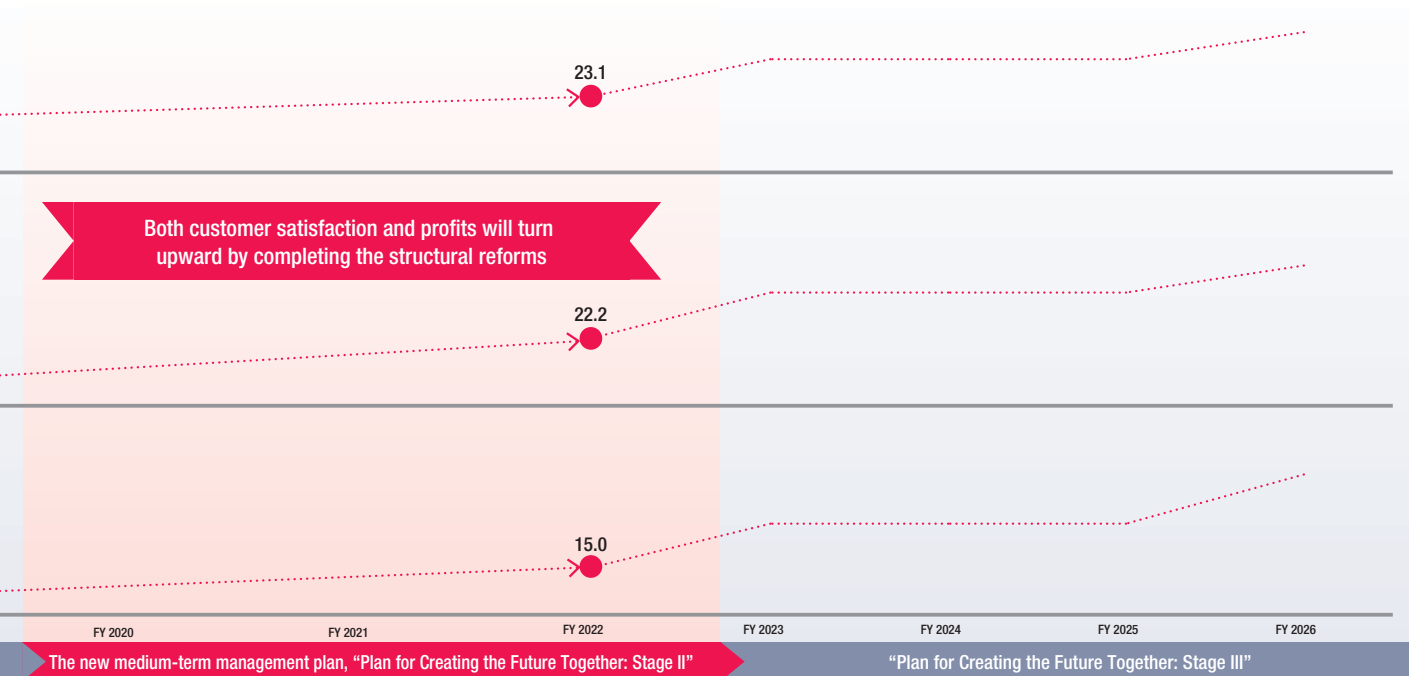
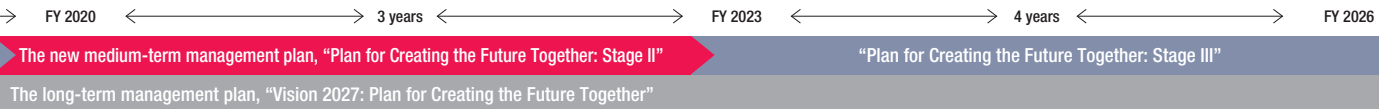
Stage III
JUMP Compilation

Establishing a business model that allows mutual growth, shared between the regional society and the Bank



The Chugoku Bank Group to become a regional platform

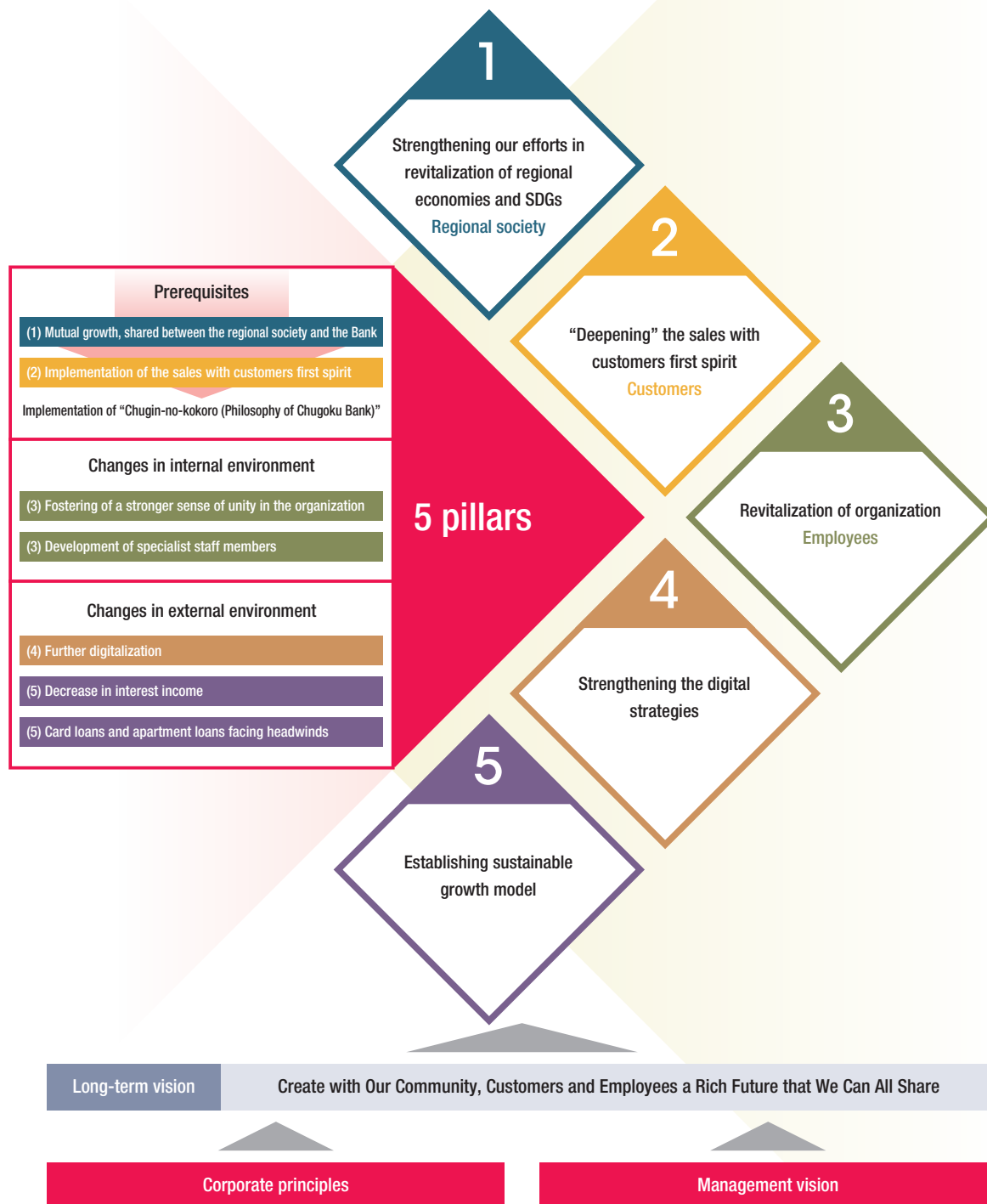
*SDGs: The acronym of "Sustainable Development Goals." It sets forth the targets applicable to all international societies as determined by the UN Summit in September 2015.



Through our 5 pillars of activities, we will create new value by addressing

The new medium-term management plan, which focuses on strengthening software aspects (Stage II)

Under our new medium-term management plan, "Plan for Creating the Future Together: Stage II" (fiscal year ending March 31, 2021 through fiscal year ending March 31, 2023), we will endeavor to enhance the human resources and organizational capability of the Group in order to improve our capacity of solving regional and customers' problems. We will also implement many reforms ranging from strategies, organizations, systems to structures. For corporate customers, we will build a system under which solutions can be developed by one-stop and speedy measures, and for individual customers, a system under which customers may experience comprehensive lifelong services including non-financial services through a wide scope of services and channels. In order to realize these sales systems, we will also conduct a drastic review of the "human resource system, internal training system, and performance award system, etc." We will establish a business model that allows mutual growth, shared between the regional society and the Bank, which will lead to further growth at the next final stage.



various challenges of customers from the regional community

1

In our message to the regional society, “strengthening our efforts in revitalization of regional economies and SDGs,” we will face up to various issues surrounding local communities, and aim to solve issues, create new businesses, and put the SDGs into practice, so as to develop together with the regional society. We are committed to solving social and environmental issues by creating a regional platform that will serve as a platform for creation involving local governments, other financial institutions, and other types of businesses; offering our know-how including non-financial expertise such as BCP to the regional customers; collaborating with other industries; and conducting businesses practicing the SDGs.

2

In our message to our customers, “‘deepening’ the sales with customers first spirit,” we will not only provide support for assets in custody and loans, but also solve a variety of issues held by customers and help them realize their dreams. The Chugoku Bank Group is committed to providing new value to customers by strengthening the integrated sales activities of our sales branches and headquarters, expanding our services including non-financial services, participating in and strengthening new business domains such as recruitment agency, regional trading company and business consulting services, and enhancing our group synergy.

3

In our activities for the “revitalization of organization,” we will recognize our employees as one of the most important stakeholders of the Group and aim to increase their job satisfaction, help realize their self-fulfillment and growth, and enhance a sense of unity among our sales branches, headquarters and Group companies. Our work will build an organizational structure that enables our employees to work with greater satisfaction than ever before, by reforming our human resource system (including the integration of a career-track course and a non-career-track course, establishment of a specialist course, and the abolition of the early retirement system at age of 55), reviewing the performance award system, and transferring more authority to the Block and sales branches.

4

With respect to “strengthening the digital strategies,” in order to respond to the rapid development of digitalization of financial services, we will aim to expand customer contact and to create new customer experiences utilizing digital technology, by enhancing smartphone applications for individual customers and launching a portal site for corporate customers. We will also continue to vigorously promote improvement of work efficiency through the use of IT, including further digitalization of headquarters operations.

5

With respect to “establishing sustainable growth model,” we aim to realize our growth scenario by increasing fees and commissions and lowering the overhead ratio (OHR), in order to respond to the challenging market environment such as prolonged negative interest rates. We aim to achieve sustainable profit growth even in a harsh environment, by stabilizing profit levels in our core businesses including the new business domains and fundamentally reviewing our cost structure.

Numerical plans

Stakeholders	New KPI	Results in FY 2019	Final year of the medium-term management plan (FY 2022)
Regional society	Number of projects to address regional issues that contributed to the SDGs	—	Continuous improvement
	(1) Total of the number of start-ups for which we provided support ^{*1} and the number of companies for which we provided support in business succession ^{*2}	—	Total of 3 years: 200 customers
	(2) Activities contributing to the improvement of financial literacy, etc. ^{*3}	—	Continuous improvement
Customers	Customer satisfaction ^{*4} (individuals)	Continuous improvement	Continuous improvement
	Customer satisfaction ^{*4} (corporate)	Continuous improvement	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel expenses ^{*5}	57.6%	54% or more
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	¥11.9 billion	¥15.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.04%	Maintained stably at 12%

*1 Number of start-ups for which we provided support: Number of supported customers that started business through our events for start-up support

*2 Number of companies for which we provided support in business succession: Number of entrusted contracts for business succession consulting services

*3 Activities contributing to the improvement of financial literacy, etc.: Number of events and study meetings held for the improvement of financial literacy and business skills, etc.

*4 Customer satisfaction: Number of answers indicating “Satisfied” or “Almost satisfied” in the customer questionnaires

*5 Labor share in core business net profit before payment of personnel expenses: Personnel expenses divided by (core business net profit + personnel expenses)