



#### Corporate Principles

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**Remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services**

#### Corporate Vision

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**A bank that is “chosen” and “trusted” by regional customers**





THE CHUGOKU BANK, LTD.

## Chugin-no-kokoro (Philosophy of Chugoku Bank)

“Chugin-no-kokoro” was formulated as a guide and set of values that each individual in the Chugoku Bank Group should hold when engaging in self-motivated work.

### To Customers: We will aim for a Win-Win relationship with customers

[Added value] We will deliver satisfaction and emotion to our customers through “mindful service”

[Stance] We will work toward mutual growth with customers

### As Individuals: We will realize dreams through our work

[Growth] We will hold high motivation and challenge ourselves to grow

[Concentration of strength] We will recognize, respect, and cooperate with each other

### As a Company: We will provide motivating work and a place to grow

[Culture] The Chugoku Bank Group will provide a motivating workplace

[Organizational strength] The Chugoku Bank Group will collect diverse strengths to raise its organizational strength

## Contents

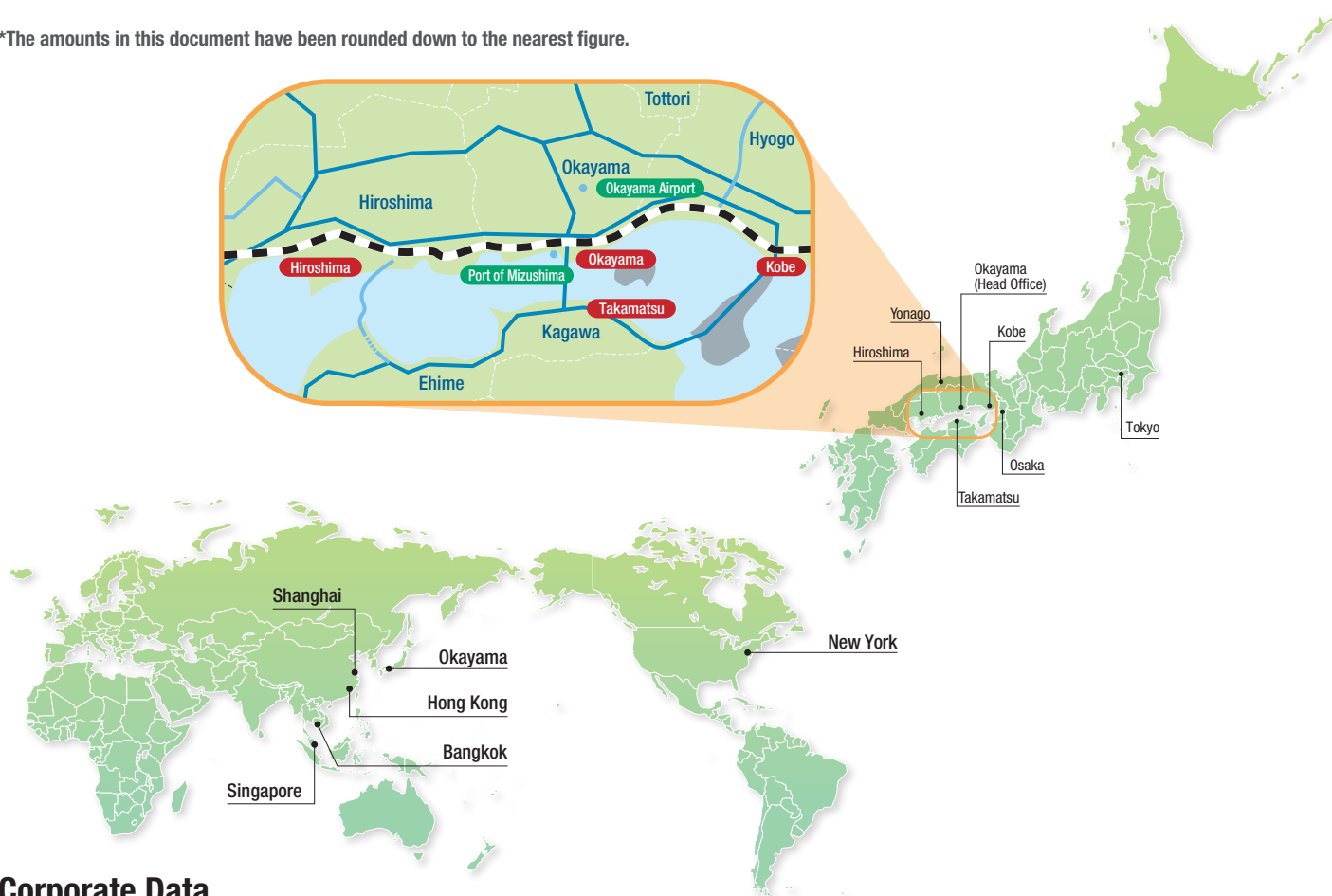
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## Profile

Okayama Prefecture, home to the head office of the Chugoku Bank, is situated approximately 700 kilometers west of Tokyo. Facing the Seto Inland Sea, the prefecture is known throughout Japan as “the sunny land” due to its mild climate and consistently nice weather.

With a population of 1.90 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,813 billion (U.S.\$70,572 million), or an impressive 1.39% of Japan’s GDP. Manufacturing is the core industry in Okayama, having evolved around the Mizushima Waterfront Industrial District—the world’s leading petrochemical complex—which was constructed in the 1960s. Given the prefecture’s ever-improving highways, airports, and harbors, there is further growth anticipated, with the area serving as an important economic and cultural center for the Eastern Setouchi region.

\*The amounts in this document have been rounded down to the nearest figure.



## Corporate Data

(As of March 31, 2021)

### Head Office

Address: 1-15-20, Marunouchi, Kita-ku,  
Okayama, Japan  
Telephone: (81) 86-223-3111  
SWIFT Code: CHGKJPJZ  
Website: <https://www.chugin.co.jp/>  
Date of Establishment: December 21, 1930

Stated Capital: 15,149 million yen  
Number of Authorized Shares: 391,000,000  
Number of Issued and Outstanding  
Shares of Common Stock: 195,272,106  
Number of Shareholders: 14,030  
Number of Employees: 2,792

### Number of Employees

As of March 31	Number of Employees		
	2021	2020	2019
Employees	2,792	2,831	2,884

Note: Number of employees does not include part-time and temporary staff or overseas local staff.

# Consolidated Financial Highlights

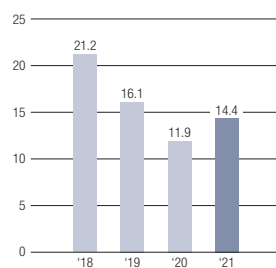
The Chugoku Bank, Limited and its Consolidated Subsidiaries  
Years ended March 31, 2021 and 2020

	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
For the year:			
Total income .....	¥ 116,979	¥ 127,320	\$ 1,056,625
Total expenses .....	96,069	110,495	867,753
Net income attributable to owners of parent .....	14,418	11,916	130,232
Per share of common stock (yen/U.S. dollars):			
Basic net income .....	¥ 76.66	¥ 63.35	\$ 0.692
Diluted net income .....	76.58	63.29	0.691
At year-end:			
Deposits .....	¥ 7,667,019	¥ 6,896,745	\$ 69,253,174
Loans and bills discounted .....	5,135,435	4,899,984	46,386,369
Securities .....	2,618,039	2,339,566	23,647,719
Total assets .....	9,153,162	8,147,386	82,676,921
Net assets .....	562,197	511,193	5,078,104
For the year:			
Cash flows used in operating activities .....	656,480	(169,359)	5,929,726
Cash flows used in (provided by) investing activities .....	(227,992)	(10,370)	(2,059,362)
Cash flows used in financing activities .....	5,642	(4,969)	50,961
Cash and cash equivalents at end of year .....	998,813	564,672	9,021,886

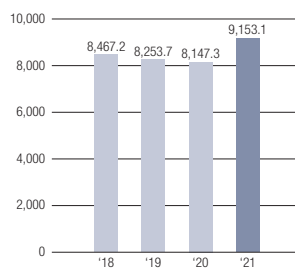
Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥110.71 = US\$1 in effect on March 31, 2021.

2. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).

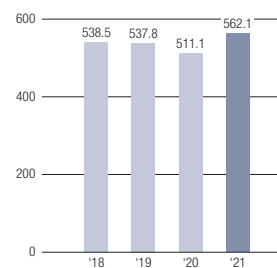
**Net Income attributable to owners of parent**  
Billions of Yen



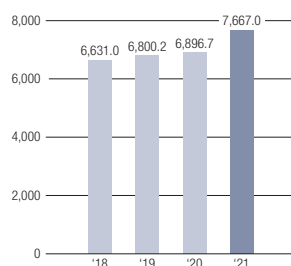
**Total Assets**  
Billions of Yen



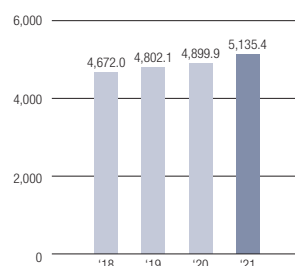
**Net Assets**  
Billions of Yen



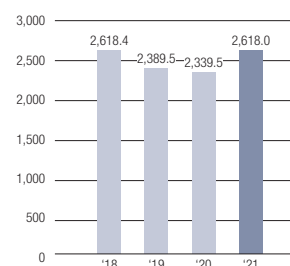
**Deposits**  
Billions of Yen



**Loans and Bills Discounted**  
Billions of Yen



**Securities**  
Billions of Yen





# We will anticipate changes by backcasting from what we want to become in the future and establish our original business model with SDGs built in

First, I would like to express my heartfelt sympathy to those affected by COVID-19. Further, I extend my deepest gratitude to the healthcare professionals and all others who are working to prevent the spread of the disease.

We are deeply grateful to all our stakeholders including the shareholders for their continued support. While the COVID-19 pandemic is having serious impacts on the local economy, we are exerting all possible efforts as an entire organization to advance structural reforms to respond to social changes and strengthening our contributions to the regional customers. Accordingly, I would like to explain our future growth strategies based on our medium-term management plan, “Plan for Creating the Future Together: Stage II.”

## Strengthening our efforts in revitalization of regional economies and for the SDGs amid the COVID-19 pandemic

In the fiscal year ended March 31, 2021, the COVID-19 pandemic made large impacts on the Eastern Setouchi region, the service area of the Chugoku Bank (hereinafter, the “Bank”). Due to measures to prevent the spread of the disease, various industries from restaurants and tourism to transportation have been immensely impacted. Under these circumstances, the Bank’s mission as a regional financial institution is called into question, and we strongly feel the importance of the role we must play for regional customers in balancing both social and economic value.

“Strengthening our efforts in revitalization of regional economies and SDGs” is the first of the 5 pillars of the medium-term management plan, “Plan for Creating the Future Together: Stage II” (hereinafter, “Stage II”) which we have been pursuing since April of last year. We believe that engaging deeply with the regional society on a medium- to long-term basis with focus on SDGs and resolving respective issues will enable us to provide social value, and at the same time, it will become a source from which the Bank can create new economic value.

During the previous fiscal year, we have focused our efforts as an entire organization to instill the perspectives of SDGs among the sales force. With a sudden increase in opportunities to listen to the challenges that regional customers are facing due to the COVID-19 pandemic, we are making significant progress in our initiatives toward building our own original business model under Stage II.

For example, the Bank has been handling SDGs private placement bonds since August 2019. These private placement bonds allow companies to contribute to the local community and organizations related to SDGs. During the previous fiscal year, a total of 97 bonds were issued. Also, in response to the spread of COVID-19, in October 2020, we were the first regional bank in Japan to issue “Corona Bonds,” social bonds aiming to fund the efforts of customers to maintain their employment and to be used for the stable recovery of the local economy. For these Corona Bonds, the Bank received the Regional Finance Award in the 6th (2020) Sustainable Finance Awards hosted by Research Institute for Environmental Finance.

Other initiatives include the launch of Chugin SDGs Support, a service to support customers’ efforts toward the SDGs, which is already being used by



Director and President  
**Sadanori Kato**

many customers. Through the use of this service, companies can not only enhance their corporate image, but also gain advantages such as greater opportunity to enter a new supply chain. By pursuing initiatives for SDGs within our service area, activities toward sustainable growth are increasing. Motivation within the Bank is rising as we develop this track record, and going forward, we plan to further enhance our initiatives for SDGs as we move toward the final fiscal year of Stage II.

## Streamlining and reforming our operations to increase profitability

Looking back at the initiative in the previous fiscal year, despite the various limitations on our operation due to the COVID-19 pandemic, we were strongly determined not to stop our services as a financial institution at any time. We carried out our BCP (Business Continuity Plan) based mainly on a split operation approach where we split the operations between two or more teams. In addition, we set up our sales force to operate remotely and responded flexibly to phone calls and email inquiries about financing needs from customers.

At the same time, we exerted our efforts as an entire organization to streamline our operations. In particular, aggressive reform of operations through BPR (Business Process Re-engineering) led to cost reductions, which was a contributing factor to the 20% increase in net income year on year. Streamlining of operations not only brought about financial results, but also led to reform in work style of employees. Specifically, in addition to reducing overtime duties, we achieved appropriate placement of personnel and labor-saving as a result. Moreover, as a result of reform in work style, the retention rate of younger employees has improved.

One of the reasons why the Bank was able to transit quickly to split operation amid the COVID-19 pandemic and to provide remote, non-contact financial services while streamlining its business operations through BPR was that it had been focusing on reforming its operational systems from an early stage. We take pride in our conventional approach of listening sincerely to the voices of each division and honing our systems to optimum shape. Such system reform has led us to pursue the reform of the actual operations, which merged with the streamlining initiatives over the past year.



Also, the TSUBASA Alliance, one of the broadest and largest collaborations among the top regional banks in Japan, which we have been actively engaged in since 2015, also contributes significantly to the streamlining and sophistication of our operations. In fact, when I was General Manager of Computer System Department, three banks including us, The Chiba Bank, Ltd., and The Daishi Bank, Ltd. (currently Daishi Hokuetsu Bank, Ltd.) started a joint system development project, which became the original form of the Alliance.

Last year, the member banks jointly funded and established TSUBASA Alliance Co., Ltd., which was followed by the opening of the AML (Anti-Money Laundering) Center in an aim to prevent money laundering and terrorism financing within the company.

Currently, TSUBASA Alliance has expanded to a scale of having ¥78 trillion in total assets and ¥150 billion in net income, growing into a financial network that covers the islands of Japan cross-sectionally and longitudinally, from Hokkaido to Okinawa, connecting the areas facing both the Sea of Japan and the Pacific. Going forward, the Alliance plans to collaborate in a wide range of areas such as FinTech, sharing of operation departments and systems, inheritance-related businesses, international businesses, and effective use of group companies. The Bank also has high expectations of it as a network that can bring about growth opportunities, as well as promote the streamlining of operations of the Bank.

## Rediscovering the importance of contributing to regional society

Amid the COVID-19 pandemic, it is needless to say we keep firmly in mind that our mission as a regional financial institution is to provide support to the people of our region. We reaffirm the importance of the value to society of branches operating in each region and strive to respond sincerely to each and every request and challenge, so that our customers also become aware of their value.

As a regional financial institution, the Bank's raison d'être is to grow and develop in step with regional society. To this end, we have always believed that we must adhere to our corporate principle of "self-driven sound management" and respond to the changing times with agility. Despite the various challenges we encountered later, such as the burst of the bubble economy and global financial crisis, we have, to date, maintained an unwavering management insusceptible to the ups and downs of the times based on the trust of many customers and sound capital. Building upon such business foundation, we will continue to provide new services that will support the growth of our customers' business, while steadily meeting the funding needs of the region.



Last year, the Bank celebrated its 90th anniversary and defined “strengthening our efforts in revitalization of regional economies and SDGs” as the first pillar of its medium-term management plan. Accordingly, from the perspective of contributing to the regional society, we held extensive discussions internally to determine what could be done amid this COVID-19 pandemic. And based on the strong belief that we mustn’t allow young people to give up their dreams while their social activities are greatly restricted by the pandemic, we were able to hold several events as our 90th anniversary projects with the cooperation of people in the region and with strict measures to prevent infections, including The Chugoku Bank Cup: Okayama Prefecture Baseball League Tournament for the 3<sup>rd</sup> year students of junior high school and Full Effort Brass Band Clubs Memorial Concert. We wish to continue delivering activities for the people of the region as part of our contribution to society.

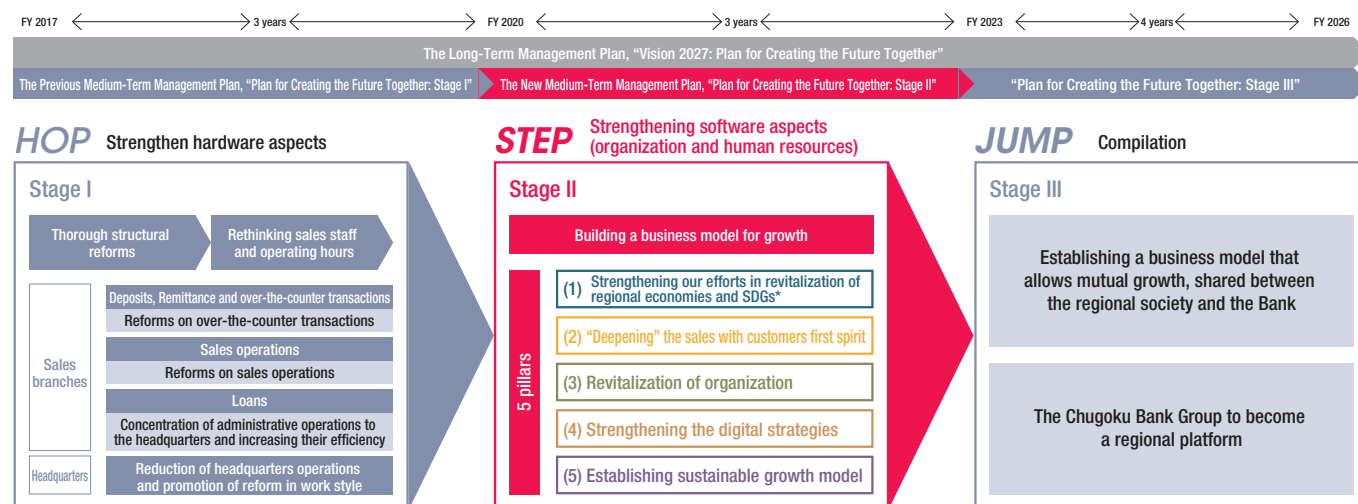
## Progress in providing highly specialized services through integrated sales activities

As changes in the times are accelerated in the age of the COVID-19 pandemic today, initiatives with an eye toward the future are becoming increasingly important, and the Bank will steadily execute its 5 pillars of Stage II. In particular, for the first pillar, “strengthening our efforts in revitalization of regional economies and SDGs” and the second pillar, “‘deepening’ the sales with customers first spirit,” we launched the Regional Revitalization & SDGs Project and the New Business Development Project at the headquarters last August and defined the objectives and established a cross-divisional framework at the same time. Also in June this year, in order to develop and enhance both projects and to accelerate the speed in which the measures are executed, we established the Regional Revitalization & SDGs Promotion Department and the New Business Development Center, respectively, and restructured our headquarters organization.

With respect to “‘deepening’ the sales with customers first spirit,” the Bank’s Solution Business, Credit Supervision, and International Departments, among others, are collaborating and working to provide highly specialized services for corporate customers through integrated sales activities. One of the achievements is that the number of contracts won increased by 50% year on year to 75, as we focused our efforts in providing support in business succession. Through such activities, we believe we can continue to protect the business of our customers and also contribute to upholding the regional economy.

Meanwhile, for individual customers, we began discussion in May this year on the establishment of a new joint venture to provide remote finance consulting service in collaboration with the member banks of the TSUBASA Alliance and Nomura Holdings, Inc. The service is a fee-based consultation service that features specialized consultation and advice provided remotely by neutral, dedicated advisors who are not affiliated with any particular financial institution. We will leverage the expertise of the banks and securities firm to assume the building and management of our customers’ assets from a long-term perspective and develop it as a new service.

## Positioning of “Plan for Creating the Future Together: Stage II”



\*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.



## Aiming to create new businesses outside the box of finance

In creating new businesses for the purpose of “‘deepening’ the sales with customers first spirit,” we launched the Chugin Open Lab in March this year. This is a program for employees to use part of their work hours to work on projects to resolve routine issues or realize new business ideas. We aim to call for initiatives from a broad perspective beyond financial businesses.

We have already received many ideas from within the Bank, and the bottom-up activities by each individual employee are in progress. As the financial industry will continue to see relaxation of regulations, we will create comprehensive services including non-financial services by encouraging the launch of new businesses from within the Bank to pave a growth path from Stage II to Stage III.

In addition, to create new businesses, starting from the fiscal year ended March 31, 2018, the Bank has been hosting the Okayama Innovation Project (OIP), a project to support startups and new business creation in the Okayama and Bingo regions. Furthermore, we have been hosting the Okayama Tech Planter in collaboration with a science and technology venture company since the fiscal year ended March 31, 2019, and also supporting the Kagawa Tech Planter since the fiscal year ended March 31, 2020. We aim to create new industries that utilize the science technologies and local resources of the regions to generate innovation. Through these initiatives, the Bank hopes to serve as a bridge between entrepreneurs and investors as well as support the development of innovative technologies and manufacturing within its service area.

Meanwhile, for our fourth pillar, “strengthening the digital strategies,” we are also accelerating our efforts in an aim to “pursue comprehensive services business to serve every aspect of customers’ lives and businesses.” In February this year, we signed an “agreement on future co-creation toward regional revitalization and the achievement of the SDGs (Okayama Future Co-creation Alliance)” with Okayama University. Through this industry-academia partnership, we will match up customer needs with the technological seeds that are held by the University’s Engineering Department. We will serve as the hub of the wheels and create new services through matching in various areas.

## Achieving steady growth in core business and also in fee income areas

As for the quantitative targets in Stage II, we will continue to secure net interest income through our core businesses as a mainstay of revenue. In addition, in establishing a new business model as our growth strategy, we are seeing steady growth in income from the area of consulting, such as through the provision of advice on business succession and asset management, and anticipate further growth through the various initiatives described above.

As for business risks, the Bank conducts comprehensive monitoring and information sharing in ordinary times and also maintains a system to respond accurately to sudden fluctuations in the market that are to be expected. As one of the challenges of the Bank is that the loan-to-deposit ratio is not high enough and is susceptible to the influence of the market, we have been striving to further strengthen our risk management. Also, amid the ongoing COVID-19 pandemic, some customers are at risk of facing funding difficulties. We will provide greater support through our consulting services and business succession assistance.

## Accelerating the Stage II initiatives through revitalization of organization

In Stage II for the fiscal year ending March 31, 2024, we consider the third pillar, “revitalization of organization” to be critical in ensuring that each measure is executed soundly. We have been working to this end, but from the perspective of establishing our own original business model, we will be designing a new model, not by considering the revitalization of organization as a mere extension of the past, but by backcasting from what kind of organization we ought to be in the future as well as drastically re-examining the organization from a future-oriented standpoint. The results of “revitalization of organization” cannot be achieved simply in a short period of time. We will take on the challenges of trial and error and begin establishing a new foundation of human resources.

In formulating a new personnel system, we have conducted advance internal research using a questionnaire to identify the awareness of issues among employees, and in April this year, implemented a fully revised personnel system for the first time in approximately 17 years. We are still in the process of reforming our organization. Also, we have transitioned to a new Regional Headquarter System starting in June, which will be a major challenge for us. This system delegates certain authorities with respect to targets, assessments, and personnel to General Managers of each Regional Headquarters, thereby enabling more agile responses that meet the local situation. We will face each individual issue of our local customers with greater sincerity than ever before, and as an entire organization, give power to the regional society battered by the pandemic and strive to revitalize the local communities. Moreover, I also believe that by realizing that they are offering valuable service to customers, each of our employees in the field will find greater satisfaction in their work and become the source of building a stronger organization.



“Human resource system reform” was one of the agendas that I was determined to achieve when I assumed presidency in 2019. I am pleased to take up this project with the cooperation of the entire organization. Although the ratio of female platform officers continues to increase each year, the Bank has only one female director and there is still more room for the Bank to improve its diversity. We will continue to restructure the organization including the promotion of female employees as well as aim to instill the new human resource system. This will become a major driving force for the revitalization of regional societies and creation of new businesses, and the key to bring Stage II to success.

We also recognize that strengthening of human resources and enhancement of corporate governance are important issues that need to be addressed on an ongoing basis. The ratio of outside directors already exceeds the standards defined in the Corporate Governance Code, and the effectiveness of our compliance system has further improved since the establishment of the Nominating and Compensation Committee. Also, with respect to the revitalization of the Board of Directors which has been the focus of investors, the Directors and Audit and Supervisory Committee Members are engaging in active discussion on each agenda item including risk-related matters. Of course, we shall not be content with the current status, and will strive to improve corporate value by continuing to enhance our corporate governance.

When we think of the financial industry five years or ten years from now, there is no doubt that services and businesses will be very different from what they are today. We imagine that our services will be much more focused on consulting business in a broad sense, including consulting for customers, business matching and investment banking, and provision of business expertise to other banks and companies.

In Stage II, we will adapt to these changes and work toward the new growth stage through forward-thinking initiatives. The Bank is working steadily on building its own original business model using the pillars of “strengthening our efforts in revitalization of regional economies and SDGs” and “‘deepening’ the sales with customers first spirit” to tackle the aging society, shrinking population, and various other changes in the external environment and issues of the regional society. We will expedite these initiatives and focus our efforts in leading the Bank toward the goal of Stage II in the fiscal year ending March 31, 2024 in order to meet the expectations of our shareholders and investors. In closing, I would sincerely ask you all for your continued support.

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

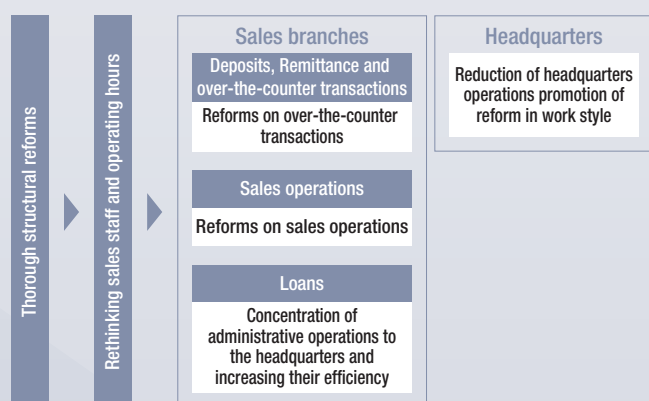
### Through our 5 pillars of activities, we will create new value by addressing

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

Under our 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.

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

#### **HOP** Strengthening hardware aspects



stage I / FY2017

#### **STEP** Strengthening software aspects (organization and human resources)

##### Building a business model for growth

- ▶ Based on the results of the structural reforms carried out during the preceding medium-term management plan, we will respond quickly to changes in the external environment and build a “business model unique to the Bank” that allows mutual growth, shared between the regional society and the Bank.
- ▶ The Chugoku Bank Group considers “revitalization of regional economies and SDGs” to be a top priority, and will provide more “human resources,” “information,” “funds,” and “know-how” than ever before, while aiming to build a “platform for co-creation” by playing a key role in cooperation with the regional society. We will accelerate the resolution of regional issues and link the growth of the regional society to the growth of the Chugoku Bank Group.
- ▶ To achieve this goal, we will strengthen our organizational capabilities and human resource development.

stage II / FY2020

#### 5 pillars

1

- We will face up to various issues surrounding local communities, and aim to solve issues, create new businesses, and put the SDGs into practice.
- We are committed to solving social and environmental issues by offering customers our know-how, collaborating with various organizations, and conducting businesses practicing the SDGs.

2

- The Chugoku Bank Group is committed to providing new value to customers and solving their various issues.
- We will push ahead with strengthening the integrated sales activities of our sales branches and headquarters, expanding our services including non-financial services, participating in new business domains such as recruitment agency, regional trading company and business consulting services, and enhancing our group synergy.

3

- We will recognize our employees as one of the most important stakeholders of the Group, increase their job satisfaction, and help realize their self-fulfillment and growth.
- We will build an organizational structure that enables our employees to work with greater satisfaction than ever before, by reforming our human resource system, reviewing the performance award system, and transferring more authority to the Block and sales branches.

4

- We consider the rapid development of digitalization of financial services to be a major business opportunity for the Group.
- 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 further improve the efficiency of banking operations through digitalization.

5

- In order to cope with the challenging market environment, such as the prolonged negative interest rates, we will aim to achieve sustainable profit growth by stabilizing profit levels in our core businesses including the new business domains and fundamentally reviewing our cost structure.



# various challenges of customers from the regional community



Advance to a comprehensive service bank centering on financing

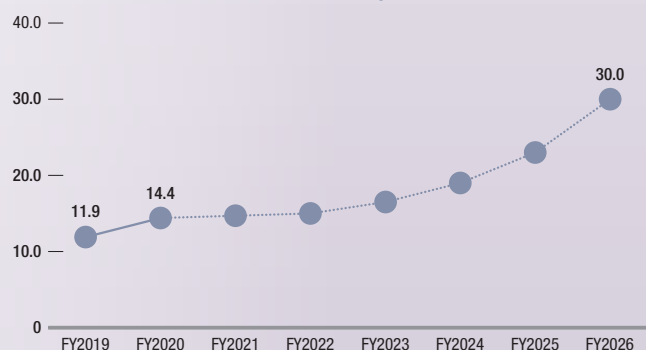
## JUMP Compilation

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



### Net income attributable to owners of parent (Billions of Yen)



stage III / FY2023

FY2026

## KPI

Stakeholders	KPI	Results in FY 2020	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	Continuous improvement
	(1) Total of the number of start-ups for which we provided support <sup>*1</sup> and the number of companies for which we provided support in business succession <sup>*2</sup>	65 customers	Total of 3 years: 200 customers
	(2) Activities contributing to the improvement of financial literacy, etc. <sup>*3</sup>	195 events (over 3,000 attendees)	Continuous improvement
Customers	Customer satisfaction <sup>*4</sup> (individuals and corporate)	Corporate Survey FY2020 Customer satisfaction: 74% (previously, 70% in FY2018)	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel expenses <sup>*5</sup>	54.03%	54% or more
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	¥14.4 billion	¥15.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.44%	Maintained stably at 12%
	Consolidated ROE	2.68%	—

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

<sup>\*2</sup> Number of companies for which we provided support in business succession: Number of entrusted contracts for business succession consulting services

<sup>\*3</sup> 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.

<sup>\*4</sup> Customer satisfaction: Number of answers indicating "Satisfied" or "Almost satisfied" in the customer questionnaires

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

## Topics

### Message from an Outside Director

I will fulfill my duties as Outside Director and hope to assist in the development of the regional society and sustainable growth of the Chugoku Bank Group

Outside Director Yoshio Sato



### Position of the Chugoku Bank in the regional community

The Chugoku Bank is a leading regional bank with outstanding credence and the number one share in the region. I learned that the Bank was established as a result of sequential mergers of many regional banks, each having possessed solid business foundations throughout Okayama Prefecture, the eastern regions of Hiroshima Prefecture, western regions of Hyogo Prefecture, and Kagawa Prefecture during the Taisho and early Showa eras. Adding to the history and incomparable name recognition in the region, the Bank is also known for its longstanding, solid management policies, which is the reason many regional companies select us as the sole or main bank for their business accounts. Also, as a regional financial institution near by, the Bank is the main business partner to many individual customers and is highly relied upon. The Chugoku Bank is built upon the trust of such local people and, keeping with its fundamental policy to stand beside regional industries, operates with an aim to resolve various corporate management issues for current and future customers. For individual customers, we strive to provide detailed advice and proposals on the supply and management of capital that will be needed at various stages in life. And to increase our presence as an essential partner in the region, we will continue to exert our efforts positively and proactively.

### Demonstration of career and expertise as Director of the Chugoku Bank

I have a total of nearly fifty years' experience as a certified public accountant as member of audit firms in the United States and Japan, having been engaged in accounting audits of large-scale corporations, and management advisory services providing consultation on multi-faceted inquiries that come directly from management of medium-size companies. Therefore, I have extensive experience not only in issues from a financial perspective, but also in various managerial issues, business succession, and inheritance-related matters. Based on this expertise, I am able, not only to focus on short-term results, but to raise issues and provide advice on medium- and long-term management issues and management strategy formulation from a comprehensive perspective.

### Duties as Director

I attend the meetings of the Board of Directors and pay particular attention to expressing my opinions from an objective and medium- to

long-term standpoint as an outside third party in addition to my views as Director. To do so, it is important to be briefed in advance of the agendas from the departments in charge and for complicated matters, hold thorough prior discussions and gain insight on the subject. I also make sure to receive regular lectures on the key operations of the Bank to understand the overall business of the Bank. In addition, I chair the voluntary Nominating and Compensation Committee consisting of three independent Outside Directors and two Representative Directors, so I express my opinions and deliberate from an outside, independent position on matters such as the election of Directors, policy on nurturing successors, as well as on the officer compensation system and payment policy, and so on.

### Evaluation of the corporate governance of the Chugoku Bank

As an Outside Director, I focus on stating my theory without reserve on matters that I think go against common sense of the general public or feel uncomfortable with, even if they are considered normal within the Bank. Fortunately, the Board of Directors of the Chugoku Bank offers an atmosphere that allows Outside Directors to speak out freely, and also a blessed environment in which the members respond seriously to our opinions. Also, we have regular opportunities for Outside Directors and Representative Directors to exchange opinions, which I think is quite effective in providing frank opinions.

### Future prospect of the Chugoku Bank and the path toward achieving it

The Chugoku Bank considers it a mission to support the local economy as the leading bank of the region. As such, the Bank will continue to contribute to the further development of the economy of the region through such services as providing local companies with adequate funds to expand their businesses and proactive consulting to resolve fundamental management issues, and for individual customers, assistance in designing life plans in different stages of life. And to achieve mutual development with the regional society, we post pillars under the medium-term management plan, namely (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, and (5) establishing sustainable growth model. We declare that we will endeavor to develop the regional community and achieve a sustainable society by combining the Chugoku Bank Group's strengths, and I will fulfill my duties as Outside Director toward the realization of those challenges.

## Message from the Officer in Charge of the Personnel Department

We believe that “revitalization of organization” is most critical in order for the Bank to build a sustainable organization amid the rapidly changing business environment surrounding regional banks, while keeping in view such initiatives as “achievement of SDGs” and “further promotion of diversity & inclusion.” Thus, the Bank is focusing its effort on human resource system reforms as a priority action under the medium-term management plan, “Plan for Creating the Future Together: Stage II.”

We are now in a time of transition when things are changing dramatically. In other words, a paradigm shift is occurring, and we are in an emergency situation. It could mean trouble if we fall behind, but it could also mean opportunity if we move ahead.

To this end, under the human resource system reforms, a major overhaul for the first time in approximately 17 years, we are not only revising the system itself, but also pursuing integrated restructuring including the “reestablishment of personnel development programs,” “radical changes to over-the-counter operations,” and “reform in work style.”

Through these initiatives, we are encouraging each and every employee to change their behavior in terms of both tangible and intangible aspects, and driving our medium-term management plan, “Plan for Creating the Future Together: Stage II,” which is the second stage of our long-term management plan, “Vision 2027: Plan for Creating the Future Together” in which we are advocating “future thinking (backcasting).”

In particular, in strengthening our personnel development, we made it a basic policy to “foster earnestly,” “foster as a joint effort,” and

“provide growth opportunities” to maximize the capacity of employees.

Also, we will undertake various human resource initiatives with an aim to “increase work fields” and “foster a culture of autonomy and challenge,” and conduct various assessments in order to create a system in which employees, who work ambitiously in realizing the “market-in\*” and nurturing human resources, are acknowledged and promoted, thereby improving the engagement of employees.

We will refer to our Bank’s philosophy, “Chugin-no-kokoro” to produce many “personnel who can think and act autonomously” or “human resources required in and outside the Bank,” and stand close to the community and customers to offer high-quality services.

**\*Market-in:** An approach that focuses on the feedback and views of customers and provides what customers want

Through the nurturing and building of “a human resources group required in and outside the Bank,” we will provide high value-added comprehensive financial services that are positioned close by and contribute to the community and customers

Senior Managing Director Koji Terasaka

