

Chugin Group Philosophy



Group's Corporate Principles

Create with Our Community, Customers and Employees a Rich Future that We Can All Share

The Chugoku Bank Group aims to transition into a corporate group that creates services based on the needs of its customers and that finds resolutions to issues faced by these customers as we look to build a sustainable business model that will develop together with regional societies and customers alike.

To that end, due to the importance of raising awareness of the Group's corporate management activities, including making maximum use of the Group's management resources, as well as the importance of ensuring this thinking is fully internalized by each officer and employee of the Group, in April 2022, we established the "Group's Corporate Principles" as a set of management principles common throughout the Group.

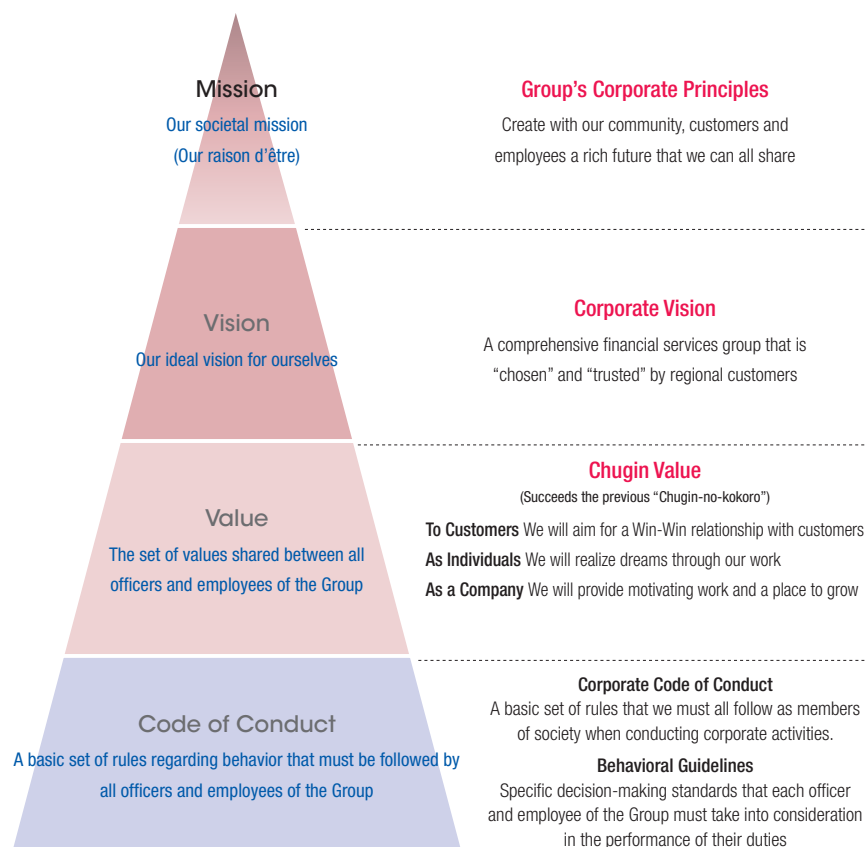
The details of the "Group's Corporate Principles" were established in the long-term management plan that began in 2017, with the details positioned in the long-term vision set out in that management plan. However, in consideration of the transition to a holding company structure, we have decided to position them in the "Group's Corporate Principles" as a mission for the Group to permanently adhere to and in order to communicate the Group's raison d'être.

Corporate Vision

A comprehensive financial services group that is "chosen" and "trusted" by regional customers

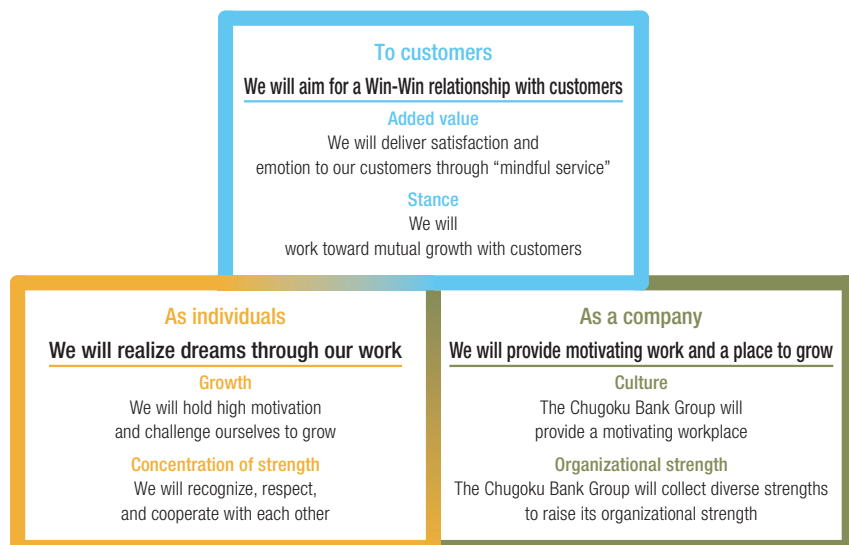
System of Principles

The Chugin Group's System of Principles is comprised of the Group's Corporate Principles in which the Group's stated mission is set out, the Corporate Vision which is the ideal state the Group sees for itself, and the Chugin Value which are the set of values shared between all officers and employees of the Group.



Chugin Value

The sharing of these behavior and decision-making standards and values displayed by all employees of the Chugin Group allows us to better align our vectors, improve the strengths of our organization and ensure greater satisfaction and impressions from our customers.



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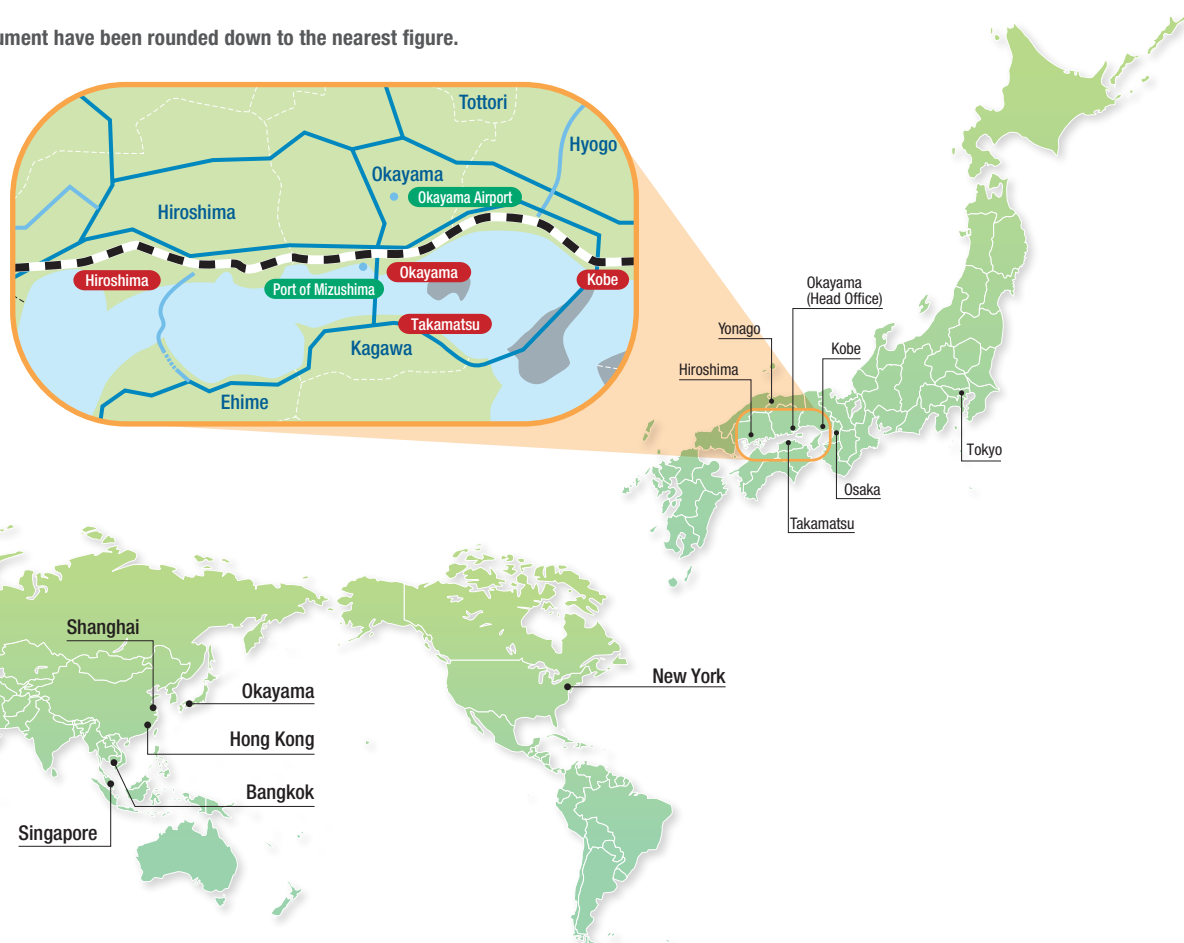
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Profile

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 1.89 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,805 billion (U.S.\$63,777 million), or an impressive 1.38% 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, 2022)

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: 14,989
 Number of Employees: 2,725

Number of Employees

As of March 31	Number of Employees		
	2022	2021	2020
Employees	2,725	2,792	2,831

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

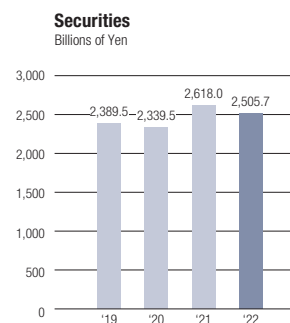
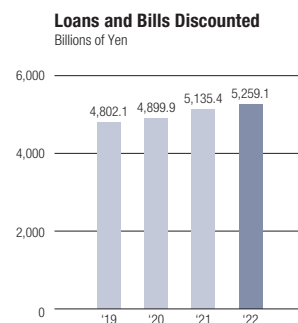
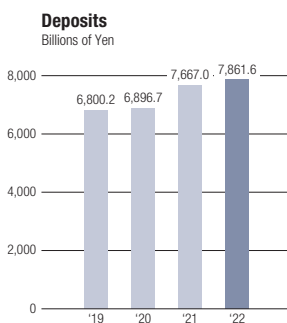
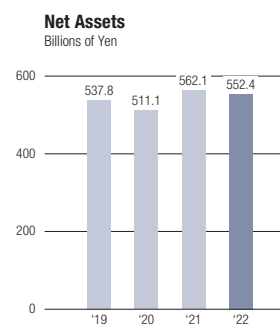
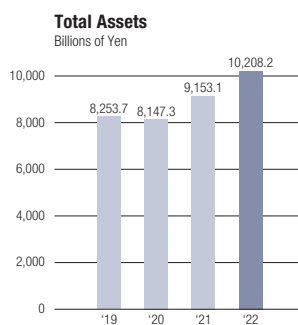
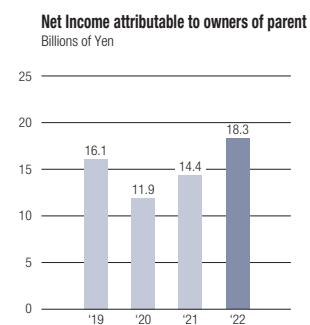
Consolidated Financial Highlights

The Chugoku Bank, Limited and its Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of Yen (except per share amounts)		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
For the year:			
Total income	¥ 128,880	¥ 116,303	\$ 1,053,027
Total expenses	103,470	95,393	845,412
Net income attributable to owners of parent	18,374	14,418	150,126
Per share of common stock (yen/U.S. dollars):			
Basic net income	¥ 98.43	¥ 76.66	\$ 0.804
Diluted net income	98.30	76.58	0.803
At year-end:			
Deposits	¥ 7,861,674	¥ 7,667,019	\$ 64,234,610
Loans and bills discounted	5,259,190	5,135,435	42,970,749
Securities	2,505,722	2,618,039	20,473,257
Total assets	10,208,209	9,153,162	83,407,214
Net assets	552,414	562,197	4,513,555
For the year:			
Cash flows from operating activities	649,889	656,480	5,309,984
Cash flows from investing activities	111,333	(227,992)	909,657
Cash flows from financing activities	(6,659)	5,642	(54,408)
Cash and cash equivalents at end of year	1,753,389	998,813	14,326,243

Notes: 1. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥122.39 = US\$1 in effect on March 31, 2022.

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





We will reassess the value long-term perspective as that will help us achieve

We are deeply grateful to all our stakeholders including the investors and shareholders for their continued support. Voices calling for efforts to tackle the revitalization of regional economies and for the promotion of SDGs continue to grow on the back of the COVID-19 pandemic. The Chugoku Bank Group is making concerted efforts toward the formation of a business model geared toward new forms of growth. It will do this by engaging in initiatives designed around finding medium to long-term solutions to societal issues based on its long-term management plan and medium-term management plan. I would therefore like to take this opportunity to talk in more detail about our plans for future initiatives based on our business results for the previous fiscal year.

Director and President
Sadanori Kato

of the Chugoku Bank Group provides from a medium to we move to accelerate the formation of a business model sustainability

Using our response to the newly emerging issues faced by our customers during the COVID-19 pandemic as an opportunity for new forms of business

Let us first address the current business environment. The COVID-19 pandemic has been with us now for roughly two years, and against this backdrop, we have seen the business environment faced by our customers evolve at a rapid pace and its demands become ever more diverse in the process. It is therefore our belief that, as a regional bank, it is more necessary than ever that we build a business model that allows us to function beyond the standard framework of a financial intermediary, and therefore enable us to better address the specific issues faced by our customers. The environment surrounding regional banks is becoming increasingly severe owing to the effects of negative interest rates and other such factors, and yet, by building services that are able to respond to the diversifying issues faced by our corporate and individual customers, we remain firmly committed to pushing for further growth of our business as we enter this new era.

If we look at our corporate customers in particular, we can see that it is management issues that present the most obvious area of concern, with COVID-19 having quite an impact on management structures. We believe it is essential that more businesses and regional governments urgently respond to the challenges of decarbonization and digital transformation (DX)*. The roles that society expects banks to play are changing, with it now expected that banks not just fund projects designed at resolving these issues, but that they also propose highly specialized solutions and other such responses. With this, new opportunities for business formation are presenting themselves.

In order that we may take advantage of these new business trends, we are increasing the scope of our service menu through an expansion of our business axis and an improvement in our corporate value. We are working together with our customers through the making of proposals of comprehensive solutions based on business evaluations to tackle the diverse and complex issues facing their management systems, thereby helping in the push to revitalize regional economies.

*DX: The use of digital technologies to bring about transformative changes to businesses.

A holding company is scheduled to be established in October so that we may respond to the varied issues faced by our customers

In order that we may respond with speed and accuracy to these rapidly changing times, the Bank plans to establish a holding company called “Chugin Financial Group” in October of this year. The establishment of this holding company will maximize group synergy by strengthening integrated Group management based on the growth drivers of “business axis expansion,” “efficient allocation of management resources,” and “advancement of Group governance.” Through this, we hope to respond to the diverse challenges faced by our customers. Ahead of the establishment of the holding company, in April of this year, the Group established “Chugin Capital Partners, Limited” as a 100% wholly owned subsidiary specializing in investment activities. Through this subsidiary, we hope to contribute to the revitalization of regional economies through the proactive support and nurturing of business succession type companies, start-ups, and regional revitalization companies. For example, in the future, we plan to establish a “Hands-on Support Type Business Succession Fund” as part of efforts to provide more involved management support to customers facing management issues. In addition, we plan to proactively offer funding-type support for regional revitalization companies, including support for urban renaissance initiatives that contribute to regional revitalization and renewable energy businesses; a vital area of business in the push toward decarbonization.

Furthermore, in addition to responding to customer demands for funding through the provision of loans and investments, the Bank also established “Chugin Human Innovations Co., Ltd.,” a wholly owned subsidiary, in May of this year with the intention of focusing efforts toward the provision of solutions to human-resource related issues, something we are seeing high demand for from our customers who see it as an important management issue.

In doing this, we hope to offer specialized support in helping resolve customer management issues and in responding to the needs for specialized human resources, something essential for finding solutions to issues, and also to create and grow initiatives aimed at guiding and supporting regional businesses as part of a new profitable business venture for the Bank.

Interview with the Management



In April of this year, we also resolved to establish a wholly owned subsidiary of the Bank that will operate a consulting business. The subsidiary will be a specialized company that will proactively provide consulting services for issues around digital transformation (DX) and sustainability transformation (SX)*, for which there is increasing demand. We plan to staff the company with external consultancy specialists through which the company will provide advanced consultancy services. In addition to this, we will also form a business model that will enable us to provide one-stop solutions, covering everything from support for human resource nurturing, loans, leasing, and equity. This business is scheduled to begin operations in September and will be part of efforts to help find solutions to customer management issues and proactively support their main businesses.

*SX: The pursuit of sustainable management through the seeking of a balance between economic value and ESG (environment, social, corporate governance) matters.

Have customers trust in the earnest ambitions of the Chugoku Bank Group, and expand the range of solutions we offer

The year 2022 serves as the halfway point of our company's ten-year long-term management plan "Vision 2027," which commenced in 2017, and is also the final year of our medium-term management plan "Plan for Creating the Future Together: Stage II." After implementing the thorough structural reforms that comprised Stage I of the medium-term management plan, we moved on to the new challenge of establishing a holding company based on the outcome of our efforts to strengthen our organization and human resources as set forth in Stage II. We are steadily moving forward with the goals set out in the initial plan, but are also committed to finding new initiatives based on our firm resolve to constantly evolve and keep up with the ever-changing circumstances presented by this new era.

Of course, there are some areas among these that we, as a bank, do not have extensive experience in, and therefore we cannot expect that things will always be completely plain sailing from the get-go. However, by taking on new challenges free from the fear of failure, and by steadily building up results through these endeavors, we believe it should be possible to expand the range of solutions we can offer our customers. If we look at support for business succession, for example, the number of consultations proffered for the fiscal year ended March 31, 2022 had broken 1,000 relatives to a figure of 680 consultations for the previous year.

In Stage II of the medium-term management plan, we established 5 pillars around which our main growth strategy will revolve. The first of these pillars is "strengthening our efforts in revitalization of regional economies and SDGs." The second is "'deepening' the sales with customers first spirit." It is our belief that by actually backing up these initiatives with action rather than just words, more and more customers will come to see that Chugoku Bank is serious about achieving its goals.

For example, as part of our efforts toward the revitalization of regional economies, this year we once again offered our support to the 6th OKAYAMA INNOVATION SCHOOL with the aim of supporting the creation of new businesses. In fact, we are already seeing these efforts pay off, with some of the attending students actually going on to create or develop their own new businesses.

We have also launched another new initiative in the form of a course targeted at junior and senior high school students, and in terms of the long view, we are hoping to accelerate our support for entrepreneurs; something seen as indispensable for the revitalization of regional economies.

The Chugoku Bank Group is also developing an in-house venture system called “Chugin Open Lab” aimed at creating new business and finding resolutions to regional issues. This is a program for employees to use part of their work hours to work on projects to resolve issues they come across in their daily lives or realize new business ideas. We host a regular results briefing as part of this program, at which a range of interesting ideas is often put forward. Our policy is to promote those initiatives geared toward full-scale commercialization of plans that are particularly innovative or those with the potential for development.

The Open Lab initiative is also becoming increasingly more prominent among Chugoku Bank Group companies. We believe that such challenges within the Group are indispensable for achieving the revitalization of regional economies.

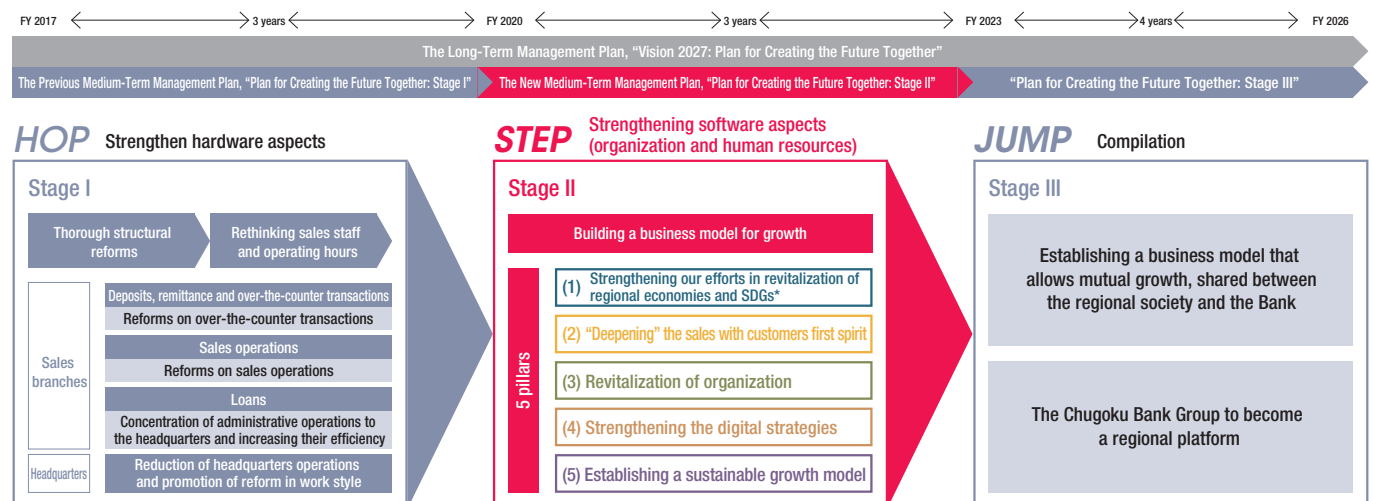
Leading the way in the fight against climate change presents a major business opportunity for our company

In terms of regional banks, it seems like the focus is almost entirely on the increasing uncertainty in the business environment as regional economies continue to suffer. However, it is for this very reason that I believe it is our mission as a regional bank to raise up the fortunes of regional economies. When our bank was established just over 90 years ago, the management team was deeply passionate about using the bank to help support the creation of new industries and to revitalize regional economies. To this day, we still find great satisfaction in tackling the issues facing local regions as part of efforts to help revitalize their economies. We feel that devoting ourselves to such regional revitalization efforts will also contribute to the Chugoku Bank Group’s sustainable growth.

Okayama Prefecture has one of the highest proportions of manufacturing industries in all of Japan, including being home to the Mizushima Industrial Complex. For this reason alone, the region can be said to be facing some serious challenges when it comes to the move toward decarbonization and carbon neutrality. The region must work as a whole, including in the financing of industry-government-academia led projects, if it is to find solutions to these challenges. We believe that finding a way to allow Okayama Prefecture to succeed in meeting these difficult challenges will help us build a future business model geared toward the realization of carbon neutrality, and thereby help us achieve sustainability. Our aim in tackling these issues is to look at them from a medium to long-term perspective, and we will do this through the implementation of our medium-term and long-term management plans.

In May of last year, the Bank announced its support for the Task Force on Climate-related Financial Disclosures (TCFD). As well as supporting our region and customers in their move toward decarbonization, we also see our responsibility as a regional bank to be proactively involved in tackling climate change as both an important part of the Chugoku Bank Group’s future growth strategy and a major business opportunity.

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.

Interview with the Management

The Bank has also set itself an investment and loan target of roughly ¥1.5 trillion to be achieved by 2030 as part of the “Sustainable Finance” program targeted at customers working toward various SDGs. In the future, it is expected that an increase in financial support will be accompanied by an increase in demand.

Introduction of a Regional Headquarter System as a means toward “deepening” sales with a customer first spirit

The third of the 5 pillars of Stage II is “revitalization of organization.” By introducing the new Regional Headquarter System and delegating certain authorities to these new regional headquarters, we have been successful in reforming our systems in such a way that enables sales operations to be developed according to the characteristics of the respective regions. In the past, the Bank would centrally decide upon measures at the Bank’s headquarters and then assign sales targets to each branch. However, this system has since undergone significant reform, with regional headquarters now able to set their own sales targets and decide upon which issues they would like to tackle.

There is a view that, in the short term, the results may not be so immediately apparent in terms of business performance when compared to having measures or uniform targets issued directly from headquarters; however, we believe that, over the medium to long term, by ensuring sales operations are focused around responding to regional and customer issues, it should be possible for us to make sales proposals centered around the customer first spirit, and thereby allow us to build an original business model that will grow and develop alongside these same regional societies.

During the transitional period while we reform our sales operations system, we will provide each region with a basic sales model that will help ensure the regional offices do not become lost with all the changes being made. We will then focus our efforts on building a business model aligned with the circumstances and characteristics of the respective regions. We are also aiming to hold monthly regional headquarter meetings where management teams and the heads of the various regional headquarters can come together and share their thoughts on the future direction of the Bank. In doing this, we hope to achieve a situation whereby the Bank can develop and grow together with these various regional societies while also delivering profitable results.

Back when I used to work in a sales branch, I sometimes had to really struggle to meet the targets issued by the Bank headquarters. On those occasions when I was struggling to meet these targets, I sometimes felt like I had no choice but to ask some of our more familiar customers for help. And, the thing that kept going through my mind in doing so was, “This is not something that a financial professional does.”

As we move forward into this new era, it is vital that we not only continue to develop products, services, and solutions that tackle the issues being faced by our customers, but also that we form greater connections between ourselves and the customers who actually are facing those very issues.

If we are to connect with these customers, we believe that it is essential that we reform our old legwork-heavy ways of doing things and start better utilizing IT technology.

In order for the Regional Headquarter System to take root and for us to switch to a new model for growth, it is vital that we also reform the mindset of our sales branches. To that end, directors visit each of the sales branches in turn whereby they will carefully convey the current thinking of the headquarters regarding new measures to be taken. Through this, we are working to improve engagement by encouraging honest exchanges of opinions with the staff working at these sales branches. We are currently in the process of expanding this initiative to other Group companies, where our focus is on sharing with these companies our values on the importance of sales from the perspective of the revitalization of regional economies and SDGs and of “deepening” sales with a customer first spirit.

With regard to the revitalization of our organization, our reforms are not limited solely to Chugoku Bank, but also are being aimed at the leading human resources in our Group companies. In the past, the usual plan of action was to employ experienced bank directors; however, we have since undergone a radical transformation in our thinking on this matter, and, since last year, have decided to appoint current executive officers of the Bank as presidents of our securities and leasing businesses. We also hope that the transferring of employees between the Bank and its Group companies will result in a greater penetration of our medium-term management plan and sales strategies, which should then help bring about a revitalization of our organization and subsequently lead to a further improvement in the Chugoku Bank Group’s business performance. In fact, the so-called bank-securities cooperation between banks and securities firms is expected to not only create synergy between the two entities, but also, as part of the shift away from savings to investments, resulting in an evolution of performance aligned with demands from regional customers for asset formation.

Accelerating the formation of a business model focused on sustainability

As a regional bank whose mission is to focus on regional sustainability, we believe that it is going to become increasingly important in this coming era that we form strong links with regional societies. As part of these more frank exchanges of opinion with our sales branches, we are seeing increased discussion over social issues such as what we can do for regional shopping districts and schools. We really feel that, by becoming more proactively involved in areas that are not directly connected to our primary business, we are seeing all of our employees act in a way that is conscious of how the Bank can contribute to the resolution of social issues. Recently, after a number of brass band clubs from high schools in Okayama prefecture had lost venues to perform during COVID-19, we worked in collaboration with local parties from the



prefecture to hold a concert where these bands could perform. Such initiatives as these do not directly contribute to the Bank's income. However, we feel that our sincere efforts to help regional societies will encourage a range of people to look more proactively to tackle the issues facing their local area. On the business side of things, as the interest of our customers in SDGs increases, so too does customer interest in the handling of "SDGs private placement bonds" and "Chugin SDGs Support." We believe that engaging in actions such as those mentioned here will lead to a revitalization of the entire region, including of our Bank.

Our aim is to be a trusted financial group that functions as a regional platform

And, thanks to these actions, we are seeing positive performance in terms of business results, with increases in income and profit for the fiscal year ended March 31, 2022. However, there is still work to be done when it comes to resolving the issues directly faced by the Bank, including those related to the 5 pillars of the medium-term management plan. Through our efforts and initiatives thus far, while we have seen steady results in terms of making reductions to expenses and improving productivity, there is no denying that income is, on occasion, subject to external environmental factors. The Bank's ability to secure proceeds from fee income and consulting is dependent on the types of challenges that lie ahead. Also, although net interest income has not decreased, this has been propped up by external factors such as trends in overseas interest rates. The increase in housing loans too has been impacted by external factors such as favorable winds from low interest rates and government subsidies. Going forward, we will continue to implement the main growth strategies listed in Stage II of our medium-term management plan toward the production of results that will lead to Stage III, Compilation. And there will be no change regarding the continued importance of financial intermediation as the Bank's primary mission. However, for us, financial support through loans is not the end of the road. We believe that, from the perspective of the revitalization of regional economies, it is vital that our sales operations be cognizant of providing the necessary management resources to our customers in such a way that they can grow sustainably. The issues that may need addressing in terms of sales operations tend to differ by region. For example, the customer may be slow to decarbonize their business, or perhaps they are looking for human resources to enable a business succession. Therefore, sales with a customer first spirit are more important than ever. We must develop a unique business model that grows together with regional societies by helping customers resolve their issues, whether that customer is a corporate entity or an individual.

From here on out, the entire Group will focus on the building of a business model geared toward new growth. Our aim with such efforts is to become a trusted financial group that functions as a regional platform. We humbly ask for the continued support of all our stakeholders, including all investors and shareholders. Thank you very much.

We implement financial management based on soundness, profitability, and shareholder returns as part of efforts to enable regional development and improve corporate value.

Senior Managing Director, **Ikuhide Harada**



1 Performance

Fiscal Year 2021

The current medium-term management plan, which began in April 2020, has had to contend with the difficulties presented by the spread of COVID-19. However, if we look at the Bank's performance in FY 2021, which was very much impacted by such environmental factors, consolidated ordinary profit increased by ¥4.6 billion year on year to ¥25.8 billion, while net income attributable to owners of parent increased by ¥3.9 billion year on year to ¥18.3 billion. In both cases, we were able to deliver a significant increase year on year that greatly exceeded the publicly announced figures. The fact that we were able to achieve two consecutive periods of growth is a major achievement in my opinion.

The penetration of consulting sales has meant that there has been a steady increase in items such as investment banking and income from assets under custody, exceeding the levels seen prior to the COVID-19 pandemic.

In the investment banking business, we are seeing steady increases in M&A, consulting services, and business matching.

For income from assets under custody, in addition to growth in investment trusts and financial products intermediary services driven by improved collaboration between the various banking, securities, and asset management Group companies, inheritance-related businesses, an area which we have been focusing on for a while now, has also seen increases in terms of the number of consultations and income, and is an area we hope to see more form in future.

However, the rate of growth from interest on loans, the Chugoku Bank Group's most important pillar when it comes to income, is slowing down primarily down to a halting of COVID-19 related financial support. We recognize that this is a major issue for the Group.

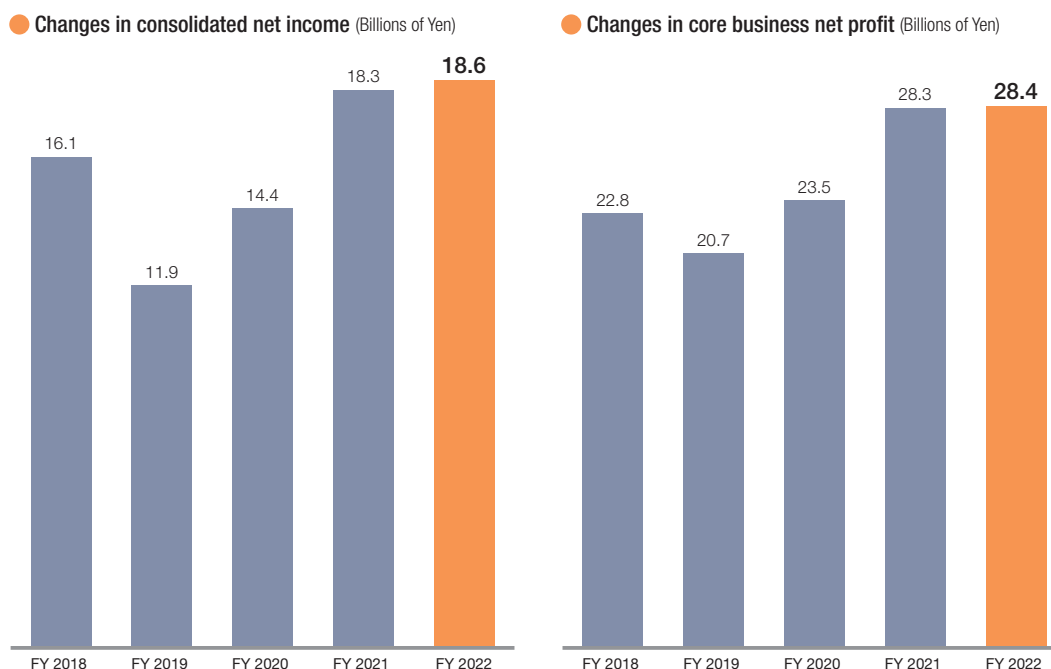
(Unit: Billions of Yen)

		Results in FY 2021	FY 2022	
			Forecast	Increase (Decrease)
Consolidated	Consolidated ordinary profit	25.8	27.1	1.3
	Consolidated net income	18.3	18.6	0.3
	Core business gross profit	80.2	79.5	(0.7)
	Net interest income	61.6	61.8	0.2
	Net fee income	17.1	16.7	(0.4)
	Net other operating profits	1.5	0.9	(0.6)
	Expenses (decrease)	51.9	51.1	(0.8)
	Core business net profit	28.3	28.4	0.1
Non-consolidated	Credit costs (decrease)	7.6	6.7	(0.9)
	of which, general loans	5.0	2.3	(2.7)
	of which, individual loans	2.3	4.4	2.1
	Losses (gains) on sales of securities	3.0	3.0	0
	Other	(0.2)	0.2	0.4
	Ordinary profit	23.4	24.9	1.5
	Net income	16.9	17.3	0.4

Forecasts for FY 2022

As for financial performance forecasts for FY 2022, we are expecting consolidated ordinary profit to increase by ¥1.3 billion year on year to ¥27.1 billion and net income attributable to owners of parent to increase by ¥0.3 billion year on year to ¥18.6 billion.

In addition to still being in the process of recovering from the COVID-19 pandemic, there are now new concerns stemming from other external factors including the heightened geopolitical risk triggered by the situation in Ukraine, fluctuations in financial markets, and soaring prices in raw materials and resources. However, with this year being the final year of our medium-term management plan, we are keen to generate financial results that clearly demonstrate the effects of our various efforts and initiatives thus far, and are thus aiming for a third consecutive period of growth.



2 Progress of management plan

In FY 2017, the Chugoku Bank Group launched its 10-year long-term management plan, "Vision 2027: Plan for Creating the Future Together." As part of this long-term management plan, we have set out the following as KPIs for the final year of the plan (FY 2026): Net income attributable to owners of parent of ¥30.0 billion; Consolidated capital adequacy ratio to remain stable at 12%; Consolidated ROE of 5%. The current medium-term management plan is positioned as "Plan for Creating the Future Together: Stage II (FY 2020 to FY 2022)."

Under the current medium-term management plan, we have seen an increase in net interest income and net fee income in spite of the prolonged low interest environment, with the reasons for this being the effects of the BPR pushed in the previous medium-term management plan and an improvement in consulting sales operations. Further, we have also seen a steady improvement in our income levels due to reductions in expenses brought about by cost management practices and other factors.

The Chugoku Bank Group intends to transition to a holding company structure in October of this year. What this means is that we will be more active than ever before in tackling the increasingly complex and diverse sets of issues facing regions. Our approach is to not just proactively provide funds to tackle these regional issues, but to also aim to realize the KPIs set out in our long-term management plan by contributing to the development of regional economies through a strengthening of new businesses and by growing income in line with this regional development.

Stakeholders	KPIs	Results in FY 2021	Final year of medium-term management plan (FY 2022)	Final year of long-term management plan (FY 2026)
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	Level exceeding the final year of medium-term management plan ¥18.3 billion	¥15.0 billion	¥30.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.83%	Remain stable at 12%	Remain stable at 12%
	Consolidated ROE	3.29%	—	(Single year) 5% or higher

3 Capital policy / Shareholder returns

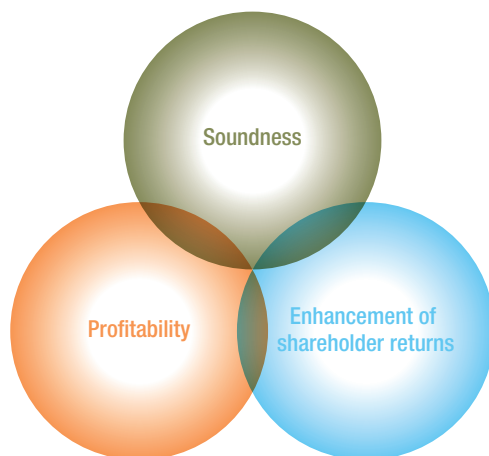
With regard to its capital policy, the Bank's approach is to find the correct balance between achieving "soundness," "profitability," and "enhancement of shareholder returns." Our aim is to deliver improvements in profitability and an increase in shareholder returns while also maintaining soundness as a regional bank that is responsible for regional financing.

We have set a KPI for soundness in our medium-term management plan of maintaining a stable consolidated capital adequacy ratio of 12%. This figure is the 10.5% limit for distribution of profit (minimum required level + regulatory capital buffer) plus an additional buffer in assumption of a certain level of stress. As we operate under such an uncertain environment, the members of the Chugoku Bank Group's Board of Directors are in constant discussion regarding the Bank's intended direction in terms of its business model and regarding the level of capital required to achieve that.

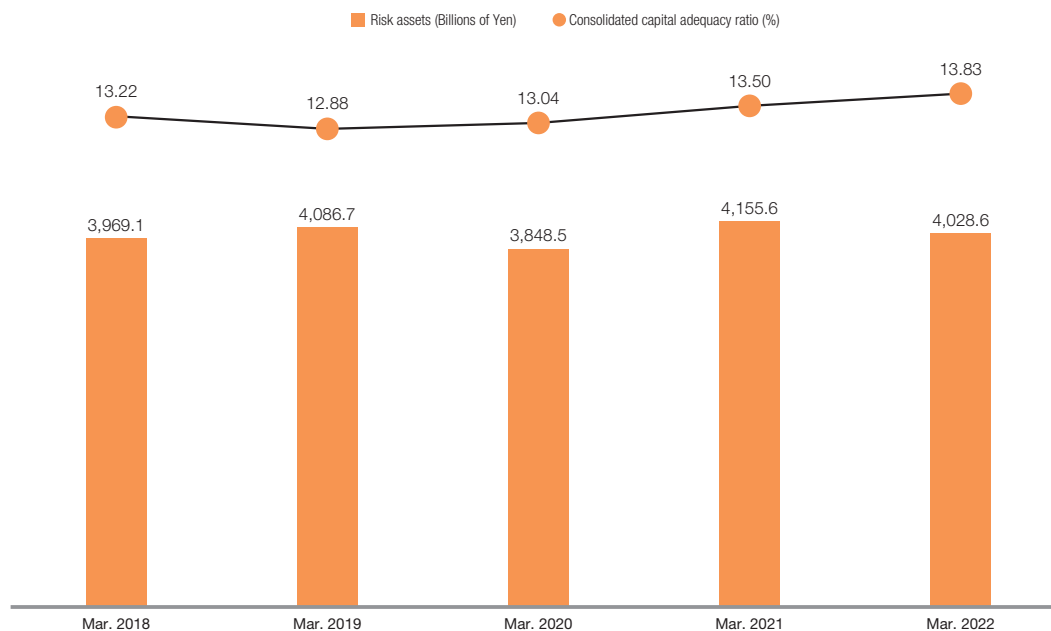
In terms of profitability, we will continue to assume risk, primarily in the form of regional business loans, but we are also aiming to make improvements by accelerating proactive growth investments in fields such as sustainability finance, new businesses, and digital sectors. Through this, we aim to achieve the KPIs set out in our long-term management plan. We are also aiming to improve capital efficiency by increasing the RORA (Return on Risk-Weighted Assets) level and by procuring low-cost regulatory capital through the issuing of subordinated bonds.

With regard to the enhancement of shareholder returns, our aim is to implement stable and continuous increases in dividends through improvements to our earning capacity and to implement flexible share buybacks, thereby achieving a figure of 35% or more for the total payout ratio. Based on this aim, we increased the dividend per share for FY 2021 by ¥5 to ¥28.

We will continue to enhance shareholder returns by making improvements to capital efficiency and increasing profitability based on the required capital level.

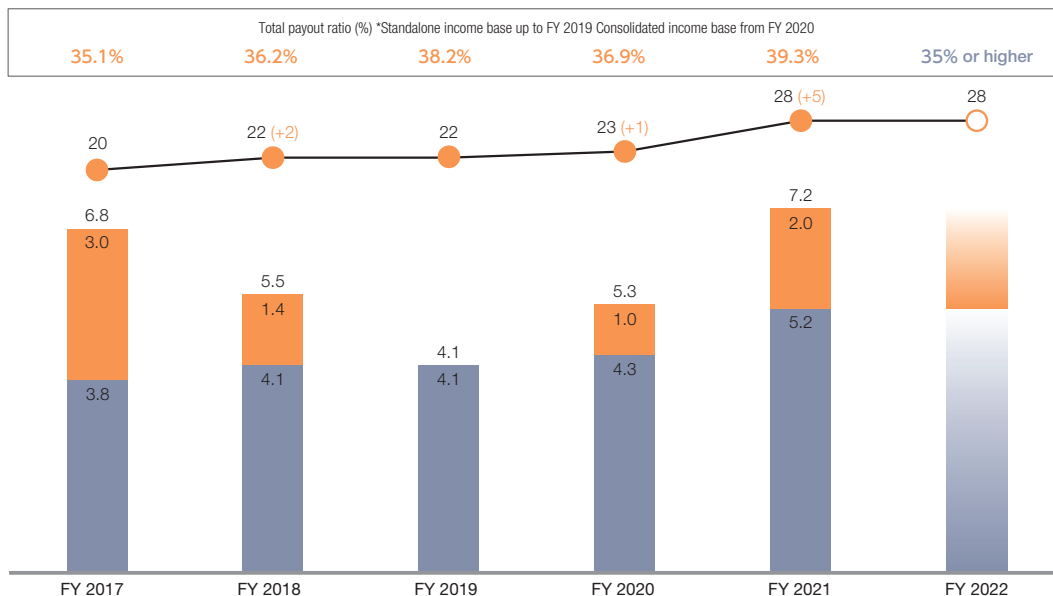


Consolidated capital adequacy status



● Total payout amount

■ Share buyback amount (Billions of Yen) *Carried out for one-year, starting from the general meeting of shareholders ■ Total dividend amount (Billions of Yen) ● Dividend amount per share (Yen)

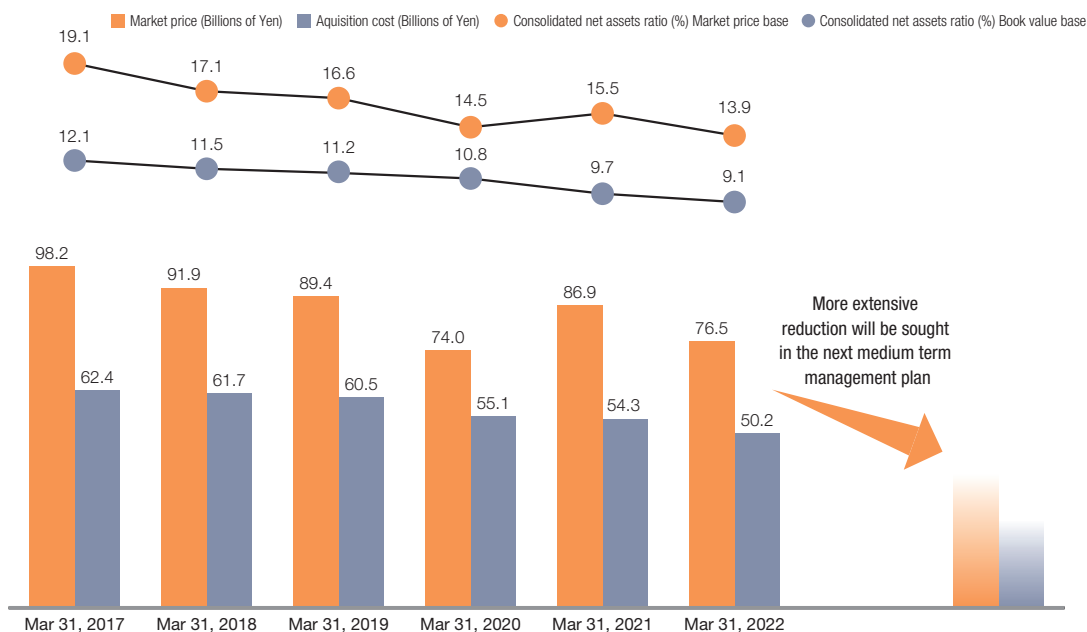


4 Cross shareholdings

Our basic approach is for cross shareholdings to be held only when deemed necessary for achieving sustainable growth of the holding party and the Chugoku Bank Group or for increasing corporate value. Looking at it from the perspective of capital efficiency and managing shareholding risk, we intend to promote a reduction of cross shareholdings upon dialogue with the holding parties.

In the event of cross shareholdings, we will perform regular and stringent evaluations of all stocks from the perspective of “profitability in light of capital costs,” “relationship with the regional economy,” and “management strategy viewpoints.” During the course of the current medium-term management plan (March 31, 2020 to March 31, 2022), we have reduced the book value base by approximately ¥4.9 billion. Moving forward, we believe that even more extensive reductions are required, and will thusly continue evaluations of our targets for the medium to long term.

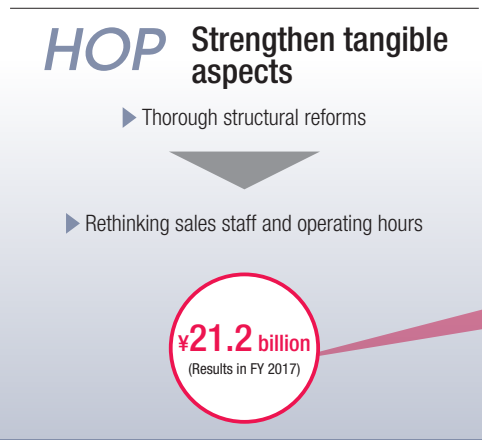
● Changes in balance of cross shareholdings over time



Create with Our Community, Customers and Employees a Rich

In March 2017, we established our 10-year long-term management plan, “Vision 2027: Plan for Creating the Future Together.” Our aim with this plan is to build a sustainable business model that can rise to meet the challenges presented by a shrinking population and other societal changes, and one that will enable everyone, not just the Chugoku Bank Group, but also the entire region, our customers, and employees to share in a prosperous future.

The current three-year medium-term management plan is Stage II of this long-term management plan.



STEP Strengthening intangible aspects (organization and human resources)

- ▶ Based on the results of the structural reforms carried out during the previous medium-term management plan (strategic investment, BPR), 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.
- ▶ We will strengthen intangible aspects (organization and human resources) by conducting a review of the “human resource system, internal training system, and performance award system, etc.”



FY 2017 to FY 2019 Stage I

FY 2020 to FY 2022 Stage II

The Long-Term Management Plan, “Vision 2027: Plan for Creating the Future Together”

Progress and results of 5 pillars (summary)

	Initiatives thus far	Results from FY 2021	
1	Strengthening our efforts in revitalization of regional economies and SDGs <ul style="list-style-type: none"> ● Establishing a dedicated department and sustainability committee ● Promoting revitalization of regional economies together with regions and customers 	Total of the number of start-ups for which we provided support 8 customers (Compared to FY 2019: +5 customers)	Supporting efforts of local authorities Decarbonization leading areas (Nishiawakura Village) Digital Rural Health Special Zone (Kibichuo Town)
2	“Deepening” the sales with customers first spirit <ul style="list-style-type: none"> ● Introducing Regional Headquarter System and self-imposed targets ● Deepening consulting sales business and acceleration of new businesses 	Corporate related income ¥11.9 billion (Compared to FY 2019: +¥2.9 billion)	Individual related income ¥7.3 billion (Compared to FY 2019: +¥0.8 billion) New businesses Newly established companies: 3 companies (Consulting, recruitment, investments)
3	Revitalization of organization <ul style="list-style-type: none"> ● “Major overhaul” to human resource system for the first time in 17-years ● Promoting diversity 	New personnel system Increasing work fields / Fostering a culture of autonomy and challenge (Intrapreneurship, establishment of new dedicated positions, lowering barriers on career paths, etc.)	
4	Strengthening the digital strategies <ul style="list-style-type: none"> ● Accelerating digitalization of sales, administrative, and headquarters operations ● Releasing “Chugin App” 	Chugin App 70,000 users (Total over nine months)	
5	Establishing a sustainable growth model <ul style="list-style-type: none"> ● Controlling expenses, reorganizing branches, reallocating staff, etc. 	OHR 64.7% (Compared to FY 2019 (7.5pt))	

Future that We Can All Share

KPIs

Stakeholders	KPIs	Results in FY 2021	Final year of medium-term management plan (FY 2022)
Regional societies	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*1 and the number of companies for which we provided support in business succession*2	133 customers (Total of two years)	Total of three years 200 customers
	② Activities contributing to the improvement of financial literacy, etc.*3	397 events (Total of two years) over 7,000 attendees	Continuous improvement
Customers	Customer satisfaction**4 (Individuals and corporate)	Corporate Survey FY2020 Customer satisfaction: 74% Individual Survey FY2021 Customer satisfaction: 65%	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel expenses*5	49.75%	54% or higher
Shareholders, etc. (all stakeholders)	Net income attributable to owners of parent	¥18.3 billion	¥15.0 billion
	Consolidated capital adequacy ratio (Basel III)	13.83%	Remain stable at 12%
	Consolidated ROE	3.29%	—

*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)

JUMP Compilation



Chugin Financial Group, Inc.

Consolidated net income:
¥30 billion
(Target for FY 2026)

- ▶ Business axis expansion
- ▶ Efficient allocation of management resources
- ▶ Advancement of Group governance

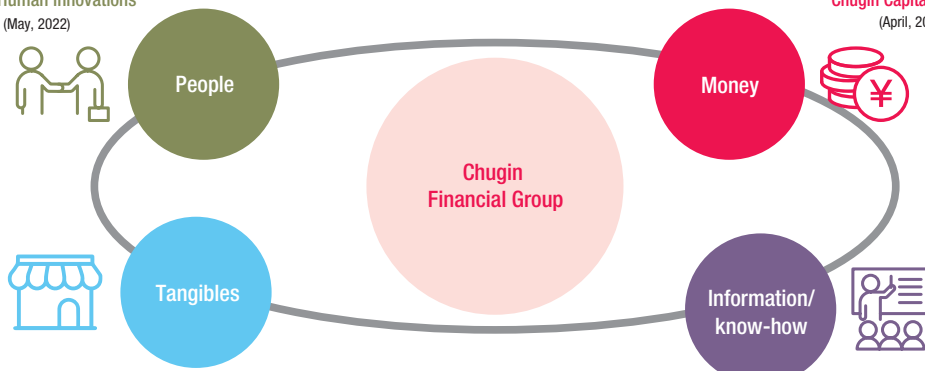
Advance to a comprehensive service bank centering on financing

FY 2023 to FY 2026 Stage III

Initiatives for regional platformers

Chugoku Bank aims, under its key "5 pillars" policy, to build a "platform for co-creation" by playing a key role in cooperation with the regional society.

Chugin Human innovations
(May, 2022)



SETONOWA (regional trading company)
(November, 2020)

Establishment of new Group company

Realizing the provision of a broad solutions menu for "people," "tangibles," "money," and "information and know-how."

C Cube Consulting
(September, 2022)

Further accelerate efforts for move toward next medium-term management plan

Become an organization that can continuously create new value to the region

Message from an Outside Director

The awareness of each employee and their ability to communicate plays a huge role in the realization of “good management”

Outside Director **Akira Koder**



Here we asked Outside Director Akira Koder, who has been observing the Chugoku Bank Group since the formulation of the medium-term management plan “Vision 2027” what his views are on the Group as we enter this new phase and about its governance.

What is the general sentiment at present of the Chugoku Bank Group’s Board of Directors?

I have spent close to 50 years working at a trading company that is vertically segmented by product area. And throughout those 50 years, I have never lost sight of the mantra “All for one and one for all.” If we put that saying in the context of a company, it would be a situation where the company looks out for the wellbeing of each of its employees while simultaneously promoting growth by giving those employees the opportunity to upskill through study. As well as being able to fulfill their work responsibilities, those employees will then also be able to give their opinions and make proposals based on what they think is important for the development of the company. In such a way, I believe that any obstacle can be overcome if the company and its employees work together toward the same goal.

Although the environment surrounding our regional societies and regional banks remains tough, I always try to keep these words at the forefront of my mind when interacting with Group officers and employees, and also when taking part in Board of Directors meetings.

How do you view the progress and changes made to the management structure of the Chugoku Bank Group?

When I was appointed in 2016, the Group was right in the middle of formulating “Vision 2027: Plan for Creating the Future Together.” I feel like I have a personal attachment to this plan as I was given the opportunity to participate in discussions around its formulation and to give my opinions on it.

We have obviously been keeping an eye on its progress since its formulation, and in its first three years, starting in FY 2017, we were steadfastly focused on building a management foundation through the ongoing and steady implementation of the measures set out in the medium-term management plan. In the subsequent three years, from FY 2020 to FY 2022, we made concrete our vision through the formulation of the “5 pillars.” In preparation for the period covering FY 2023 to FY 2026, the final year of the plan, we are currently in the process of refining our ideas for new plans of attack. What I have observed thus far is that the Chugoku Bank Group is making good progress toward its aims.

In terms of income, we have seen an ongoing year-on-year fall once again, and we would like to humbly apologize to all our shareholders for any concern caused by this. However, we are relieved to see that there was an increase in profit in the fiscal year ended March 31, 2021, and that there was an increase in income and profit in the fiscal year ended March 31, 2022.

The primary responsibility of an outside director is to “oversee management”; however, above all, I try to observe matters from the perspective of individual shareholders and corporate shareholders who also happen to be customers of the Bank. And when I do this, I use this 10-year management plan strategy as a compass and as the starting point for all matters.

The key to the Group's growth is to take the concept of "all for one and one for all" beyond the long-term management plan

What are your thoughts on the Chugoku Bank Group's governance and the issues facing the Group?

Governance is a mechanism to enable management to carry out "good management" practices. In my opinion, "good management" means the type of management that recognizes and overcomes risk, rather than the type of management that avoids risk altogether. Furthermore, as financial products often encompass a number of complex risks, I believe it is important that, as a regional bank, we create mechanisms to protect our customers. At the same time, I expect that the awareness of each employee, and their ability to communicate and make proposals will play a huge role in Group's ability to realize "good management."

In 2019, we ran an open-theme in-house essay competition for our employees, and we received over 60 submissions in response. As one of the judges, I read through all of the submissions and found all of them to be passionate and powerful pieces. I was particularly moved by the insightful proposals from those staff who worked directly with, and had an intimate knowledge of, our customers from their time working on the front line of our sales branches.

Some of the proposals have actually been put into practice by the Bank, and are a good example of how a one for all approach can lead to "good management."

One for all thinking in this way is vital in the sense of ensuring revitalization of our organization and for curbing any scandals or violations of the law within the Bank. The Board of Directors regularly receives reports on, and discusses the current state of, affairs regarding customer complaints.

At last year's Board of Directors meeting, we heard opinions such as, seeing as how structured bonds carry with them complex risks and are not easy to comprehend, any sales of such should only be executed in accordance with the customer's level of understanding. Or, whether regional bank credit costs should be used for local customers.

These opinions were put forward by internal directors, and are, I believe, a result of the implementation of "good management."

What are your thoughts on the Chugoku Bank Group becoming a holding company?

When formulating "Vision 2027," the possibility of becoming a holding company was discussed and closely examined. And so, as the transition to a holding company does not go against the overall trajectory of our 10-year strategy toward 2027, it was approved unanimously.

Net income for the fiscal year ended March 31, 2022 was ¥16.9 billion on a non-consolidated basis, and ¥18.3 billion on a consolidated basis. This ratio of non-consolidated to consolidated of 1.08x is too low when compared to other industries. We expect that the transition into a holding company will create synergy between our subsidiary companies and that "good management" will increase overall income. We have also established a recruitment company and a company specializing in investments as a new business axis for the Group, with plans also to establish a consulting company in the future. This really gives me a strong sense of a new dynamism to the overall Group.

What do you believe is the key to the Chugoku Bank Group achieving sustainable growth?

A basic policy for sustainability was resolved at a Board of Directors meeting in April of this year. Although the plan is to use initiatives geared toward the revitalization of regional economies, ESG, SDGs, climate change, and decarbonization as growth drivers toward increasing corporate value, there are some employees who feel there is some disconnect between linking "environmental, social, and regional development" with "improvement in corporate value" and they are pushing back slightly in response. And, it is precisely because employees with such a viewpoint exist that "good management" is necessary.

In June 2021, we established the Regional Headquarter System.

However, the key to fostering a sense of unity in and between these headquarters is to ensure that the heads of these regional headquarters, branch managers, and other senior staff display a sense of "all for one," and that the non-senior employees act in accordance with the spirit of "one for all." In particular, we believe it is important that female employees play an active role based on forming strong relationships with the region and customers. It is our hope that the heads of the various regional headquarters will be able to gain a firm understanding of the characteristics of their particular region and come up with unique ideas based on that, while also working closely together with the heads of other regional headquarters to ensure the implementation of "good management."

What shape do you believe the future of the Chugoku Bank group takes?

After a lost couple of decades, Japanese corporate management has now shifted to one based on the concept of "good management." The Chugoku Bank Group is also undergoing a similarly sometimes painful transition through its 10-year strategy. In and around 2027, when this 10-year strategy comes to an end, we expect to see a Group that has absolutely prioritized the building of relationships with the region and its customers and that has fully embraced the concept of "good management."