

1H FY2019 Earnings Results Briefing

December 2, 2019



Summary of 1H FY2019 Earnings Results

Summary	4
Change in Net Interest Income	5
Major Accounts (1) Deposits & Assets in Custody	6
Major Accounts (2) Loans	7
Major Accounts (3) Securities	8
Change in Fees and Commissions	9
Change in Assets in Custody	10
Change in Expenses	11
Credit Cost Trends/Non-performing Loans	12
Capital Adequacy Ratio	13

FY2019 Forecasts and Major Initiatives

Earnings Forecasts	15
Progress of the Medium-Term Management Plan	16
Advance Local Promotion Activities	17
Initiatives in Open Innovation	18
Enhancing Corporate Solution-related Earnings	19
Strengthening Sales Activities Based on Life Planning	20
Store/Channel Strategy	21
FinTech	22
BPR	23
Alliance Partnership Strategy	24
SDGs / ESG	25
Towards the Next Medium-Term Management Plan	27
Shareholder Returns	28

For inquiries regarding this document, please contact:

Management Planning Department, The Chugoku Bank, Ltd.

Mr. Hisaki / Mr. Shimizu

TEL: +81-86-234-6519; FAX: +81-86-234-6582 Email: souki01@chugin.jp

Section I

Summary of 1H FY2019 Earnings Results

1H FY2019 Earnings Results –Summary–

[Non-consolidated] (100 million yen)	1H FY2016	1H FY2017	1H FY2018	1H FY2019		
					YoY	vs. Published*
Core business gross profit	409	401	396	377	-19	1
Interest income	334	338	329	300	-29	2
Fees and commissions	76	71	75	75	-0	-3
Other operating income	-1	-7	-8	1	9	2
Expenses	281	287	272	273	1	-8
Core business net profit	127	114	124	103	-21	9
Excluding profit/loss on cancellation of investment trusts	126	107	120	102	-18	14
OHR (%)	68.8	71.4	68.6	72.6	4.0	-2.2
Credit expense (- is reversal (profit))	-27	-26	2	10	8	-2
Bond sales gains/redemption	7	-3	-3	10	13	8
Equity sales gains/redemption	9	4	3	4	1	-10
Other	2	-2	9	13	4	10
Recurring profit	173	140	132	122	-10	20
Extraordinary gain/loss	-1	-1	-1	-2	-1	0
Net income	121	98	94	84	-10	13
[Consolidated]						
Consolidated recurring profit	184	153	140	129	-11	20
Net income attributable to owners of parent	125	105	97	86	-11	12

* Forecast published on May 14, 2019

- Core business net profit decreased by 2.1 billion yen year on year due to a decline in interest income which is mostly attributable to the decrease in yen-based securities interest.
- Recurring profit decreased by 1.0 billion yen year on year reflecting the increase in credit expenses despite securities-related gains that offset them partially.

1H FY2019 Earnings Results –Change in Interest Income–

[Factors behind changes in interest income]

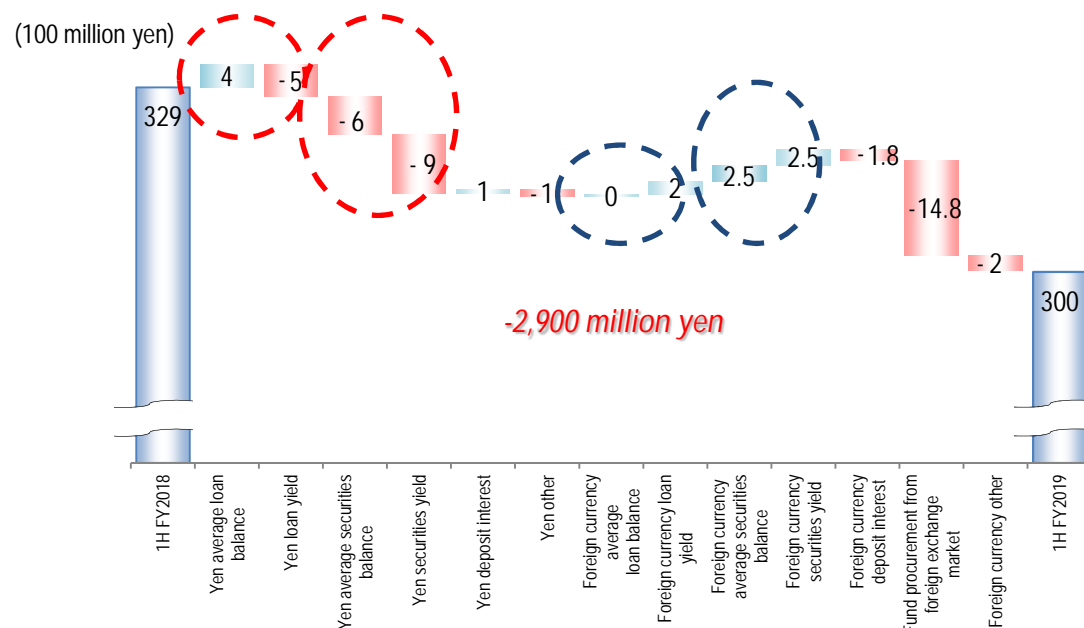
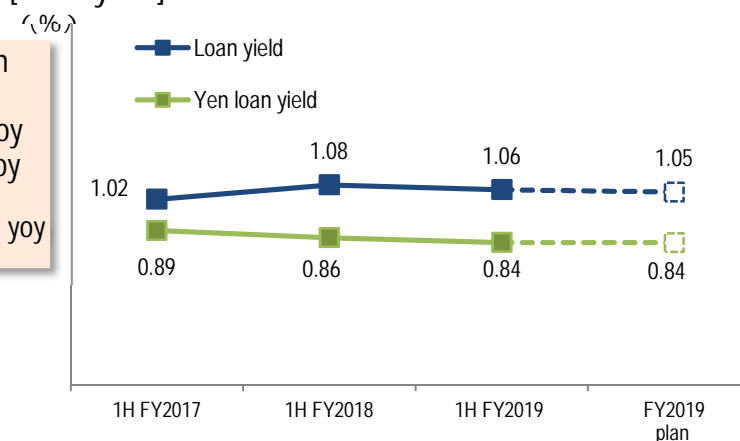
■ Yen-based (-1,700 million yen year on year)

- Loan interest: -100 million yen yoy
- Securities interest: -1,500 million yen yoy
- Decrease in deposit interest: +60 million yen yoy

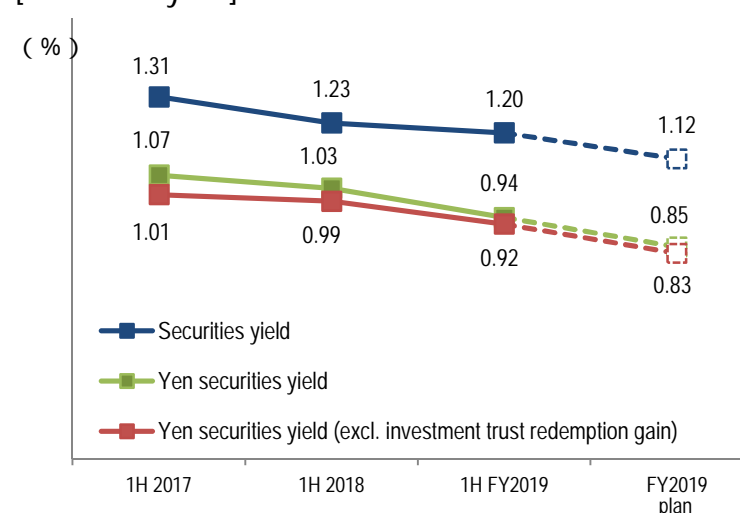
■ Foreign currency-based (-1,100 million yen year on year)

- Loan interest: +200 million yen yoy
- Securities interest: +500 million yen yoy
- Increase in foreign currency procurement: +1,600 million yen yoy

[Loan yield]



[Securities yield]

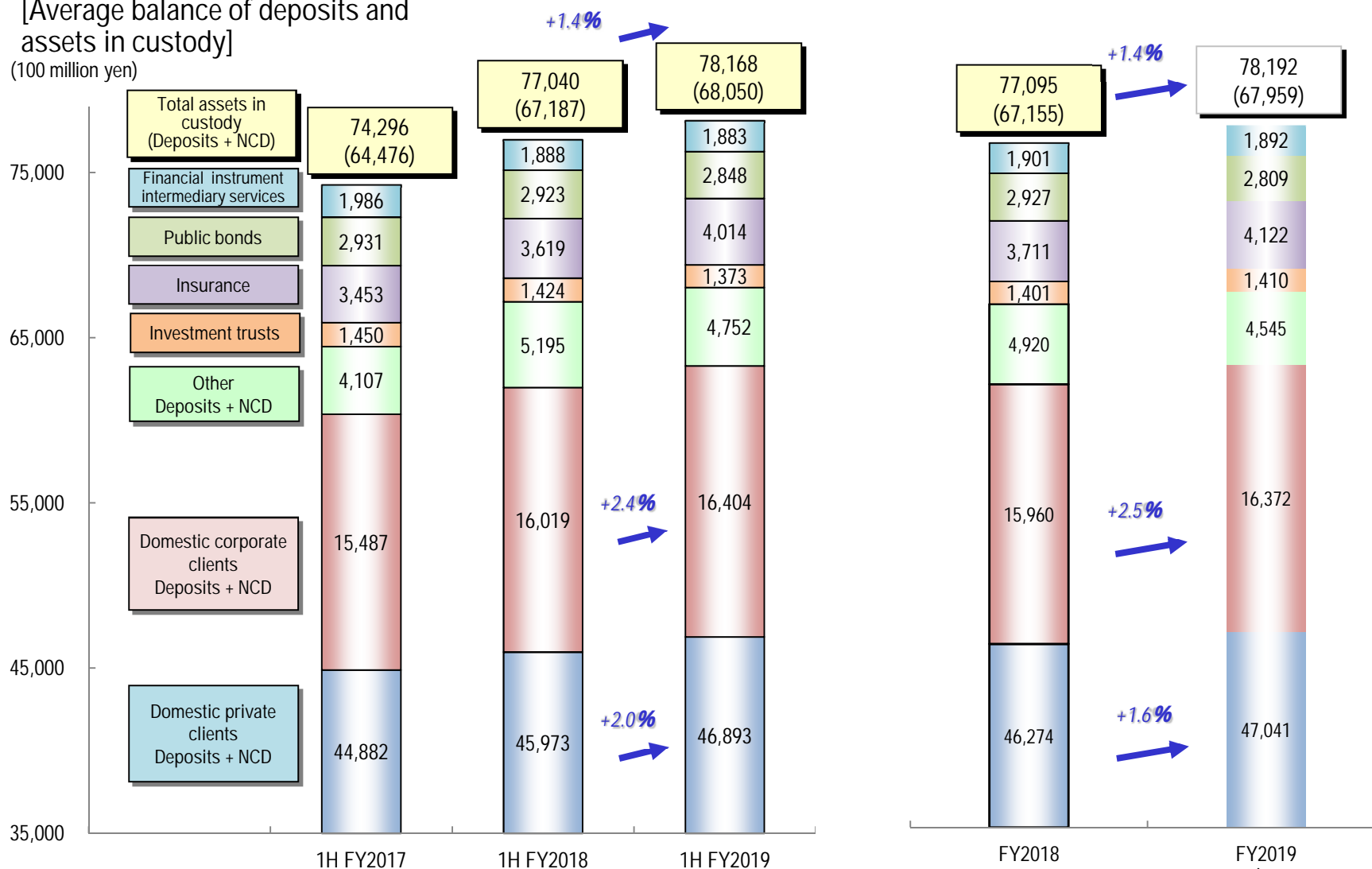


- Yen interest income Decreased by 1,700 million yen year on year mainly due to a drop in securities interest (decreases in average balance and reinvestment yield) on the back of continued negative interest rates.
- Foreign currency interest income Decreased by 1,100 million yen year on year mainly due to the narrowing of the spread of short- and long-term loan rates.

1H FY2019 Earnings Results –Major Accounts (1) Deposits & Assets in Custody–

[Average balance of deposits and assets in custody]

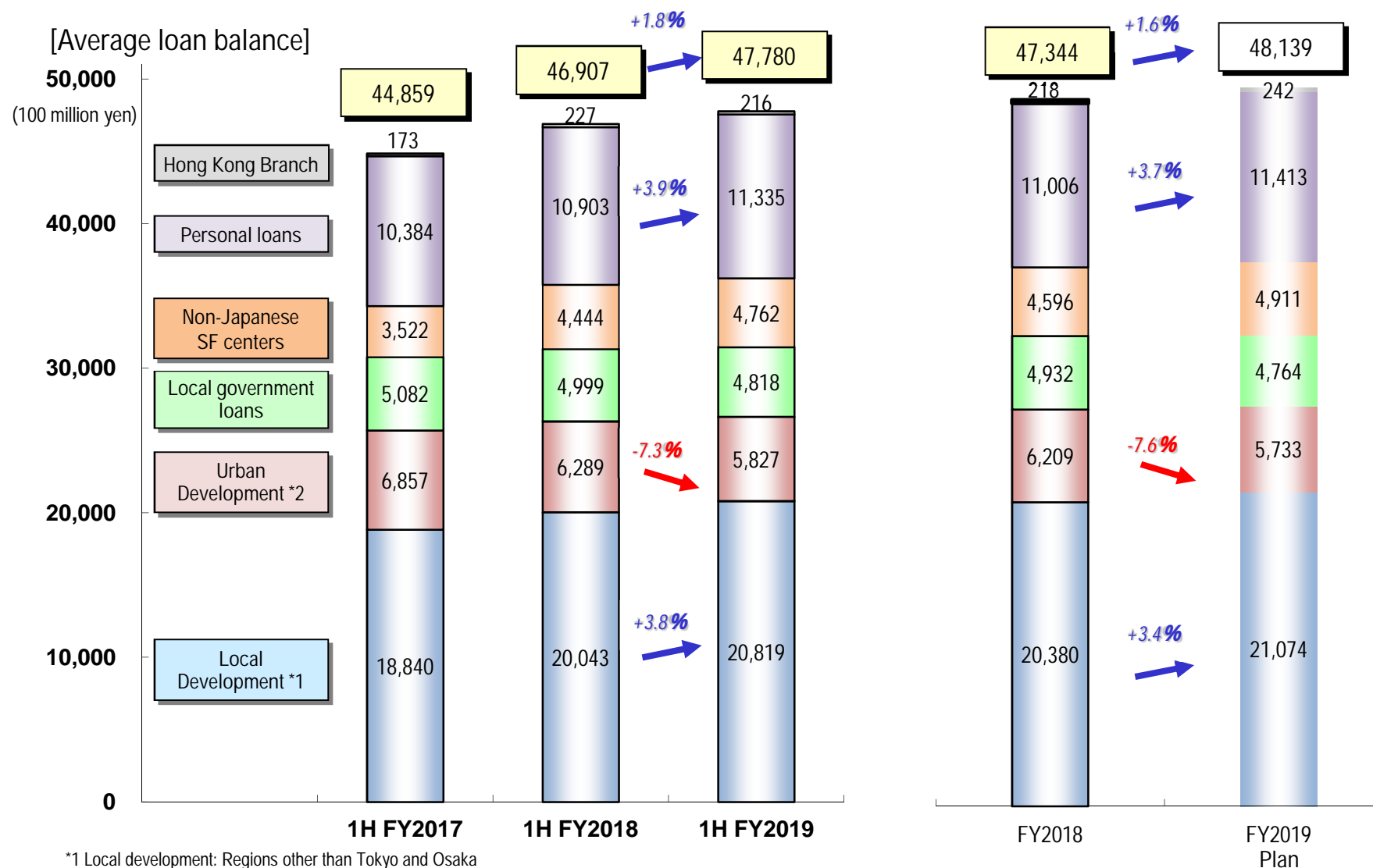
(100 million yen)



* Financial instrument intermediary services are based on the average balance of the acquisition value. Public bonds are based on the value of the average balance. Insurance is based on the average balance taking into account cancellations. Investment trusts are based on the average balance of net assets.

- Both private and corporate client deposits are growing steadily due to the stable payment pipes (e.g. salary payment, pensions) and robust corporate earnings.
- In assets in custody, insurance has grown significantly due to the effect of sales activities based on life planning centering on life plan support activities.

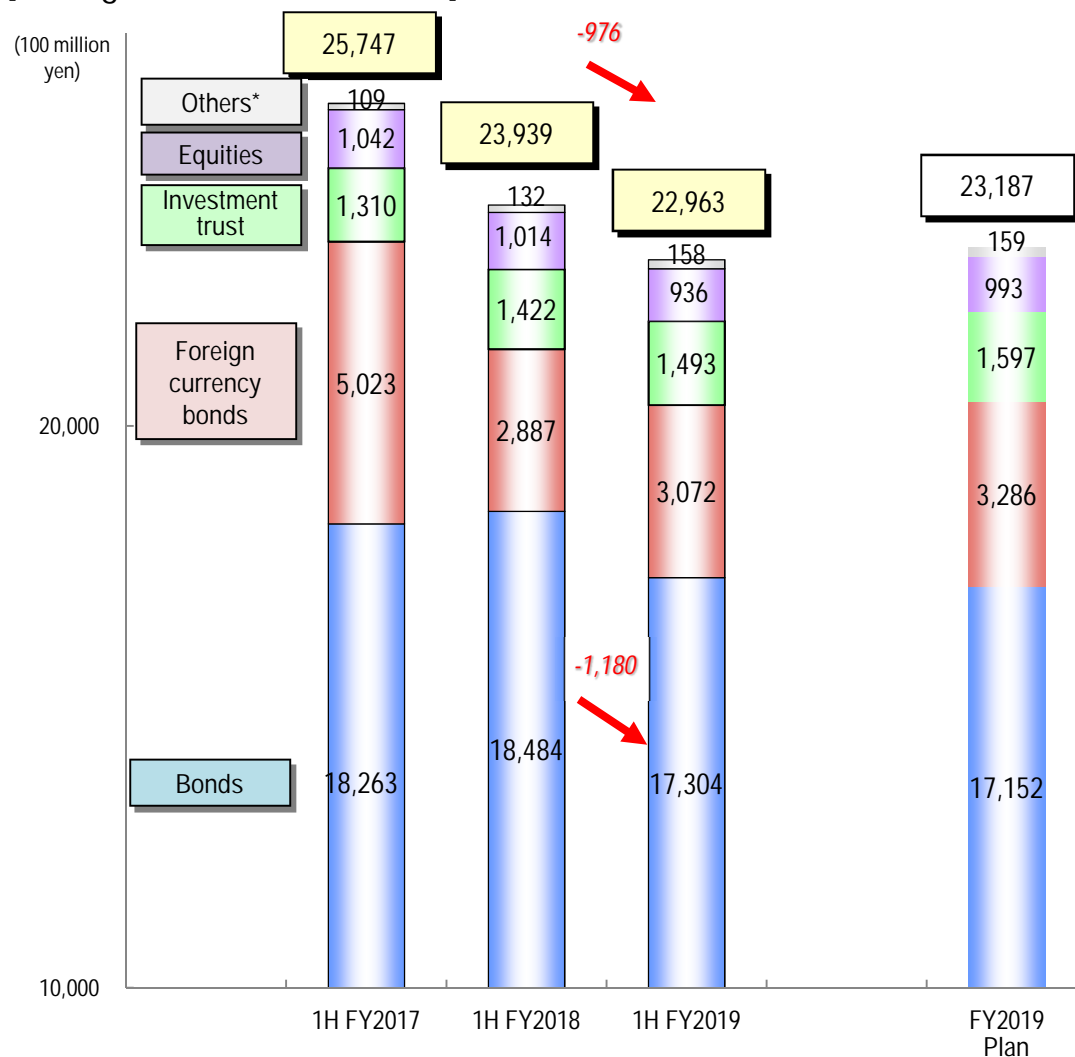
1H FY2019 Earnings Results –Major Accounts (2) Loans–



- In 1H FY2019, the annual growth rate of total loans was + 1.8%, due to efforts to increase loans, mainly local development and personal loans.
- Going forward, we will continue to strengthen loans by identifying and capturing fund demand mainly from local customers.

1H FY2019 Earnings Results –Major Accounts (3) Securities–

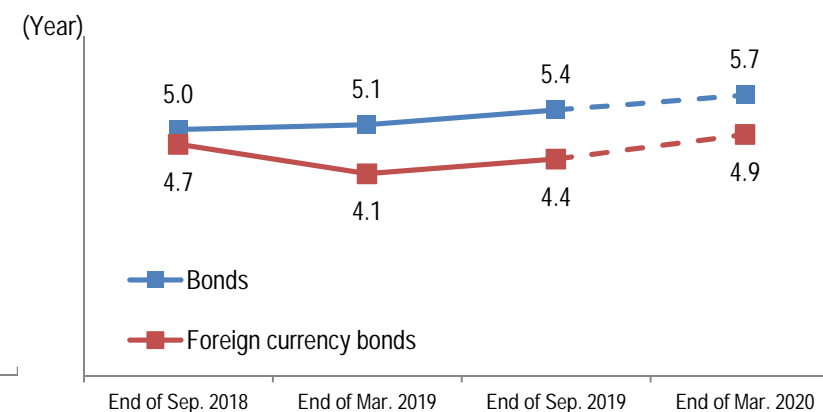
[Average balance of securities]



[Appraisal profit and loss]

(100 million yen)	End of Sep. 2018	End of Mar. 2019	End of Sep. 2019	Year on year
Total	1,432	1,341	1,473	41
Held to maturity	3	4	4	1
Other securities	1,428	1,337	1,468	40
Of which, stock	759	532	503	-256
Of which, investment trusts	415	353	455	40
Of which, foreign-currency denominated bonds	-9	22	39	48
Of which, bonds	250	423	463	213

[Duration of bonds]

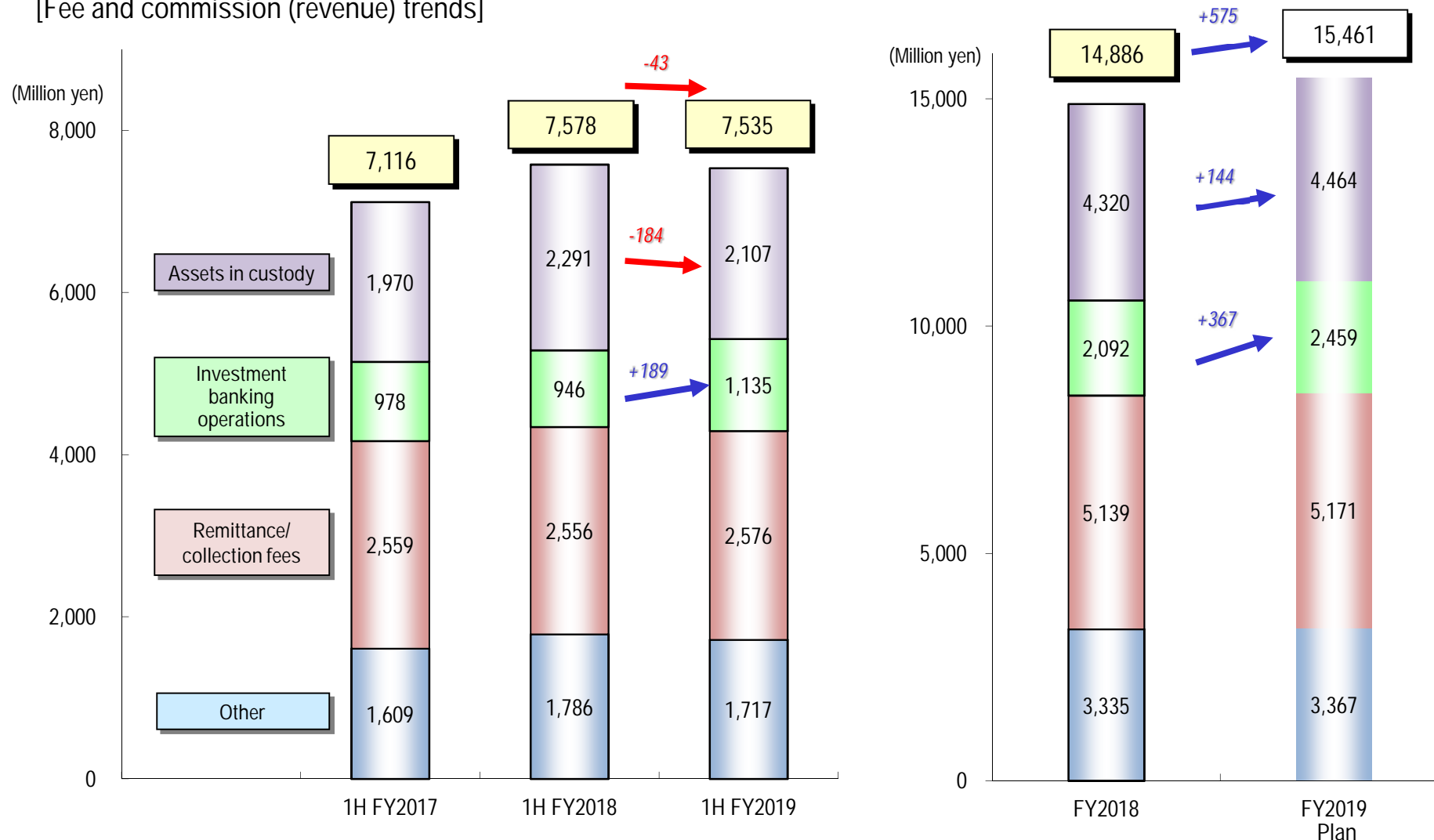


* Others: Investment partnerships, etc.

- In 1H FY2019, the balance decreased due to suppressed reinvestments of redeemed bonds.
- In the FY2019 plan, we will increase foreign-currency bonds and investment trusts under asset management by further focusing on risk and return.

1H FY2019 Earnings Results –Change in Fees and Commissions–

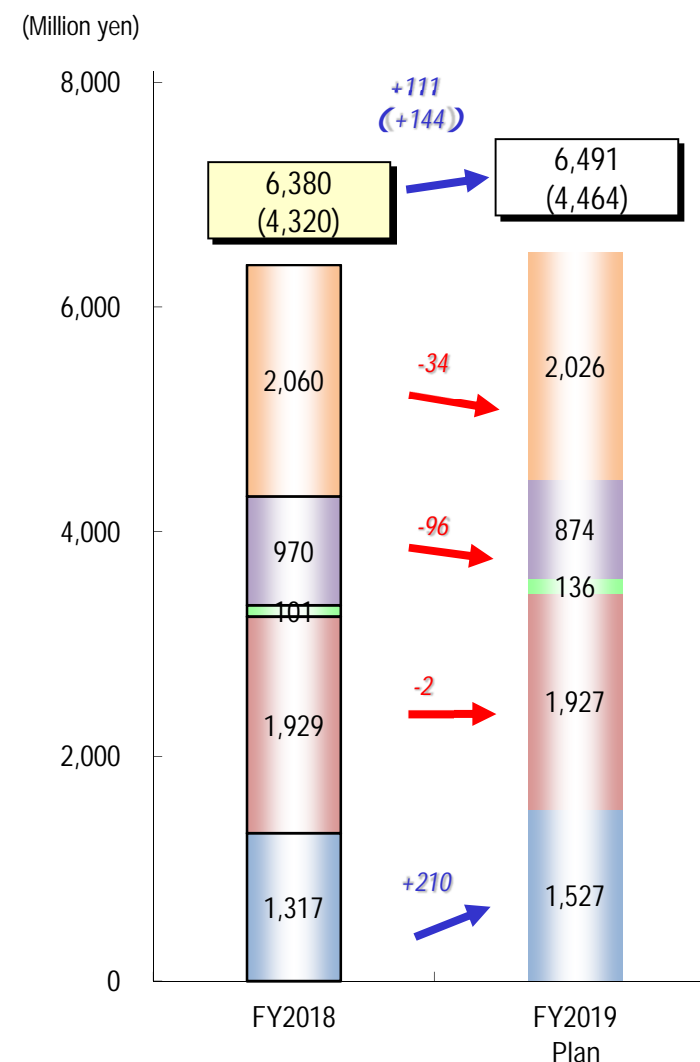
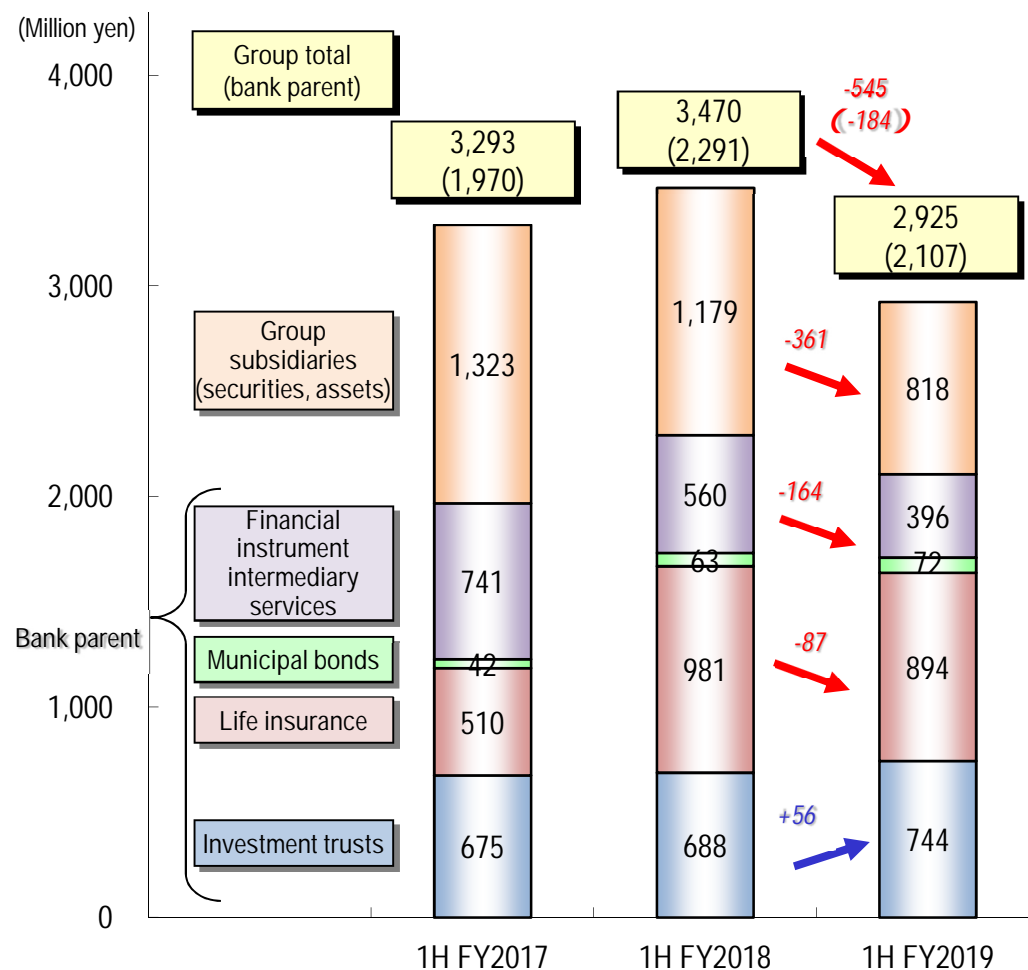
[Fee and commission (revenue) trends]



- In 1H FY2019, fees and commissions remained flat as assets in custody recorded little growth, which was offset by revenue from investment banking operations.
- We will continue to endeavor to increase fees and commissions mainly from investment banking operations and assets in custody.

1H FY2019 Earnings Results –Change in Assets in Custody–

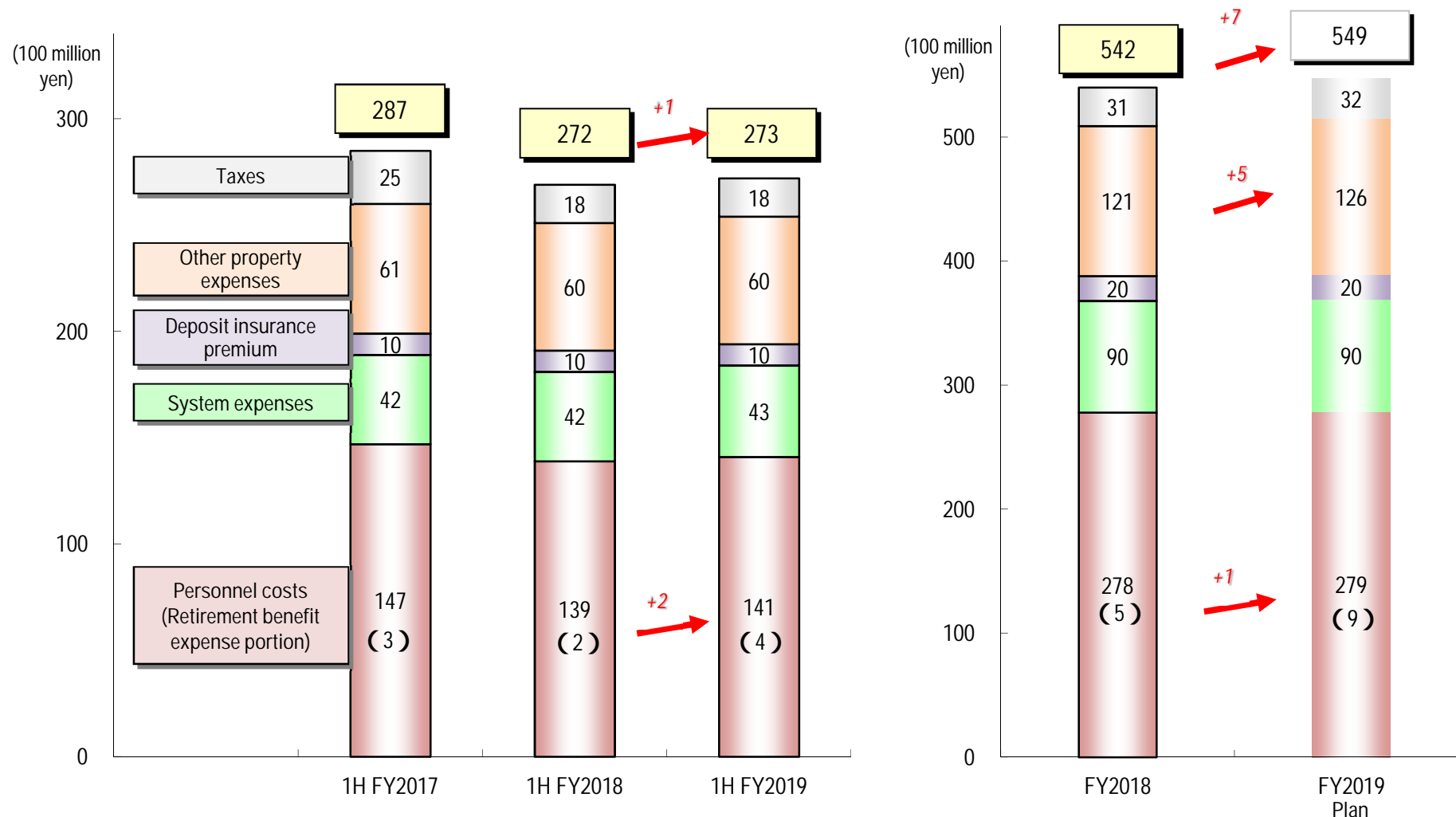
[Revenues related to assets in custody]



- In 1H FY2019, revenues from financial instrument intermediary services and Group subsidiaries decreased due to the sluggish market environment.
- In the FY2019 plan, we will focus on achieving a year-on-year increase by enhancing customers' asset formation and proposals for inheritance and business succession.

1H FY2019 Earnings Results –Change in Expenses–

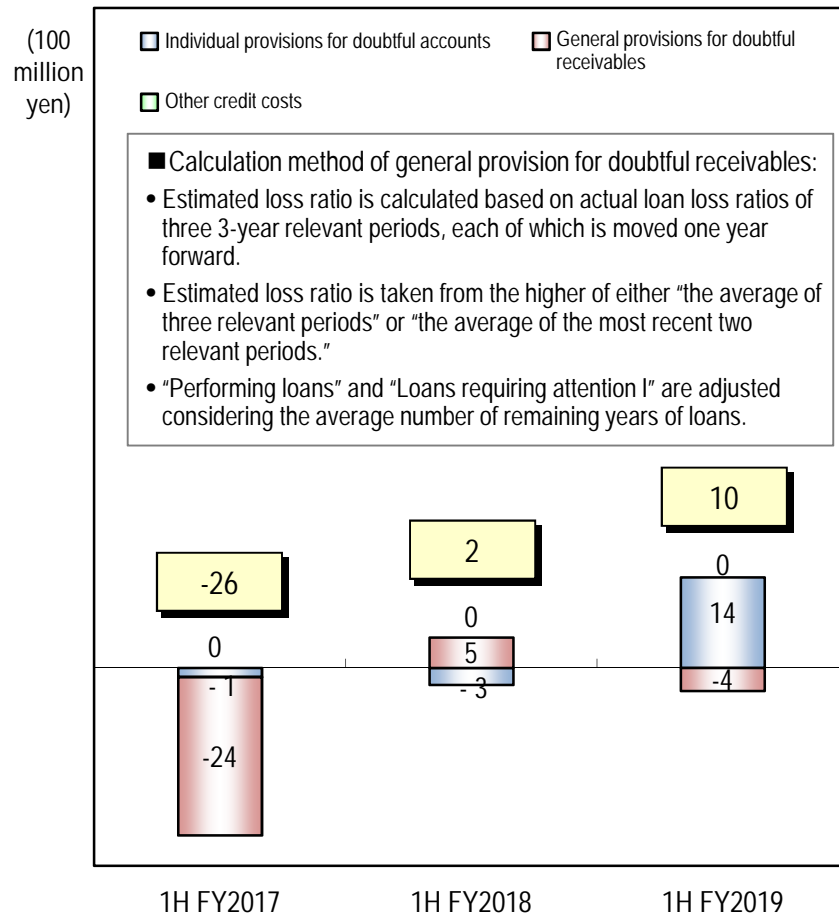
[Expense trends]



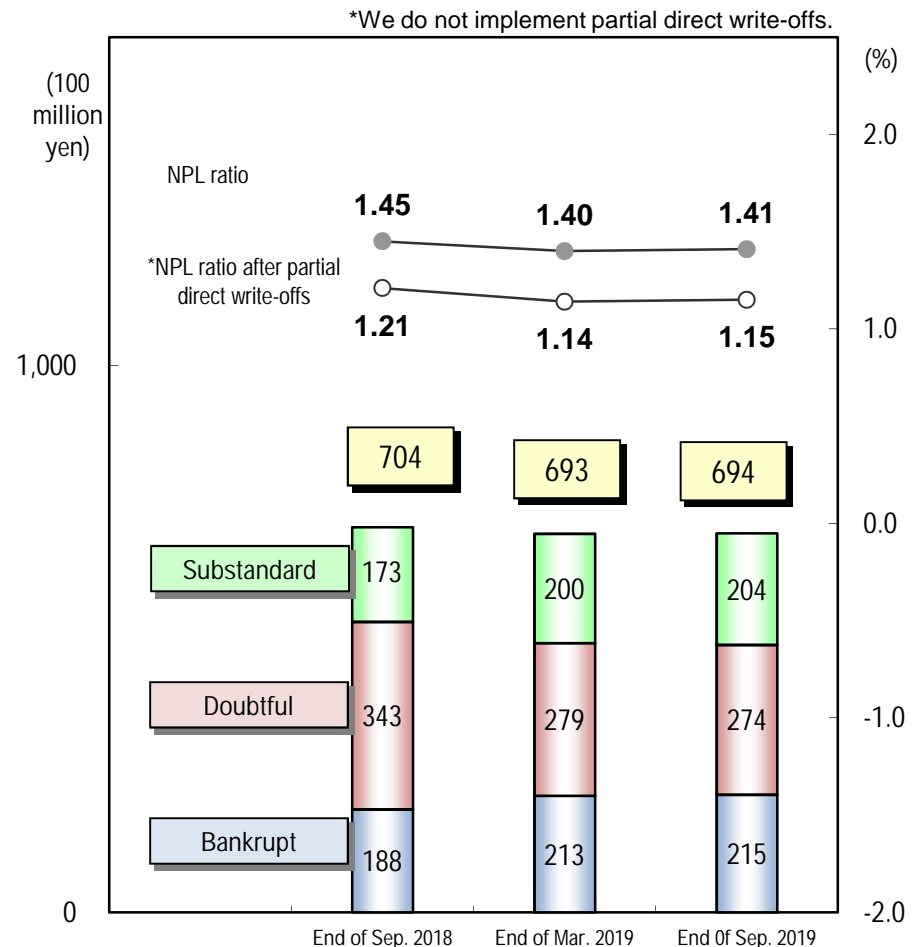
- In 1H FY2019, expenses remained almost unchanged in general despite a slight increase in personnel costs reflecting the increase in retirement benefit expense.
- In FY2019, we expect that expenses will increase 700 million yen year on year due to the increase in expenses relating to measures for sales activities to finish the current Medium-term Management Plan.

1H FY2019 Earnings Results –Credit Cost Trends/Non-performing Loans– CHUGOKU BANK

[Credit cost trends]



[Non-performing loan (NPL) trends]



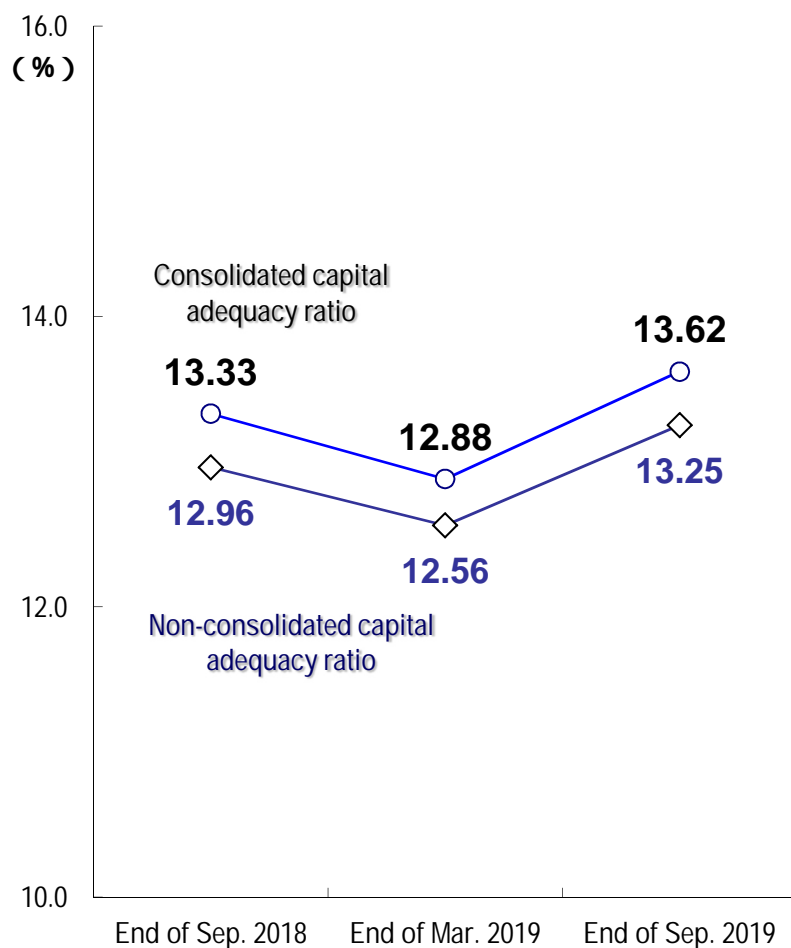
Credit cost = general provisions for doubtful receivables + individual provisions for doubtful accounts + loan write-offs + specific foreign borrowers + provisions for loss on claim sales + loss on claim sales - gain on reversal to loan loss account

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

- Credit cost increased due to provisions for individual provision for doubtful receivables despite a reversal of general provision for doubtful receivables relating to major customer factors.
- With the NPL ratio remaining flat, the quality of assets was maintained.

1H FY2019 Earnings Results –Capital Adequacy Ratio–

[Capital adequacy ratio (Basel III) trends]



[Capital adequacy (consolidated)]

(100 million yen)	FY2018	1H FY2019	YoY
Total equity	5,267	5,397	130
Of which, Tier 1, including common shares	5,265	5,395	130
Risk weighted assests, etc.	40,867	39,625	-1,242
Credit risks	39,280	38,057	-1,223
Operational risks	1,586	1,568	-18

[Other Basel regulations]

	FY2018	1H FY2019	<Regulatory standards>
Consolidated leverage ratio	6.20%	6.25%	3% or more
Consolidated liquidity coverage ratio (LCR)	151.7%	162.4%	100% or more
Consolidated stress test (IRRBB)	4.5%	5.8%	15 % or less

- The total capital adequacy ratio improved mainly due to the decrease in risk assets.

Section II

FY2019 Forecasts and Major Initiatives

FY2019 Forecast –Earnings Forecasts–

[Parent]	FY2018	FY2019		
		Actual	Plan	YoY
(100 million yen)				Vs. published forecast at beginning of term
Core business gross profit	770	746	-24	-2
Interest income	630	588	-42	-3
Fees and commissions	148	154	6	-3
Other operating income	-8	3	11	4
Expenses (-)	542	549	7	-5
Core business net profit	228	197	-31	4
Excluding profit/loss on cancellation of investment trusts	217	193	-24	11
OHR (%)	70.3	73.6	3.3	-0.5
Credit expense (+ is reversal (profit))	41	57	16	20
Bond sales gains/redemption	11	13	2	7
Equity sales gains/redemption	14	16	2	-13
Other	6	10	4	12
Recurring profit	219	180	-39	-8
Extraordinary gain/loss	-2	-4	-2	0
Net income	153	121	-32	-7
[Consolidated]				
Consolidated recurring profit	236	200	-36	-7
Net income attributable to owners of parent	161	132	-29	-6

Year on year

- Both core business gross profit and net income are expected to fall short of the levels in the previous year.

(Main factors)

Interest income: -4,200 million yen

- Yen-based interest income: -2,700 million yen (Of which, securities interest: -2,700 million yen)

- Foreign currency interest income: -1,400 million yen

Credit cost: +1,600 million yen

Vs. published forecast at beginning of term

- Core business net profit is expected to exceed the plan announced at the beginning of the fiscal year mainly due to cost reduction.

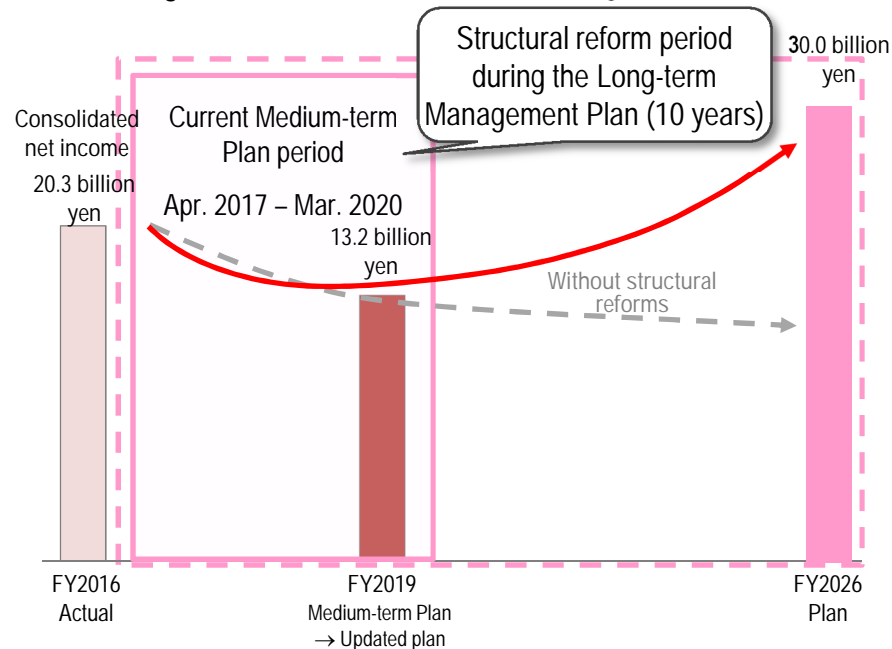
- Net income is expected to fall short of the plan announced at the beginning of the fiscal year mainly due to the increase in credit cost.

(Main factor)

Credit cost: +2,000 million yen

Progress of Medium-Term Management Plan “Plan for Creating the Future Together: Stage I” CHUGOKU BANK

[Positioning of the current Medium-term Management Plan]



[Numerical targets of the current Medium-term Management Plan]

Overall points of the local promotion project^{*1}

Overall points of life plan support activities^{*2}

Customer satisfaction survey

Net income attributable to owners of parent

Consolidated capital adequacy ratio (Basel III)

Consolidated ROE

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

In three years

In 10 years

15,000 pt

20,000 pt

Continuous improvement

Continuous improvement

Continuous improvement

Continuous improvement

16.0 billion yen

30.0 billion yen

Stable at 12%

Stable at 12%

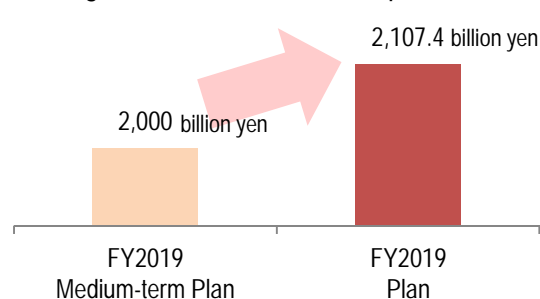
(FY ending March 2027 Single year) 5% or more

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

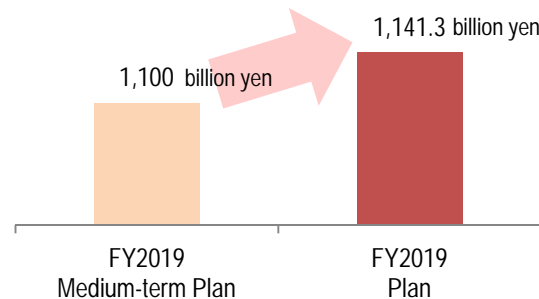
^{*2} Overall points of life plan support activities involve the provision of precise information that suits the customer's life plan and providing products and services that we think are the best through our understanding of each customer's life events.

[Status of major items]

Average balance of local development loans



Average balance of personal loans



[Structural reform (BPR measures)]

[Headquarters] - Implementing reduction of work and work style reform

[Sales branches] - Loans (Concentration of loan administration work)
- Over-the-counter (Introduction of store tablets, and over-the-counter operation reform)
- Sales (Introduction of tablets for negotiation, etc.)

Securing personnel

Target number of personnel in the Medium-term Plan (as of end of Mar. 2020): 180

Forecast for the end of Mar. 2020: Approx. 340 (personnel relocation and natural attrition of employees)

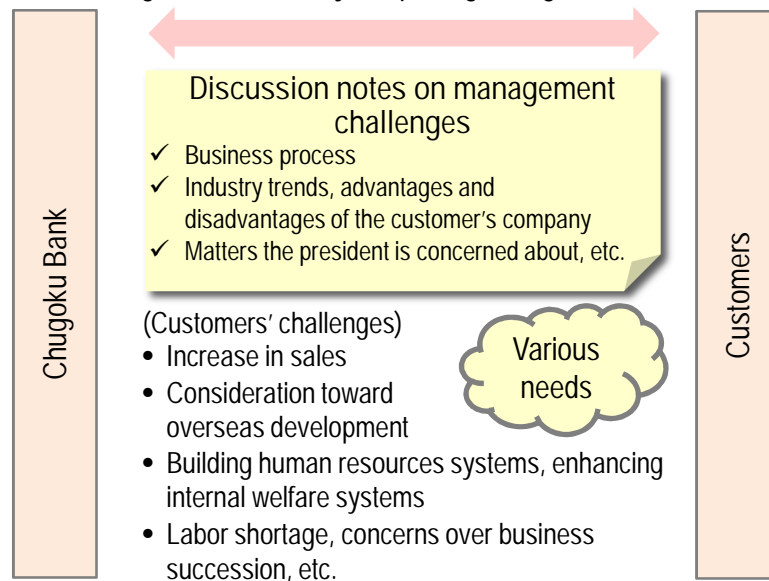
- Main items exceeded the Medium-term Management Plan targets, and the structural reforms are also steadily in line with the plan.
- We will implement the final process of the structural reform, and the relevant measures to prepare the next Medium-term Management Plan.

Improve the Quality of Services Provided –Advance Local Promotion Activities– CHUGOKU BANK

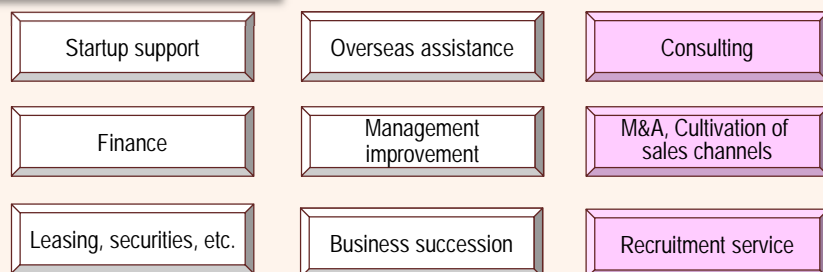
- Contribute to the improvement of corporate value by deepening dialogues with customers and providing comprehensive solutions that fit management challenges.
- Increase loans and fee business through the enhancement of proposal capability centering on consulting services.

[Initiatives to enhance local promotion activities]

Conduct interviews to grasp customers' management challenges and needs by deepening dialogues with them.



Solutions (examples)





[Expansion of solutions]

[Business consulting services: since April 2018]

- Organization**
- 13 staff members engaging in such services at the Headquarters
- Activities**
- Support for formulating the Medium-term Plan
 - Improvement of business processes
 - Support for human resources and labor administration, etc.

Since September 2019:

-  CHUGOKU BANK × 
- Commencement of sale of cloud-based accounting software "Accounting free for Chugoku Bank"

Since October 2019:

- Establishment of Preparation Office for the establishment of a consulting firm

[Enhancement of M&A and support for business succession (since October 2019)]

- Examples**
- Business platform for TSUBASA M&A
Establish a database which centralizes the customer needs of the member banks.
 - Partnerships for Okayama Local Businesses
Enhance support for M&A and business succession of local customers.

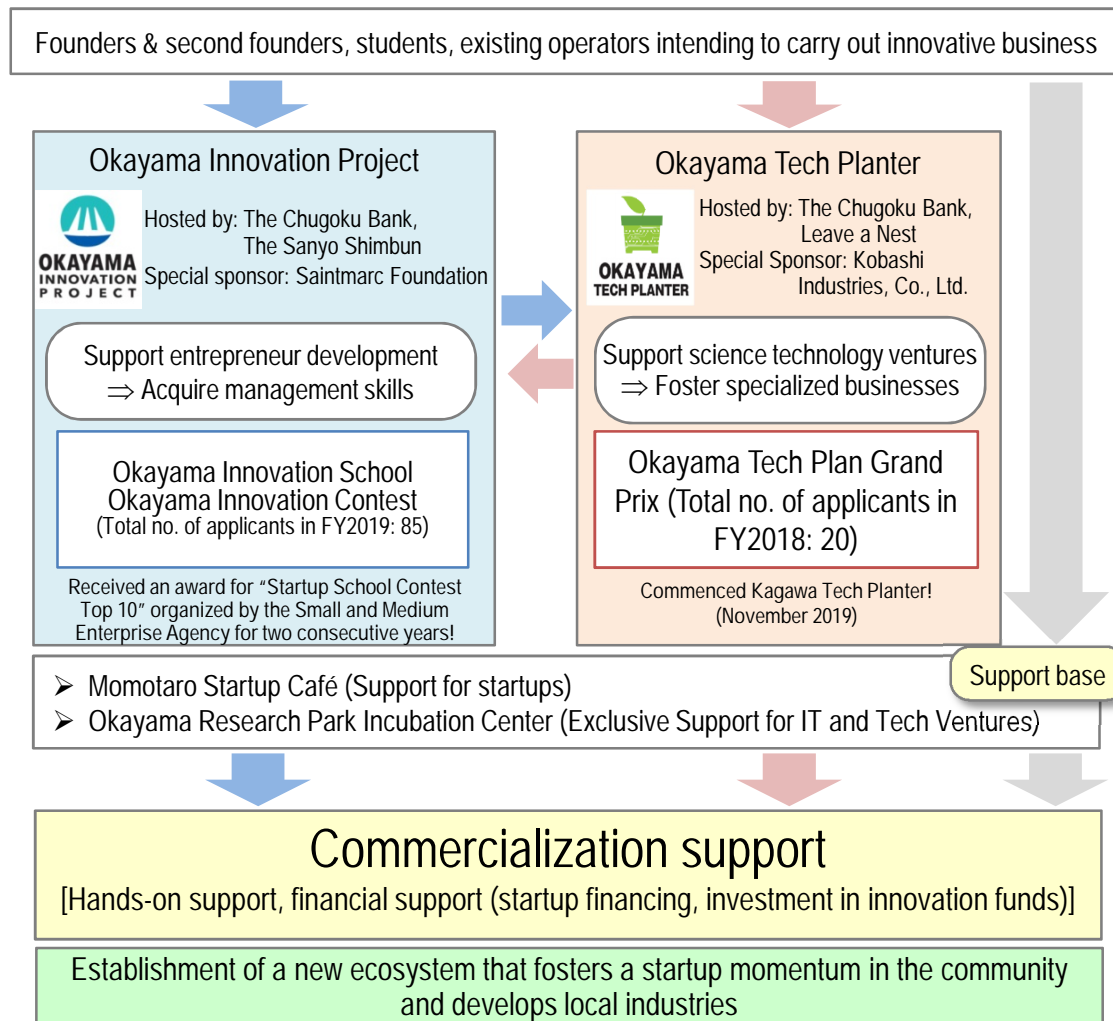
[Commencement of recruitment service (since August 2019)]

- Recruitment service**
- Human resources for executive management
- Activities**
- Identify customer needs through the discussion sheets for managerial challenges. (Change of generation, reorganization, and need for human resources in new businesses, etc.)
 - Resolve the managerial issues by appropriate personnel recruitment.

Improve the Quality of Services Provided –Initiatives in Open Innovation–

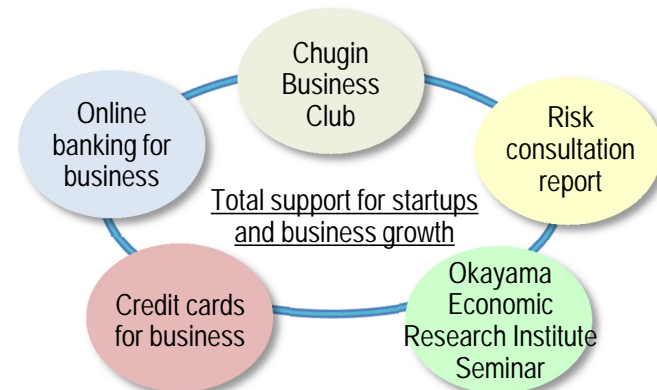
- Cooperate with local governments and private operators to build a startup support system around Chugoku Bank.
- Foster future core companies of the local community by discovering entrepreneurs at an early stage and providing hands-on support until commercialization.

[Startup support system]



[Chugin Startup Support Package]

To customers whose businesses are less than five years old from establishment, we offer "Chugin Startup Support Package" that contains tools necessary for starting business and business growth.



NEW!

Software "Startup freee" was introduced in September 2019.

[Community-based crowdfunding]

Okayama-based dreams will come true with the help of many.

- Branding of local products and developing sales channels
 - Initiatives contributing to the activation of the local community
 - Implementation of test marketing concerning startups and new businesses
- Community-based support for the procurement of small amount project funds.

晴れ! 国山



- Focus on the expansion of fee business by enhancing proposals for solutions that meet customer needs.
- As to the loans from the headquarters (to SF Center, non-Japanese customers), new lending areas shall be proactively developed while identifying the risks.

➤ Expanding fee business centering on investment banking

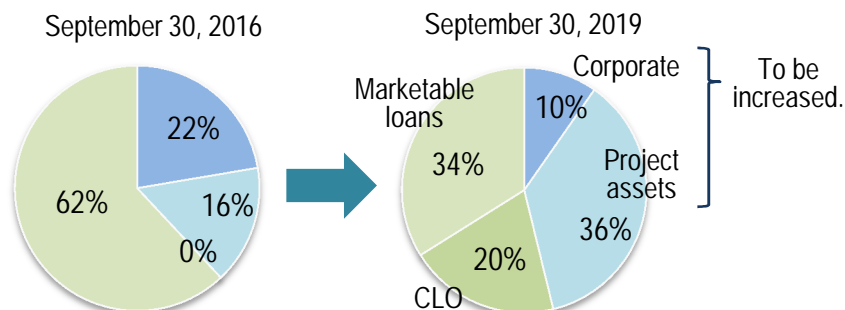
- Solutions shall be proposed by the headquarters together with sales branches based on the discussion sheets for managerial challenges.
- New business areas such as consulting services and personnel recruitment shall be proactively developed.

➤ New lending areas shall be developed by enhancing lending from the headquarters (to SF Center, non-Japanese customers).

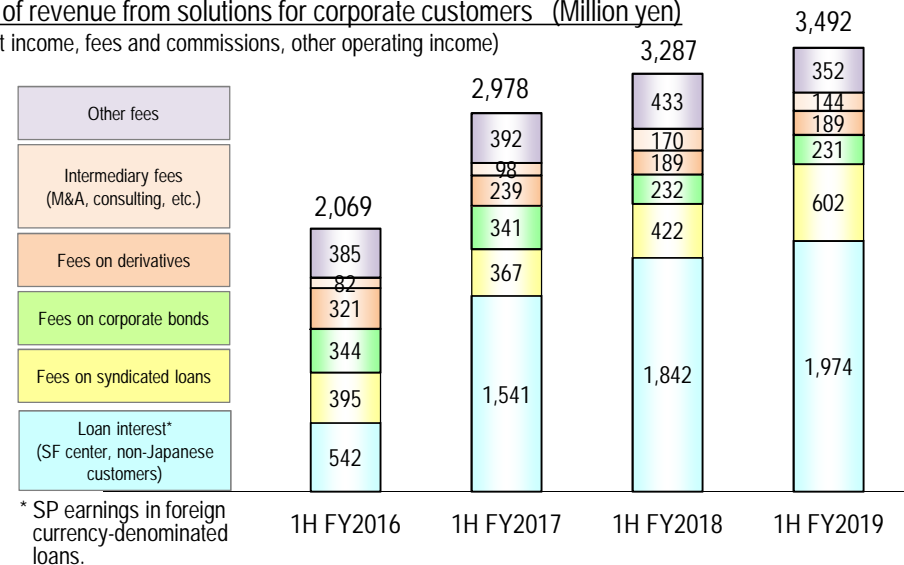
- Enhance arrangement businesses such as project finance.
- Select businesses that focus on returns from risk assets.

Keep and improve the top line by increasing loan interest and fees and commissions while paying attention to risk and return.

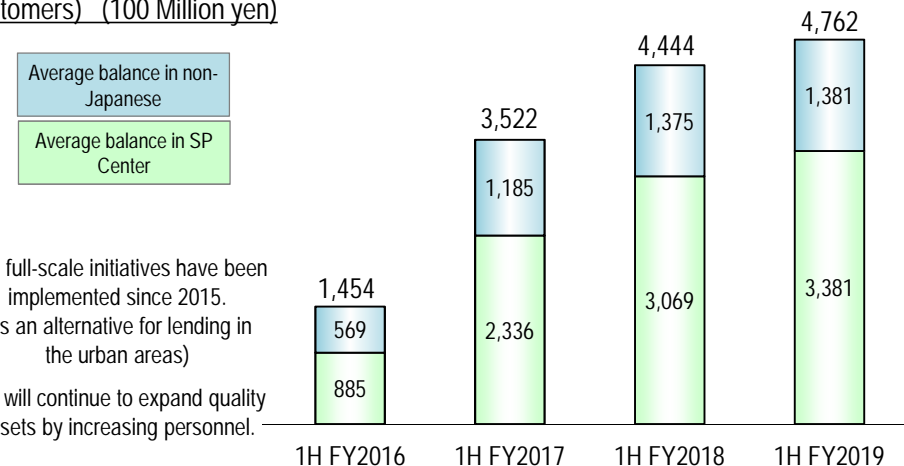
Reference: Structure of loans from headquarters



Trend of revenue from solutions for corporate customers (Million yen)
(Interest income, fees and commissions, other operating income)



Trend of average balance of lending from the headquarters (SF Center, non-Japanese customers) (100 Million yen)



The full-scale initiatives have been implemented since 2015.
(as an alternative for lending in the urban areas)

We will continue to expand quality assets by increasing personnel.

- Customer-oriented sales activities will be implemented through life plan support activities.
- We will pursue the expansion of revenues through the enhancement of long-term relationships by reinforcing proposals that meet customer needs.

[Support for asset formation]

Customer needs

- ✓ Provision of precise information that meets customer's life plan.
- ✓ Medium- and long-term asset formation and improvement of returns
- ✓ Increasing awareness of money for post-retirement life

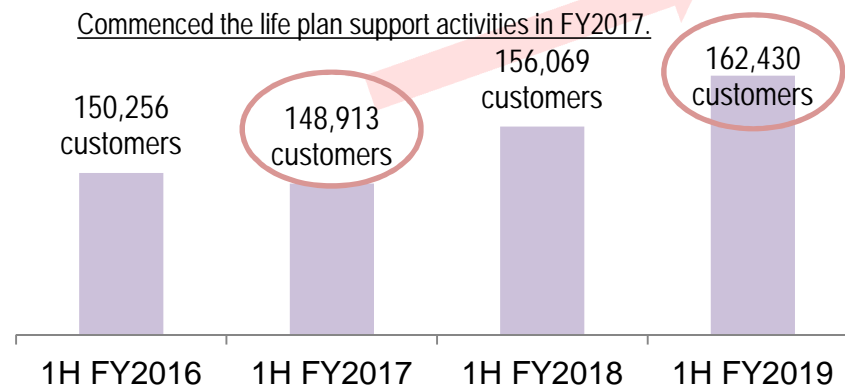
Identify potential needs through contacts with customers.

- Expand operations on holidays by the Life Plan Center.
- Support asset formation by proposing long-term diversified investments.

Increases opportunities for proposals

Improves the quality of proposals

(No. of customers with assets in custody)



[Support for business succession]

Customer needs

- ✓ Preparation for post-retirement life (longevity risk)
- ✓ Inheritance measures and increasing needs for preparation for the end of life
- ✓ How to leave properties behind (by will), etc.

Offer closest advice to customers with warm attitude.

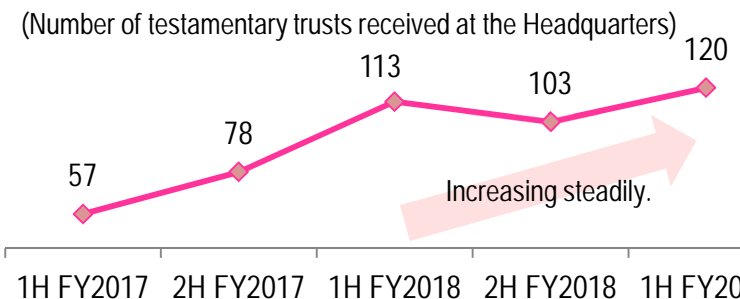
- Proposals for asset succession using testamentary trust, etc.
- Increase transactions with future generations based on the inheritance measures as a starting point.

Inheritance-related business

October 2016: We commenced testamentary trust and inheritance procedure support services as part of the banking business.

April 2018: The inheritance-related business was enhanced by increasing personnel at the headquarters.

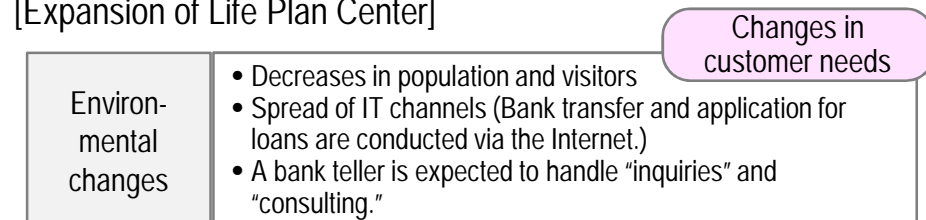
July 2019: The trust business was expanded to all branches in Japan.



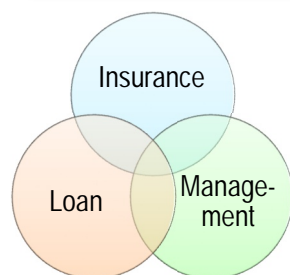
Expand Opportunities to Provide Services –Store/Channel Strategy–

- Consulting services will be expanded under the branch/channel strategies according to changes in the environment and customer needs.
- Promote efficiency of branch office operation and counters while making up for the decrease in customer convenience.

[Expansion of Life Plan Center]

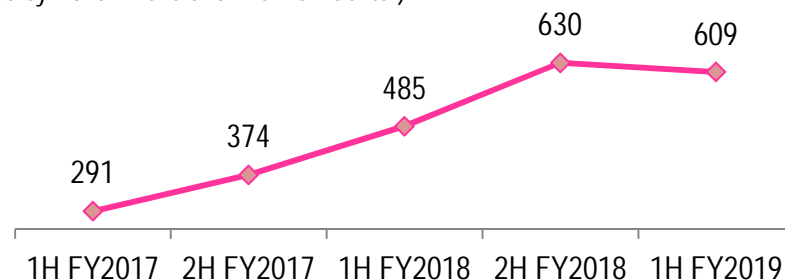


Life Plan Center



- ✓ The former Housing Loan Center was changed to Life Plan Center by strengthening its functions. (The branch offices informed customers of the holiday channels.)
- ✓ The cross-selling method is strengthened with the consulting services in line with customers' life plans based on the needs for housing loans and various insurances.

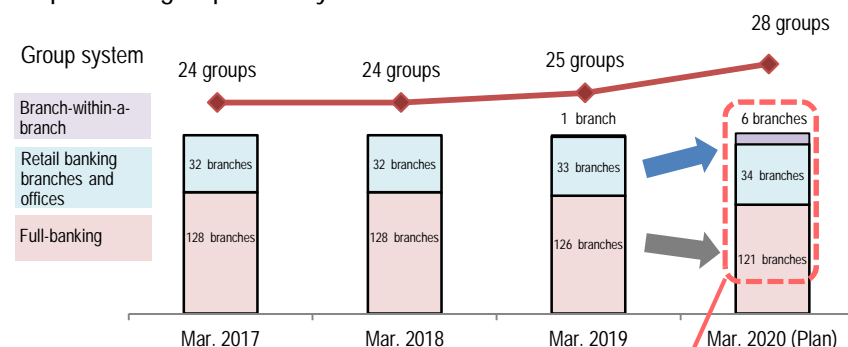
Number of insurance policies by annualized level premiums
(handled by Hoken Plaza and Life Plan Center)



[Improvement of efficiency and concentration by reorganizing branches]

* Excluding overseas branches and online branches

■ Expand the group sales system



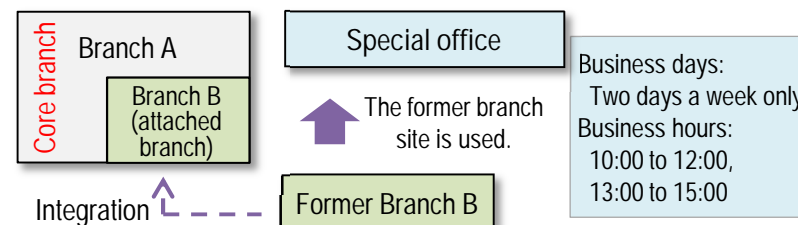
- Review of the full-banking function → Accelerate to shift to retail banking branches
- We will continue to reorganize branches according to the market environment.

■ The deteriorated convenience for customers is compensated for.

Integration by the branch-within-a-branch method

Establishment of a special office

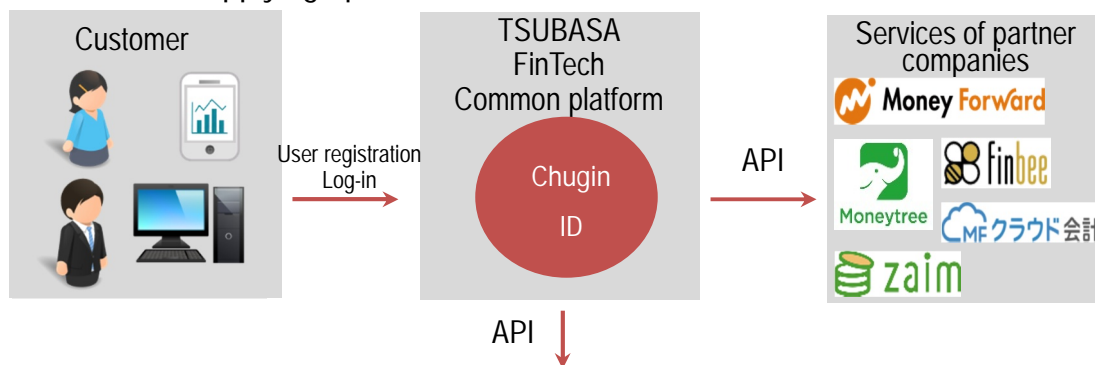
- Account numbers and passbooks will not be changed due to transfer.
- The financial services for the customers of the reorganized areas will be continued by establishing a special office.



Expand Opportunities to Provide Services –FinTech–

- Enhance new services of non-face-to-face channels by utilizing IT channels and AI.

[New services applying open API]



● Digital passbook (Passbook app)

Introduced in May 2019

Jointly developed by TSUBASA

- ✓ Propose a passbook app to customers when an account is opened or an old passbook is carried over.
- ✓ The use of digital passbook is assumed for informing new products and services through smartphones in the future.



Advantages for customers:

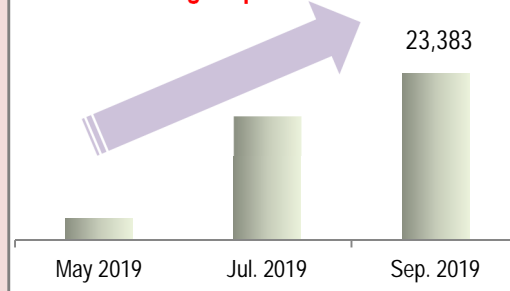
- Real-time balance management and no passbook entry needed
- Deposit/withdrawal statement of up to 10 years
- Keyword retrieval and memo functions
- Easy login by fingerprint or face authentication

Advantages for us

- Cost reduction of issuance of passbooks and stamp tax
- Proposals for new products through apps in the future, etc.

Number of registered digital passbooks

Exceeded 20,000 in four months from the start of digital passbooks.



● Promote cashless payment

- J-coin Pay (started in March 2019)
 - No. of users as of Sep. 30: Approx. 4,000
 - No. of member branches: Approx. 700
- merpay (started in July 2019)
- Other (Bank pay, etc.): under consideration



Expand settlement services by scanning QR code with a smartphone toward a future cashless society.

● Local development loans using account dynamics information

Loan product "New Type" (launched in October 2019)

Information on accounts held by us (Balance, deposits and withdrawals, etc.)



- Customers with less business experience
- Customers without past record of borrowing, etc.

- ✓ New loan appraisal models based on account information rather than financial statements
- ✓ Lending completed through call center or on the Internet (non-face-to-face appraisal, in principle)
- ✓ Quick loans by shortening the appraisal period

Expand Opportunities to Provide Services –BPR–

- Generate sales personnel and time through thorough structural reforms, leading to enhancement of the top line and reduction of OHR.

Business offices

Counter reception & domestic exchange

Execution of teller operation reforms

- ✓ “New counter-reception style” will be expanded to all branches (slated for in FY2020)
 - Reduction of personnel in the high counter and business processing sections by significantly simplifying and centralizing business processes.
 - Increase in sales personnel engaging in life planning services at the permanently established low counters.
- ⇒ Number of staff members to be secured during three years of the current Medium-term Management Plan: Approx. 100 (70 persons more than planned).

Sales

Execution of sales activity reforms

- ✓ Introduce tablets for negotiation
 - This enables access to information and sale of assets in custody while working out of the office, reducing the burden of administrative work upon returning to the office. Installed with a map information system, the tablets allow more efficient sales activities.
- ⇒ The no. of customer visits by external sales representatives is expected to increase by 30–40%.

Loans

Concentration and improvement of efficiency of loan business at the Headquarters

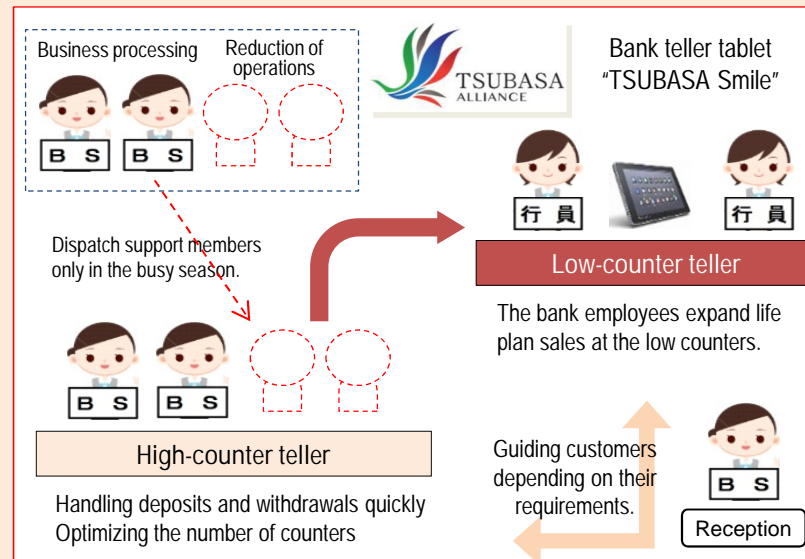
- ✓ The operations of the loan center started.
 - Since October 2018, the loan business has been concentrated. This system will be expanded to all stores by the end of March 2020.
- ✓ Improve efficiency by restructuring loan-related systems.
 - ⇒ Number of staff members to be secured during three years of the current Medium-term Management Plan: Approx. 90 (50 persons more than planned)

Headquarters

Streamline operations of the headquarters, and promote workstyle reforms

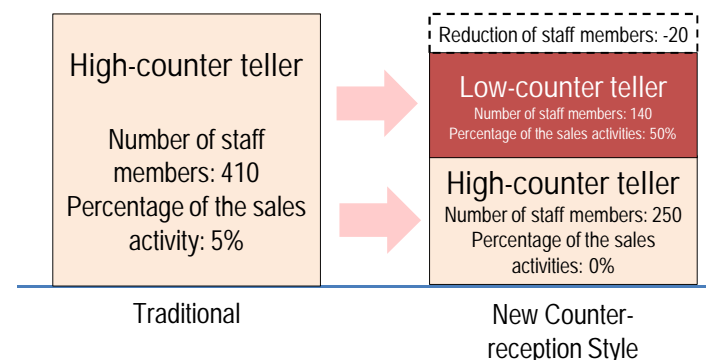
- ✓ Reduce operations by digital communication, and make swift decisions.
- ✓ Eliminate the use of paper by developing IT environment and improve productivity.
 - ⇒ Number of staff members to be secured during three years of the current Medium-term Management Plan: Approx. 150 (40 persons more than planned)

Image of “New Counter-reception Style”



Realizing both improvement of customer convenience and enhancement of sales activities at the counters.

[Image of personnel reassignment at the counters]



- Under the TSUBASA Alliance as the largest alliance of regional banks, we pursue synergy that exceeds management integration.
- The Partnership for Okayama Local Businesses contributes to further development of the local economy by sharing the knowledge of the member financial institutions.

TSUBASA ALLIANCE



TSUBASA Alliance was established in October 2015.

- ✓ Initially established by Chugoku Bank, Chiba Bank and Daishi Bank followed by other banks.
- ✓ The enhancement of cooperation has been promoted towards the streamlining of back office operations and the increase in the top line across the boundary of system fields.

For further cost reduction and improvement of services.

The Partnership for Okayama Local Businesses



The agreement of the Regional Revitalization Partnership was concluded in October 2019.

- ✓ Cooperation in holding business meetings, seminars and other events
- ✓ Cooperation in startup and venture capital, business succession and M&A
- ✓ Personnel exchange
- ✓ Cooperation in financing

Contribute to further development of the local economy.

- Aim for long-term and sustainable improvement of corporate value through responses to SDGs and ESG.



[10-year strategy; Long-term vision] Jointly develop affluent future life to be shared between local community, customers and employees.



[SDGs (Sustainable Development Goals)] Realize "Sustainable society" by achieving the 17 goals.

Same future

Environment



Loans provided to small hydroelectric power generation business

- Small hydroelectric power generation business planned by Nishiawakura Village, Okayama Pref.
- Abundant water resource of Yoshino River which runs through the village is used.
- As a regional financial institution, we support securing sustainable clean energy.

Small hydroelectric power generation plant

Scale of power generation: 199 kW
Business expenditure: 480 million yen

Loans
Capital contribution, management of operation
Capital contribution

Chugoku Bank and others

Nishiawakura Village

Green Finance Promotion Organization

More than 40% of the electricity consumed in Nishiawakura Village is covered by this small hydroelectric power plant together with the existing hydroelectric power generation.

Social



Local promotion activities

- Started in October 2015
- Positioned as a core business of the Bank and adopted in performance assessments of branch offices.

Diversified solutions

Startup support

Regional revitalization

Management improvement

Business succession, etc.

A win-win relationship

Progress of customers and the local economy

Increase in loans and fees and commission revenue



SDGs private placement bonds

- The system was introduced to achieve the SDGs together with our customers through the issuance of private placement bonds.



Package of "SDGs Private Placement Bonds": Part of the proceeds are used for the relevant purposes of the SDGs

Local promotion type: Donation and gift to public organizations, etc.

Restoration support type: Contribution to relief money for disaster victims

BCP type: BCP consulting is conducted.

Advertising type: The initiatives for the SDGs are published in newspapers.

➔ "Yamadorige Sword Homecoming Project"

- A project to bring the Yamadorige Sword, the noted sword reputedly owned by Uesugi Kenshin, back to Setouchi City, Okayama Prefecture.
- Donations were collected by issuing SDGs private placement bonds.

Regional revitalization was supported through finance.

Governance

Strengthened and sophisticated governance

- Percentage of independent outside directors: 31.3% (as of Sep. 30, 2019)
 - Six outside directors (of them, five independent outside directors)
- Established a nomination and compensation committee (Dec. 22, 2017)
 - Chaired by an outside director, the committee carries out appropriate deliberations.
- Performed assessment of effectiveness of the Board of Directors
- Formulated the "Plan for a Successor to the Representative Director and the Basic Policy concerning the Nurturing Plan"
- Grasping appropriate cost of capital To be used for the revision of cross-shareholding
- Reinforcing countermeasures against financial crimes (Established "Money-laundering Countermeasure Center on Oct. 1, 2018)

Nomination and compensation committee

Strengthened governance



Initiative for reduction of cross-held shares

[Policy for cross-held shares]

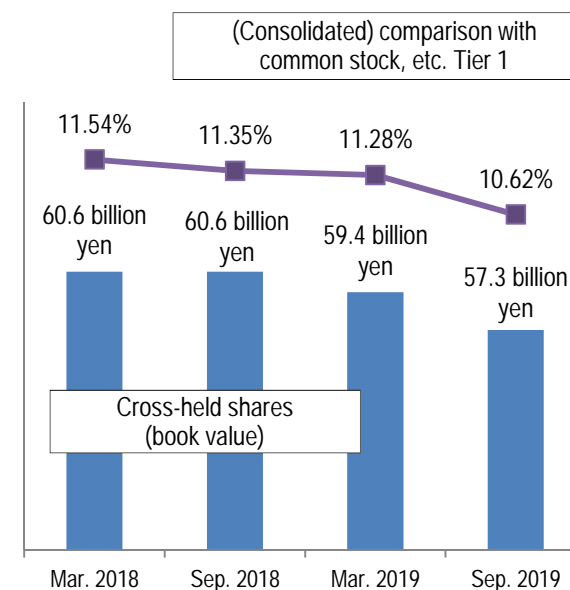
- The relevant shares are held only when it is considered as necessary for sustainable growth of the issuers of the shares and the Group as well as for the improvement of corporate value.
- From the perspectives of capital efficiency and the reduction of shareholding risks, we will reduce the shares through the issuers.

[Judging whether or not the shares should be held]

- Profitability taking cost of capital into account
- Relationship with local economy
- Viewpoint on managerial strategy

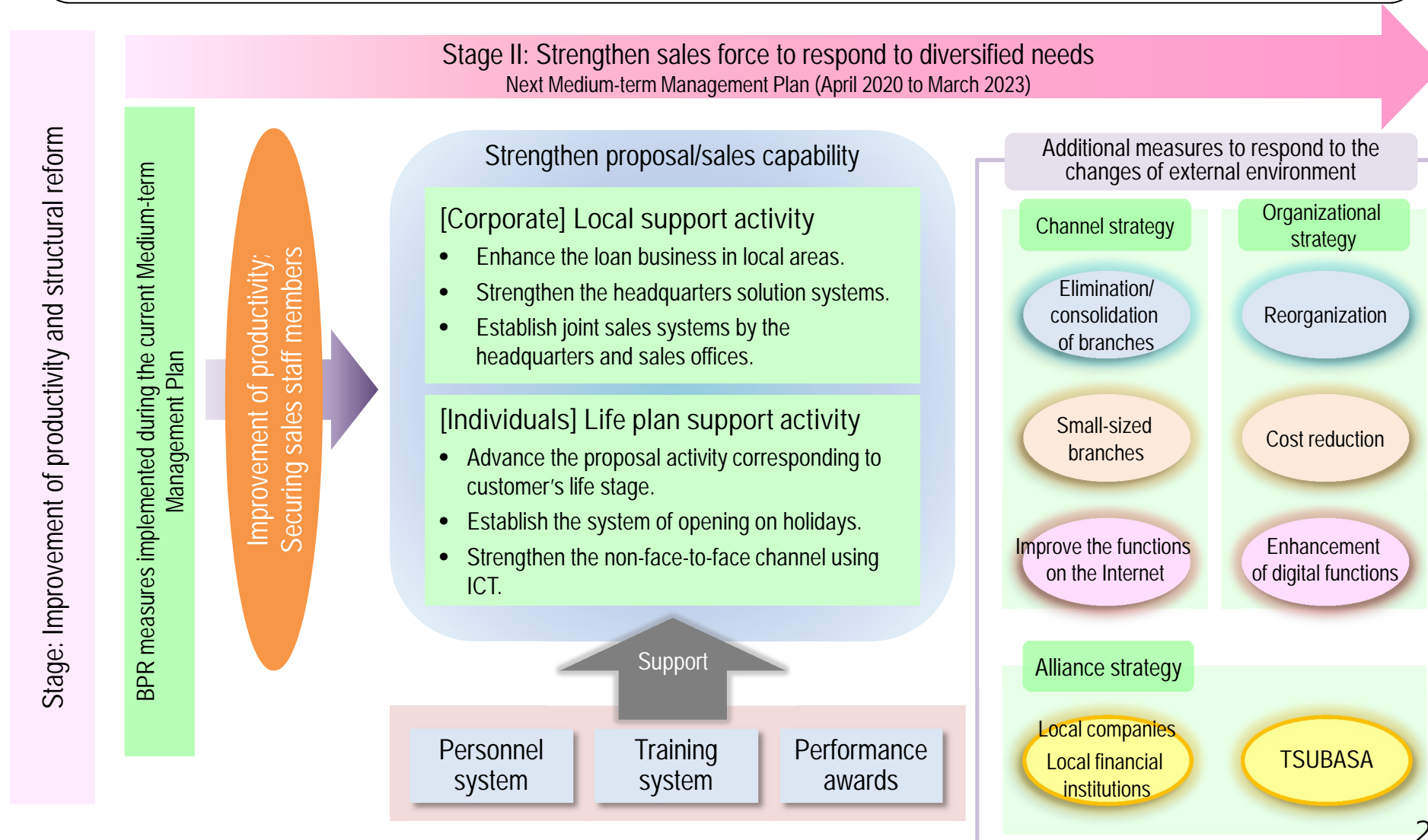
[Shares not satisfying the shareholding criteria]

- Negotiations for improvement of profitability in transactions
 - Negotiations for reducing the number of shares held
- The Board of Directors will verify the status on a regular basis.



Towards the Next Medium-term Management Plan

- Under the current Medium-term Management Plan, we implemented securing of business hours and measures for structural reforms centering on personnel relocation.
- Under the next Medium-term Management Plan, we will respond to diversified customer needs by strengthening our consulting capability. Furthermore, we will be flexible in addressing changes in the environment by promoting elimination/consolidation of branches, strengthening of digital functions and cooperation with the local community and TSUBASA Alliance.



Shareholder Returns

- We will return profits at a total payout ratio of approximately 35%, calculated by the sum of dividends and share repurchases.
- The annual dividend for the fiscal year under review will be 22 yen per share (18 yen as stable dividend plus additional 4 yen).

[Shareholder returns]

(Unit: 100 million yen)

	FY2015	FY2016	FY2017	FY2018	FY2019 (Plan)
Dividend per share (interim dividend)	¥20 (¥10)	¥20 (¥10)	¥20 (¥10)	¥22 (¥10)	¥22 (¥11)

Non-consolidated net income	259	190	194	153	121
Total dividends	39	38	38	41	41
Payout ratio ÷	15.1%	20.2%	19.7%	27.1%	34.2%

Share buybacks	52	29	29	14	Total payout ratio: Estimated at approx. 35%
Total amount of profit return +	91	67	68	55	
Total payout ratio (+) ÷	35.2%	35.5%	35.1%	36.2%	

*Share buyback as a factor in calculating payout ratio: Calculated based on buybacks during one year from time of shareholders meeting.



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