

FY2020 Earnings Results Briefing

May 31, 2021



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Section I

Earnings Results for FY2020

and

Numerical Targets for FY2021

FY2020 Earnings Results –Summary–

(billion yen)	FY2017	FY2018	FY2019	FY2020		
					YoY	vs. Plan*
[Consolidated]						
Consolidated ordinary income	30.9	23.6	17.4	21.2	3.8	3.7
Profit attributable to owners of parent	21.2	16.1	11.9	14.4	2.5	2.4

[Non-consolidated]

Core business gross profit	79.5	77.0	74.7	76.3	1.6	1.1
Net interest income	66.2	63.0	58.2	58.8	0.6	0.4
Net fee income	14.6	14.8	15.8	15.6	-0.2	0.3
Net other operating profits	-1.2	-0.8	0.6	1.8	1.2	0.5
Expenses (-)	55.6	54.2	54.0	52.7	-1.3	-1.1
OHR (%)	69.9	70.3	72.2	69.1	-3.1	-2.5

Core business net profit	23.9	22.8	20.7	23.5	2.8	2.2
Excl. gains or losses on cancellation of investment trusts	22.2	21.7	20.6	23.4	2.8	2.6

Credit cost (-)	-1.7	4.1	5.6	8.0	2.4	-0.9
Bond trading loss, write-off	-2.4	1.1	-0.5	-0.5	-0.0	-1.7
Equity trading and evaluation loss	4.4	1.4	0.0	5.5	5.5	3.2
Other	0.2	0.6	0.7	-1.5	-2.2	-1.0

Ordinary profit	27.9	21.9	15.4	19.0	3.6	3.5
Extraordinary gain/loss	-0.1	-0.2	-0.6	-0.3	0.3	0.1
Net income	19.4	15.3	10.8	13.0	2.2	2.0

*Forecast published on Nov. 13, 2020.

- Core business net profit Increased by 2.8 billion yen year on year due to growth of net interest income and net other operating profits (derivative transactions for clients, etc.), and a decrease in expenses.
- Ordinary profit Increased year on year both on a consolidated and non-consolidated basis due to an increase in gains/losses related to securities, despite an increase in credit costs.

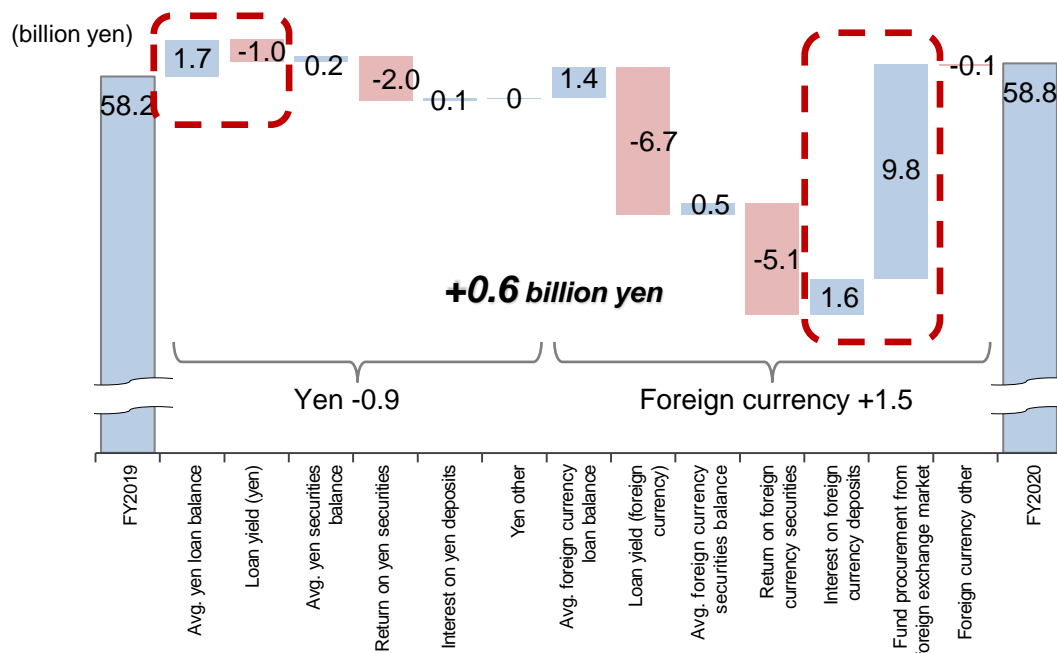
[Factors behind change in net interest income]

■ Yen-based: ¥51 billion (−¥0.9 billion YoY)

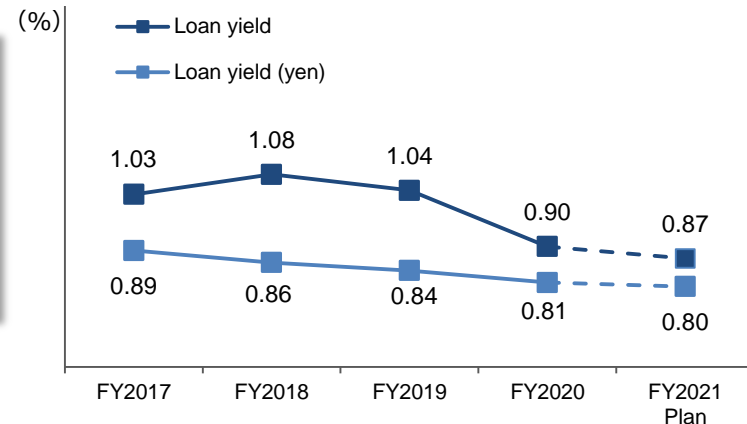
- Interest on loans and discounts: +¥0.7 billion YoY
- Interest on securities: −¥1.8 billion YoY
- Decrease in interest on deposits: +¥0.1 billion YoY

■ Foreign currency-based: ¥7.8 billion (+¥1.5 billion YoY)

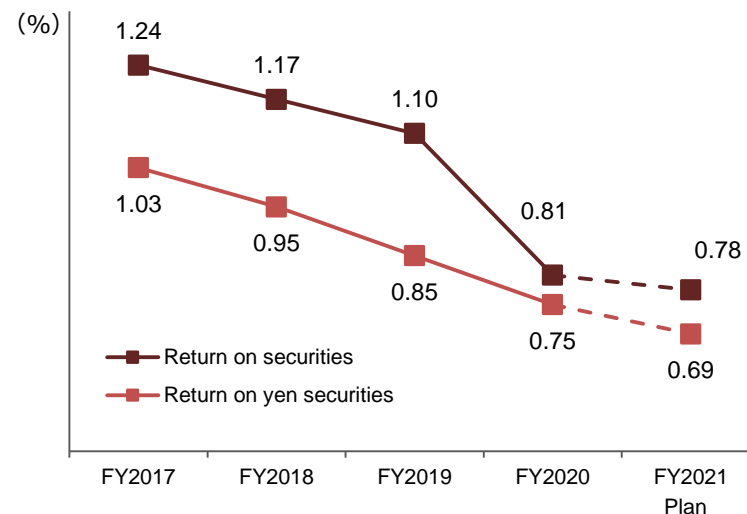
- Interest on loans and discounts: −¥5.3 billion YoY
- Interest on securities: −¥4.6 billion YoY
- Decrease in interest on deposits: +¥1.6 billion YoY
- Decrease in foreign currency procurement: +¥9.8 billion YoY



[Loan yield]



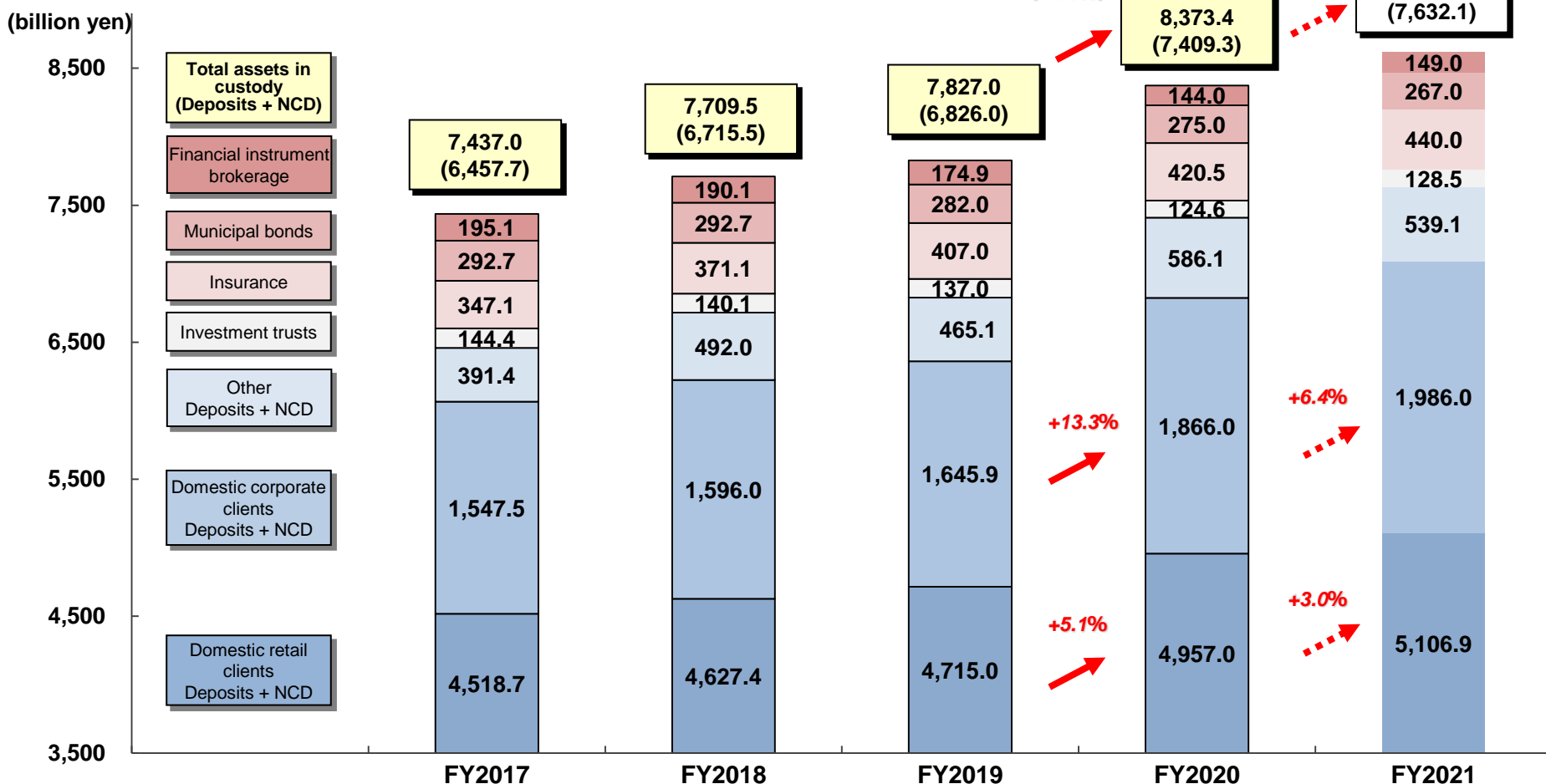
[Return on securities]



• Net interest income increased by 0.6 billion yen year on year due to growth in interest on yen loans and discounts and an increase in foreign currency net interest income due mainly to a drop in foreign currency procurement expenses.

Major Accounts (1) Deposits & Assets in Custody

[Average balance of deposits and assets in custody]

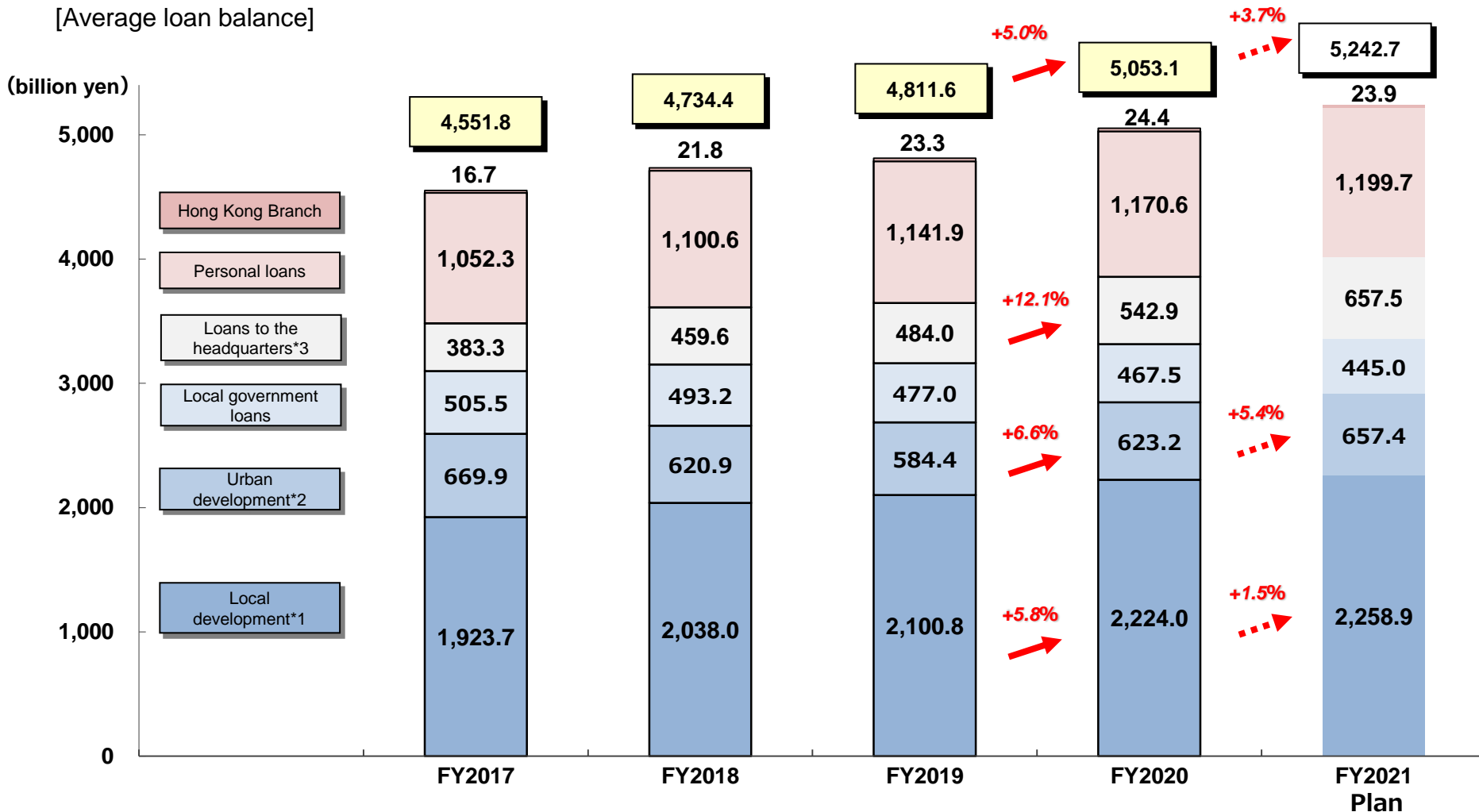


* Financial instrument brokerage is based on acquisition price. Municipal bonds are based on face value. Insurance is based on the average balance that takes into account cancellations. Investment trusts are based on net assets. Plan

- In FY2020, deposits + NCD increased significantly for both corporate and retail clients due to payment of COVID-19-related benefits and securing funds on hand.
- A continued inflow of funds related to COVID-19 is expected mainly for corporate and retail clients in FY2021.

Major Accounts (2) Loans

[Average loan balance]

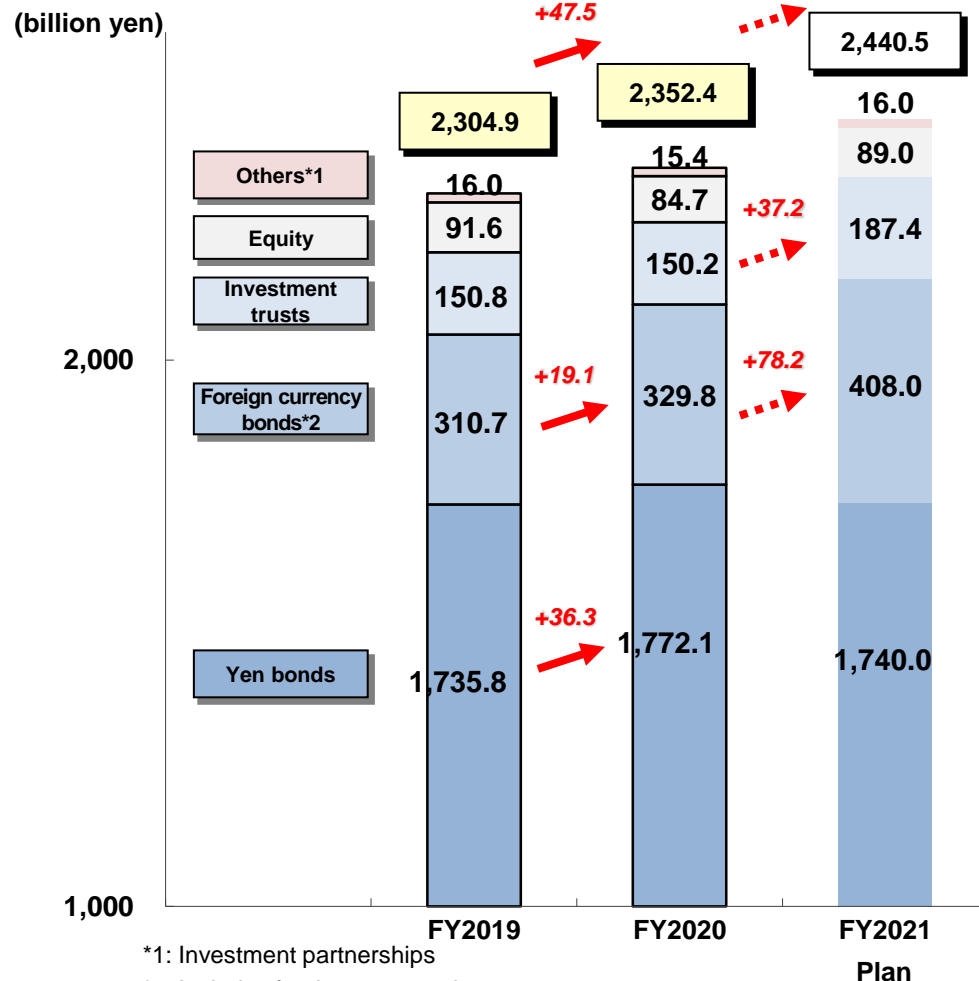


*1 Local: Regions other than Tokyo and Osaka *2 Urban: Tokyo and Osaka *3 Loans to the headquarters: Non-Japanese loans and SF centers

- In FY2020, total loans grew significantly by 5.0% year on year mainly due to the aggressive financial support during the COVID-19 pandemic.
- In FY2021, we will continue to provide aggressive financial support mainly in the local communities.

Major Accounts (3) Securities

[Average balance of securities]

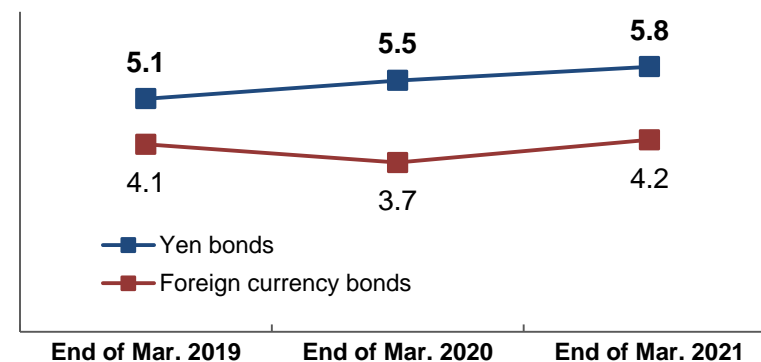


[Unrealized gains/losses]

(billion yen)

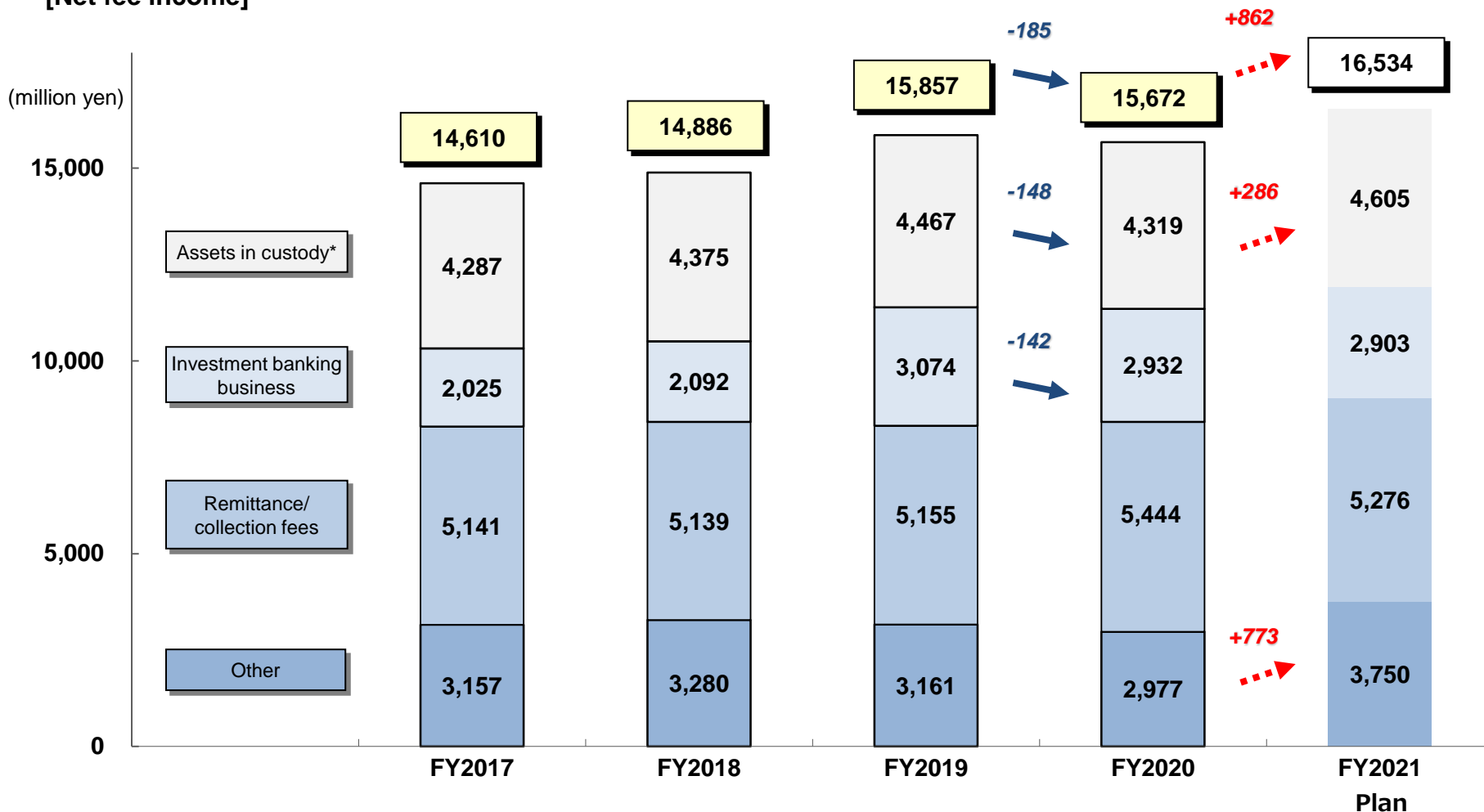
	End of Mar. 2020	End of Mar. 2021	YoY
Total	89.8	136.6	46.8
Held to maturity	0.3	0.2	-0.1
Other securities	89.5	136.4	46.9
Equity	36.4	62.2	25.8
Investment trusts	21.6	53.4	31.8
Foreign currency bonds	2.3	-0.2	-2.5
Yen bonds	30.4	20.0	-10.4

[Duration of bonds]



- In FY2020, the total balance increased by 47.5 billion yen year on year due to an increase in yen bonds on the back of the growth of deposit/loan balance due to an increase in deposits. Unrealized gains/losses improved significantly due to the recovery of the stock market.
- In FY2021, we will take positions flexibly in foreign currency bond investments and equity-type assets (including investment trusts).

[Net fee income]

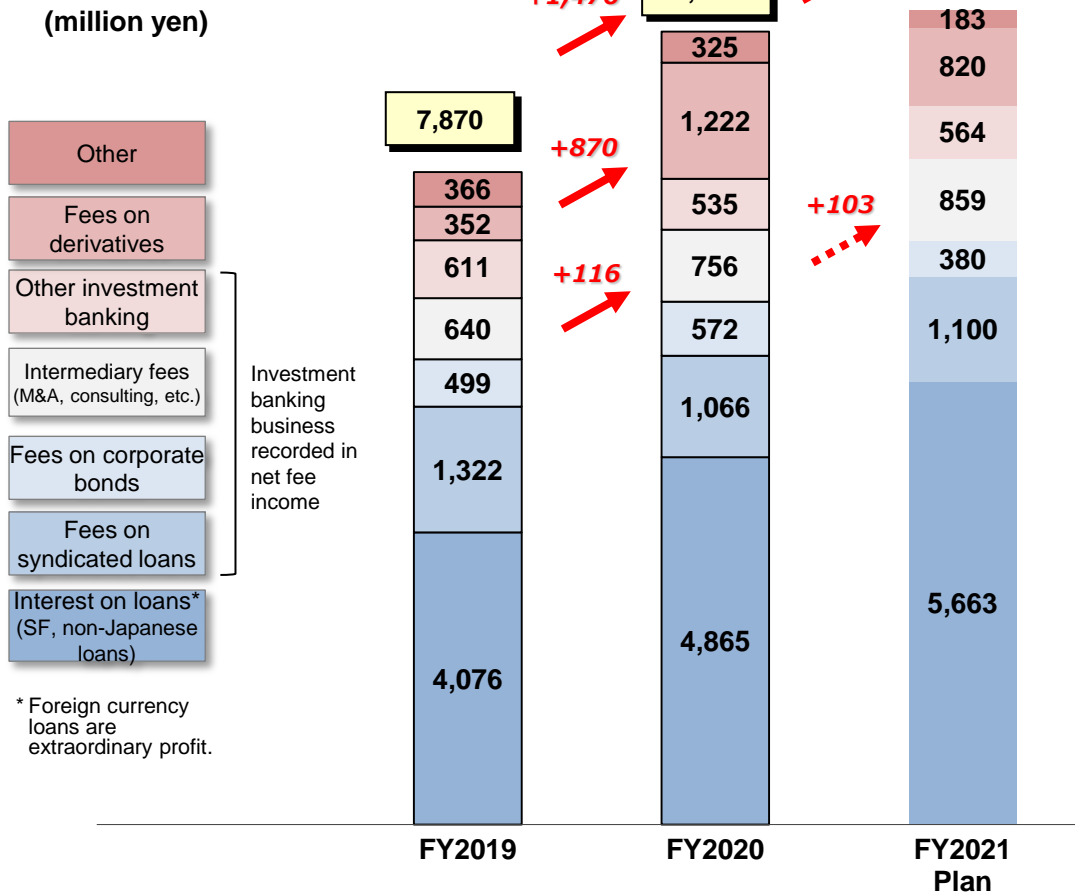


*Four products in custody (investment trusts, insurance, municipal bonds, financial instrument brokerage) + inheritance-related business

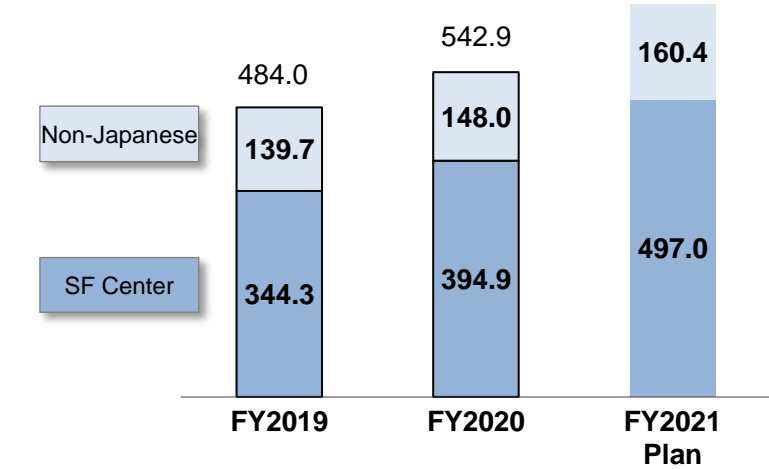
- In FY2020, the impact of the decrease in revenue due to refraining from face-to-face sales activities in 1H remained minor, helped by the utilization of remote meetings.
- In FY2021, we will strive to increase revenue mainly from assets in custody (including inheritance-related business).

Corporate Solution-related Revenues

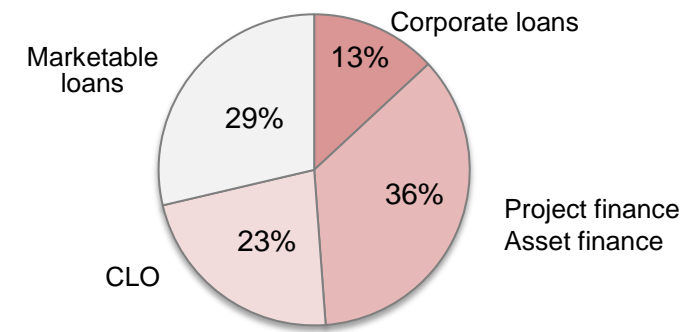
[Revenues from solutions for corporate customers]
 (Net interest income, net fee income, net other operating profits)



[Average balance of loans to the headquarters]
 (billion yen)



[Breakdown of loans to the headquarters]
 (Balance at end of Mar. 2021)

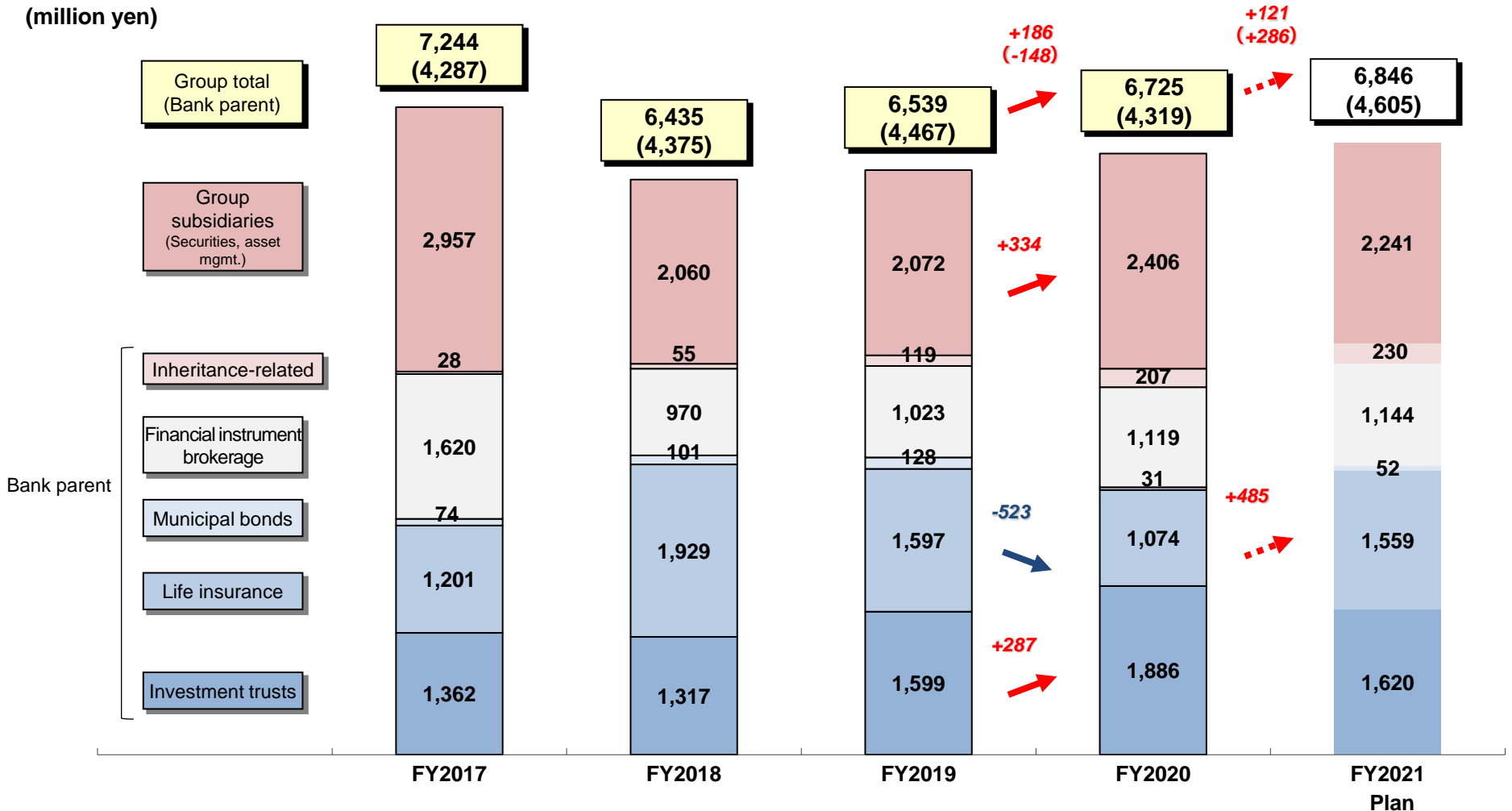


- In FY2020, corporate solution-related revenues increased significantly, reflecting the growth of intermediary fees and the execution of large-volume derivatives transactions.
- In FY2021, we will expand the provision of solutions in response to diversified customer needs and further take risks and returns into consideration in loans to the headquarters by paying close attention to changes in the market environment.

Revenues Related to Assets in Custody

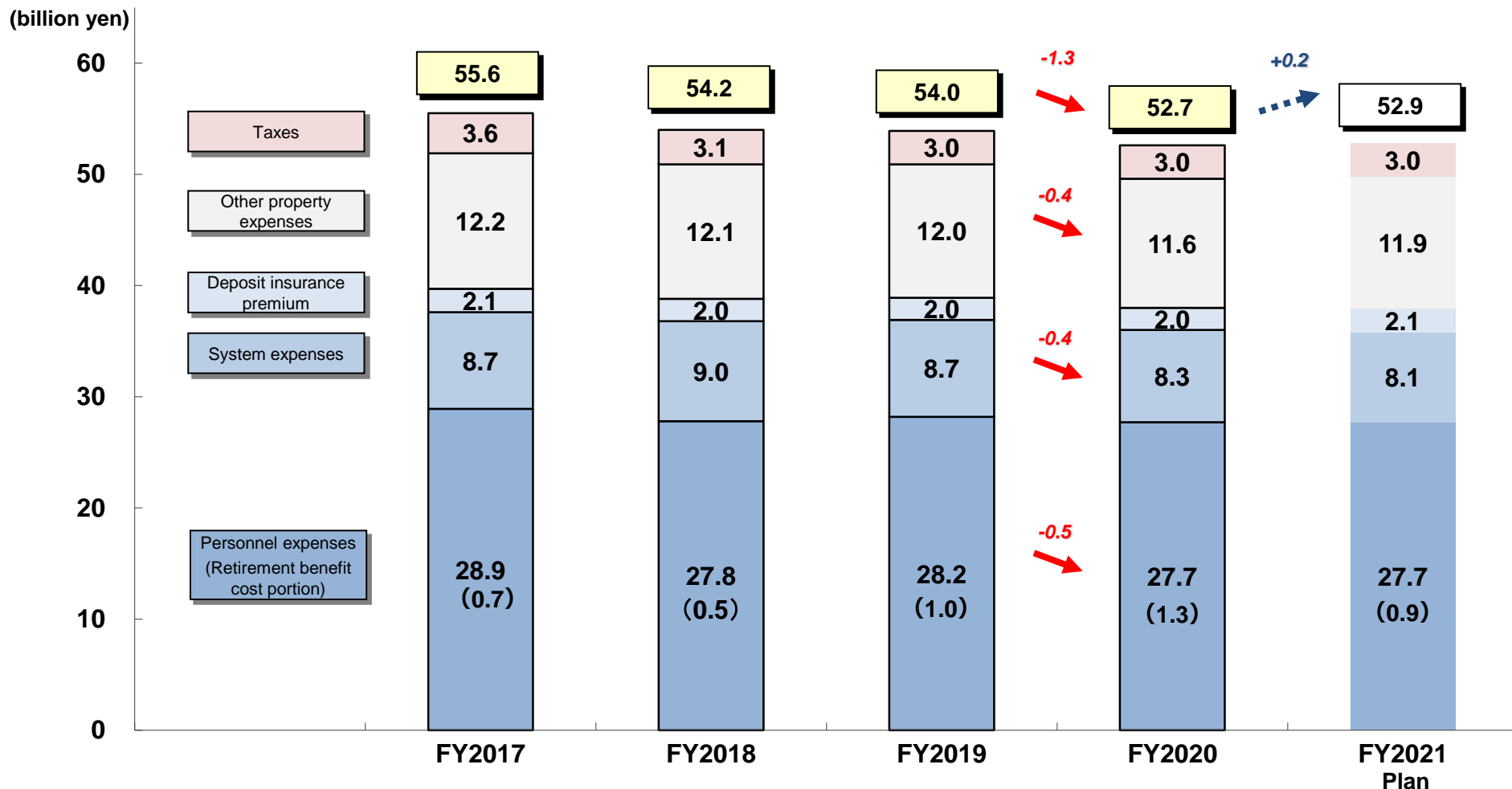
[Breakdown of revenues related to assets in custody]

(million yen)



- In FY2020, the group total increased year on year due to an increase in investment trusts that captured the recovery of the market and revenue improvement at group subsidiaries, despite the negative impact of refraining from face-to-face sales activities during the pandemic.
- In FY2021, we will aim to increase life insurance and inheritance-related revenue by strengthening consulting sales according to customers' life plans.

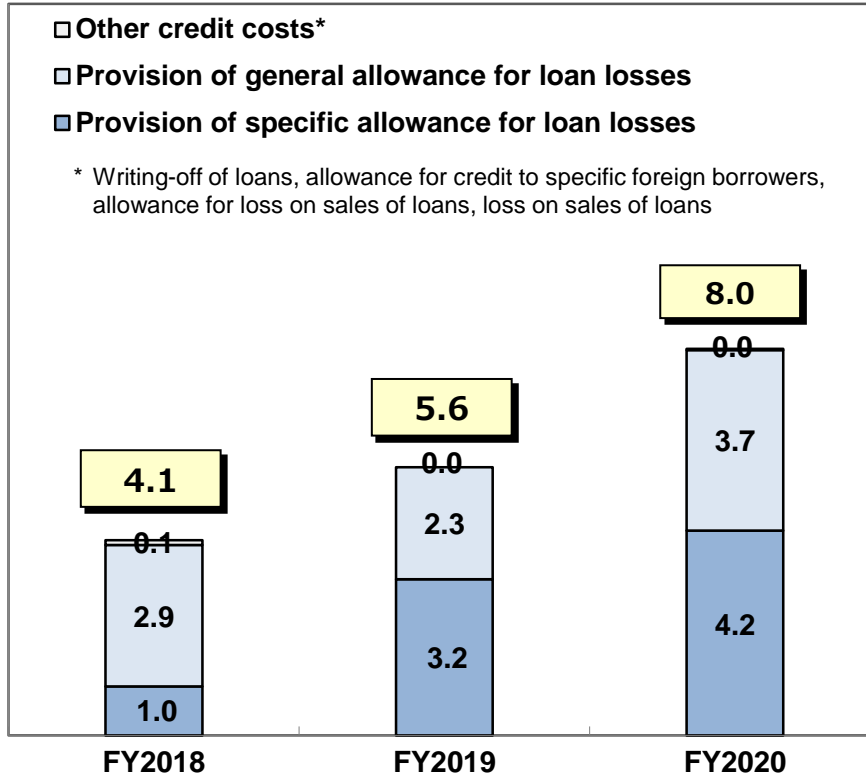
[Expenses]



- In FY2020, expenses decreased significantly by 1.3 billion yen year on year due to a decrease in business trip travel expenses and training expenses, as well as a reduction in personnel expenses due to the streamlining of operations.
- In FY2021, we expect to see expenses unchanged from FY2020 overall due to further streamlining, despite increases in personnel system-related costs and branch-related costs.

[Credit costs]

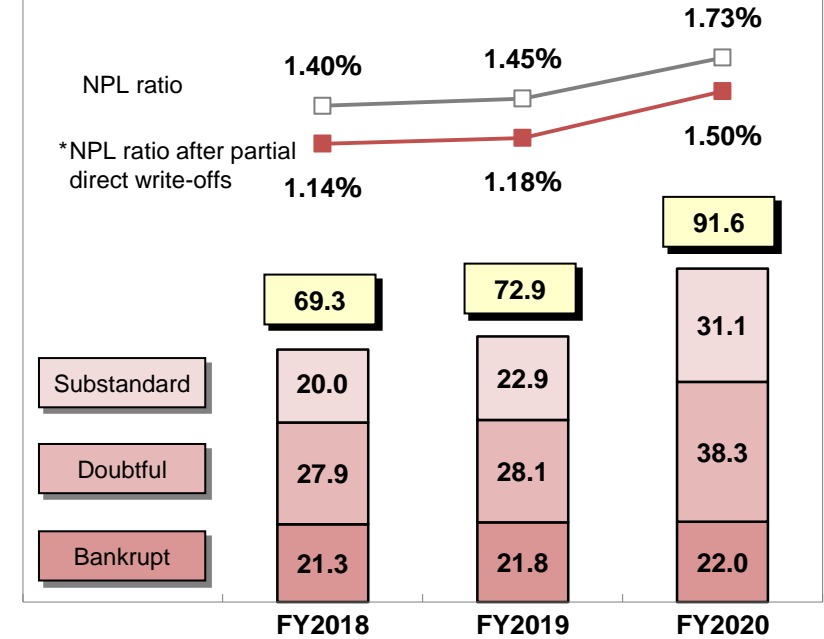
(billion yen)



[Non-performing loans (NPL)]

(Loans disclosed under the Financial Revitalization Law) (billion yen)

*The Chugoku Bank does not carry out partial direct write-offs.

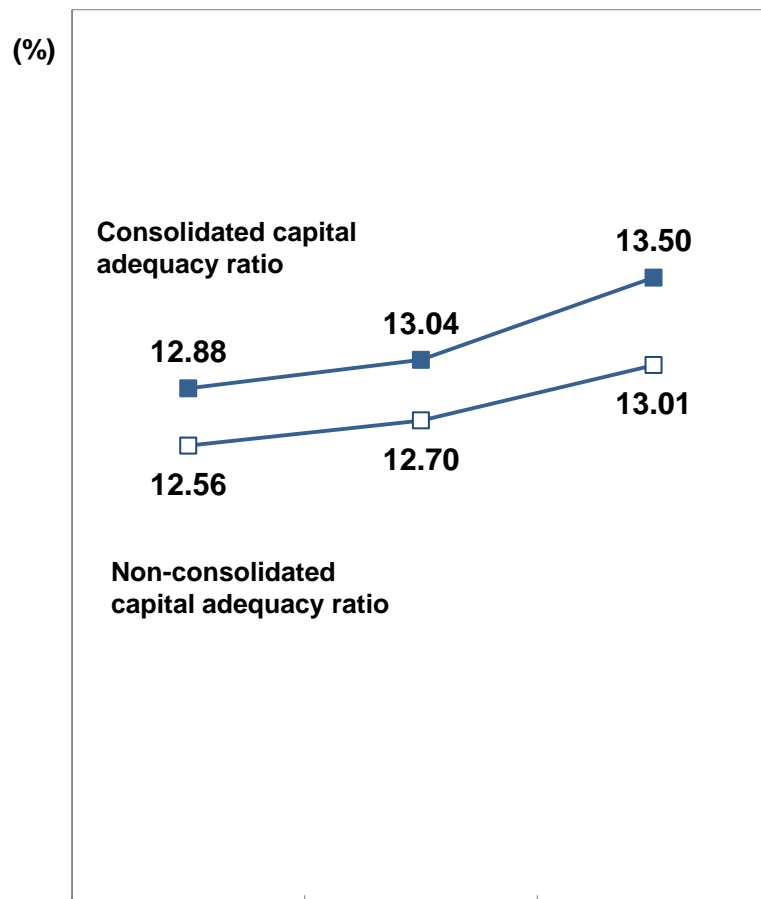


(Reference) Calculation method of general allowance for loan losses

- Expected loss rate is calculated based on the actual loan loss rates for three consecutive calculation periods, with one period being three years and each moved one year forward.
- The expected loss rate shall be either the “three-period average” or the “most recent two-period average,” whichever is larger.
- Loans to healthy accounts and substandard I accounts are adjusted by taking into consideration the average remaining period of the receivables.

- General allowance for loan losses increased on the back of an increase in loans. Specific allowance for loan losses also increased year on year, resulting in an increase of 2.4 billion yen in the total allowance.
- Although the NPL ratio has risen, it remains low (1% level).

[Capital adequacy ratio]



End of Mar. 2019 End of Mar. 2020 End of Mar. 2021

[Capital adequacy (consolidated)]

(billion yen)	FY2019	FY2020	Change
Total equity	502.1	561.1	59.0
Common equity Tier 1 capital	501.9	550.9	49.0
Valuation difference on available-for-sale securities	44.3	84.9	40.6
Risk-weighted assets, etc.	3,848.5	4,155.6	307.1
Credit risks	3,693.7	4,002.5	308.8
Operational risks	154.7	153.0	-1.7

[Other Basel regulations]

	FY2019	FY2020	<Regulatory standards>
Consolidated leverage ratio	5.99%	6.52%	3% or more
Consolidated liquidity coverage ratio (LCR)	165.3%	201.8%	100% or more
Consolidated stress test (IRRBB)	3.6%	5.9%	15% or less

- The total capital adequacy ratio rose on the back of increases in valuation difference on available-for-sale securities and in Tier 2 capital through financing by subordinate bonds (social bonds), while risk-weighted assets grew due to an increase in loans, etc.

[Earnings forecasts]

[Impact of COVID-19]

(billion yen)		FY2020	FY2021	
		Result	Forecast	Change
Consolidated	Consolidated ordinary profit	21.2	21.5	0.3
	Consolidated net income	14.4	14.7	0.3

<Net interest income>

The loan balance increased significantly due to aggressive financing support for customers during the pandemic.
We expect robust growth of net interest income in FY2021 through continued financing support.

Non-consolidated	Core business gross profit		76.3	77.0	0.7
		Net interest income	58.8	59.4	0.6
		Net fee income	15.6	16.5	0.9
		Net other operating profits	1.8	1.1	-0.7
	Expenses (-)		52.7	52.9	0.2
	Core business net profit		23.5	24.0	0.5
	Credit cost (-)		8.0	8.5	0.5
		Provision of general allowance for loan	3.7	3.8	0.1
		Provision of specific allowance for loan	4.2	4.6	0.4
	Securities-related gains/losses		5.0	4.2	-0.8
	Other		-1.5	-0.2	1.3
	Ordinary profit		19.0	19.5	0.5
	Net income		13.0	13.5	0.5

<Net fee income>

We do not expect a negative impact from COVID-19 in FY2021 as we have established a sales system adapted to the pandemic. Considering customers' new needs and managerial issues that became apparent during the pandemic as an opportunity for consulting, we will provide further financial and non-financial support.

<Expenses>

We expect to carry out strategic investments as planned as sales and business activities recover. We will seek to accelerate measures that contribute to the streamlining of operations, which were implemented during the pandemic, in an effort to perpetuate a low-cost structure.

<Credit costs>

Currently, there is no major impact of the pandemic in the local areas.
For FY2021, while there is no deterioration factor in particular at present, we have incorporated credit costs equivalent to those of FY2020 into the forecast to prepare for unexpected events.

- We will continue to aggressively respond to customers' financing needs and problem-solving needs, as well as ensuring thorough streamlining and cost management. Through such efforts, we expect profit increases on both a consolidated and non-consolidated basis.

Shareholder Return Policy

[Shareholder return policy for FY2021]

* In the calculation of the payout ratio, share buybacks are those carried out within a year from the general meeting of shareholders.

Shareholder return ratio of at least 35% through dividends and share buybacks

(billion yen)	Shareholder return ratio of approx. 35%				Shareholder return ratio of at least 35%
	FY2017	FY2018	FY2019	FY2020	FY2021 (Plan)
Dividend per share (Interim dividend)	20 yen (10 yen)	22 yen (10 yen)	22 yen (11 yen)	23 yen (11 yen)	23 yen (11.5 yen)
Net income ①	19.4	15.3	10.8	14.4	14.7
Total dividends ②	3.8	4.1	4.1	4.3	4.3
Payout ratio ②÷①	19.7%	27.1%	38.2%	30.0%	29.2%
Share buybacks ③	2.9	1.4	-	1.0	Consolidated shareholder return at least 35%
Shareholder return amount ②+③	6.8	5.5	4.1	5.3	
Shareholder return ratio (②+③)÷①	35.1%	36.2%	38.2%	36.9%	
	Non-consolidated			Consolidated (from FY2020)	

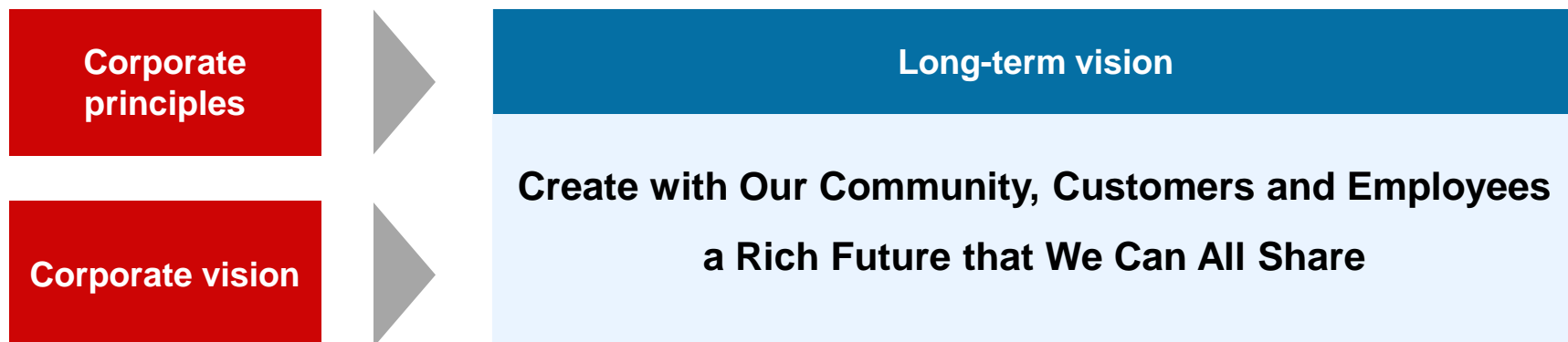
- FY2020 • We **increased dividends by 1 yen per share to 23 yen (22+1 yen)** to commemorate the Bank's 90th anniversary.
Share buybacks worth 1 billion yen are currently implemented.
- FY2021 • We will revise the dividend per share to **23 yen** and the shareholder return policy to "at least 35% of consolidated net income."
We will continue to seek to maximize shareholder returns through stable dividend payment and flexible share buybacks.

Section II

Management Strategies of The Chugoku Bank Group

Long-term Management Plan “Vision 2027: Plan for Creating the Future Together” as the Basis

- In March 2017, we formulated our 10-year Long-term Management Plan “Vision 2027: Plan for Creating the Future Together” based on our long-term vision to “**Create with Our Community, Customers and Employees a Rich Future that We Can All Share**” with the aim of establishing a sustainable business model by overcoming the declines in population and profitability.



[Framework for achieving the long-term vision]



Initiatives for creating a rich future

- Improve the quality of the services we provide
- Increase opportunities to provide services



Initiatives for creating the foundation of management

- Enhance our capabilities to provide services
- Reform the mindsets of individuals and the organizational culture

Positioning of the Medium-term Management Plan

“Plan for Creating the Future Together: Stage II”

- Based on the achievements of the structural reforms (strategic investments and streamlining operations and enhancing sales capabilities through BPR measures) under the previous Medium-term Management Plan, we will establish **“our proprietary business model,”** which can quickly respond to changes of the external environment and enables the **Group and local communities to grow together.**
- To that end, we will strengthen **our organizational power and human resources development** under the new Medium-term Management Plan.

FY2017 ← 3 years → FY2020 ← 3 years → FY2023 ← 4 years → FY2026

Long-term Management Plan “Vision 2027: Plan for Creating the Future Together”

Previous Medium-term Management Plan
“Plan for Creating the Future Together:
Stage I”

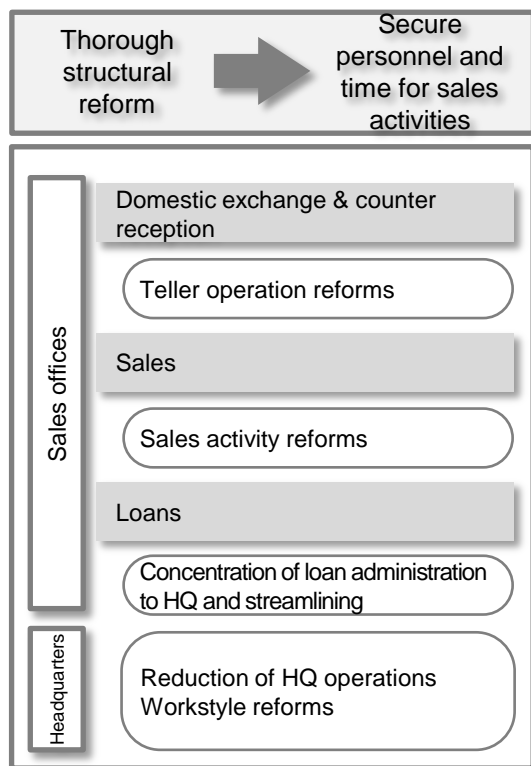
New Medium-term Management Plan “Plan for
Creating the Future Together: Stage II”

“Plan for Creating the Future
Together: Stage III”

HOP Enhance tangible aspects

STEP Enhance intangible aspects (organization and human resources)

JUMP Culmination of efforts



Establish a business model that enables the Group and local communities to grow together

The Chugoku Bank Group will become the regional platform

1

Enhancement of initiatives for regional revitalization and the SDGs

- Confront the various issues surrounding the local areas and aim to solve the issues, create new businesses and work toward the SDGs.
- Solve social and environmental issues by providing our know-how to customers, forming various partnerships, and working toward the SDGs.

2

Deepening of customer-oriented sales activities

- As The Chugoku Bank Group, provide new value to customers and solve their various issues.
- Strengthen integrated sales by sales offices and the HQ, enhance services including non-financial services, enter new business areas including personnel placement, local trading companies and business consulting services, and strengthen synergies within the Group.

3

Vitalization of the organization

- Position employees as the Group's important stakeholder and raise their job satisfaction and offer support in self-fulfillment and development.
- Establish an organizational system where employees can work with greater job satisfaction than before by reforming the personnel system, reviewing the performance commendation system, and further delegating authority to blocks and sales offices.

4

Enhancement of the digitalization strategy

- The rapid progress of digitalization of finance provides a significant business opportunity for the Group.
- Aim to increase customer contact points and create new customer experience using digital technologies through increasing/improving smartphone apps for retail customers and opening a portal website for corporate customers. Further streamline banking operations through digitalization.

5

Establishment of a sustainable growth model

- To respond to the harsh market environment, such as sustained negative interest rates, strive to stabilize revenue in the core business, including new business areas, and fundamentally review the cost structure to achieve sustainable profit growth.

Key Performance Indicators (KPIs) of the Medium-term Management Plan “Plan for Creating the Future Together: Stage II”

- We have set the value we can provide stakeholders as the KPIs of the Medium-term Management Plan “Plan for Creating the Future Together: Stage II.”
- We will aim to increase the regional (East Setouchi Economic Zone*¹) population and GDP in the long run by achieving the KPIs.

Stakeholder	KPI	FY2020 Result	Final year of the Medium-term Plan (FY2022)	Final year of the Long-term Plan (FY2026)
Local community	Number of projects addressing local issues and contributing to the SDGs	Continuous improvement	Continuous improvement	—
	(1) Sum of the number of startups for which we provided support ² and the number of companies we provided support in business succession ³	65	200 companies over 3 years	—
	(2) Activities contributing to the improvement of financial literacy ⁴	195 (More than 3,000 participants to lectures)	Continuous improvement	—
Customers	Customer satisfaction ⁵ (Retail and corporate)	FY2020 Corporate questionnaire 74% satisfaction (FY2018: 70%)	Continuous improvement	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel cost ⁶	54.03%	At least 54%	—
Shareholders, etc. (All stakeholders)	Profit attributable to owners of parent	14.4 billion yen (Close to final-year target)	15.0 billion yen	30.0 billion yen
	Consolidated total capital adequacy ratio (Basel III)	13.50%	Maintained stably at 12%	Maintained stably at 12%
	Consolidated ROE	2.68%	—	At least 5% (single-year basis)

*1 East Setouchi Economic Zone: Okayama Prefecture, Kagawa Prefecture, eastern Hiroshima Prefecture (Bingo region), western Hyogo Prefecture (Harima region)

*2 Number of startups for which we provided support: Number of startups as a result of our event for startup support, etc.

*3 Number of companies we provided support in business succession: Number of companies to which we provide business succession consulting services

*4 Activities contributing to the improvement of financial literacy: Number of event and study sessions that contribute to the improvement of financial literacy and business skills, etc.

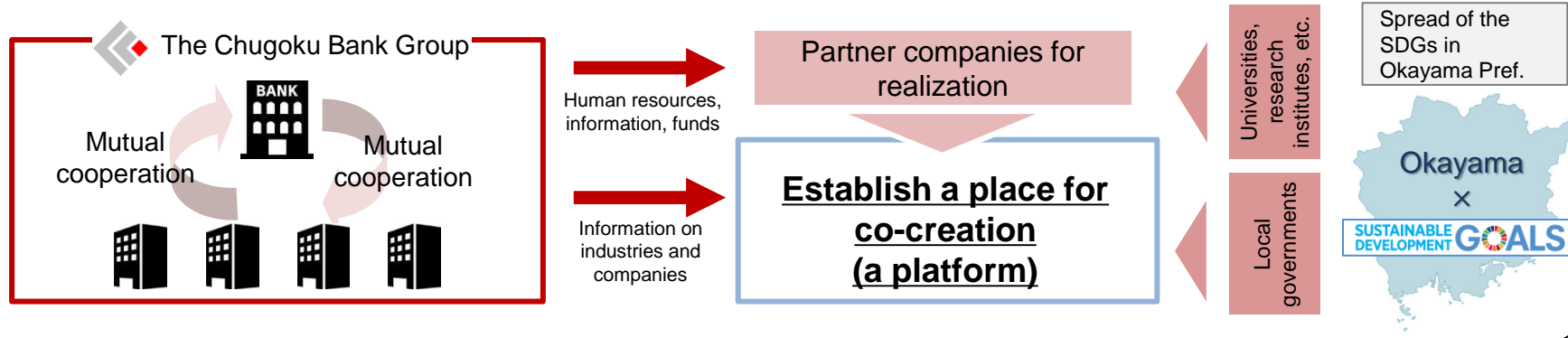
*5 Customer satisfaction: Sum of “Satisfied” and “Somewhat satisfied” replies in customer questionnaires (corporate and retail customer questionnaires are conducted every other year)

*6 Labor share in core business net profit before payment of personnel cost: Personnel expenses divided by the sum of core business net profit and personnel expenses

Section III

Major Initiatives

- We will proactively support the realization of regional revitalization and the SDGs through the provision of “human resources,” “information,” “funds” and “know-how.”



<Entrepreneur support and fostering>

• Okayama Innovation Project

Startup support comprising a “School,” where participants learn theory, knowledge, passion and mind frame, and “Contest,” which discovers and awards talented persons



<Partnership with a university>

• Okayama Future Co-creation Alliance

Contributes to the development of the region by sharing information and know-how to achieve the SDGs



<Science technology venture support>

• Tech Planter (Okayama, Kagawa)

Creates industries and incubates ventures by developing science technologies that support society of the next generation



<Business creation, dissemination of know-how>

• Chugin Open Lab (internal venture)

A program that calls for projects and ideas for solving regional issues and new businesses within the Group, which the originators themselves work toward realizing



<Introduction of core human resources>

• Personnel placement

Introduces personnel that client companies require, especially “senior management” personnel, thereby contributing to the growth and development of the companies



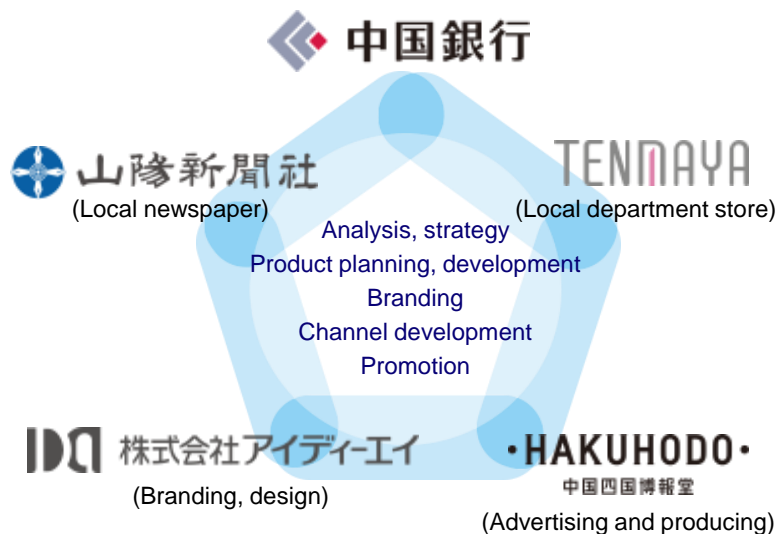
1. Enhancement of Initiatives for Regional Revitalization and the SDGs

-Local Trading Company

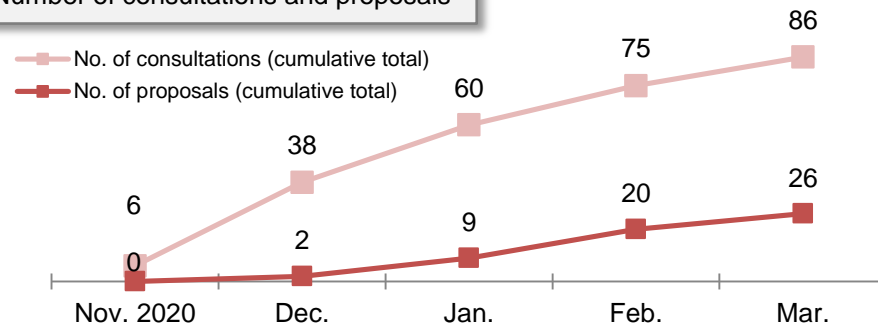
- We will establish a business model that enables the Group and local communities to grow together by using the know-how, information and networks of the Group.
- By establishing a local trading company, we will accelerate our support for customers' main businesses and contribute to the development of the local economy.



Local trading company "Setonowa"



Number of consultations and proposals



Project No. 1: Ogura Shoten "Assisting the development of new product using wild sea bream"

- ✓ A new product using fish meat typically discarded as misshapen or disfigured
- ✓ Assisted in product concept planning, package design, price settings, sales channels, etc.



Wild Red Sea Bream Flakes



Wild Red Sea Bream for Tea on Rice

Purpose

- Creates economic value within the region by discovering the regional resources that customers have and disseminating information within and outside the region and supporting sales increase

Strengths

- Complements knowledge that banks lack, such as in distribution, promotion, design and marketing, through joint ventures with companies representing the region
- Disseminates the region's appeal by making the most of the know-how and networks of the five participating companies and the bank's managerial resources

Synergies

- Creates synergies with banking operations, such as consulting, personnel placement, business matching and finance, through the local trading business

1. Enhancement of Initiatives for Regional Revitalization and the SDGs

-SDGs and ESG through Our Core Business

- We expressed our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).
- We will accelerate responding to the SDGs and ESG through our core business and aim to improve our corporate value continuously over the long term.

Support for TCFD recommendations (May 2021)

We expressed our support for the TCFD recommendations to contribute to the realization of a carbon-free society while understanding and evaluating the risks and opportunities that climate change provides customers and the Bank.

(Future initiatives)

- Increase information disclosure
- Actively take the initiative in addressing climate change in the region as the leading bank of the region (A huge business opportunity)



Policy for Responsible Financing and Investment Activity (Apr. 2021)

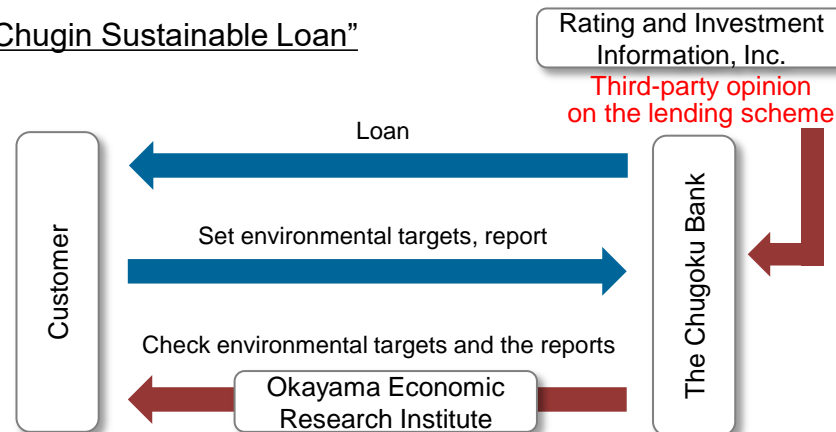
As a provider of funds, we clarified that we will carefully examine financing and investment activities that pose a risk or a negative impact on the environment or society and make efforts to reduce or avoid the impact of such elements.

(Industries and sectors of particular attention)

- Weapons
- Coal fired power generation
- Palm oil plantation development, logging business

SDGs and ESG through our core business

“Chugin Sustainable Loan”



“Chugin SDGs Support”

The Chugoku Bank will support your efforts toward the SDGs.

Illustration of Chugin SDGs Support



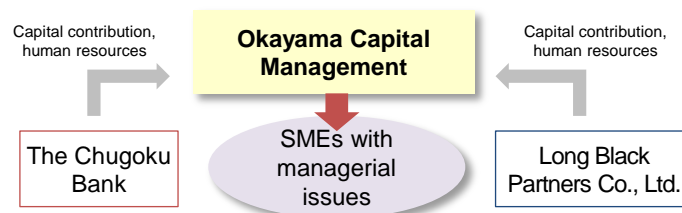
2. Deepening of Customer-oriented Sales Activities

- Corporate solution: Sales offices and the HQ unite to propose the optimal solution for the customer.
- Retail solution: We provide life plan support from both financial and non-financial aspects depending on the customer segment and channel.

Local support activities (corporate solution)

High-quality sales offered by sales offices and HQ in unison

- Assigned a Relationship Management rep in HQ (1H 2020)
 - Carries out sophisticated solution sales that link information of the sales sites and professional knowledge of HQ to establish a deeper relationship with large-volume clients
- Established the Ship Finance Center (Nov. 2020)
 - Consolidates lending operations for ocean-going ships in the Bingo district of Hiroshima Pref.
 - Offers high-quality sales by professionals in charge of ships
- Strengthening consulting business through external partnerships (since Oct. 2020)
 - Provides consulting services to customers with managerial issues on business succession, M&A, business plan formulation, etc.



Optimal solution for the customer

- Assisting through investment in funds (since Oct. 2020)
 - Startup support “Chugin Infinity Fund”
 - Business succession support “Succession Japan Fund” (measure of the TSUBASA alliance)

Life plan support activities (retail solution)

Face-to-face channels

Non-face-to-face channels

Non-financial services

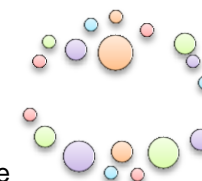
- Increase number of branches that conduct business on holidays (Life Plan Center, sales offices)
- Develop an optimal branch network
- Improve customer convenience through digitalization
 - Remote consultation, completing transactions online, partnerships with fintech companies
- “Chugin Okomarigoto Kaiketsu (Problem-solving) Support” (Since Feb. 2021)
 - Inheritance, end-of-life preparations, real estate, housework, nursing care, etc.

Maximization of group synergies

Strategic group companies

Expanding the work areas

- Strategic assignment of active bank employees (secondment)
 - Lease, credit card, securities, asset management, etc.
- Consideration of new business areas
 - ✓ New lease areas
 - ✓ Utilization of real estate
 - ✓ Strengthening of equity investment by the use of funds



- We overhauled our personnel system for the first time in approx. 17 years to vitalize the organization and seek further progress of diversity.
- We will create an environment where employees can maximize their potential in order to provide high-quality services that further supports customers.

Become a **human resources** group required **in** and **outside the bank**

External environment

Change in customer needs

- Sophistication of corporate activities
- Diversification of lifestyles

Revision of laws and systems

- Act for Stabilization etc. of Employment of Elderly Persons
- Equal pay for equal work

Change in views toward employment

- Diversity & inclusion
- Work-life balance

Internal environment

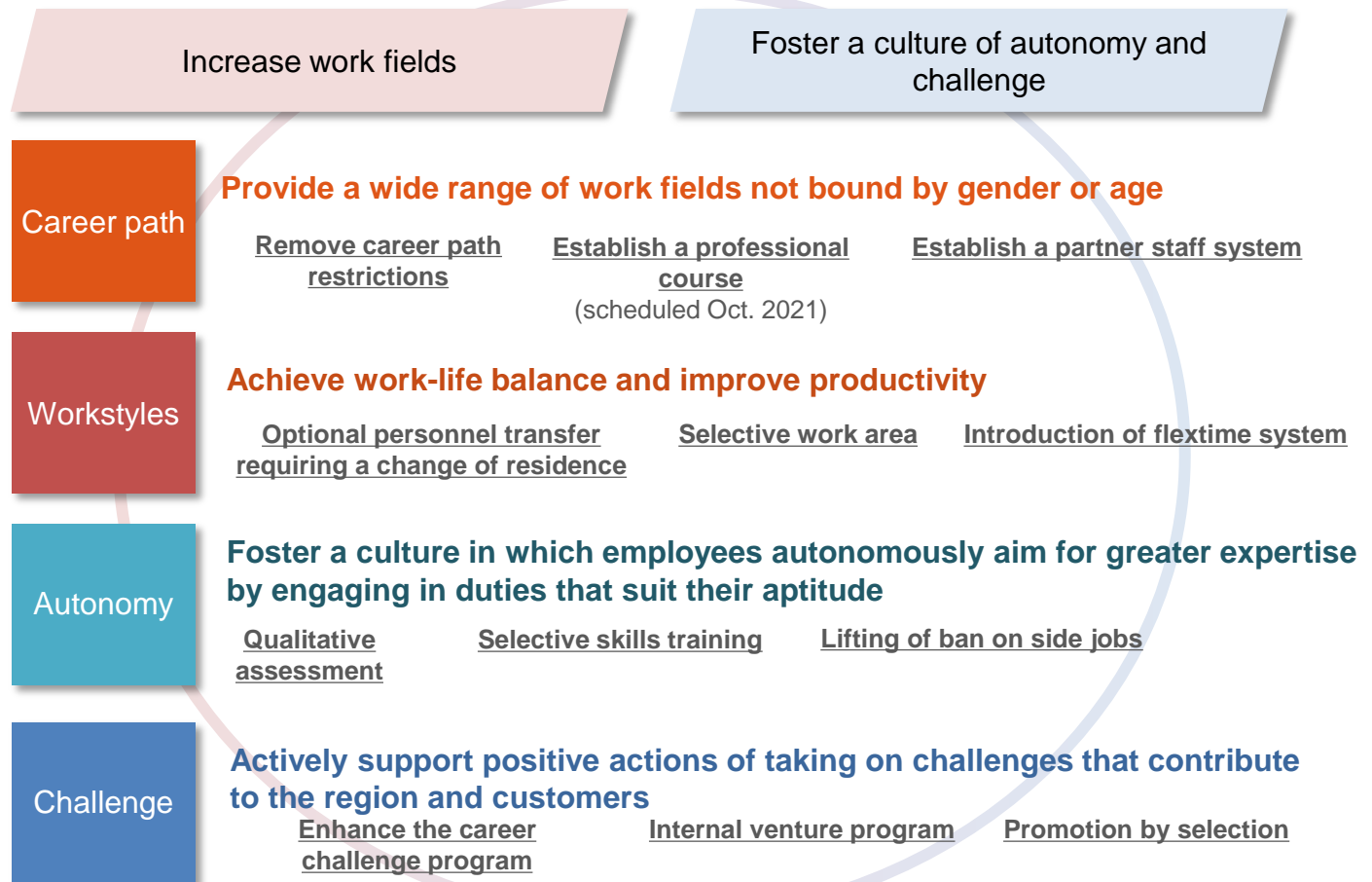
Changes in people in demand

Advancement of financial DX and BPR

Problems in personnel composition

Issues of personnel system

Employee satisfaction



4. Enhancement of the Digitalization Strategy

- Digital strategy vision of The Chugoku Bank: “Pursue comprehensive services business to serve every aspect of customers’ lives and businesses”
- We will powerfully promote digitalization by using people (sales), products (sales offices) and information as a regional financial institution.

Step 1 (This Medium-term Plan) Improve user convenience of existing services

Step 2 (Next Medium-term Plan) New financial services

Step 3 (2030) Comprehensive services, incl. non-financial

Retail clients

Expand digitalization

- ✓ Digitalize sales offices (Less back office and manager operations) (Completion of transactions on tablets at sales offices)
- ✓ Improve convenience of retail app

Highly convenient smartphone app

- Used all the time
- Optimal proposals
- Liaison with real transactions



Sales office tablet “TSUBASA Smile”



July 1, 2020
Establishment of Digital Innovation Promotion Center

Combination of physical and digital business

- ✓ Next-generation-type sales office (Remote consultation booth)
- ✓ Sophistication of proposals (Omni-channel) (Utilization of AI)

Next-generation-type sales office



Provision of services for every aspect of life

Introduce and provide physical and digital services beyond finance on a daily basis



Coordination with cross-industrial coordination channel

Corporate

Development of digital channel

- ✓ Provision of corporate portal services (Non-face-to-face loan application) (Indication of financeable amount) (Digitalization of loan agreements)

Corporate platform



- ✓ Enhanced online meetings (Web, app)

Expansion of digitalization on the back of technology evolution

- ✓ Sophistication and one-stop service on a corporate portal
- ✓ Provision of online financing and personalized information, etc. (using AI)

A partner for business & management consulting

All external sales reps will shift to consultants who support local companies’ important decision-making

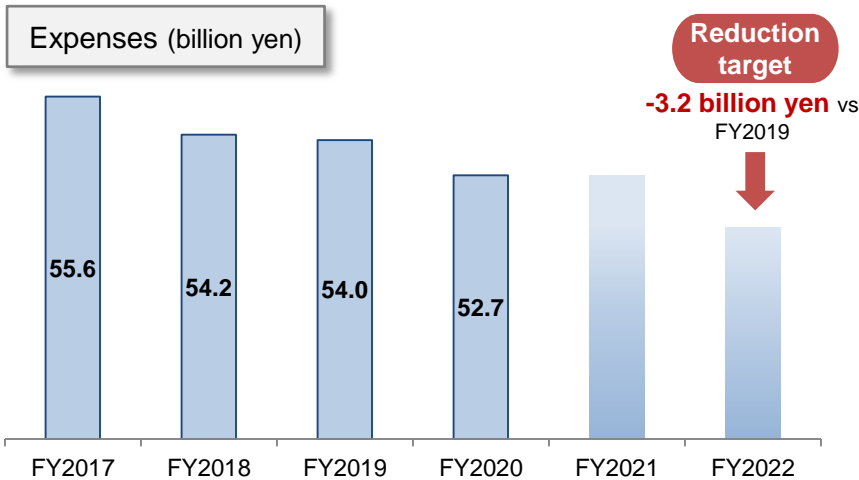


Quickly provides appropriate data according to the proposal from among a vast sea of data



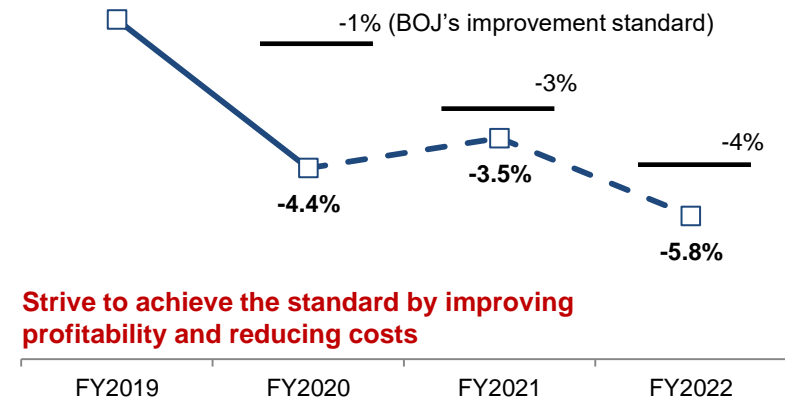
5. Establishment of a Sustainable Growth Model

- We have succeeded in thoroughly streamlining operations due to the digitalization and BPR that we promoted under the previous Medium-term Plan.
- We will carry out fundamental cost reductions toward a sustainable growth model while maintaining and improving customer convenience.

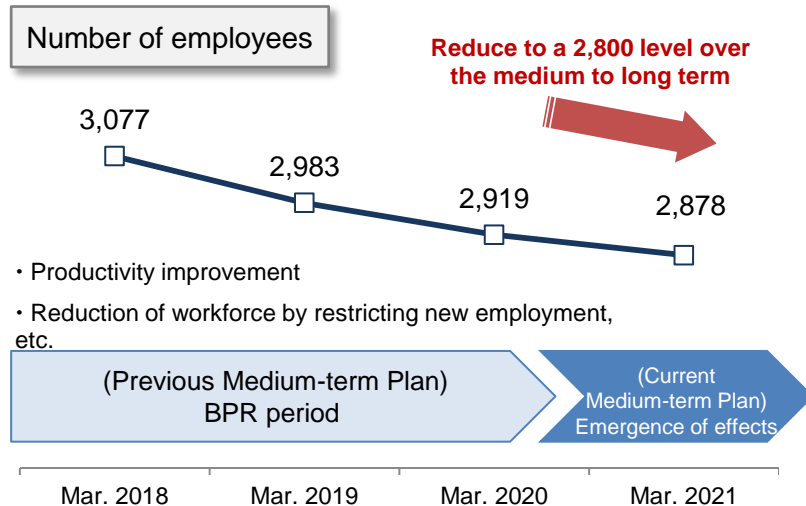


* The reduction target includes the end of the 1.4 billion yen per year amortization of the TSUBASA mission-critical system.

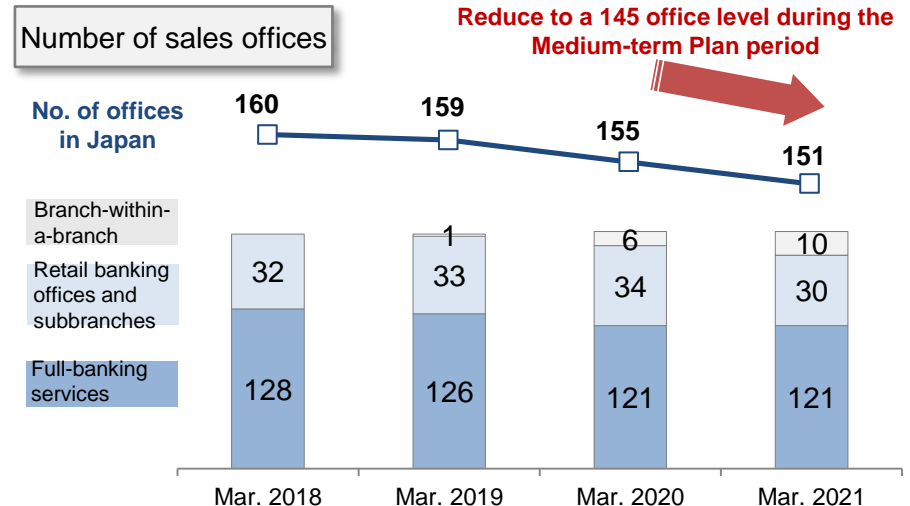
[Reference] Expected improvement of BOJ standard OHR (% change vs FY2019)



Strive to achieve the standard by improving profitability and reducing costs



*Non-consolidated number of employees (excluding part-time and contract employees)



*Excludes overseas and internet branches

- We pursue sound and sustainable growth concurrently with medium- to long-term improvement of corporate value by enhancing and enriching corporate governance.
- We pursue improvement of capital efficiency by constantly reducing cross-held shares.

Strengthening of governance

- Percentage of independent outside directors: 37.5%
(6 of 16 directors; 1 is female)
- Established a Nomination and Compensation Committee (Dec. 22, 2017)
 - Chaired by an outside director, it carries out appropriate deliberations.
- Continuously assess the effectiveness of the Board of Directors
- Formulated the “Basic Policy for Successor Plan and Development Plan of Representative Director”
- Appropriate measurement of cost of capital → Use in reviewing cross-shareholding, etc.



Initiatives toward reducing cross-held shares

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

[Judging whether or not the shares should be held]

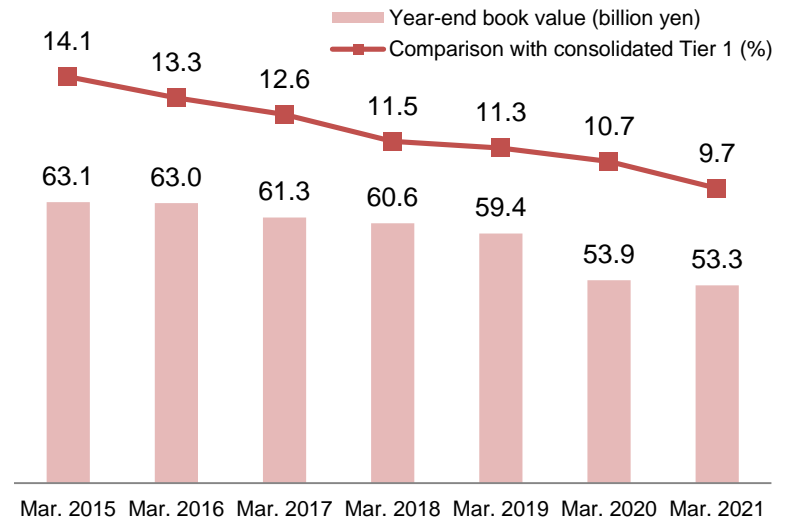
- Profitability, taking cost of capital into account
- Relationship with local economy
- Viewpoint on managerial strategy

[Shares not satisfying the shareholding criteria]

- Negotiate improvement of transaction profitability
- Negotiate reduction of the number of shares held

The Board of Directors will examine the status on a regular basis.

Outstanding cross-held shares



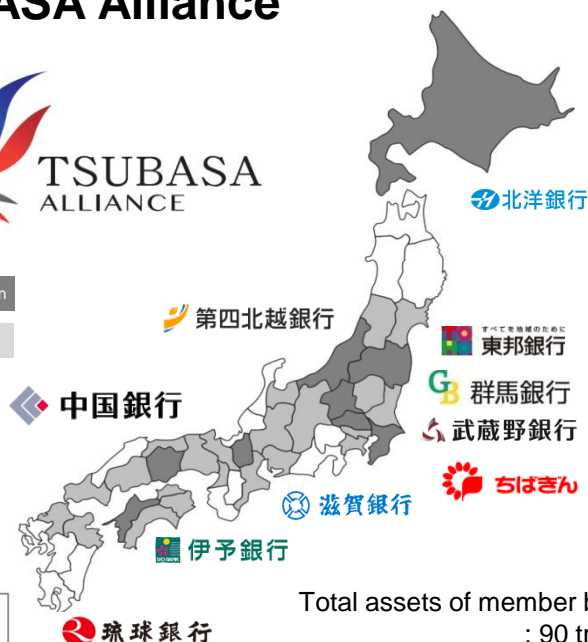
- Under the TSUBASA Alliance, we pursue scale advantage and synergies in this broad and large-scale alliance.
- The Okayama Co-creation Partnership contributes to further development of the local economy by sharing the knowledge of the member financial institutions.

TSUBASA Alliance



TSUBASA ALLIANCE

Head office location
Branch location



Total assets of member banks : 90 trillion yen
⇒ The largest regional bank alliance

(As of Mar. 2021)

➤ Cost reduction, streamlining of operations

- Sharing the mission-critical system
- Sharing operation departments
- TSUBASA FinTech foundation
- Sharing sub-systems
- Sophisticating AML operations
- TSUBASA Smile

➤ Enhancing the top line

- Coordinated finance
- Effective use of group companies
- M&A business platform
- Inheritance-related business
- Personnel exchange

Further cost reduction and service improvement by establishing TSUBASA Alliance Co., Ltd.

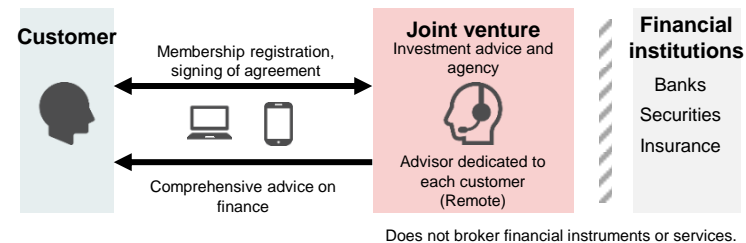
New initiatives born out of the Alliance

“Remote Finance Consulting Service”

*Considerations are being made for the establishment of a joint venture

(Image)

Characteristics: Neutrality, service completing remotely, specializing in advising



NOMURA

中国銀行

ちばぎん

第四北越銀行

Okayama Co-creation Partnership



➤ Cooperative measures

- Joint business meetings
- Co-financing
- COVID-19 consultation desk
- Personnel exchange
- Startup, ventures
- Business succession, M&A

Contributes to further development of the local economy.



This material contains forward-looking statements. These statements do not guarantee our future business performance and include risks and uncertainties. It should be noted that future performance may differ from the targets mentioned herein due to changes in the management environment and other factors.