

1H FY2021 Earnings Results Briefing

December 6, 2021



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Section I

Earnings Results for 1H of FY2021 and Numerical Targets for FY2021

1H of FY2021 Earnings Results –Summary–

[Consolidated]	(billion yen)	1H FY2018	1H FY2019	1H FY2020	1H FY2021	YoY	vs. Plan*
	Consolidated ordinary income		14.0	12.9	11.9	15.2	3.3
Profit attributable to owners of parent		9.7	8.6	8.2	10.1	1.9	3.0
[Non-consolidated]							
Core business gross profit		39.6	37.7	38.9	40.4	1.5	1.4
Net interest income		32.9	30.0	30.3	31.3	1.0	1.1
Net fee income		7.5	7.5	7.5	8.8	1.3	0.4
Net other operating profits		-0.8	0.1	0.9	0.2	-0.7	-0.1
Expenses (-)		27.2	27.3	26.4	25.9	-0.5	-0.6
OHR (%)		68.6	72.6	67.7	64.0	- 3.7	- 3.9
Core business net profit		12.4	10.3	12.5	14.5	2.0	2.0
Excl. gains or losses on cancellation of investment trusts		12.0	10.2	12.2	14.5	2.3	2.2
Credit cost (Minus numbers indicate reversals (gains))		0.2	1.0	3.2	1.4	-1.8	-3.4
Bond trading loss, write-off		-0.3	1.0	0.8	-0.4	-1.2	-0.8
Equity trading and evaluation loss		0.3	0.4	0.9	1.5	0.6	-0.2
Other		0.9	1.3	0.0	0.1	0.1	0.1
Ordinary profit		13.2	12.2	11.1	14.3	3.2	4.5
Net income		9.4	8.4	7.7	9.7	2.0	2.9

*Forecast published on May 14, 2021.

- Profit attributable to owners of parent: 10.1 billion yen (a year-on-year increase of 1.9 billion yen and an increase of 3.0 billion yen vs. the published plan, the first increase in profit in six fiscal years)

Core business net profit increased by 2.0 billion yen year on year, reflecting increases in net interest income and net fee income and a steady reduction in expenses.

Ordinary profit grew significantly by 3.2 billion yen year on year due mainly to a decrease in credit costs.

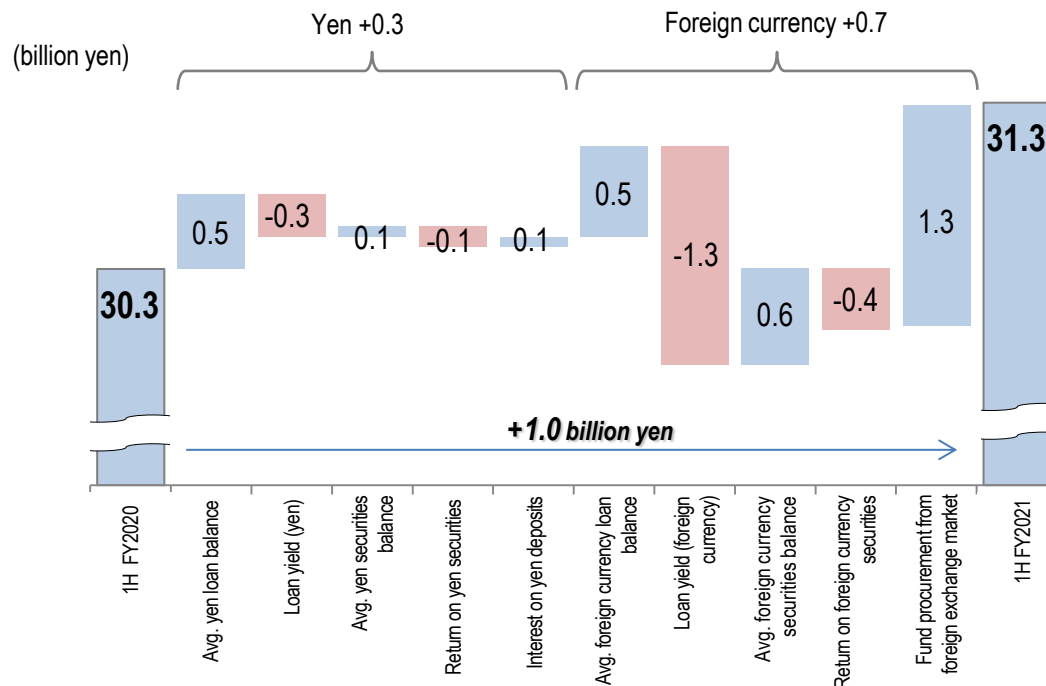
[Breakdown of net interest income]

■ Yen-based: ¥26.6 billion (+¥0.3 billion YoY)

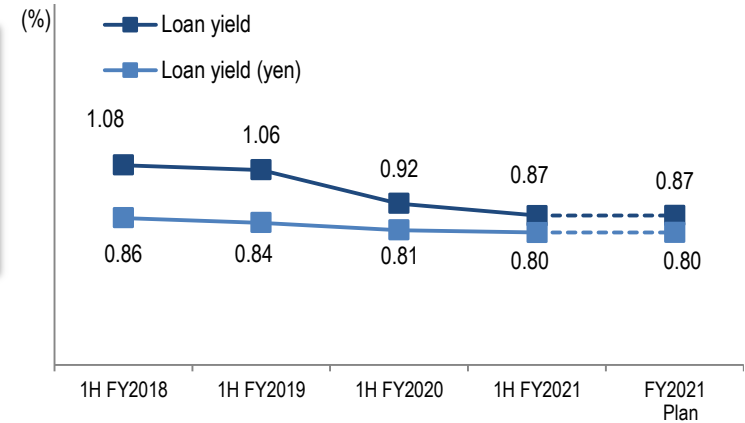
- Interest on loans and discounts: +¥0.2 billion YoY
- Interest on securities: -¥0.1 billion YoY
- Decrease in interest on deposits: +¥0.1 billion YoY

■ Foreign currency-based: ¥4.7 billion (+¥0.7 billion YoY)

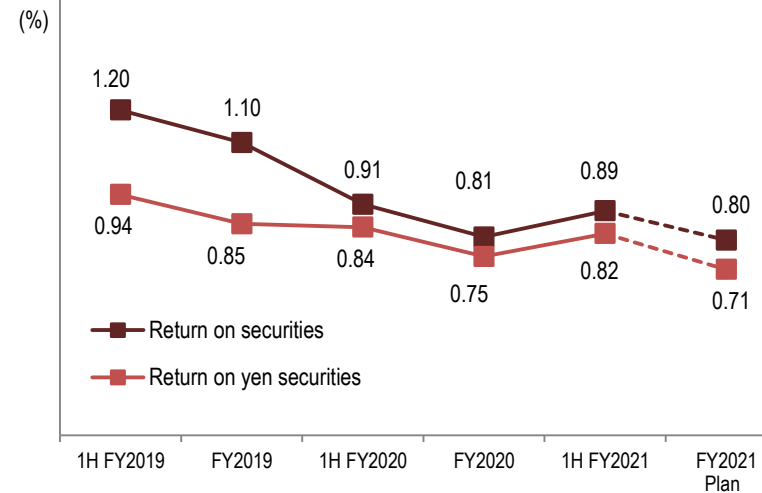
- Interest on loans and discounts: -¥0.8 billion YoY
- Interest on securities: +¥0.2 billion YoY
- Decrease in foreign currency procurement: +¥1.3 billion YoY



[Loan yield]



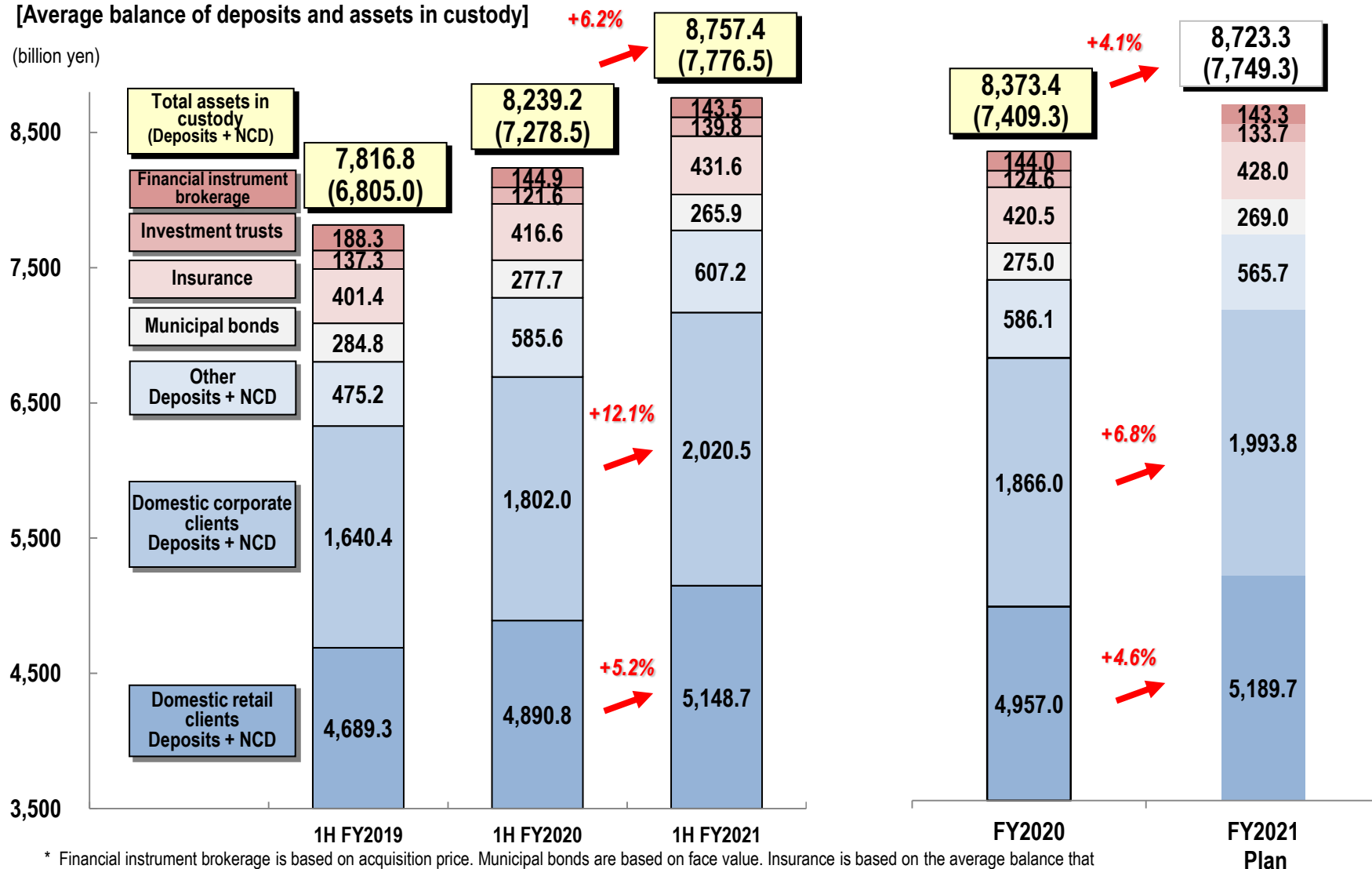
[Return on securities]



- Yen-based net interest income: While interest on securities declined by 0.1 billion yen year on year due mainly to a drop in yield, yen-based net interest income increased by 0.3 billion yen year on year, mainly reflecting a year-on-year increase of 0.2 billion yen in interest on loans and discounts arising from an increase in loan balance.
- Foreign currency net interest income: Increased by 0.7 billion yen year on year due mainly to a decrease in foreign currency procurement expenses.

[Average balance of deposits and assets in custody]

(billion yen)

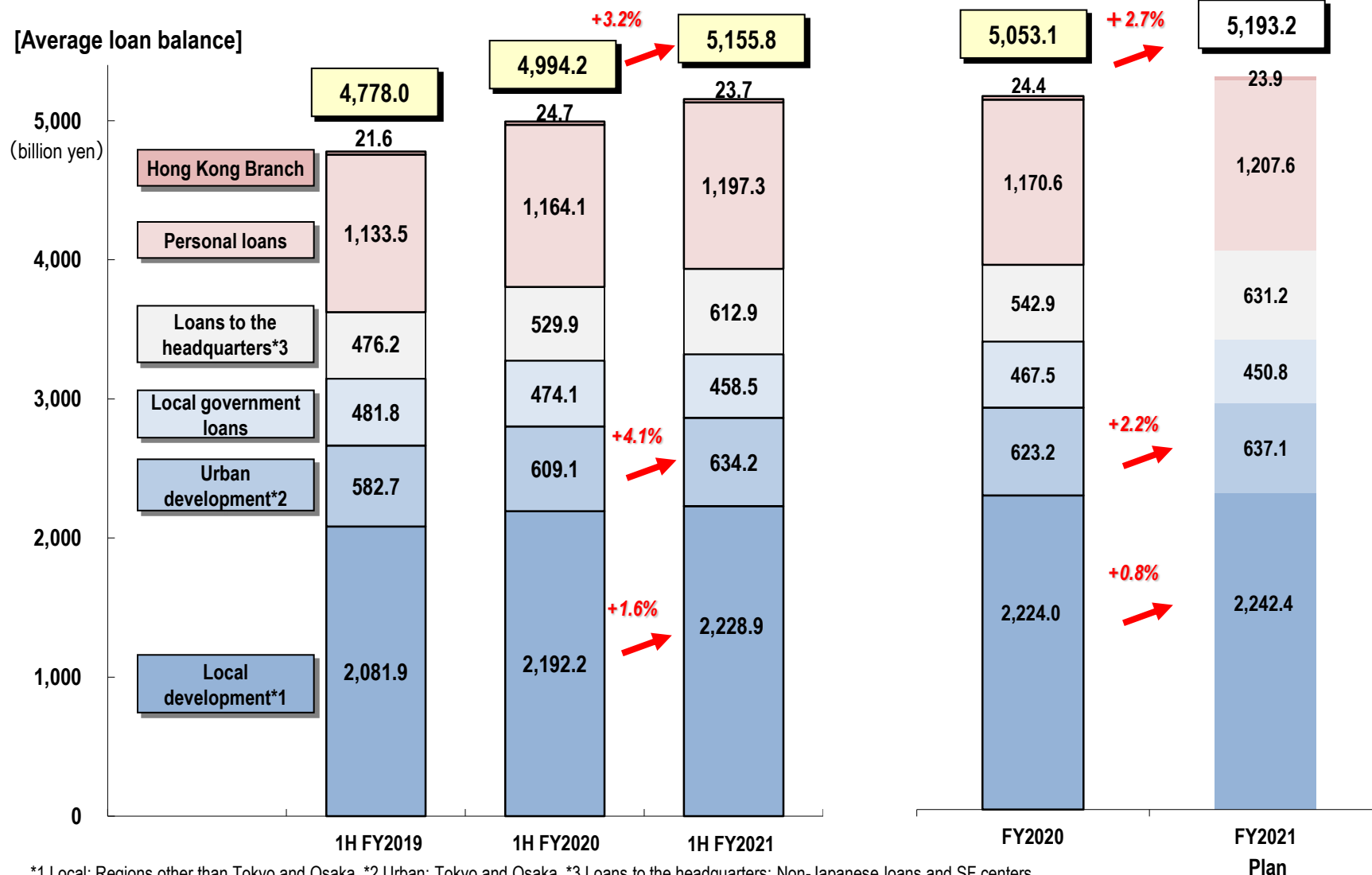


* Financial instrument brokerage is based on acquisition price. Municipal bonds are based on face value. Insurance is based on the average balance that takes into account cancellations. Investment trusts are based on net assets.

- Deposits + NCD increased significantly for both corporate and retail clients due mainly to securing funds on hand and reduced consumption during the COVID-19 pandemic.
- In FY2021, deposits + NCD are expected to slow down due to the recovery of consumer sentiment and revitalization of corporate business activities reflecting the progress of vaccinations.

1H of FY2021 Earnings Results — Major Accounts (2) Loans —

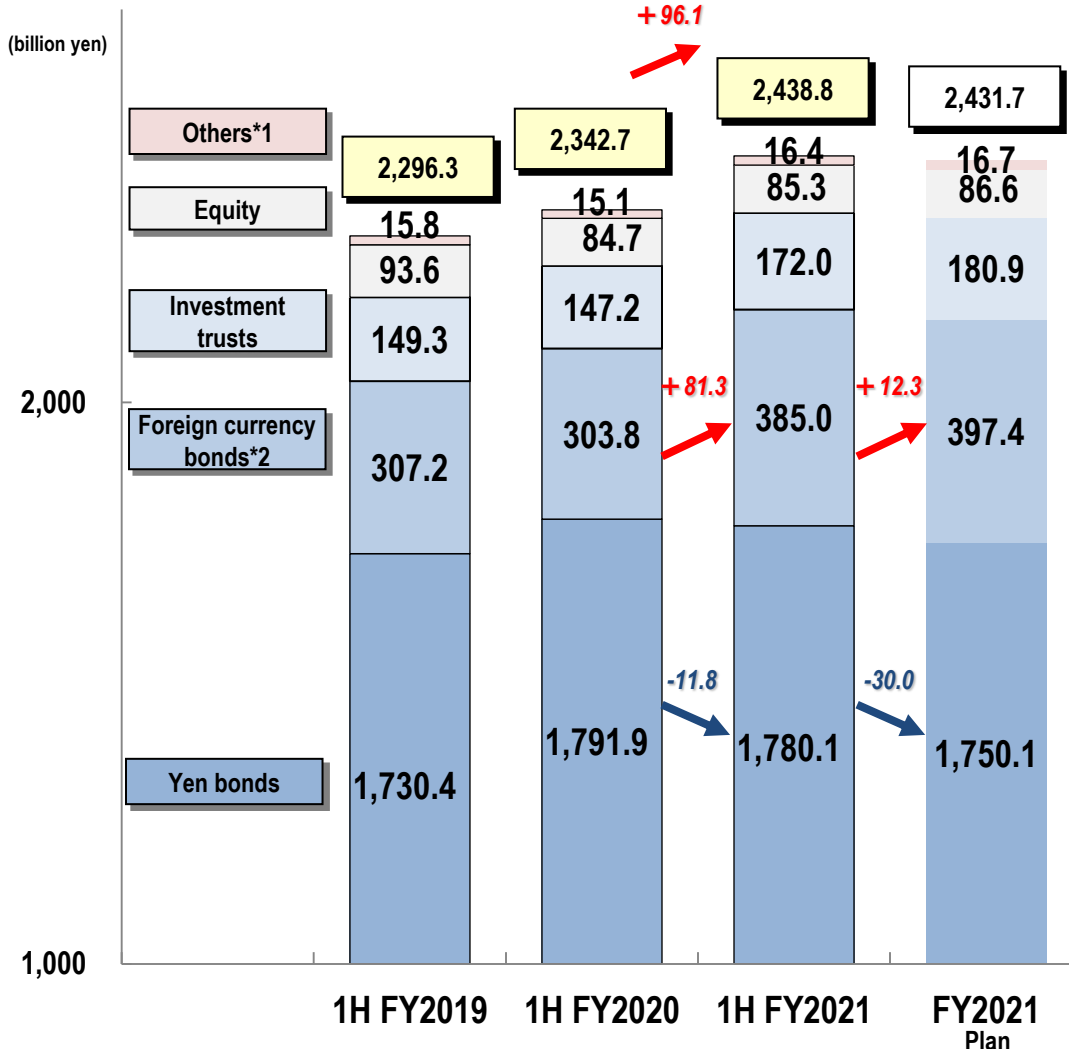
[Average loan balance]



*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 1H of FY2021, we continued to actively respond to local development and financial needs in urban areas. Responding to an increase in deposits, etc., we increased the book balance while limiting loan risk to the headquarters. Total loans grew 3.2% year on year.
- We will create local financial demand by supporting clients' main businesses through consulting while continuing financial support.

[Average balance of securities]

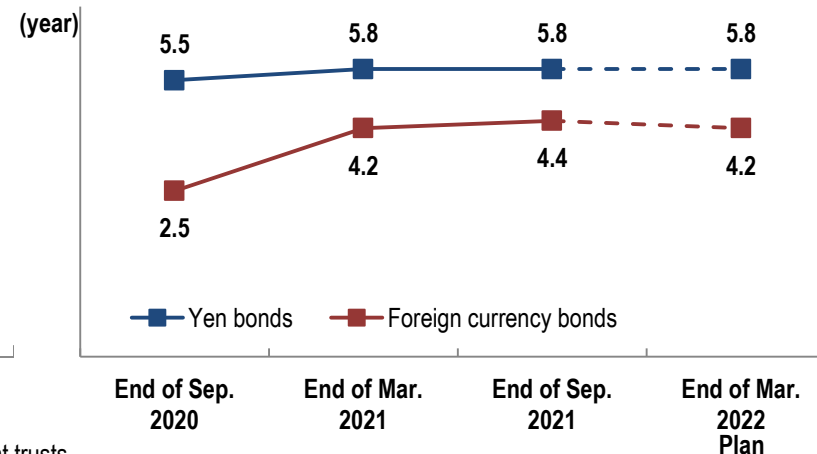


[Unrealized gains/losses]

(billion yen)

	End of Sep. 2020	End of Mar. 2021	End of Sep. 2021	YoY
Total	116.0	136.6	148.4	32.4
Held to maturity	0.2	0.2	0.2	0.0
Other securities	115.7	136.4	148.2	32.5
Equity	47.5	62.2	65.8	18.3
Investment trusts	33.9	53.4	57.9	24.0
Foreign currency bonds	6.0	-0.2	2.2	-3.8
Yen bonds	27.1	20.0	21.4	-5.7

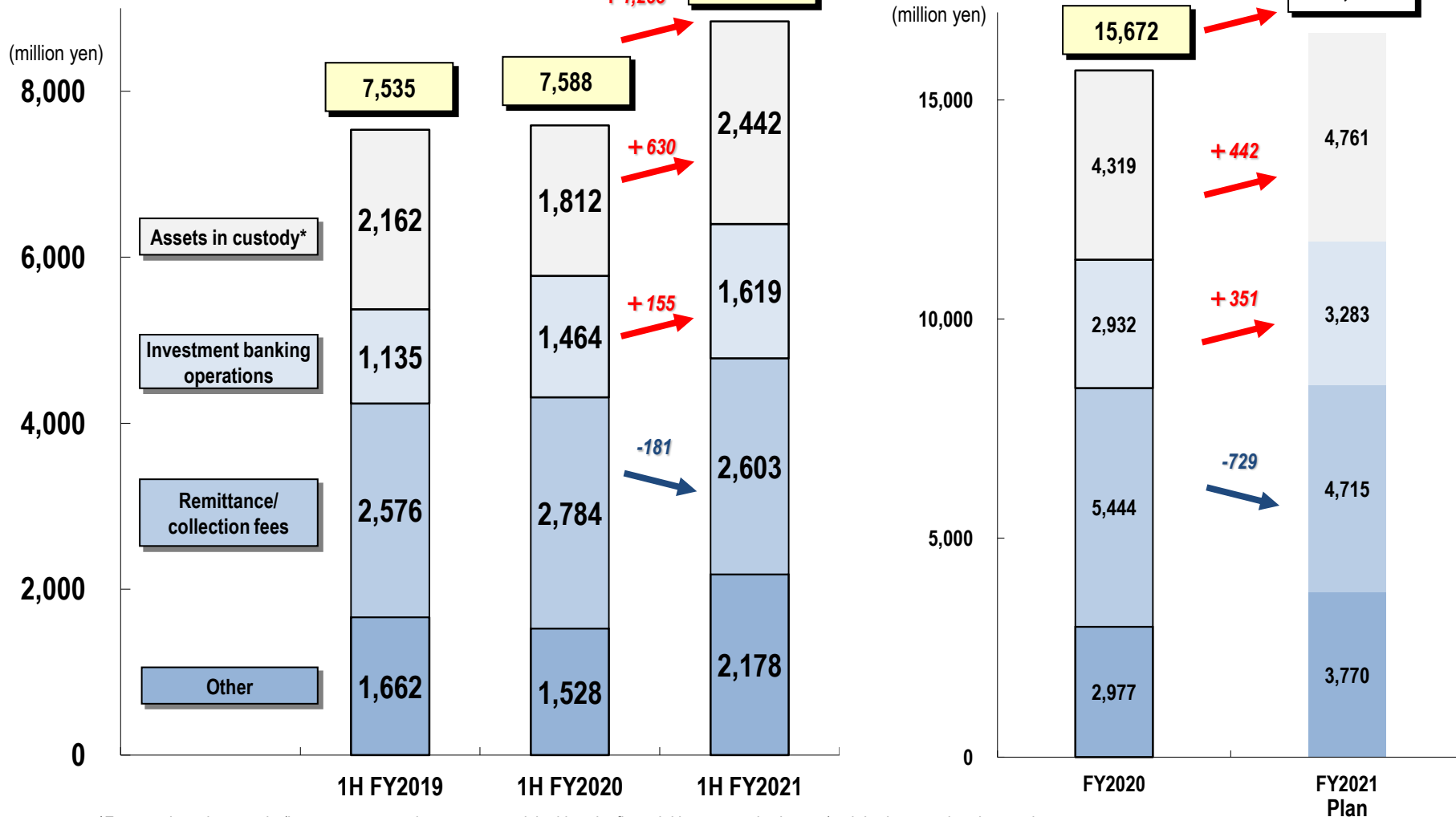
[Duration of bonds]



*1. Others: Investment partnerships, etc. *2. Foreign currency bonds: Includes foreign currency investment trusts

- Increased by 96.1 billion yen in 1H of FY2021 as a result of purchases of foreign currency bonds in the upward trend of interest rates.
- In FY2021, we will continue to consider increasing the balance of foreign currency bonds and investment trusts through management focused on risk and return.

[Net fee income]



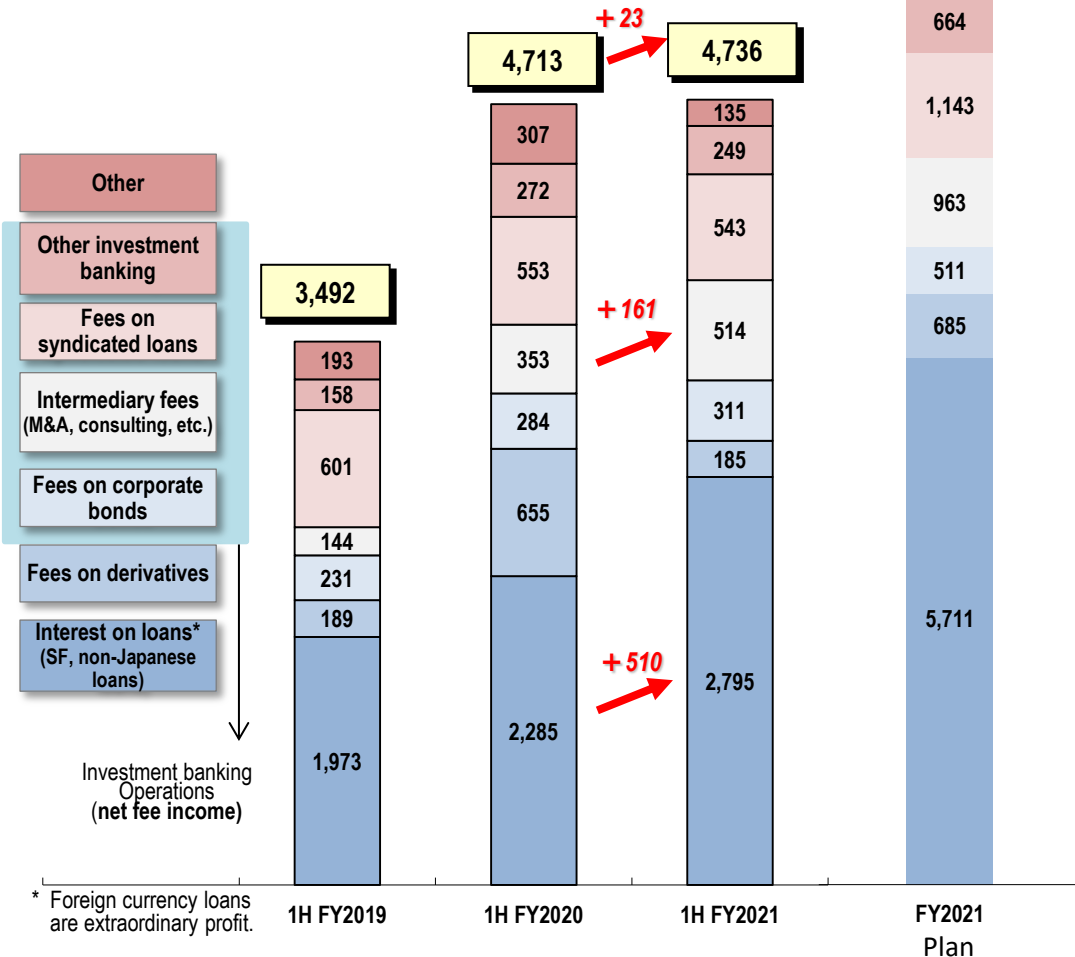
*Four products in custody (investment trusts, insurance, municipal bonds, financial instrument brokerage) + inheritance-related operations

- In 1H of FY2021, revenues from assets in custody and investment banking operations were robust (exceeding revenues recorded before the COVID-19 pandemic).
- Going forward, we will endeavor to increase fees and commissions by continuing to strengthen consulting sales and review various fees and commissions (improving profitability), etc.

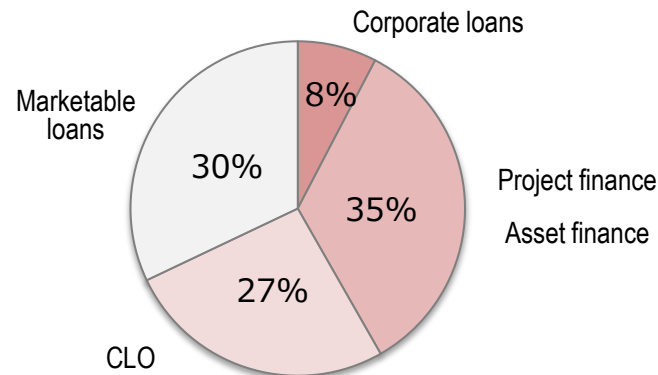
1H of FY2021 Earnings Results — Corporate Solution-related Revenues — CHUGOKU BANK

[Revenues from solutions for corporate customers] (million yen)

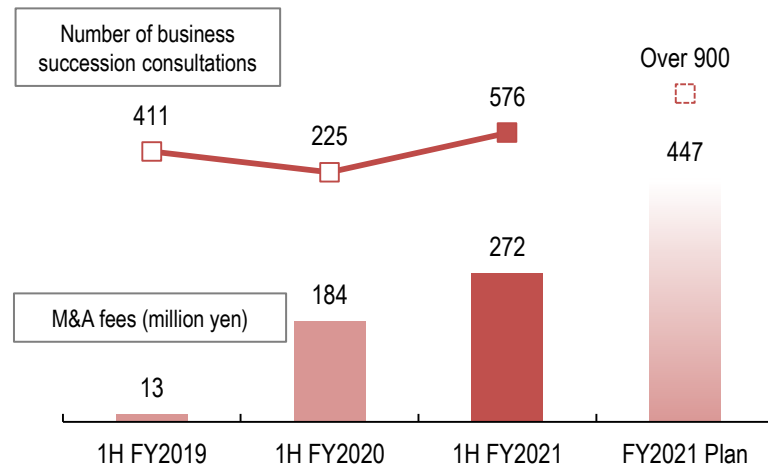
(Net interest income, net fee income, net other operating profits)



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



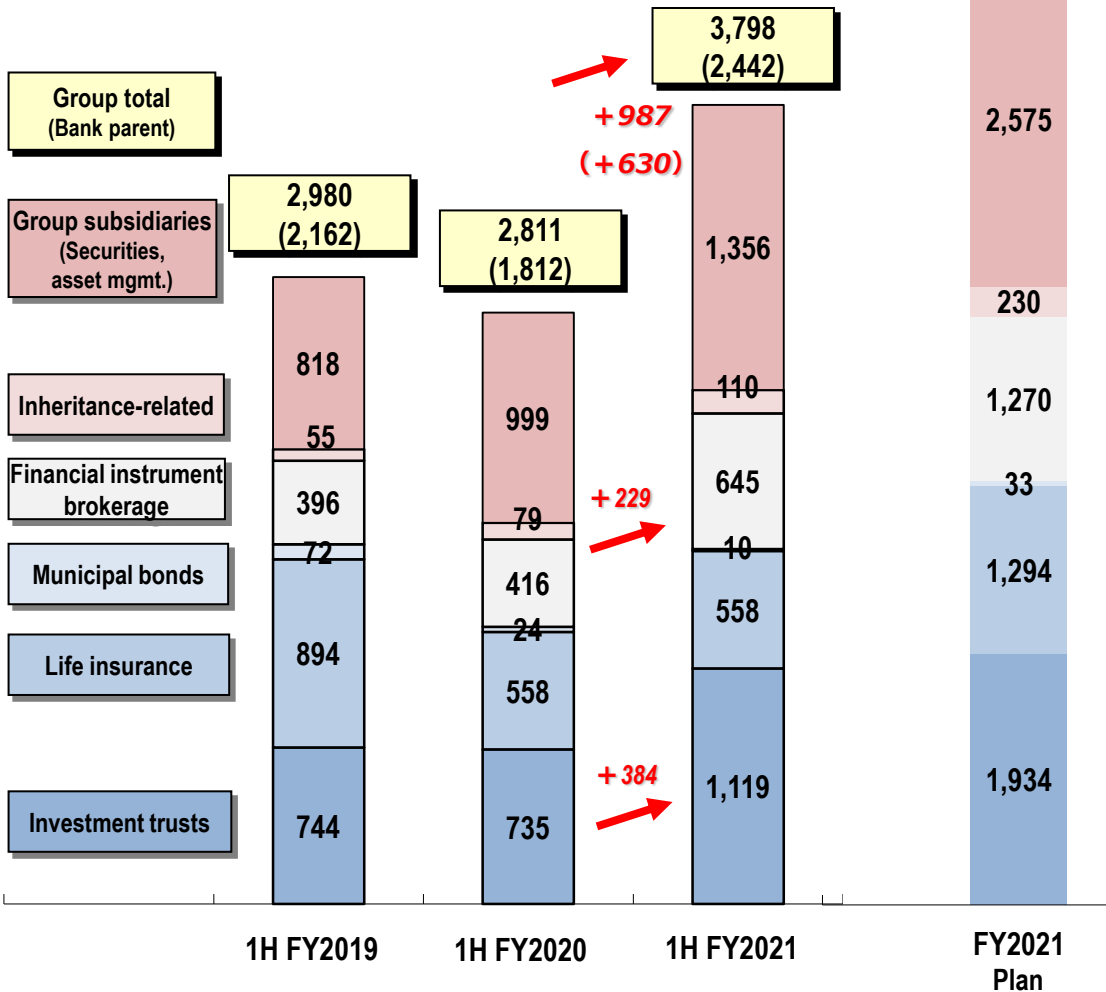
[Trends of Business Succession and M&As]



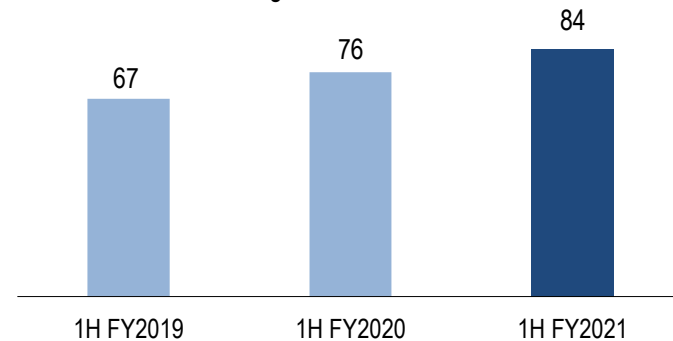
- In 1H of FY2021, total corporate solution-related revenues increased by 23 million yen due mainly to growth in intermediary fees for M&A and business matching, and fees on corporate bonds centered on private placement bonds.
- In FY2021, we will also expand the provision of solutions in response to diversified customer needs.

1H of FY2021 Earnings Results – Revenues Related to Assets in Custody –

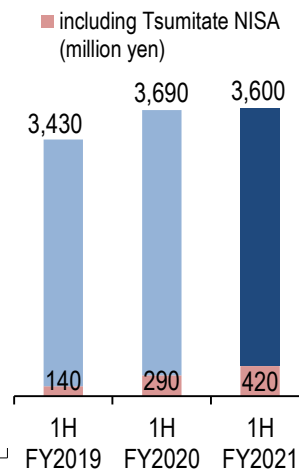
[Breakdown of revenues related to assets in custody] (million yen)



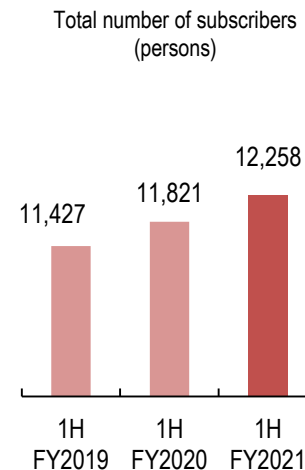
[Inheritance-related operations]



[Sales of installment investment trusts]

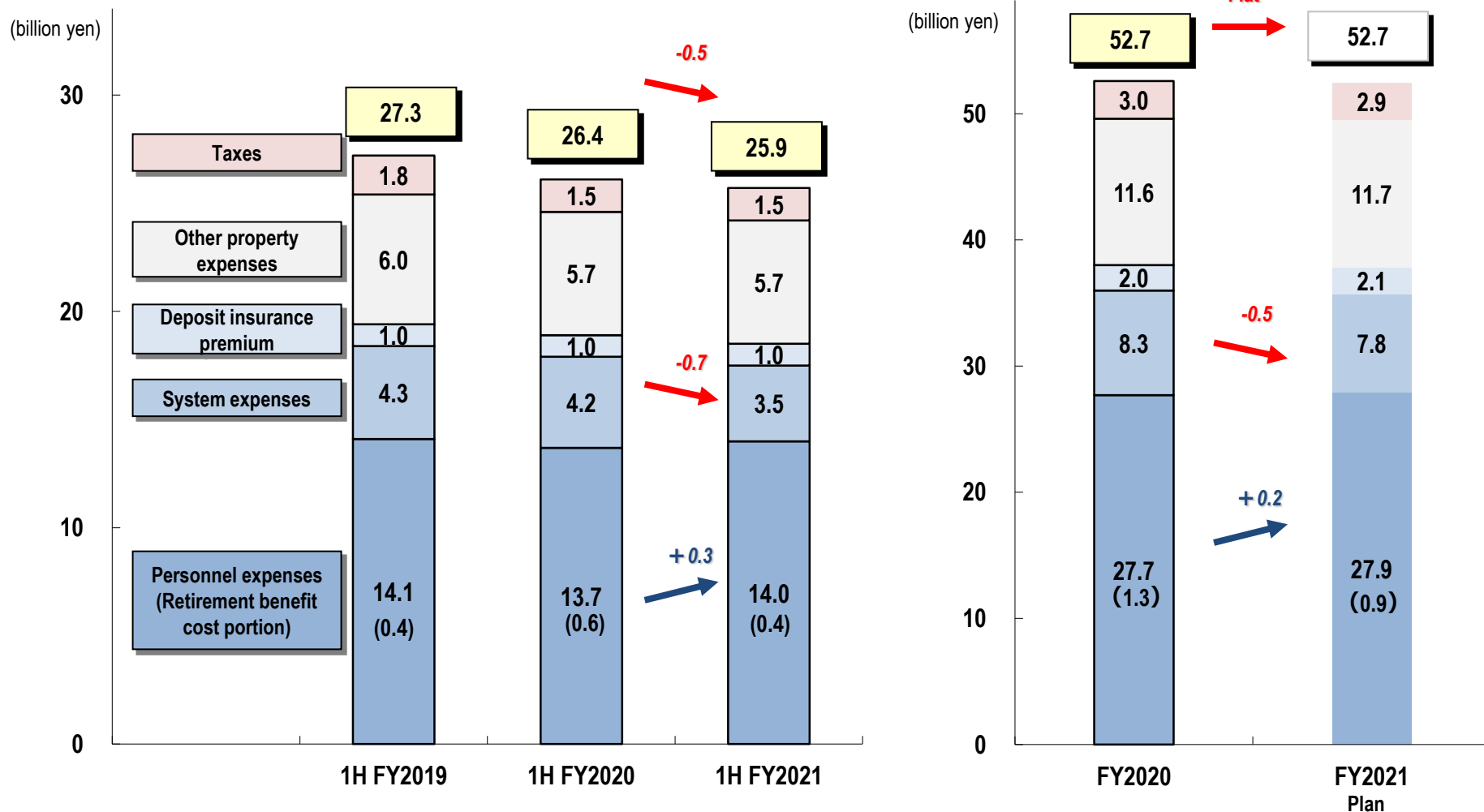


[Number of iDeCo contracts]



- In 1H FY2021, revenues related to assets in custody increased by 987 million yen, reflecting a robust market environment and integration between banking and securities services (cooperation within the Group).
- In FY 2021, we will strengthen support for customers' asset formation and succession of assets while using non-face-to-face channels.

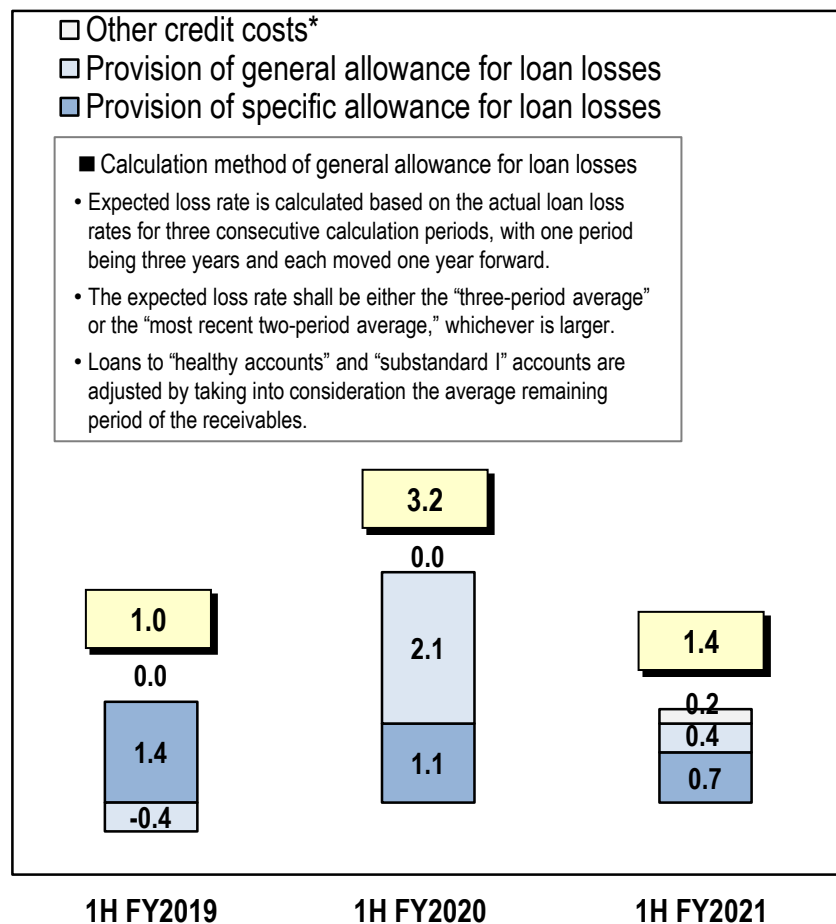
[Expenses]



- In 1H of FY2021, personnel expenses increased due to an increase in bonuses and the impact of the revision to the personnel system. However, total expenses fell by 500 million yen year on year, which is attributable to the reduction in system expenses.
- In FY2021, we will control total expenses while implementing strategic expenditure (to consider new businesses, reorganization of branches, etc.)

[Credit costs]

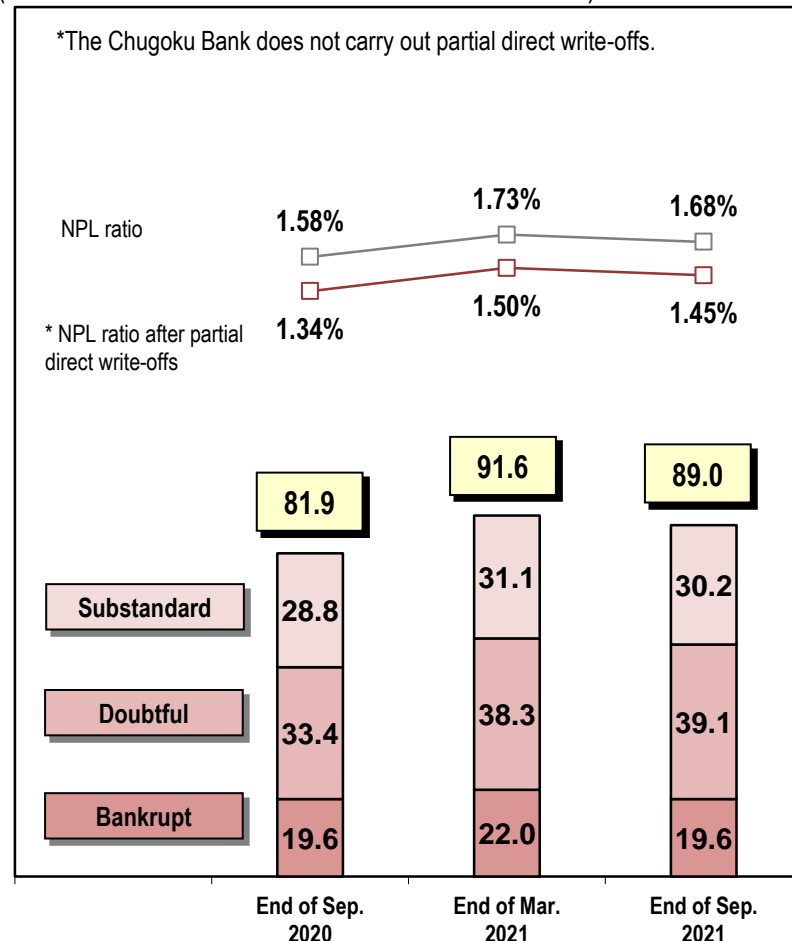
(billion yen)



[Non-performing loans (NPL)]

(Loans disclosed under the Financial Revitalization Law)

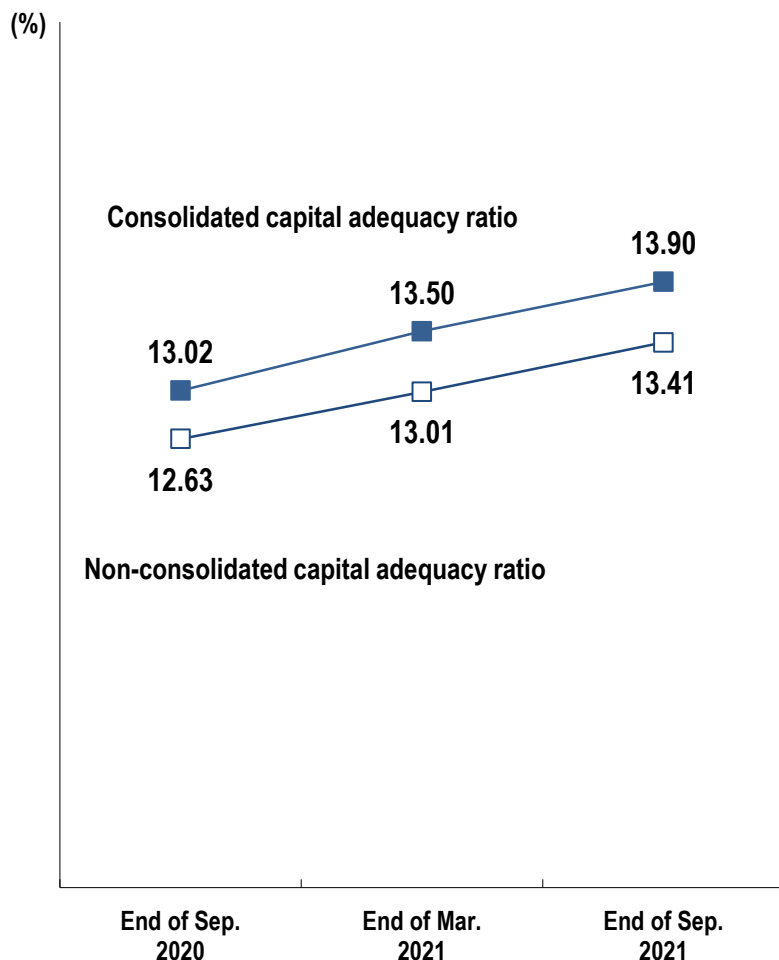
(billion yen)



Other credit costs include loan write-offs, allowance for credit to specific foreign borrowers, allowance for loss on sales of loans, loss on sales of loans, and recovery of written off claims.

- We proactively implemented support since the initial stage of the spread of COVID-19, resulting in limited credit costs.
- We have maintained a good quality of assets, with non-performing loans continuing at a low level.

[Capital adequacy ratio (Basel III)]



[Capital adequacy (consolidated)]

(billion yen)

	FY2020	1H FY2021	Change
Total equity	561.1	578.8	17.7
Common equity Tier 1 capital	550.9	568.4	17.5
Valuation difference on available-for-sale securities	84.9	93.0	8.1
Risk-weighted assets, etc.	4,155.6	4,164.0	8.4
Credit risks	4,002.5	4,010.1	7.6
Operational risks	153.0	153.8	0.8

[Other Basel regulations]

	FY2020	1H FY2021	<Regulatory standards>
Consolidated leverage ratio	6.52%	6.63%	3% or more
Consolidated liquidity coverage ratio (LCR)	201.8%	214.4%	100% or more
Consolidated net stable funding ratio (NSFR)	—	135.5%	100% or more
Consolidated stress test (IRRBB)	5.9%	7.2%	15% or less

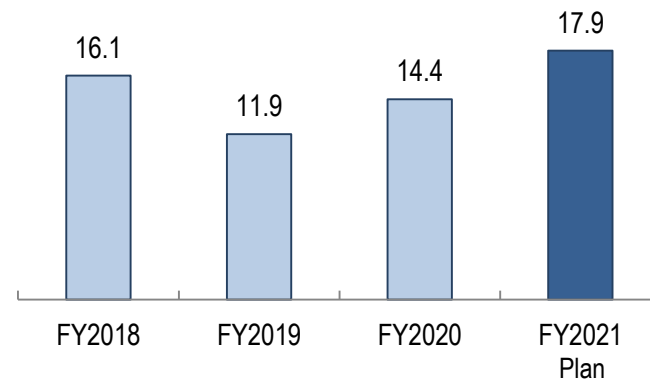
- The total capital adequacy ratio rose due mainly to the increase in profit and growth in capital arising from valuation difference on available-for-sale securities, etc.

[Earnings forecasts]

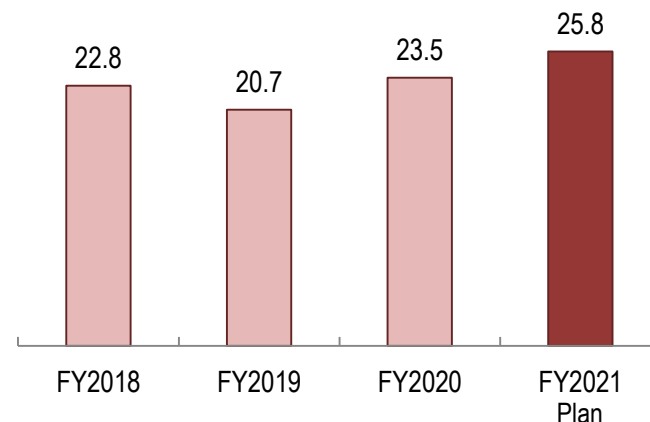
(billion yen)		FY2020	FY2021		
		Result	Forecast	YoY	Vs. published forecast at beginning of term
Consolidated	Consolidated ordinary profit	21.2	25.1	3.9	3.6
	Consolidated net income	14.4	17.9	3.5	3.2

Non-consolidated	Core business gross profit	76.3	78.6	2.3	1.6
	Net interest income	58.8	61.3	2.5	1.9
	Net fee income	15.6	16.5	0.9	0.0
	Net other operating profits	1.8	0.7	-1.1	-0.4
	Expenses (-)	52.7	52.7	0.0	-0.2
	Core business net profit	23.5	25.8	2.3	1.8
	Credit cost (-)	8.0	5.7	-2.3	-2.8
	Provision of general allowance for loan losses	3.7	2.2	-1.5	-1.6
	Provision of specific allowance for loan losses	4.2	3.2	-1.0	-1.4
	Securities-related gains/losses	5.0	2.8	-2.2	-1.4
	Other	-1.5	0.1	1.6	0.3
	Ordinary profit	19.0	23.1	4.1	3.6
Net income	13.0	16.6	3.6	3.1	

Trend of consolidated net income



Trend of core business net profit



- Core business net profit steadily increased, reflecting the increases in net interest income and net fee income. Credit costs are also expected to decrease on a year-on-year basis.
- In FY2021, we anticipate that profits will increase year on year on both consolidated and non-consolidated bases for the second consecutive year.

[Shareholder return policy for FY2021]

Shareholder return ratio of at least 35% through dividends and share buybacks (Consolidated basis)

Dividend	Dividend payable based on the current earnings forecasts: 23 yen per share; Total amount of dividend: 4.3 billion yen	Share buyback	From November 15, 2021 to December 30, 2021 1.0 billion yen (upper limit); 1.2 million shares (upper limit)
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(billion yen)		FY2017	FY2018	FY2019	FY2020	FY2021 (Plan)
Dividend per share (Interim dividend)		20 yen (10 yen)	22 yen (10 yen)	22 yen (11 yen)	*Including commemorative dividend of 1 yen 23 yen (11 yen)	23 yen (11.5 yen)
Net income	①	19.4	15.3	10.8	14.4	17.9
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%	24.0%
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) →

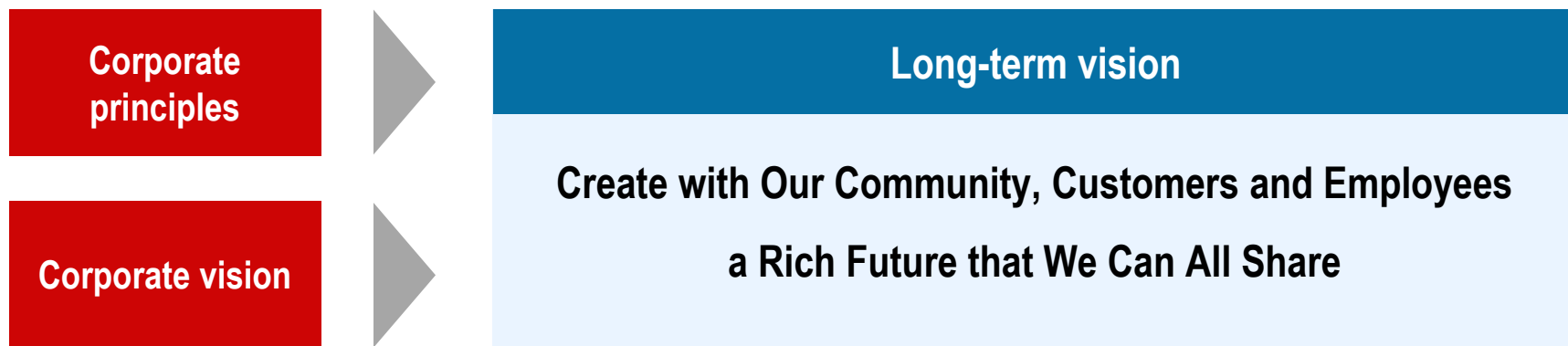
*In the calculation of the payout ratio, share buybacks are those carried out within one year from the general meeting of shareholders.

- We plan to implement shareholder return of 35% or more of consolidated net income (Profit attributable to owners of parent).
- We will pay an annual dividend of 23 yen per share as planned at the beginning of the fiscal year. We also announced a share buyback plan of 1.0 billion yen at the maximum.

Section II

Management Strategies of The Chugoku Bank Group

- 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”

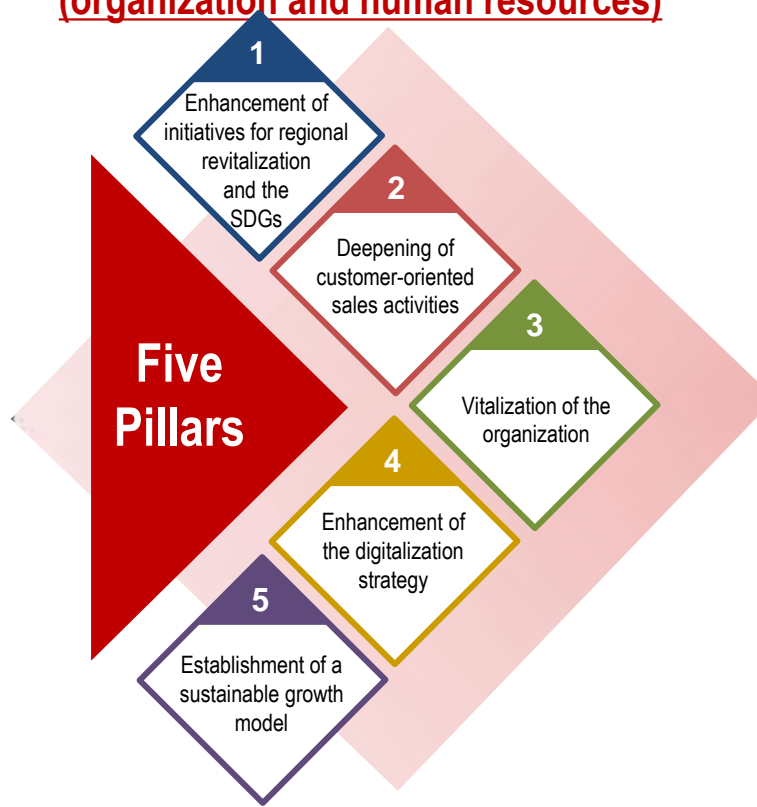
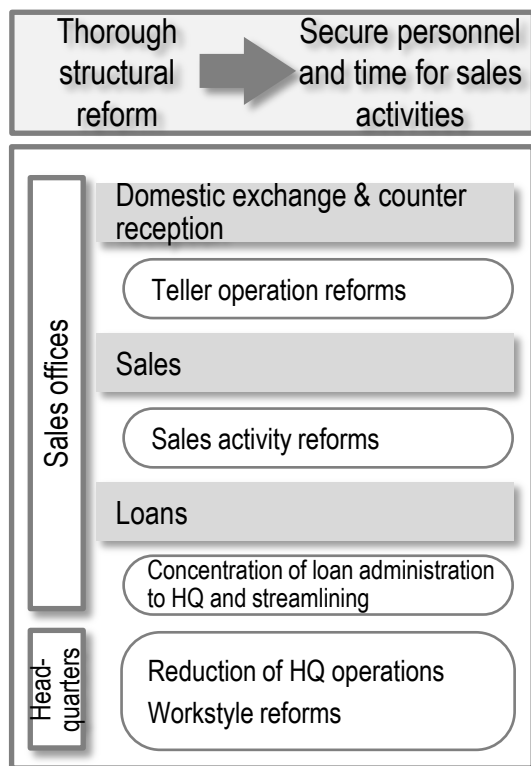
New Medium-term Management Plan “Plan for
Creating the Future Together: Stage II”

“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	Results for 1H of FY2021 / Plan for FY2021	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	98 (total in one and a half years)	200 companies over 3 years	—
	(2) Activities contributing to the improvement of financial literacy*4	274 (total in one and a half years) More than 5,000 lecture participants	Continuous improvement	—
Customers	Customer satisfaction*5 (Retail and corporate)	Questionnaire to individual customers will be conducted. (74% satisfaction in FY2020 corporate questionnaire)	Continuous improvement	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel cost*6	51.95% (Plan for FY2021)	At least 54%	—
Shareholders, etc. (All stakeholders)	Profit attributable to owners of parent	A level exceeding that of the final year of the Medium-term Management Plan: 17.9 billion yen (Plan for FY2021)	15.0 billion yen	30.0 billion yen
	Consolidated total capital adequacy ratio (Basel III)	13.90% (Actual results for 1H of FY2021)	Maintained stably at 12%	Maintained stably at 12%
	Consolidated ROE	3.20% (Plan for FY2021)	—	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

Declaration of Chugin Pertaining to the SDGs

Declaration of Chugin Pertaining to the SDGs

Under the long-term vision for the Long-term Management Plan to “Create with Our Community, Customers and Employees a Rich Future that We Can All Share,” The Chugoku Bank Group declared that it will work toward addressing the social and environmental challenges as mentioned below, aiming to contribute to the achievement of the SDGs through its business activities and realize sustainable growth together with the community.

Declaration of Chugin Pertaining to the SDGs



Priority challenge	Corresponding goal	Principal initiatives
<p><u>Regional community and society</u></p> <ul style="list-style-type: none"> Contribute to activation of the regional economy and community 		<ul style="list-style-type: none"> Proactive involvement in town development Provide a place for co-creation of the region Provide a wide range of solutions from startups to business succession
<p><u>Aging society</u></p> <ul style="list-style-type: none"> Support secure and safe living for older people 		<ul style="list-style-type: none"> Respond to lifelong asset management and maintenance needs Provide support for succession of assets Provide support for medical and nursing business operators
<p><u>Financial services</u></p> <ul style="list-style-type: none"> Provide financial services for a better life 		<ul style="list-style-type: none"> Promote systematic asset formation using NISA, etc. Provide support using educational loans, loans for senior customers, etc. Conduct financial literacy education programs
<p><u>Diversity</u></p> <ul style="list-style-type: none"> Promote diversity and work style reform 		<ul style="list-style-type: none"> Improve working environments for diversified human resources Provide support for women’s long-term career formation Provide a place for employees’ job satisfaction and development
<p><u>Environmental conservation</u></p> <ul style="list-style-type: none"> Contribute to the conservation of a sustainable environment 		<ul style="list-style-type: none"> Promote initiatives for renewable energy businesses Provide support for environment-related businesses Reduce environmental burdens

Section III

Major Initiatives (Sustainability)

1. Enhancement of Initiatives for Regional Revitalization and the SDGs: Initiatives for Regional Revitalization

Initiatives for Regional Revitalization

The Chugoku Bank Group, as a whole, will strengthen the initiatives for regional sustainable development by positioning the SDGs for regional revitalization as the “prime pillar” of the Medium-term Management Plan.

Recognition of issues

- ✓ Decline of regional communities
 - Decline in population, aging society with low birth rate, shortage of successors
 - Decrease in companies, and a reduction in job opportunities and startups
- ✓ Responses to COVID-19 and large-scale disasters
 - Social change and worsening of corporate businesses due to the COVID-19 pandemic

Regional revitalization is needed.



Initiatives to date

Support for startups

- Okayama Innovation Project
- Startup support comprising a “School” and “Contest,” to discover and award talented persons.

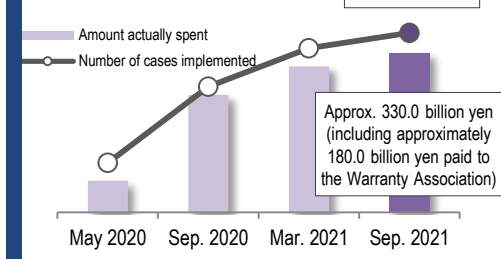


Okayama Tech Planter

- Creates industries and incubates new ventures by developing science technologies



Responses to COVID-19

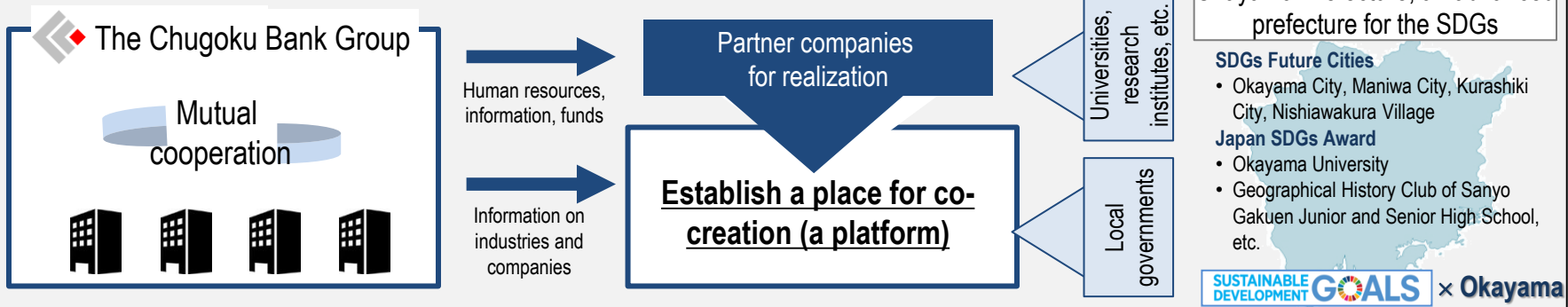


Issuance of social bonds (COVID Bonds)

- For the maintenance of the regional economy and employment through financial support (Our message to customers by issuing the COVID Bonds)
- For the maintenance of soundness and the creation of available capacity for risk taking, and improvement of capital efficiency

Roles to be played by The Chugoku Bank Group

➤ Through the provision of “human resources,” “information,” “funds,” and “know-how,” we will create an attractive regional community in collaboration with regional related organizations and companies.



1. Enhancement of Initiatives for Regional Revitalization and the SDGs: Responses to Climate Change

Responses to climate change

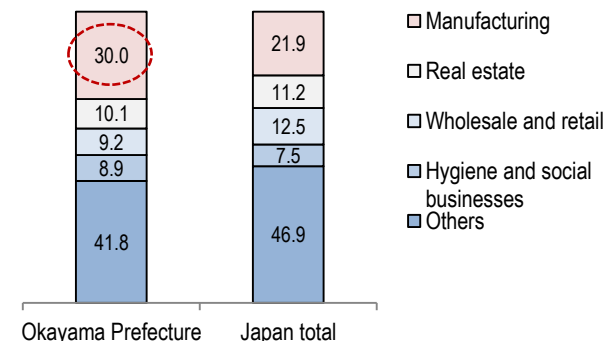
Our policy is to accelerate the support and disclosure of the transition to regional decarbonization through thorough deliberation by the Board of Directors.

Recognition of issues

- ✓ Risk of regional companies falling behind the transition to decarbonization
 - Industrial structure in Okayama Prefecture (In Mizushima Industrial Area, there are many manufacturing companies such as Mitsubishi Motors-related companies)
 - We strongly recognize the risks of transition to decarbonization considering the many manufacturing companies in our credit portfolio.
- ✓ Risk of occurrence of natural disasters
 - Okayama Prefecture has experienced few natural disasters to date thanks to its mild climate. However, we have faced higher disaster risks in recent years such as the western Japan torrential rain disaster (in July 2018).
- ✓ Risk of loans and securities becoming stranded assets
 - Portfolios and risk management need to be reviewed.



Composition of prefectural gross production by economic activity (%)



Source: "Report on Prefectural Accounts" produced by the Cabinet Office, 2018

*Task Force on Climate-related Financial Disclosures (TCFD)

Countermeasures Policy

Initiatives to date

- "Policy for Responsible Financing and Investment Activity (April 2021)"
 - 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. (*Weapons, coal-fired power generation, palm oil plantation development and logging business)
- Initiatives for "SDGs through our core business"
 - Private placement bonds for social contribution (part of the proceeds will be applied to the initiatives for the SDGs)
 - Chugin Sustainable Bonds (The interest rate will change according to the achievement of the set goals.)
 - Chugin SDGs Support (Providing support for the preparation of our customers' SDGs declaration)

➤ Future initiatives "Responses to risks and opportunities through TCFD"

We expressed our support for the recommendation of the TCFD* at the end of May 2021.

↓

To be disclosed in June 2022

Governance

Strategy

Risk management

Indices and goals

Possibilities of risks and opportunities

- Financial support and consulting for decarbonization
- Feasibility study
- Infrastructure-related demand, and cooperation with local government
- BCP Consulting
- ESG investments in and loans to growth fields
- Sophistication of risk management, etc.

1. Enhancement of Initiatives for Regional Revitalization and the SDGs: Newly established Regional Revitalization & SDGs Promotion Department

- We established a dedicated department, “Regional Revitalization & SDGs Promotion Department” to aggressively promote the Regional Revitalization SDGs as the first pillar of the Medium-term Management Plan.
- We will create our future in cooperation with regional partner companies from the medium- to long-term perspectives of ESG/SDGs.

Organization

Regional Revitalization & SDGs Promotion Department

Regional revitalization

- Municipality
- Cooperation with municipalities
 - Tourism-related business, etc.

- Startups
- Startup support business
 - Industry-academia collaboration, etc.

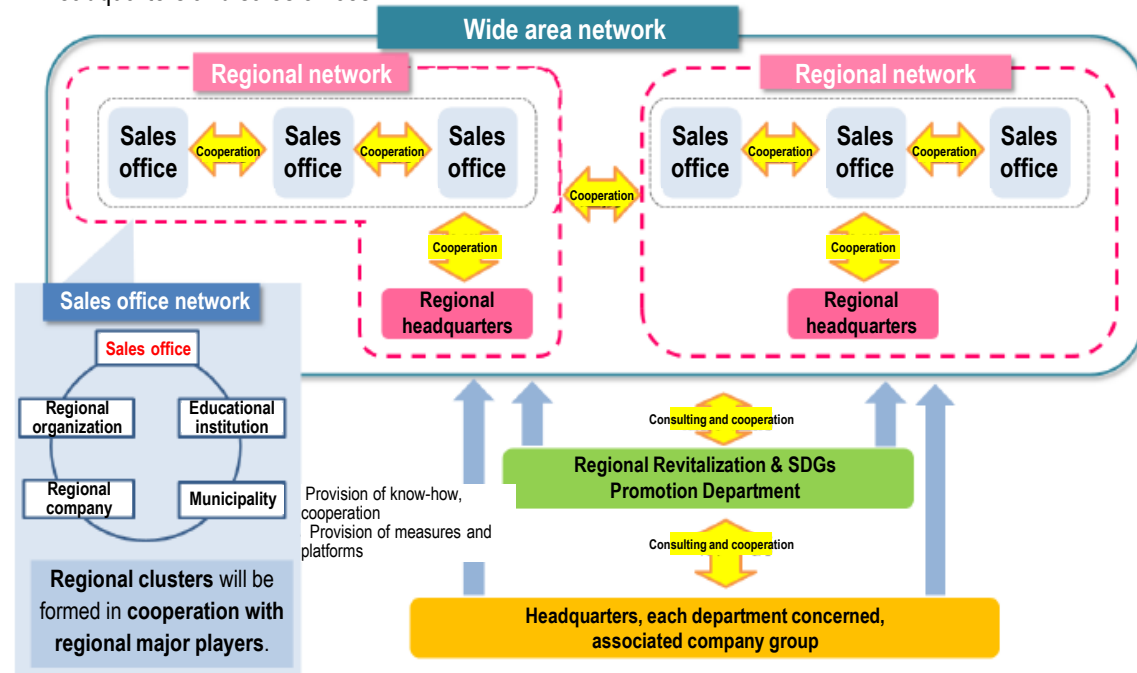
SDGs

- SDGs
- Planning and implementation of various measures
 - Promotion planning of sales offices, etc.

- CSR
- Cooperation, donations
 - Planning of CSR events, etc.

Promotion system

The Regional Revitalization & SDGs Promotion Department formulates the initiative policy of the entire Group concerning regional revitalization and the SDGs, and provides support for the regional headquarters and sales offices.



■ TCFD (Task Force on Climate-related Financial Disclosures)

- In May 2021, we expressed our support for the TCFD recommendation toward response to climate change, one of the priority issues.
- To realize the information disclosure in June 2022, we will promote responses by establishing a suitable promotion system throughout the entire Chugoku Bank.

- We will provide support for our customers and seek cooperation with municipalities concerning the decarbonization and environmental issues of the region.

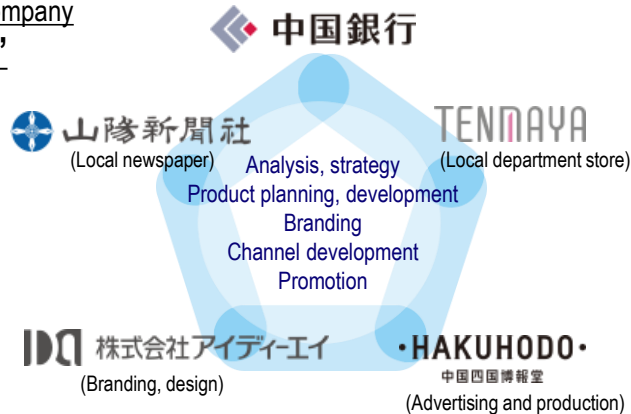
1. Enhancement of Initiatives for Regional Revitalization and the SDGs: Local Trading Company and Personnel Placement

- 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.
- Through a local trading company and personnel placement, we will accelerate our support for our customers' main businesses and contribute to the development of the local economy.

Local trading company



Local trading company
"Setonowa"



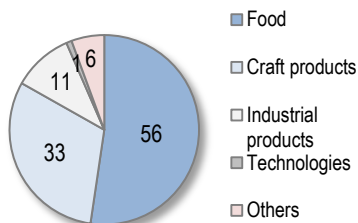
Strengths

- Provides the 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.

Number of consultations

107

Breakdown (by subject item)

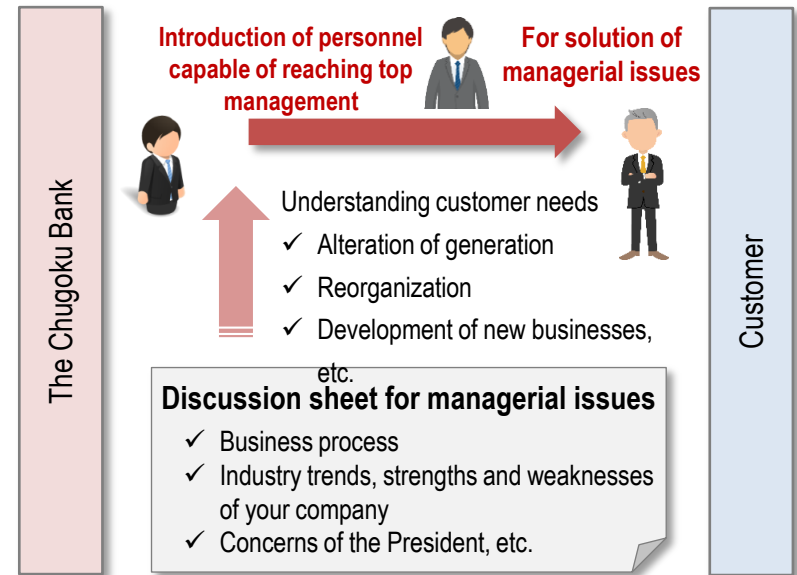


Number of contracts concluded: 29

8 for consulting
Including 7 for marketing
and 1 for planning development
21 for channel development

From November 2020 to September 2021

Personnel placement



Outline of "Personnel placement" (since August 2019)

(Characteristics)

We serve as both CA (Career Advisor) for job seekers and RA (Recruiting Advisor) for recruiting companies.

- We deeply grasp the needs of recruiting companies by effectively using the discussion sheet for managerial issues. We not only provide information to personnel placement companies but also directly scout job seekers through interviews.

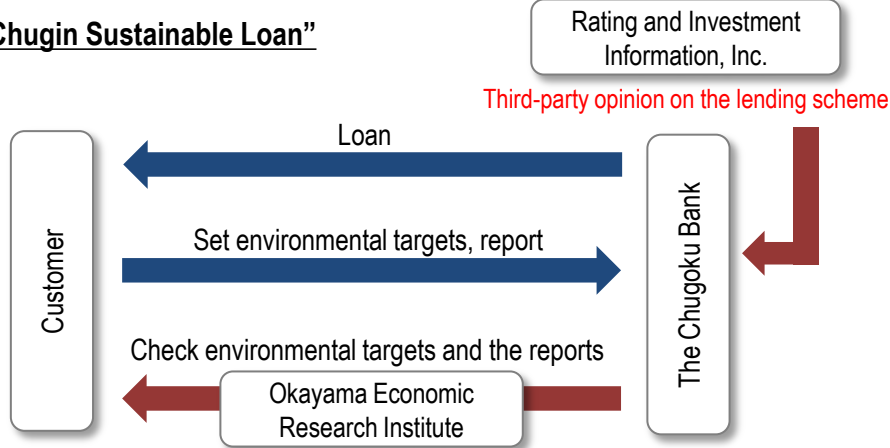
We contribute to customers' growth and regional development.

1. Enhancement of Initiatives for Regional Revitalization and the SDGs: SDGs/ESG through our main business

- By accelerating the SDGs and ESG through our main business, we will provide strong support for our customers' achievement of decarbonization and the SDGs, etc.
- We will endeavor to improve our long-term and sustainable corporate value through support for the region and our customers.

SDGs and ESG through our core business

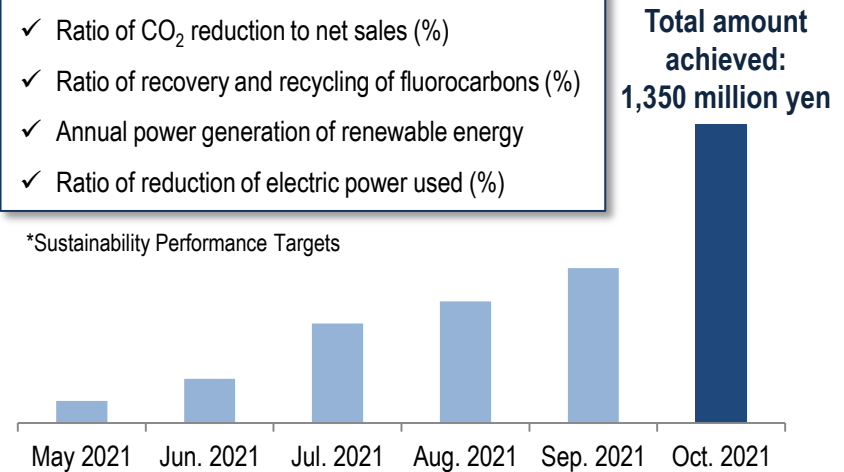
“Chugin Sustainable Loan”



Customers' principal SPTs*

- ✓ Ratio of CO₂ reduction to net sales (%)
- ✓ Ratio of recovery and recycling of fluorocarbons (%)
- ✓ Annual power generation of renewable energy
- ✓ Ratio of reduction of electric power used (%)

*Sustainability Performance Targets



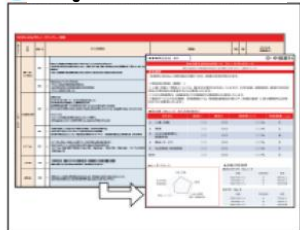
“Chugin SDGs Support”

The Chugoku Bank will support your efforts toward the SDGs.



Illustration of Chugin SDGs Support

1 Sorting of efforts toward the SDGs



2 Assisting preparation of an SDGs declaration document



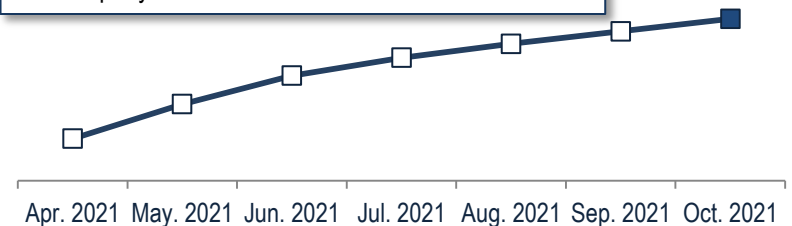
3 Assisting PR of efforts toward the SDGs



Details of the support

- Simplified diagnoses and feedback on tackling the SDGs
- Support for the preparation of a SDGs declaration
- External public relations via websites. An SDGs declaration will be posted on our website if a company wishes.

Total number of applications: 324



2. Deepening of Customer-oriented Sales Activities: Corporate solution

- Corporate solution: Sales offices and the HQ unite to propose the optimal solution for the customer.

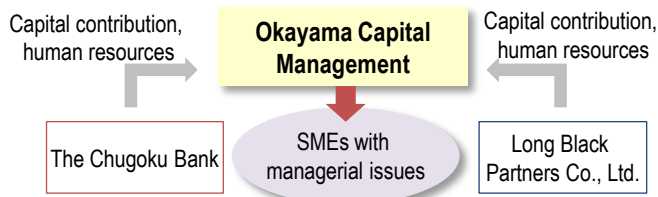
Local support activities (corporate solution)

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

- **Assigned a Relationship Management rep in HQ**
 - 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**
 - Consolidates lending operations for ocean-going ships in the Bingo district of Hiroshima Pref.
 - Offers high-quality sales by professionals in charge of ships

Optimal solution for the customer

- **Strengthening consulting business through external partnerships**
 - Provides consulting services to customers with managerial issues on business succession, M&A, business plan formulation, etc.



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

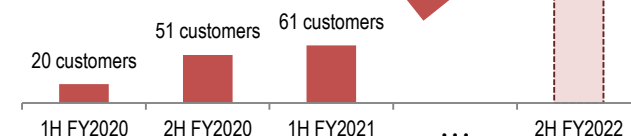
Customers for relationship management

Not only a sales office but also the headquarters will be in charge of a customer who has a significant impact on the regional economy and expects to expand transactions with The Chugoku Bank.

Proposals with higher added value

Sharing of managerial issues and provision of solutions

- Consulting on succession of business and personnel management
- Business matching, financing, etc.

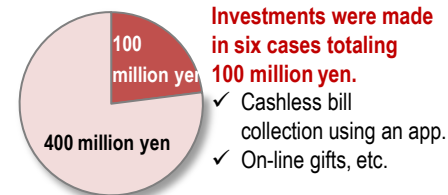


Final year of the Medium-term Management Plan 200 customers

Chugin Infinity Fund

Cooperates with our programs associated with startups such as “Innovation Project” and “Tech Planter.” Provides support for the formulation of growth strategies and growth support by using equity funding.

Investment framework: 500 million yen (from October 2020)



Investments were made in six cases totaling 100 million yen.

- ✓ Cashless bill collection using an app.
- ✓ On-line gifts, etc.

Provide support for new growth companies

- For regional development
- For improvement of profitability within the Group

2. Deepening of Customer-oriented Sales Activities: Retail Solutions, Group Synergies

- Retail solutions: We provide support to customers based on both financial and non-financial aspects according to customer segments and channels
- Group synergies: Further synergies will be sought by strategic assignment of active bank employees (secondment) and assumption of the position of president of a group company, etc.

Life plan support activities (retail solution)

Face-to-face channels

- Increase the number of branches that conduct business on holidays (Life Plan Center, sales offices)
- Develop an optimal branch network

Non-face-to-face channels

- Improve customer convenience through digitalization
 - Remote consultation, completing transactions online, partnerships with fintech companies

Non-financial services

- “Chugin Okomorigoto Kaiketsu (Problem-solving) Support”
 - Inheritance, end-of-life preparations, real estate, housework, nursing care, etc.

Maximization of group synergies

Strategic group companies

- Strategic assignment of active bank employees (secondment)
 - Chugin Lease, Chugin Securities, Chugin card, Chugin Asset Management, the local trading company “Setonowa,” etc.

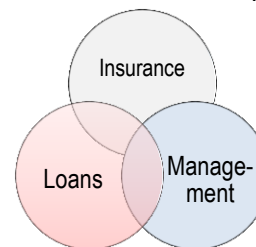
Active bank employees will assume the position of president.

Expanding the work areas

- Consideration of new business areas
 - New lease areas, utilization of real estate
 - Strengthening equity investment through the use of funds, etc.

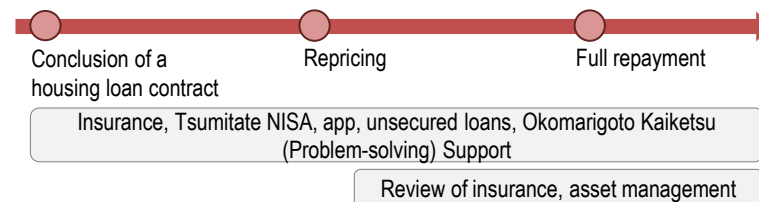
Expand transactions with customers

Life Plan Center (Five centers as of September 2021)

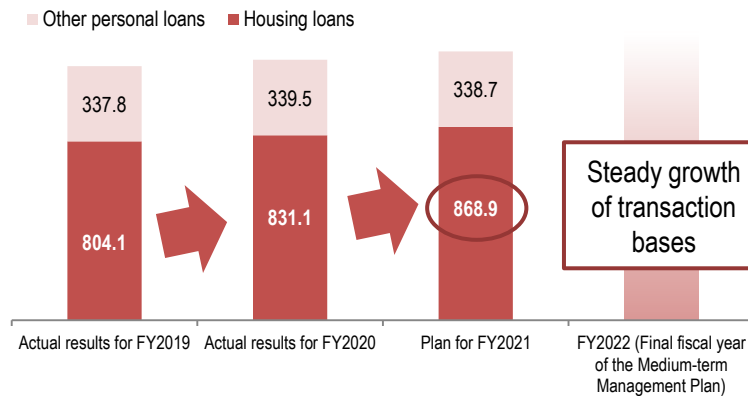


- ✓ The former Housing Loan Center has become the Life Plan Center by strengthening its functions. (Our holiday channels are introduced to customers by sales offices.)
- ✓ Cross-selling with consulting sales are conducted based on customers’ life plans by grasping the need for housing loans and insurance.

Cross-selling with housing loans as the starting point



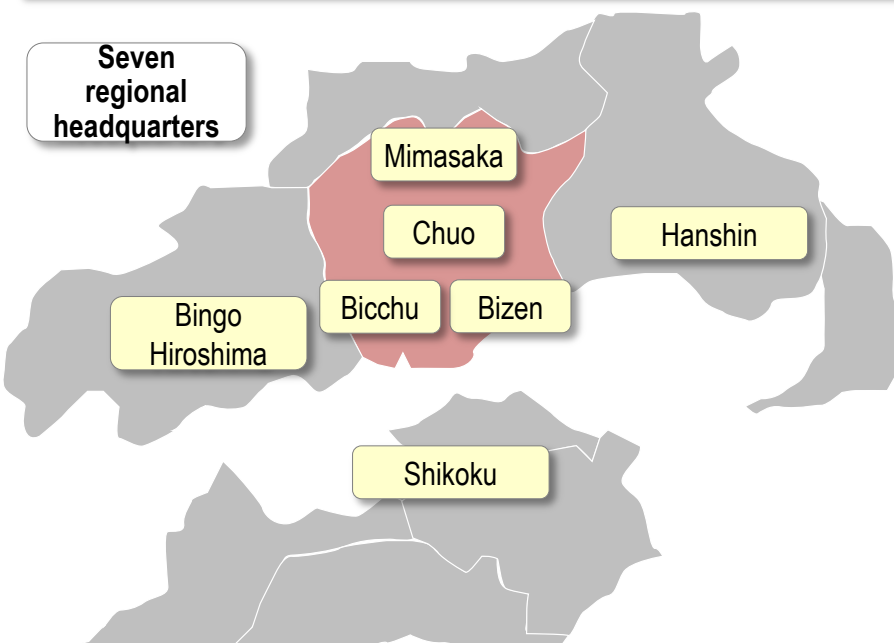
Average balance of personal loans (billion yen)



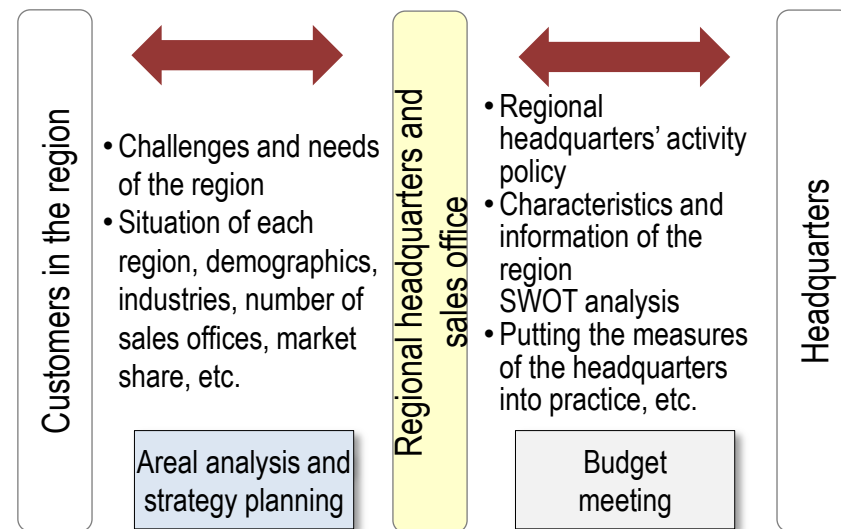
2. Deepening of Customer-oriented Sales Activities: Regional Headquarters Structure and Autonomously Set Goals

- Regional Headquarters Structure: Cooperation with region (city, town, village) will be further strengthened by establishing seven regional headquarters according to the administrative divisions.
- Autonomously set goals: Independent and self-disciplined sales activities will be strengthened based on the regional characteristics and markets of sales offices and regional headquarters.

Introduction of regional headquarters



Introduction of “Autonomously set goals” by sales offices



Objectives of the regional headquarters structure:

- Understanding the challenges and needs that become more complicated and diversified in each region
- The “Regional Headquarters,” being closest to the field, will lead in planning and implementation of the sales strategies and regional revitalization SDGs measures.
 - Transfer of authority (cooperation with the region, strategy planning, personnel system, etc.)
 - Functional enhancement: (research and analysis, liaison with the headquarters, sales support, etc.)

Objectives of autonomously set goals:

- Independent and self-disciplined planning of strategy and activities based on the regional characteristics and markets.
- Establishment of sales systems in which the sales office, the headquarters and the Group companies have a sense of unity.
- Further pursuit of customer-oriented sales activities and improvement of earnings power.

- The Channel Reform Project started after being triggered by changes in the external environment.
- Our channel strategy will be reviewed mainly in sales office strategy, corporate strategy, and retail strategy for customer needs and solutions to problems.

Concept

- (1) In order to realize the sales strategy described in the Medium-term Management Plan, we will endeavor to boost the top line and enhance profitability by establishing optimum channels for customer needs.
- (2) While improving appropriate office networks, we pursue positive effects such as an increase in contact points with customers and improvement of convenience.

External environment

- COVID-19 pandemic and post pandemic
- Changes in customer needs
- Rapid digitalization

- ✓ Organize our services and channels to fit the new sense of value of customers (retail and corporate).
- ✓ Reconsider the ideal form of sales offices (services, personnel, clerical functions, etc.) reflecting the rapid digitalization.
- ✓ Consider the utilization methods of resources (sales offices and personnel) according to the new channel strategy.

Sales office strategy

- Optimize and diversify our sales office network to fit the needs, sense of value and realities of our customers.
- Respond to the need for sales office networks and financial needs by considering the reality of the region.
- Implement a fundamental revision to the sales office strategy based on the Group's sales strategy.

Corporate strategy

- Aggregation of the personnel involved in corporate solutions, and strengthening sales power under the segment strategy (improvement of quality).
- Improvement of efficiency through digitalization, and maintenance of contact points with customers (improvement of quantity).
- Increase transactions with existing customers, and development of new customers of more than a certain scale toward the strengthening of the customer base.

Retail strategy

- “Selection and concentration” of the sales office functions and bank employees
 - Improvement of productivity of Life Plan Advisors.
 - Enhancement of transactions with customers of active generations by strengthening the Life Plan Center.
 - Strengthening of sales activities for mass layers via digital channels.

3. Vitalization of the Organization

- On the basis of “Chugin Heart,” we will build a corporate culture from the bottom up to establish a flexible organization capable of responding to internal and external environmental changes.
- We will create an environment where employees can maximize their potential by providing a “comfortable working environment” and improving “job satisfaction” to provide more customer-oriented quality services as The Chugoku Bank Group.

Activate the organization by responding to environmental changes



April 2020 Revision of the performance commendation system

- The commendation system was changed from quantitative evaluation to qualitative evaluation.

October 2017 Introduction of “Flat Meeting”

- “Meeting for casual but serious discussion”
Communication among employees is deepened and various ideas and improvement measures are proposed by the participants.

June 2015 Establishment of “NEXT 10 Promotion Department”

- CS, ES, diversity, and “Chugin Heart” are centrally controlled and promoted while always taking the next decade into consideration.

Changes in the external environment

Changes in the internal environment

April 2014 Establishment of “Chugin Heart”

- “The standards and sense of value of behavior and judgment” for the directors and employees of The Chugoku Bank Group were clarified.

Career path

Work style

Self-discipline

Challenge

April 2021 Revision to the personnel system of The Chugoku Bank Group

- The overall personnel system was revised for the first time in about 17 years, with the aim of creating “a group of human resources desired internally and externally.”
- Expansion of fields in which one can demonstrate capability, and development of a corporate culture of self-discipline and challenge

October 2022 We will endeavor to realize the transition to a holding company



June 2021, October 2021 Introduction of Regional Headquarters Structure and Autonomously Set Goals

- Transfer of authority and functional enhancement are promoted by establishing regional headquarters in each region.
- Independent and self-disciplined sales activities are strengthened by autonomously set goals by the sales offices

Promotion of diversity

We will realize the medium- to long-term improvement of corporate value through employees' work style reforms and achievements by diversified human resources.



“Diversity Poster”

- ✓ We have created a poster for further promotion by the whole Group by visualizing specific measures concerning diversity.



- ✓ We will make efforts to deepen understanding of our current status and future direction among employees, and transmit our message both inside and outside the Group.

Promotion of diversity

We will realize medium- to long-term improvement of corporate value through the employees' work style reforms and achievements by diversified human resources.

Health and productivity management

Promotion of work-life balance and initiatives for work-style reforms

- Use of the flex time system, work interval system, and staggered working hours
- Introduction of a system to accurately record the time of arriving at and leaving the office, and the time the employee logs in to their personal computer.
- Taking of annual paid holidays per hour and mandatory taking of 10 days of paid holidays.
- Encourage managers to understand the importance of childcare and nursing care leave, and promote the taking of 100% of the allocated childcare leave by both male and female employees.

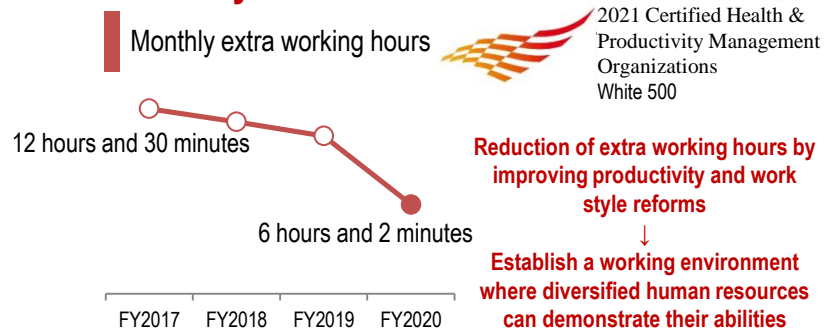


Support for maintaining a healthy work-life balance

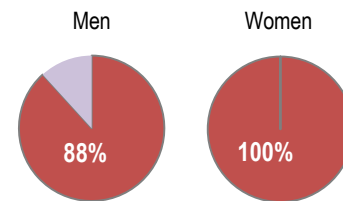
- Improve related systems so that employees can continue to work without anxiety when dealing with life events such as childcare and nursing care.
- We were granted "Platinum Kurumin" Authorization as a childcare support company.
- We established a reemployment system for those retired from The Chugoku Bank.

Diversity (Employment of specialized personnel with a diverse sense of value)

- Since 2019, we have actively employed people with special skills including consultants and lawyers from companies other than financial institutions.
- We introduced training programs for those hired mid-career. (For improvement of their satisfaction and demonstration of their ability)
- In October 2021, we established a specialty course. (To help provide a career path for those working to become a specialist in a specific field)

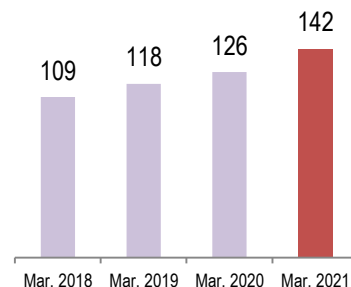


Ratio of employees who took childcare leave



*The ratio of employees whose child was born in the period April 1, 2019 to March 31, 2020 and took the leave by March 31, 2021.

Number of female managers



- Those who were appointed as general managers of the Headquarters in June 2021:
 - **A mid-career hire (General Manager of the International Department)**
 - **Female employee (General Manager of the Regional Revitalization & SDGs Promotion Department)**
- There are already many mid-career hires and female employees as branch managers.

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

Expand digitalization

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



Sales office tablet “TSUBASA Smile”



Highly convenient smartphone app

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

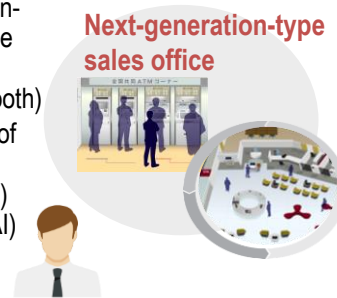


Step 2 (Next Medium-term Plan) New financial services

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



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

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

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



Retail clients

Corporate

July 1, 2020
Establishment of Digital Innovation Promotion Center

Development of digital channel

- ✓ Provision of corporate portal services (Non-face-to-face loan application) (Indication of financeable amount) (Digitalization of loan agreements)
- ✓ Enhanced online meetings (Web, app)

Corporate platform



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)

4. Enhancement of the Digitalization Strategy: Utilization of “Chugin App”

- On July 7, 2021, we introduced “Chugin App” for individual customers.
- Going forward, we endeavor to realize a new retail business style centering on “Chugin App.”

Chugin App

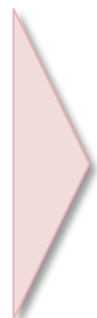


Functions currently available

- ✓ Balance and deposit/withdrawal statement inquiries
- ✓ Transfer of funds (between the bank’s main office and branches) and transfer of funds (between the same customer’s accounts)

Functions to be introduced under consideration

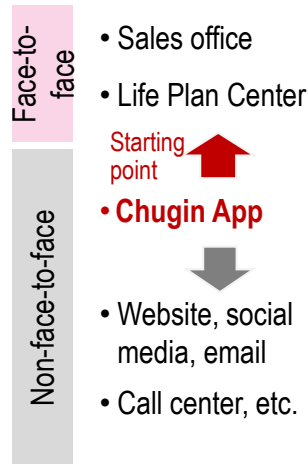
- ✓ Transfer of funds (to other banks)
- ✓ Opening of ordinary deposit accounts and investment trust accounts
- ✓ Notice of scheduled withdrawals
- ✓ Card loan transactions and inquiries
- ✓ **Appointments to visit a sales office**
→ The customer specifies the outline of the consultation, the sales office, and time of the visit



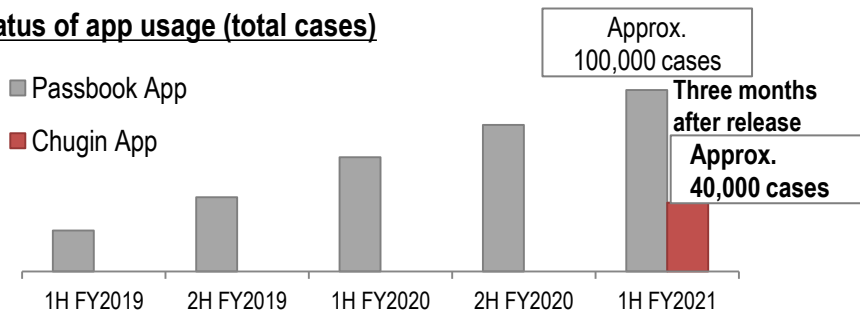
Data analysis of customer information

Future utilization to retail sales

Aiming to serve as the “Main Channel” that links with individual customers



Status of app usage (total cases)

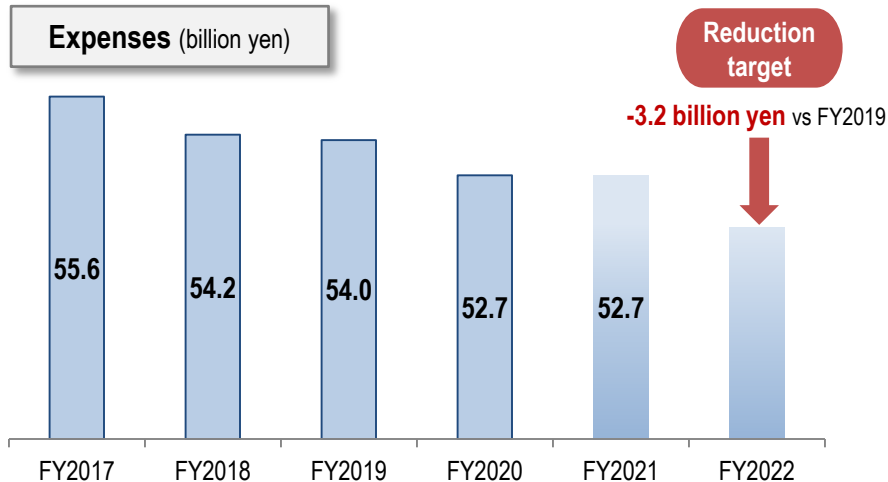


- Higher added value is provided to customers in face-to-face sales situations.
 - We provide consulting services for solutions to problems by precisely understanding customer needs.
 - We approach customers whom we have not seen yet.
- Clerical staff will be transferred to non-face-to-face work.
 - To improve convenience for customers, and reduce

5. Establishment of a Sustainable Growth Model

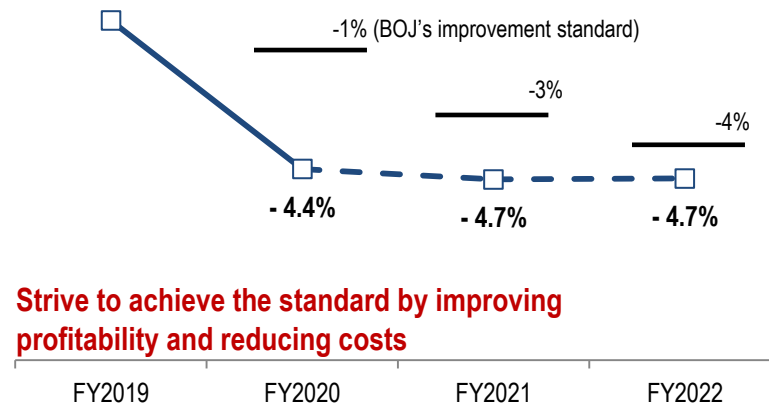
- We have succeeded in thoroughly streamlining operations due to the digitalization and BPR that we promoted under the previous Medium-term Plan.
- We will carry out fundamental cost reductions toward a sustainable growth model while maintaining and improving customer convenience.

Expenses (billion yen)



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

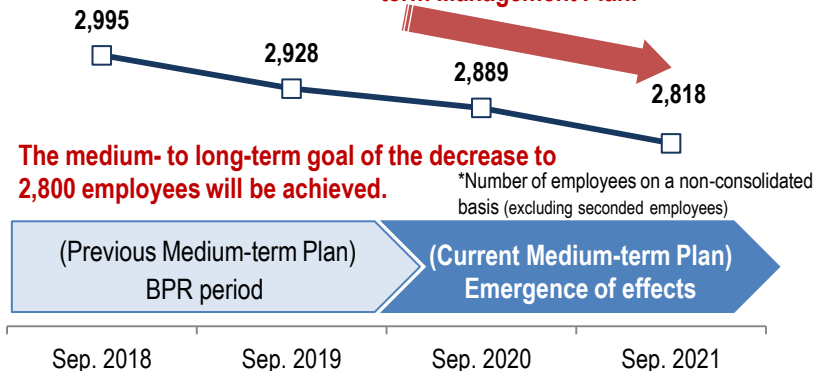
[Reference] Expected improvement of BOJ standard OHR (% change vs FY2019)



Strive to achieve the standard by improving profitability and reducing costs

Number of employees

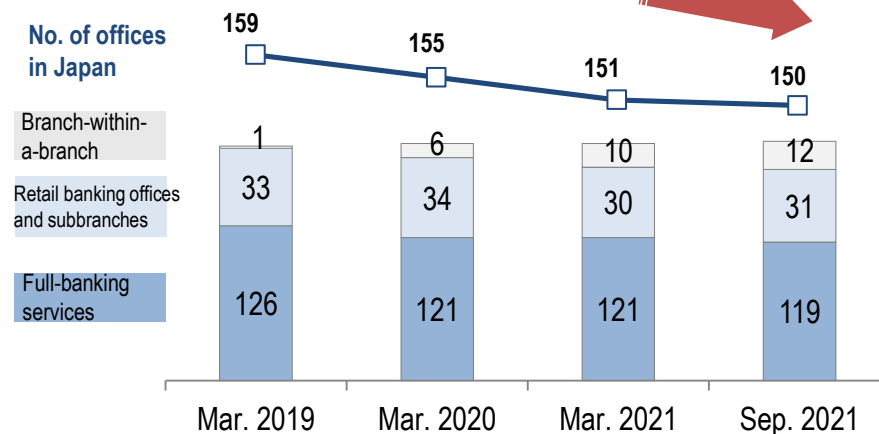
- Employees decreased due to the initiatives for BPR.
- We pursue the improvement of productivity under the current Medium-term Management Plan.



*Number of employees on a non-consolidated basis (excluding seconded employees)

Number of sales offices

Reduce to a 145 office level during the Medium-term Plan period



*Excludes overseas and internet branches 39

Corporate Governance
and
Alliance Partnership Strategy

We pursue “sound and sustainable growth” concurrently with “medium- to long-term improvement of corporate value” by enhancing corporate governance.

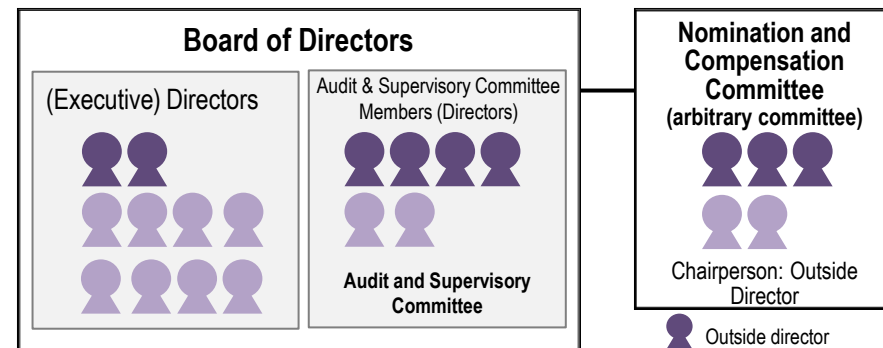
We will also endeavor to improve capital efficiency by constantly reducing cross-shareholdings.

Selection of the Prime Market

- We selected the application for the Prime Market in which further sophisticated governance system is required. (as announced on October 28, 2021)

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)
- Formulated the “Basic Policy for Successor Plan and Development Plan of Representative Director” (Dec. 21, 2018)
- The Group’s governance will be enhanced by transition to the holding company structure (scheduled for October 2022).



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.

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

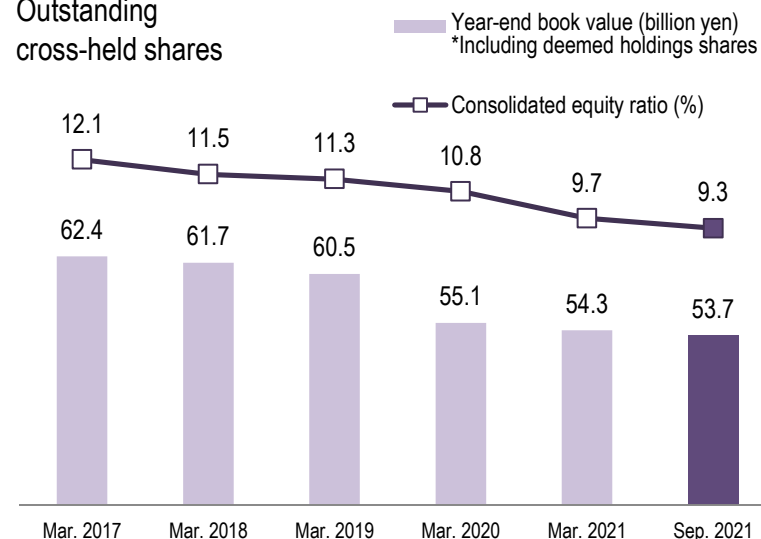
[Judging whether or not the shares should be held]

- 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

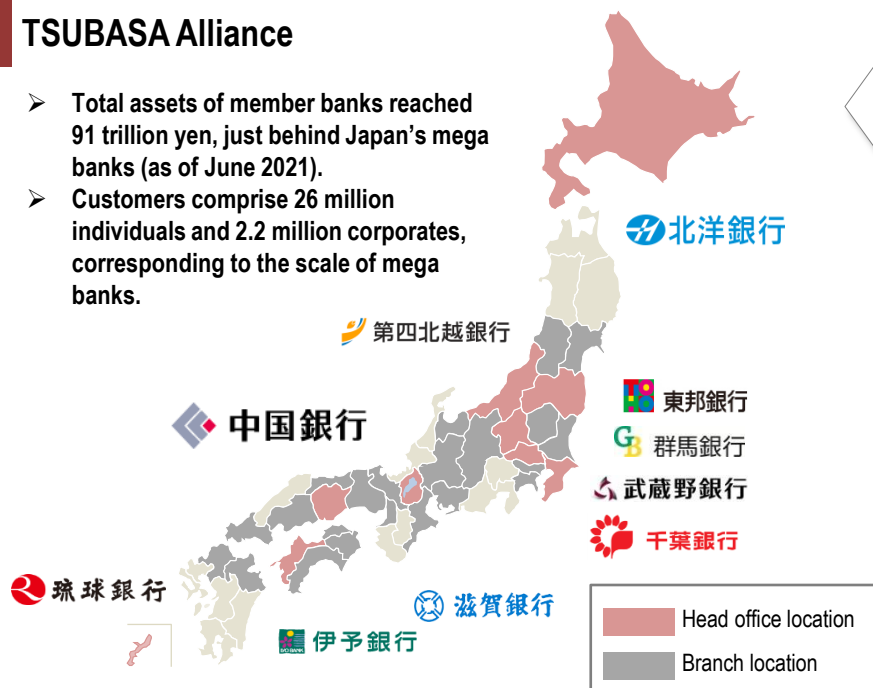
Outstanding cross-held shares



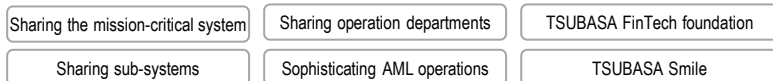
Under the TSUBASA Alliance, we pursue scale advantage and synergies in this broad and large-scale alliance. Concurrently, we will contribute to the regions' further development with diversified alliance strategies.

TSUBASA Alliance

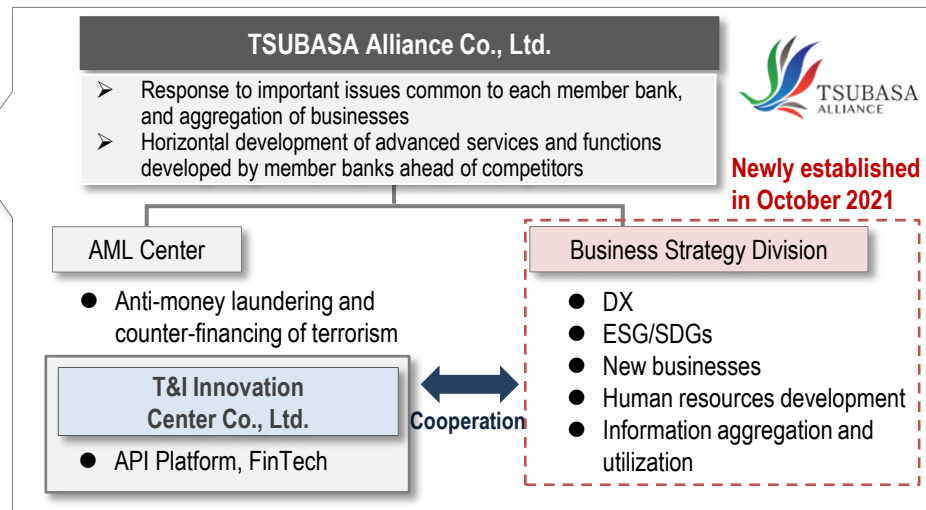
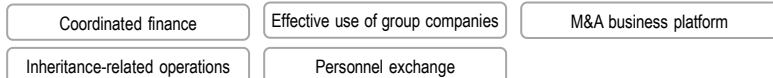
- Total assets of member banks reached 91 trillion yen, just behind Japan's mega banks (as of June 2021).
- Customers comprise 26 million individuals and 2.2 million corporates, corresponding to the scale of mega banks.



- Cost reduction, streamlining of operations



- Enhancing the top line



TSUBASA ALLIANCE
Newly established in October 2021

Regional cooperation strategy

(Major alliances)

Financial institution

Okayama Co-creation Partnership

- Cooperation with regional financial institutions
- Support for startups, business meetings, personnel exchange, etc.

University

Okayama Future Co-creation Alliance

- Cooperation with Okayama University
- We will contribute to achievement of the SDGs and regional development by sharing information and know-how.

Local government

Comprehensive agreements on regional revitalization

- Okayama Prefecture, Okayama City, Kurashiki City, Mimasaka City, Tamano City, Fukuyama City



The Business Strategy Division was established in the TSUBASA Alliance Co., Ltd. with the aim of sharing knowledge among member banks and further strengthening the alliance.

Commencement of Consideration for Transition to the Holding Company Structure

Commencement of Consideration for Transition to the Holding Company Structure: Background

The Chugoku Bank Group commenced consideration for transition to the holding company structure in October 2022.

- With the diversification of challenges and needs of regional society and customers arising from the changes in various social trends, etc., the roles expected of a regional financial institution are also changing.
- To respond to changing challenges and needs of regional communities and customers in a precise manner, we need to sustainably renew the Group's products and services by planning and implementing our Group strategy free from the ideas of the existing business.
- In addition, amid the trend of deregulation for the business scope of the banking industry, we are in the midst of the creation of an environment in which we will find it easier to try new businesses in line with the challenges and needs of regional communities and customers.

Social trend Competitive environment

Depopulation
Aging society

Settlement of
low interest
rates

COVID-19

Development
of digital
technology

Acceleration of
global warming
countermeasures

Entry into the
banking business
from different
industries

Change in ways of thinking and actions

Regional communities and customers

Corporate

- Successor problem
- Need for human resources
- Establishment/Discontinuance of business
- Response to DX and SX*, etc.

Retail

- Inheritance measures
- Cashless settlement
- Eliminating the necessity to visit a sales office for simple procedures
- Preparing for disasters and sickness, etc.

Regional communities

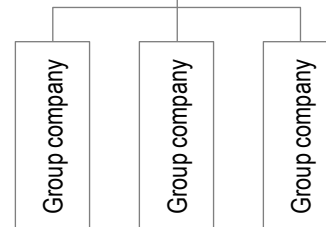
- Town development
- Promoting DX
- Attracting enterprises
- Abandoned house problem, etc.

Challenges and needs have become more diversified and sophisticated

Changes in thought and behavior patterns

The Chugoku Bank Group

The Chugoku Bank



- Evolution of the products and services we provide
- Efforts to realize new businesses

Expansion of business scope

Banking
Act-related
deregulation

* DX: Digital Transformation: To change life and business by using digital technologies.

SX: Sustainability Transformation:

An idea to change the status of management by achieving business continuity, growth, and ESG (Environment, Society and Governance).

(1) Expansion of the scope of business

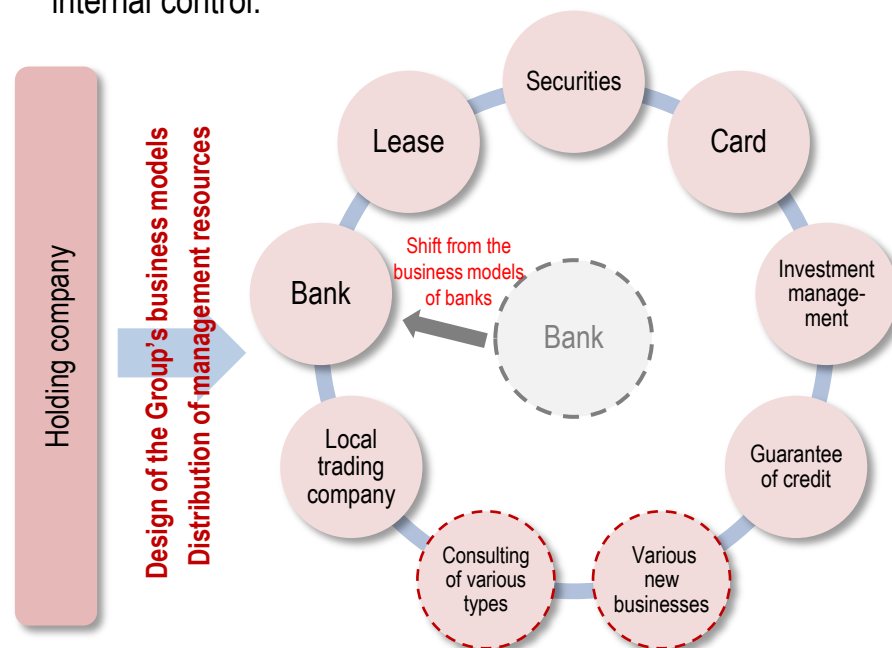
- We will make efforts to provide products and services that truly fit the needs of the region and customers without adhering to the conventional ideas of the banking industry.
- We will expand the scope of business of the Group while trying out various measures including business domains.

(2) Appropriate distribution of management resources

- We will improve management efficiency by distributing limited management resources in a way that is optimum for the entire Group.
- The holding company will play the main role in promoting fundamental measures to improve the efficiency of the entire Group such as the aggregation of work and promotion of digital transformation (DX).

(3) Evolution of the Group's governance

- Our goal is to achieve the improvement of corporate value and sustainable growth of the entire Group by combining “aggressive” governance represented by the business portfolio management including new domains and “defensive” governance including risk management and internal control.



Our goals under the current Medium-term Management Plan:

Comprehensive service business centering on finance



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.