

FY2021 Earnings Results Briefing

May 30, 2022



CHUGOKU BANK

1. FY2021 earnings results and FY2022 plan

- FY2021 earnings results: Consolidated net income was 18.3 billion yen (up 27.4% YoY).
(**Profits increased for two consecutive years.**)
- FY2022 plan : Profit attributable to owners of parent is expected to be 18.6 billion yen.
We will endeavor to attain, for the third year in a row, an increase in profits by maintaining the upward trend.

2. Change to a holding company structure (scheduled for October 2022)

- Our goal : Expansion of service focus, appropriate allocation of management resources, evolution of the group governance
“An organization capable of continuing to create new value for the region”
- Synergy : (1) Develop **new businesses**; (2) Develop and expand **existing businesses**; and (3) **Cost synergy**

3. Shareholder return and use of capital in the future

- Shareholder return : Dividend of 28 yen per share (**+5 yen**);
Repurchase of own shares: 2.0 billion yen* (*Of which, the repurchase of 1.0 billion yen is ongoing.)
Total return ratio: 39.3%
- Use of capital : Toward the achievement of our long-term management plan, we will accelerate the **accumulation of assets in growth areas** and implementation of **strategic investments in new businesses.**

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Section I

Earnings Results for FY2021 and Forecasts for FY2022

FY2021 Earnings Result –Summary–

	(billion yen)	FY2018	FY2019	FY2020	FY2021	YoY	vs. Plan*
[Consolidated]							
Consolidated ordinary income		23.6	17.4	21.2	25.8	4.6	0.7
Profit attributable to owners of parent		16.1	11.9	14.4	18.3	3.9	0.4

[Non-consolidated]

Core business gross profit		77.0	74.7	76.3	80.2	3.9	1.6
Net interest income		63.0	58.2	58.8	61.6	2.8	0.3
Net fee income		14.8	15.8	15.6	17.1	1.5	0.6
Net other operating profits		- 0.8	0.6	1.8	1.5	- 0.3	0.8
Expenses (-)		54.2	54.0	52.7	51.9	- 0.8	- 0.8
OHR (%)		70.3	72.2	69.1	64.7	- 4.4	- 2.3

Core business net profit		22.8	20.7	23.5	28.3	4.8	2.5
Excl. gains or losses on cancellation of investment trusts		21.7	20.6	23.4	28.3	4.9	2.7

Credit cost (-)		4.1	5.6	8.0	7.6	- 0.4	1.9
Bond trading loss, write-off		1.1	- 0.5	- 0.5	- 2.9	- 2.4	- 2.9
Equity trading and evaluation loss		1.4	0.0	5.5	6.0	0.5	3.2
Other		0.6	0.7	- 1.5	- 0.2	1.3	- 0.3

Ordinary profit		21.9	15.4	19.0	23.4	4.4	0.3
Net income		15.3	10.8	13.0	16.9	3.9	0.3

*Forecast published on Nov. 12, 2021

- Profit attributable to owners of parent: 18.3 billion yen (+3.9 billion yen YoY; +0.4 billion yen vs. Plan)
- On a non-consolidated basis, core business net profit increased by 4.8 billion yen year on year due to growth of net interest income and net fee income and to a steady reduction in expenses.

[Factors behind change in net interest income]

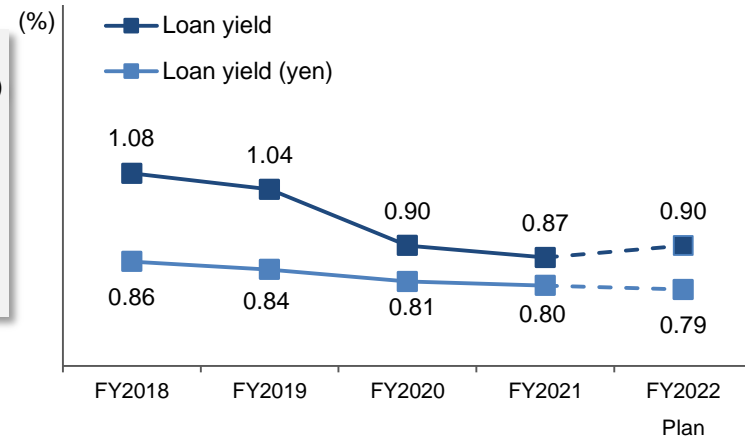
■ Yen based: ¥51.5 billion (+¥0.5 billion YoY)

- Interest on loans and discounts: Flat YoY
- Interest on securities: -¥0.5 billion YoY
- Yen, other: +¥1.0 billion YoY
(Gains on short-term management such as BOJ's special deposit facility)

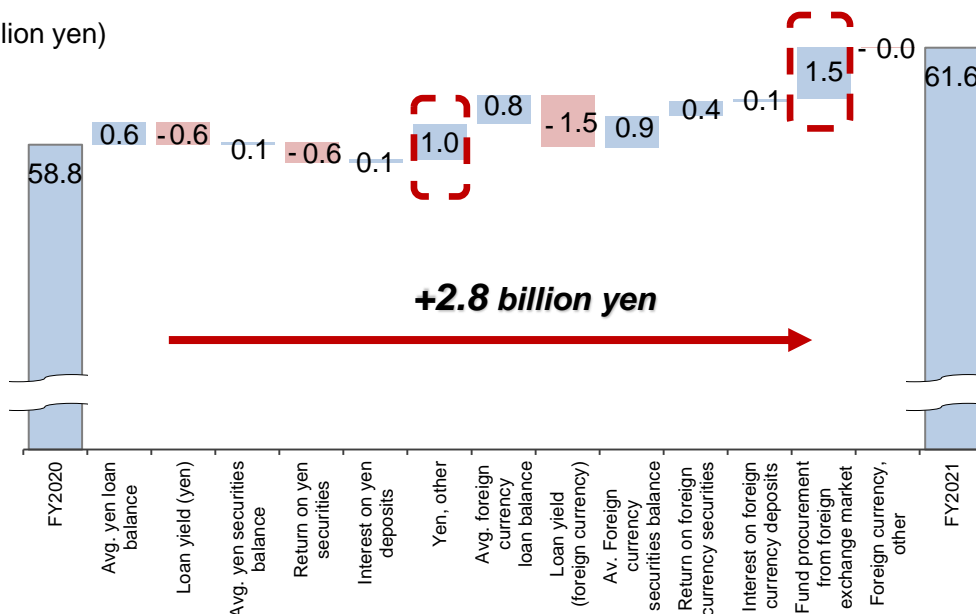
■ Foreign currency-based: ¥10.0 billion (+¥2.2 billion YoY)

- Interest on loans and discounts: -¥0.7 billion YoY
- Interest on securities: +¥1.3 billion YoY
- Foreign fund procurement cost: -¥1.5 billion YoY

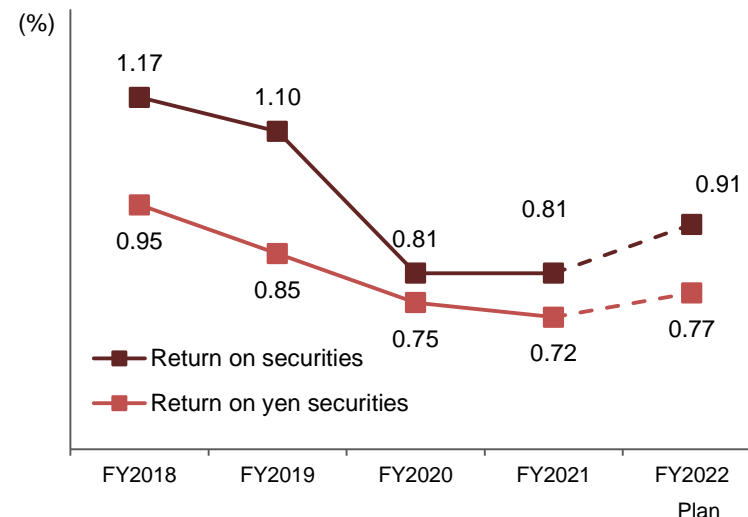
[Loan yield]



(billion yen)



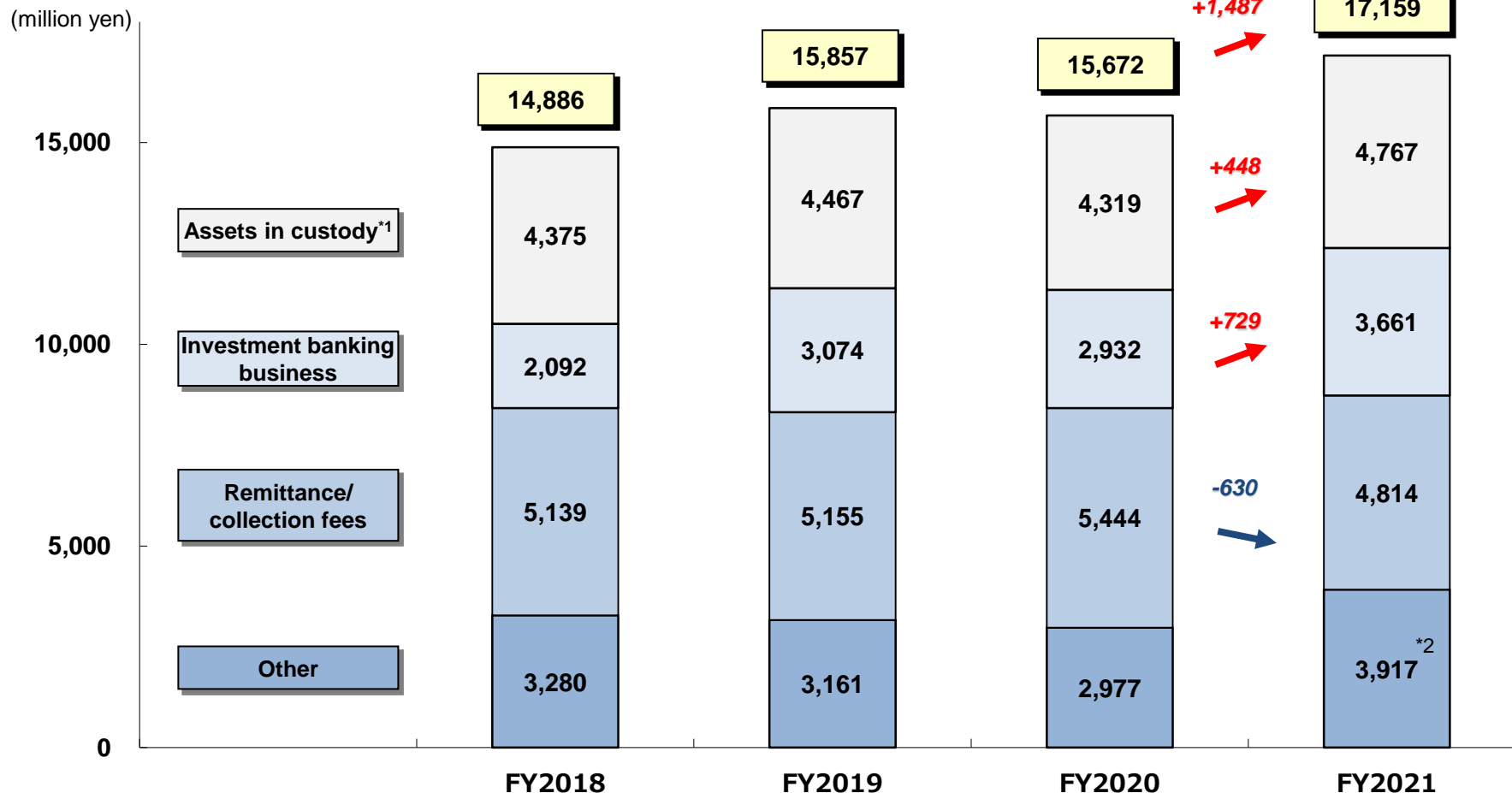
[Return on securities]



- Yen net interest income: Loans remained flat year on year by compensating for the decline in yield with an increase in the average balance. Securities decreased by 0.5 billion yen year on year due to the drop in return. Other (short-term management of the current account deposits at BOJ, etc.) increased by 1.0 billion yen year on year, leading the total yen net interest income to a year-on-year increase of 0.5 billion yen.
- Foreign currency net interest income: Increased by 2.2 billion yen year on year due to stable and low interest rates on fund procurement, the improvement of return on securities by replacement of portfolio, etc.

Net Fee Income

[Net fee income]



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

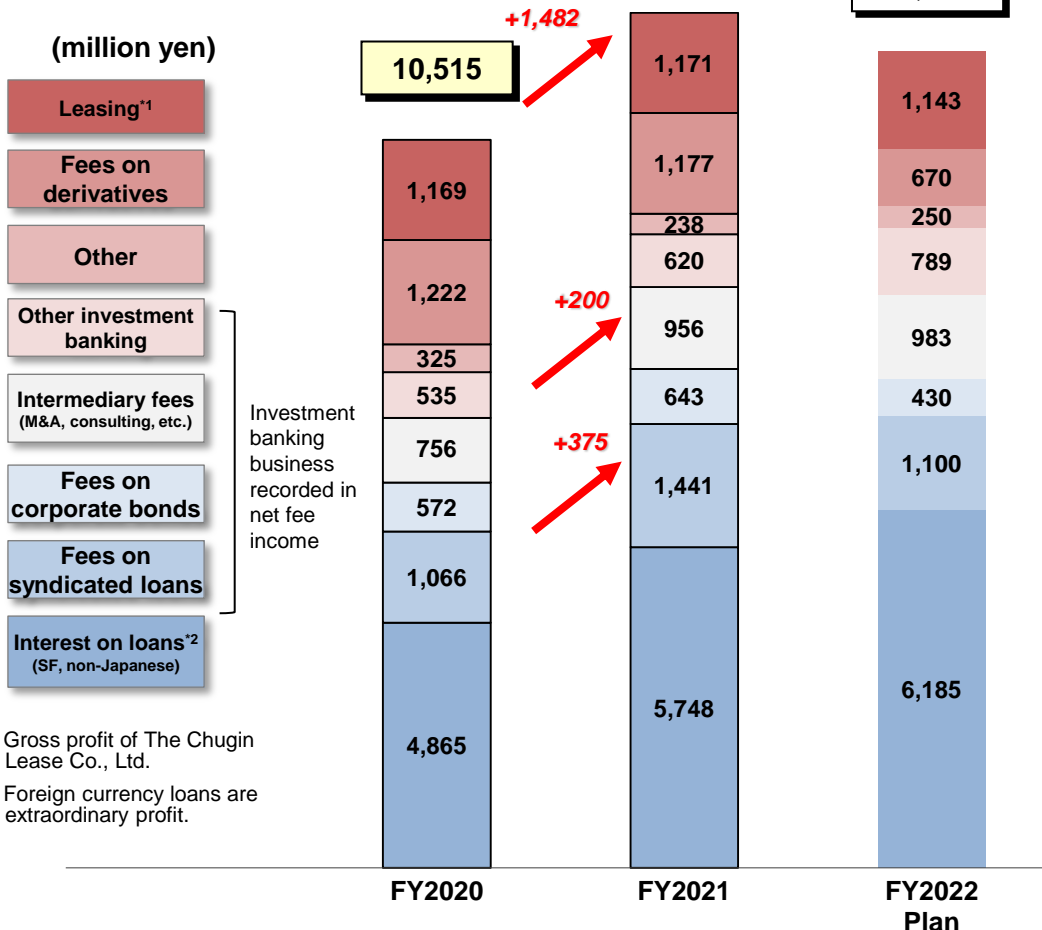
*2 Since FY2021, dividends on group credit life insurance, which were traditionally accounted for as miscellaneous income, have been posted as a deduction item of "insurance premiums paid" under the "Other" category (a positive factor for profits).

- Revenues from assets in custody and investment banking business were robust (higher than the pre-COVID-19 pandemic level).
- We improved profitability in fees and commissions and enhanced fee income by further strengthening our consulting business.

Corporate-solution-related Revenues

[Revenues from solutions for corporate customers]

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

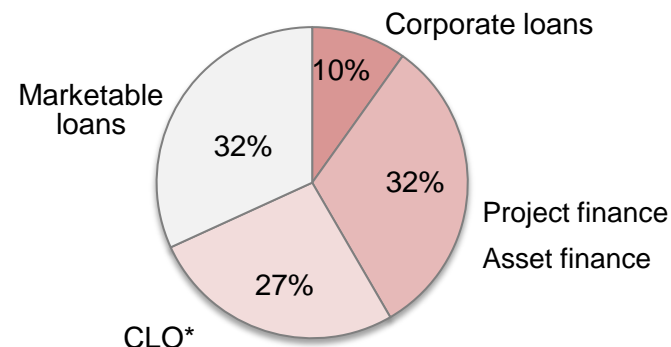


*1. Gross profit of The Chugin Lease Co., Ltd.

*2. Foreign currency loans are extraordinary profit.

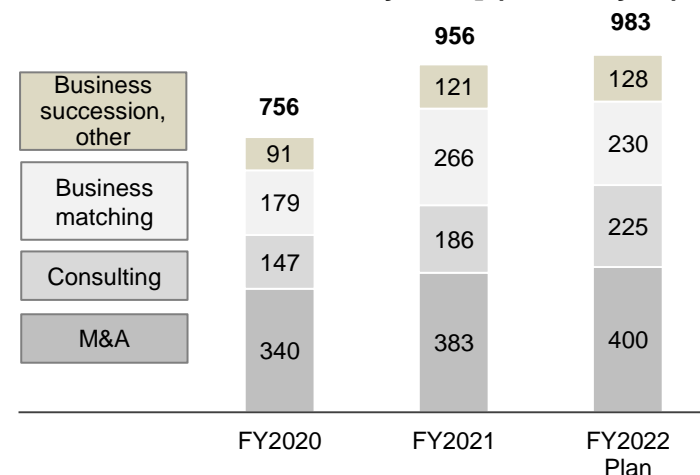
[Breakdown of loans to the headquarters]

(Balance at end of Mar. 2022)



*All CLOs are rated AAA or AA and issued mainly in the U.S. (Managed within a fixed investment value after conducting stress tests)

[Breakdown of intermediary fees] (million yen)



- Growth of fees on syndicated loans which met customers' financial needs and an increase in intermediary fees due to collaboration with local qualified professionals and in consulting sales contributed to the increase in revenues. Total corporate-solution-related revenues increased by 1,482 million yen year on year.
- In FY2022, we expect a reactionary decline due to an increase in derivative business in the previous fiscal year, but the total corporate-solution-related revenues will remain at a high level.

Revenues Related to Assets in Custody

[Breakdown of revenues related to assets in custody]

(million yen)

Group total
(Bank parent)

Group subsidiaries
(Securities, asset management)

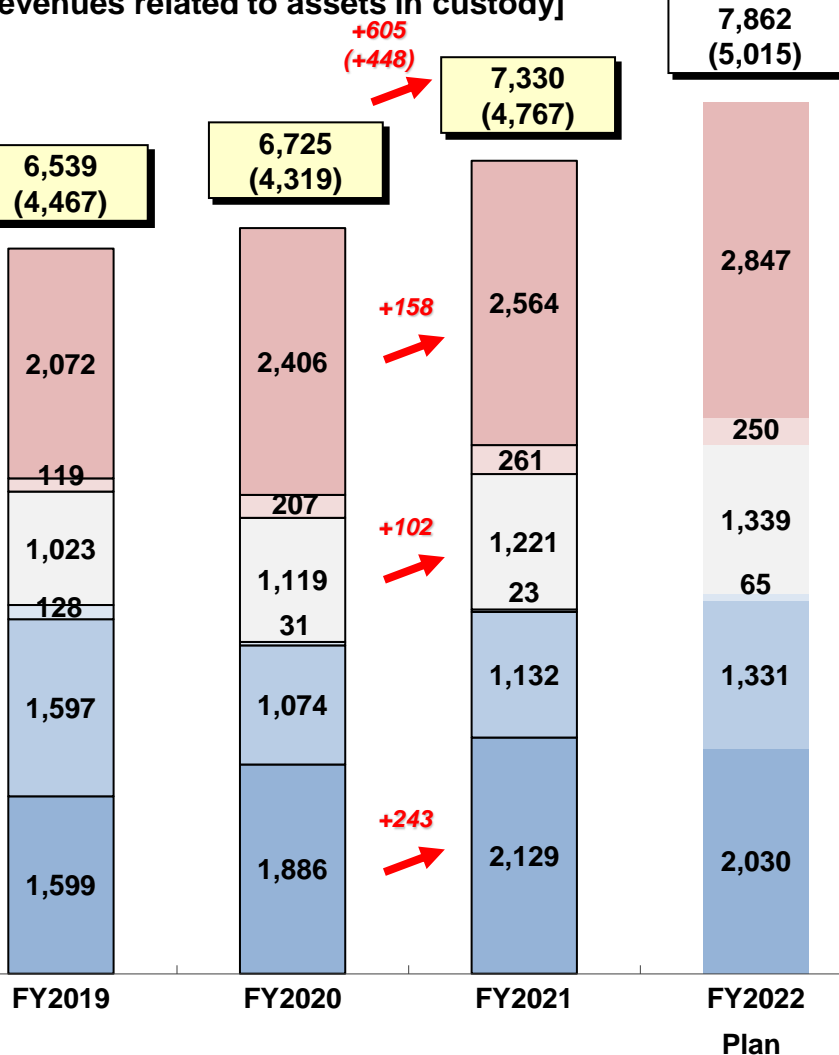
Inheritance related

Financial instrument brokerage

Municipal bonds

Life insurance

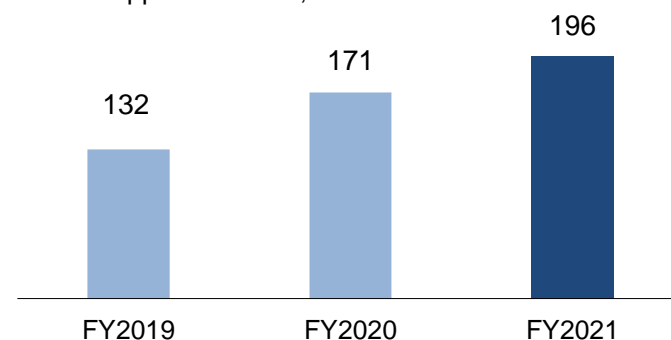
Investment trusts



[Inheritance-related business]

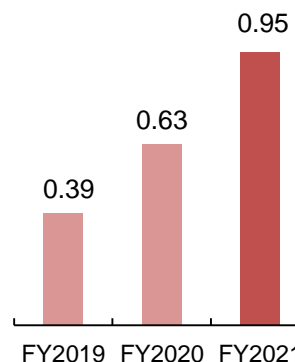
*Testamentary trusts, inheritance support business, etc.

No. of successful contracts



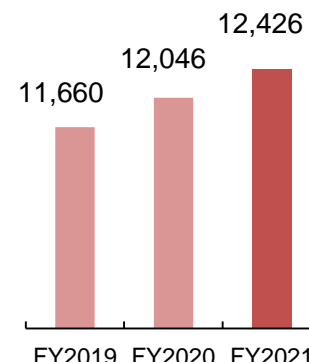
[Tsumitate NISA]

Sales value
(billion yen)



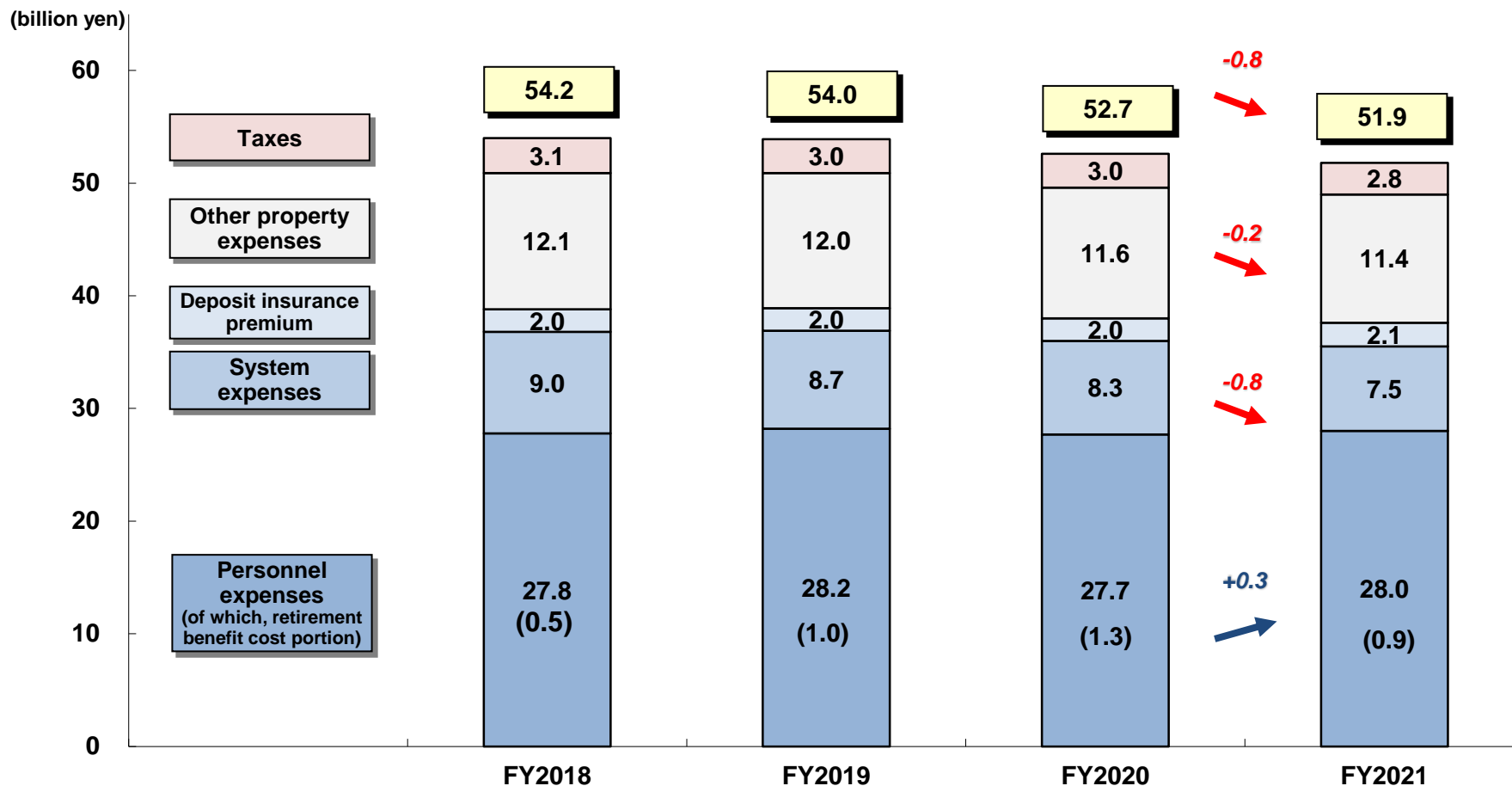
[iDeCo contracts]

Cumulative number of participants (persons)



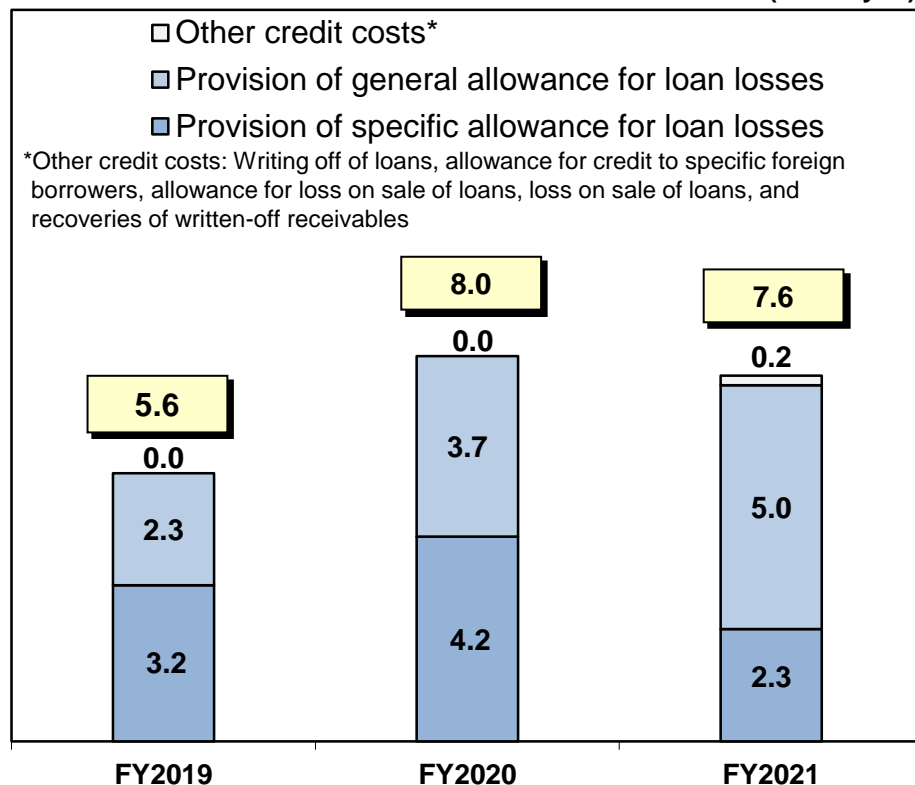
- Total revenues related to assets in custody increased by 605 million yen year on year due to the increase in investment trusts and financial instruments brokerage on the back of the strengthened cooperation with the Group companies and of responses to customers' asset succession needs.
- In FY2022, we will continue to endeavor to further increase revenues by responding to customers' asset-related needs in our group-wide efforts.

[Expenses]



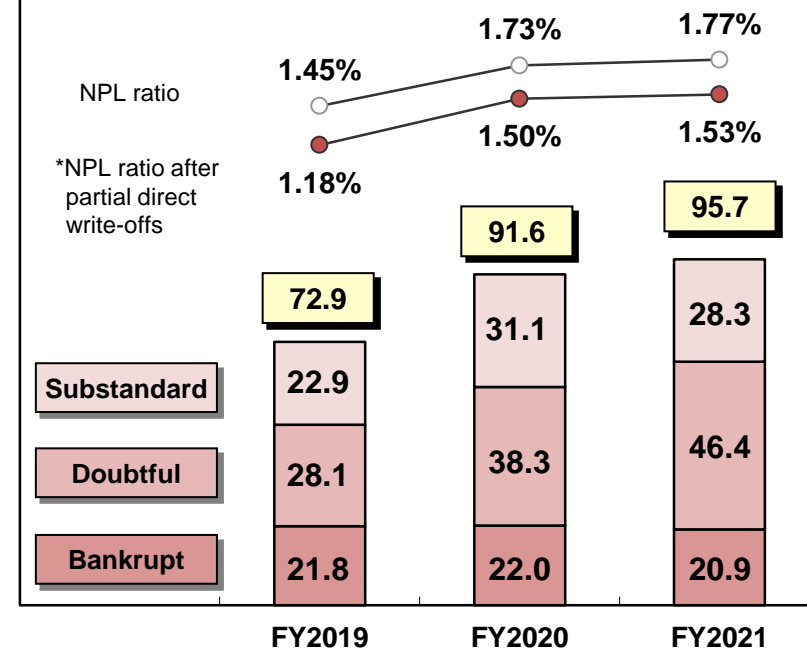
- System expenses decreased by 0.8 billion yen due to a decline in software investments in reaction against the system renewal conducted in the previous fiscal year and to a decrease in maintenance expense.
- Personnel expenses increased by 0.3 billion yen due to increases in expenses relating to personnel system reform and an increase in bonuses. Total expenses decreased by 0.8 billion yen.

[Credit costs]



[Non-performing loans (NPL) (Loans disclosed under the Financial Revitalization Act)] (billion yen)

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



(Reference) Calculation method of general allowance for loan losses

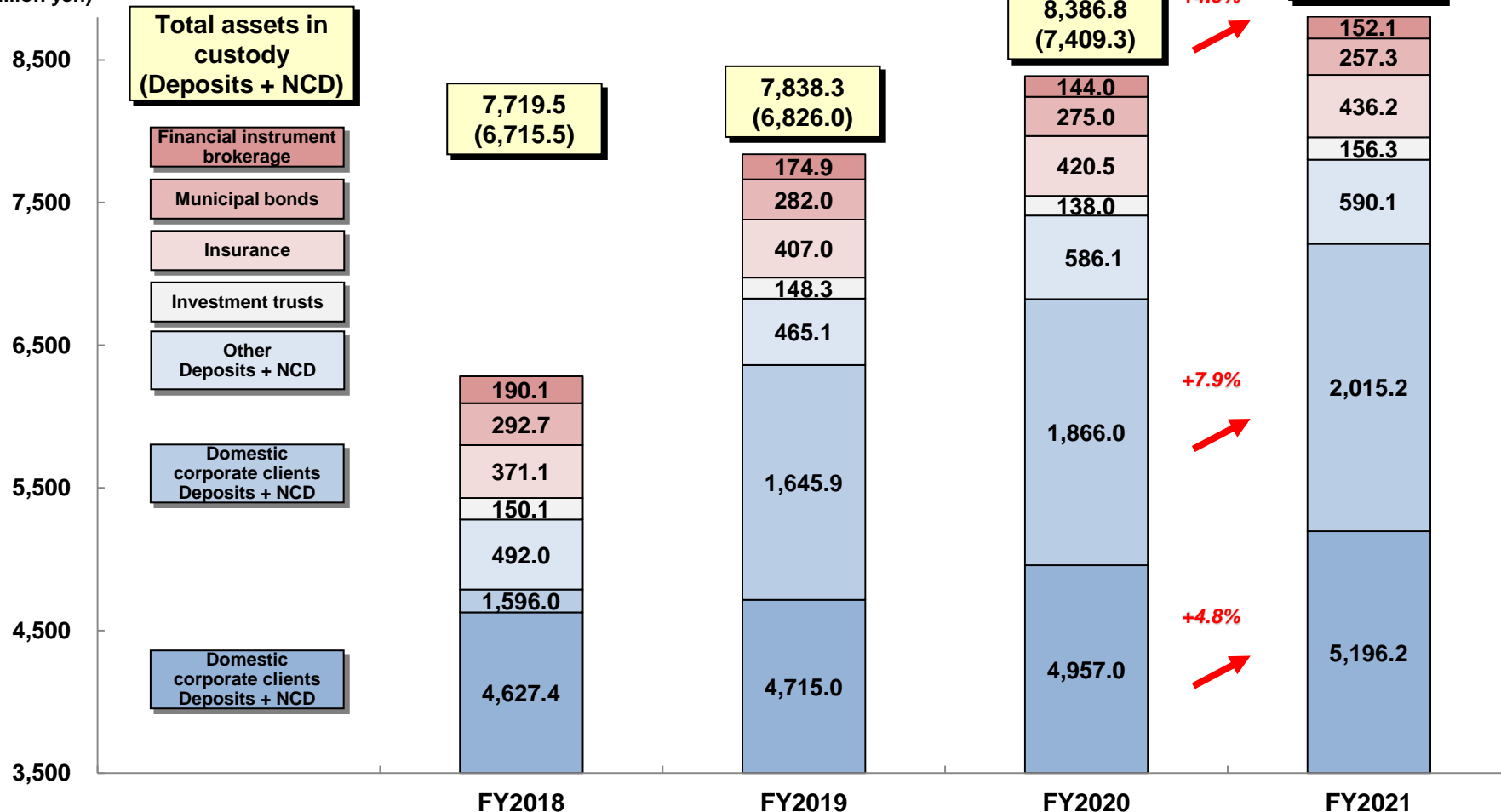
- The expected loss rate is calculated based on the actual loan loss rates for three consecutive calculation periods, with one period being three years and each moved one year forward.
- The expected loss rate shall be either the “most recent three-period average” or the “most recent two-period average,” or the “long-term average starting from FY2008,” whichever is larger (changed from FY2021).
- Loans to healthy accounts and substandard I accounts are adjusted by taking into consideration the average remaining period of the receivables.

- Total credit cost remained at 7.6 billion yen, roughly unchanged from the previous fiscal year. General allowance for loan losses increased on the back of a rise in actual loan loss rates and due partly to changes in the calculation method.
- The NPL ratio remained flat at a low level (1% level).

(Reference) Major Accounts: (1) Deposits & Assets in Custody CHUGOKU BANK

[Average balance of deposits and assets in custody]

(billion yen)



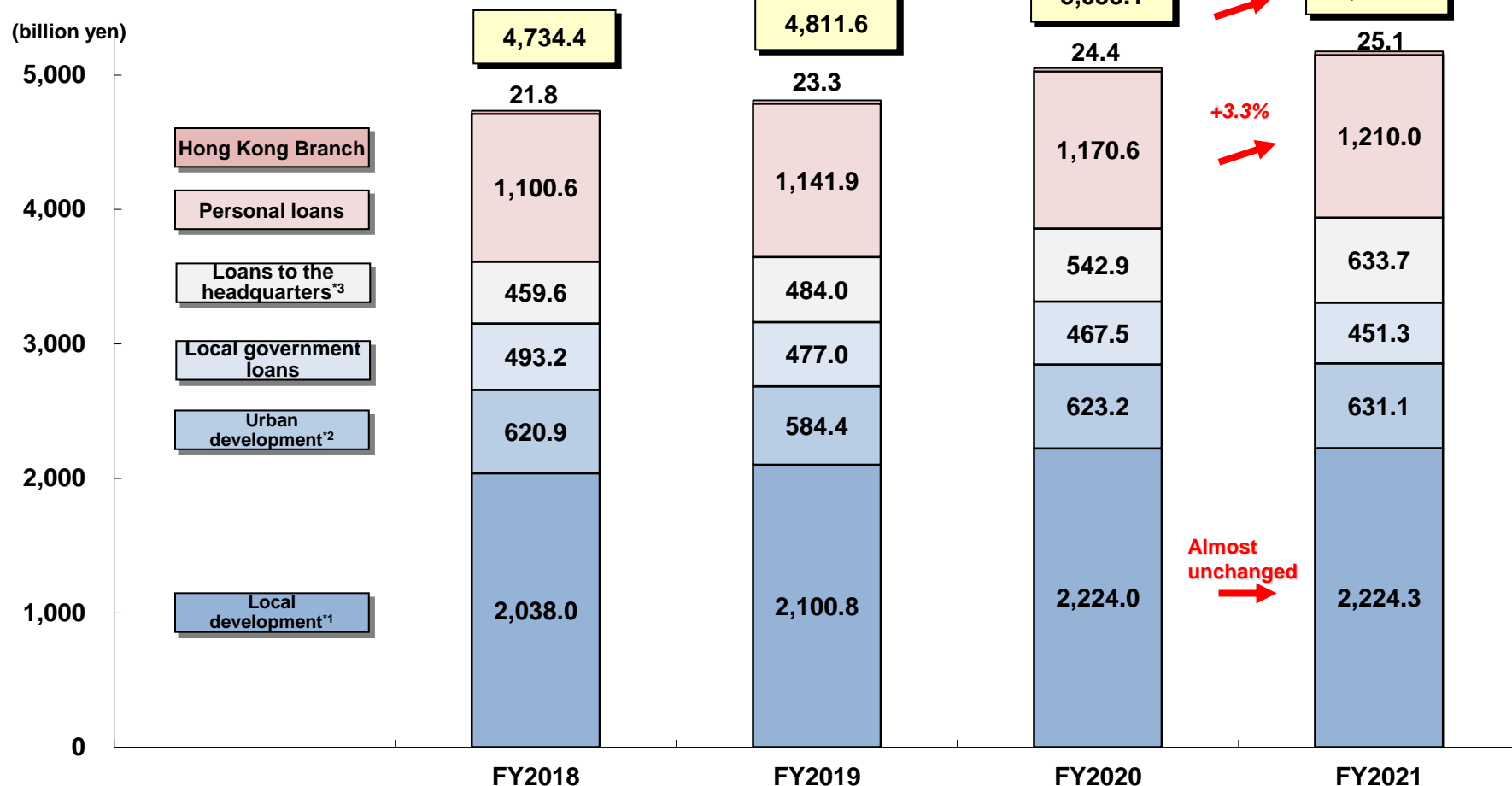
*Financial instrument brokerage represents the average balance based on the acquisition price. Municipal bonds are based on the face value. Insurance is based on the average balance that takes into account cancellations. Investment trusts are based on the average balance of net assets (including defined contribution pensions).

- Deposits + NCD increased significantly for both corporate and retail clients due to payment of COVID-19-related benefits, securing funds on hand, and curbed consumer spending.

(Reference) Major Accounts: (2) Loans

[Average loan balance]

(billion yen)

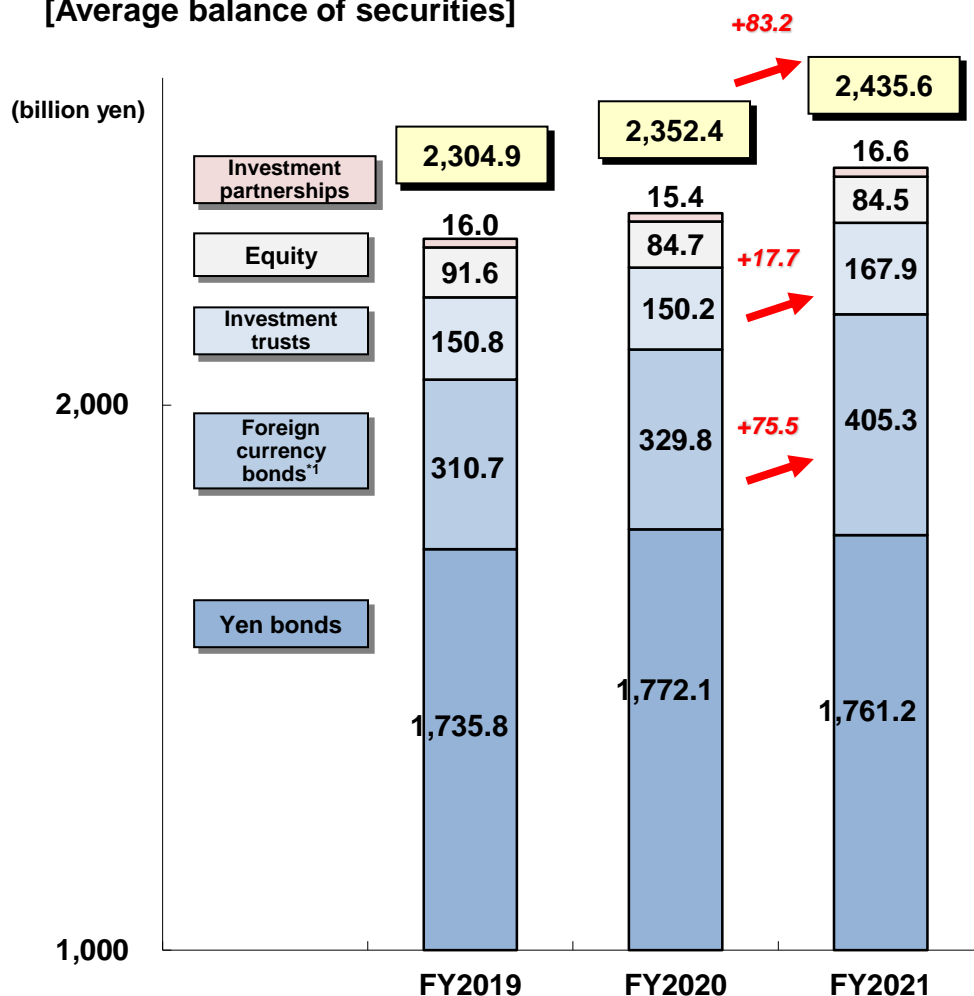


*1 Local: Regions other than Tokyo and Osaka *2 Urban: Tokyo and Osaka *3 Loans to the headquarters: Non-Japanese loans and SF centers

- Local development remained flat, reflecting consistent financial support during the COVID-19 pandemic. Personal loans maintained strong growth mainly in housing loans. In response to the increase in deposits, etc., loans to the headquarters increased the balance while curbing risks. Total loans increased by 2.4% year on year.

(Reference) Major Accounts: (3) Securities

[Average balance of securities]

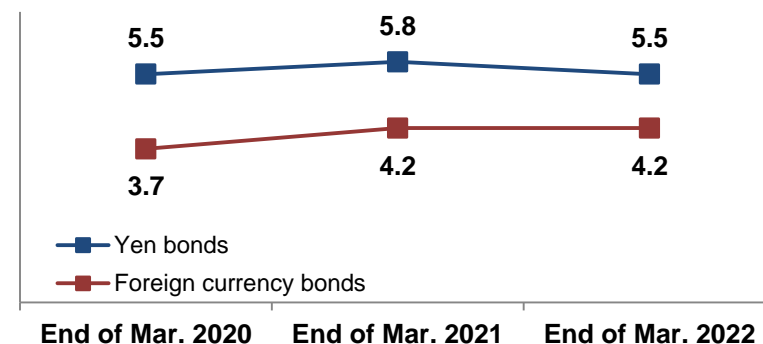


*1. Includes foreign currency investment trusts

[Unrealized gains/losses]

(billion yen)	End of Mar. 2021	End of Mar. 2022	YoY
Total	136.6	94.5	- 42.1
Held to maturity	0.2	0.1	- 0.1
Other securities	136.4	94.4	- 42.0
Equity	62.2	53.7	- 8.5
Investment trusts	53.4	48.3	- 5.1
Foreign currency bonds	- 0.2	- 12.0	- 11.8
Yen bonds	20.0	3.8	- 16.2

[Duration of bonds]

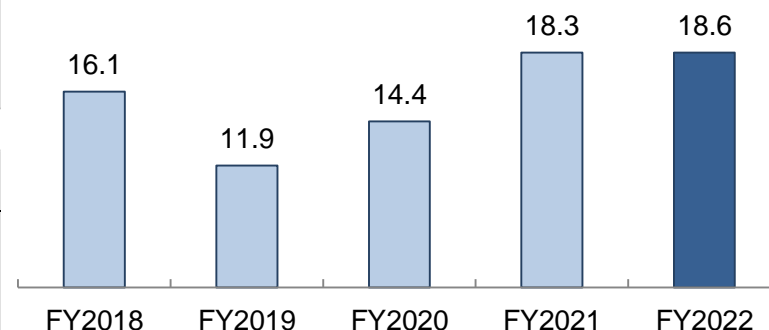


- Average balance of securities hovered at a high level on the back of growth of the deposit/loan balance due to an increase in deposits.
- Regarding foreign currency bonds, the positions were reduced and management policy was reviewed in response to rising interest rates in the U.S since the beginning of 2022.

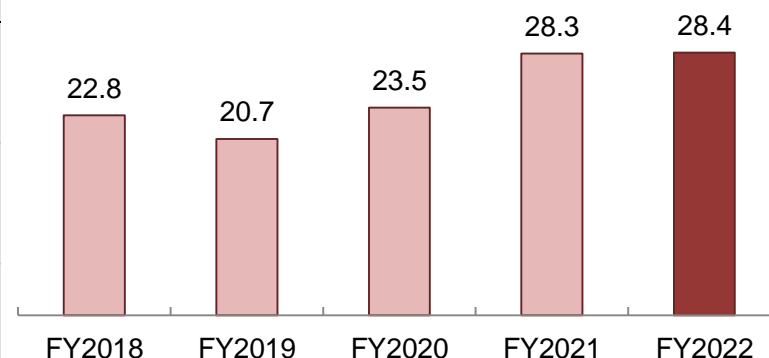
(billion yen)		FY2021	FY2022	
		Result	Forecast	Change
Consolidated	Consolidated ordinary profit	25.8	27.1	1.3
	Consolidated net income	18.3	18.6	0.3

Non-consolidated	Core business gross profit	80.2	79.5	- 0.7
	Net interest income	61.6	61.8	0.2
	Net fee income	17.1	16.7	- 0.4
	Net other operating profits	1.5	0.9	- 0.6
	Expenses (-)	51.9	51.1	- 0.8
	Core business net profit	28.3	28.4	0.1
	Credit cost (-)	7.6	6.7	- 0.9
	Provision of general allowance for loan	5.0	2.3	- 2.7
	Provision of specific allowance for loan	2.3	4.4	2.1
	Securities-related gains/losses	3.0	3.0	0.0
	Other	- 0.2	0.2	0.4
	Ordinary profit	23.4	24.9	1.5
	Net income	16.9	17.3	0.4

Consolidated net income



Core business net profit



- We will strive to maintain the trend of higher profit in FY2022, the final fiscal year of the Medium-term Plan, with the emergence of the effects of past measures taken.
- Furthermore, we will work to achieve further growth as the “Chugin Financial Group” by changing to a holding company and aggressively investing in new businesses.

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.

Long-term vision

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

[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”

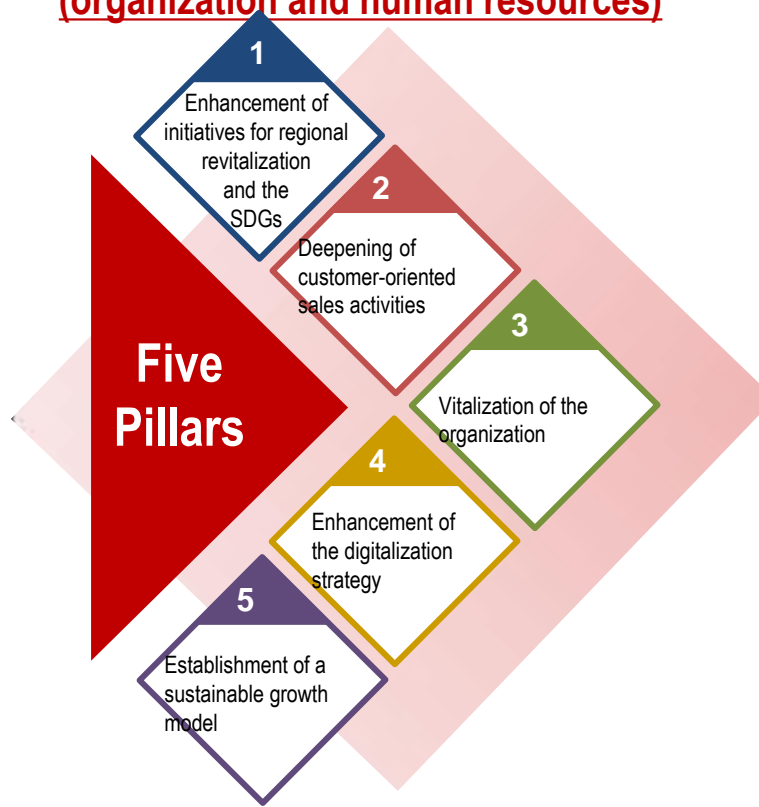
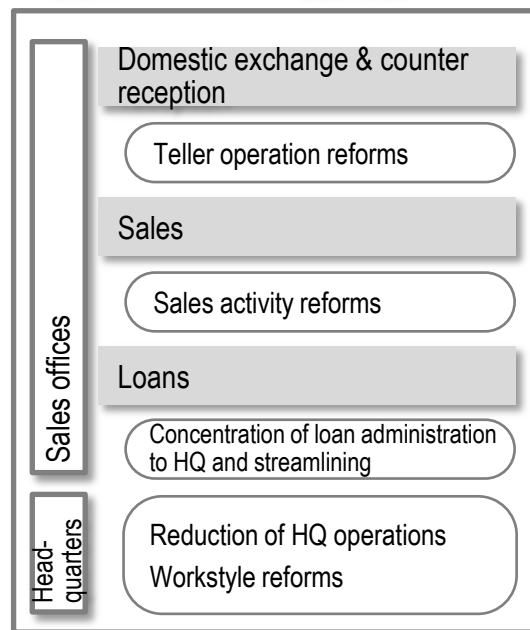
“Plan for Creating the Future Together:
Stage III”

HOP Enhance tangible aspects

STEP Enhance intangible aspects (organization and human resources)

JUMP Culmination of efforts

Thorough structural reform → Secure personnel and time for sales activities



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

The Chugoku Bank Group will become the regional platform

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	FY2021 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}	133 (in 2 years)	200 companies in 3 years	—
	(2) Activities contributing to the improvement of financial literacy ^{*4}	397 (in 2 years) More than 7,000 participants at lectures	Continuous improvement	—
Customers	Customer satisfaction ^{*5} (Retail and corporate)	FY2020: Corporate questionnaire 74% satisfaction FY2021: Retail questionnaire 65% satisfaction	Continuous improvement	Continuous improvement
Employees	Labor share in core business net profit before payment of personnel cost ^{*6}	49.75%	At least 54%	—
Shareholders, etc. (All stakeholders)	Profit attributable to owners of parent	(Over the final-year target) 18.3 billion yen	15.0 billion yen	30.0 billion yen
	Consolidated total capital adequacy ratio (Basel III)	13.83%	Maintained stably at 12%	Maintained stably at 12%
	Consolidated ROE	3.29%	—	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 events and study sessions that contributed to the improvement of financial literacy, 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

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.

[Summary: Progress and achievements of the five pillars]

*For details of the “Five pillars” initiatives, please see the attached Reference Materials.

Major initiatives to date

- 1 Enhancement of initiatives for regional revitalization and the SDGs**
 - Establishment of a dedicated section and the Sustainability Committee
 - Promotion of regional revitalization involving local communities and customers
- 2 Deepening of customer-oriented sales activities**
 - Introduction of local headquarters systems and independent goal setting
 - Deepening of consulting sales activities and acceleration of new businesses
- 3 Vitalization of the organization**
 - The first “overall revision” of the personnel system in 17 years
 - Promotion of diversity
- 4 Enhancement of the digitalization strategy**
 - Acceleration of digitalization of sales, clerical and headquarter businesses
 - Release of “Chugin application”
- 5 Establishment of a sustainable growth model**
 - Expense control, reorganization of sales offices, personnel reallocation, etc.

Achievements in FY2021

[Number of startups for which we provided support*]

Eight

(Increased by **five** startups compared with FY2019)

*Startups as a result of our event for startup support, etc.

[Support for initiatives of local governments]

Front-running area of decarbonization

(Nishiawakura Village)

Digital Suburban Health Special Zone

(Kibichuo Town)

[Corporate-related revenues*]

11.9 billion yen

(Increased by **2.9 billion yen** compared with FY2019)

*Corporate-solution-related revenues

[Retail-related revenues*]

7.3 billion yen

(Increased by **0.8 billion yen** compared with FY2019)

*Assets in custody-related revenues

[New businesses]

Three newly established companies*

(Consulting, personnel placement, and investment-specific companies)

*Including companies to be established

[New personnel system]

**Expansion of fields for those who can play active part
Fostering of autonomous and challenging culture**

(Establishment of internal startups and expert positions, abolishment of restrictions on career path, etc.)

[Chugin app]

70,000 customers

(Nine-month total)

[OHR]

64.7%

(Decreased by **7.5 percentage points** compared with FY2019)

Five Pillars of the Medium-term Management Plan

“Plan for Creating the Future Together: Stage II”

[Future additional growth investment (to increase assets)]

Sustainable Finance

Environmental and social finance

Goal for
FY2030

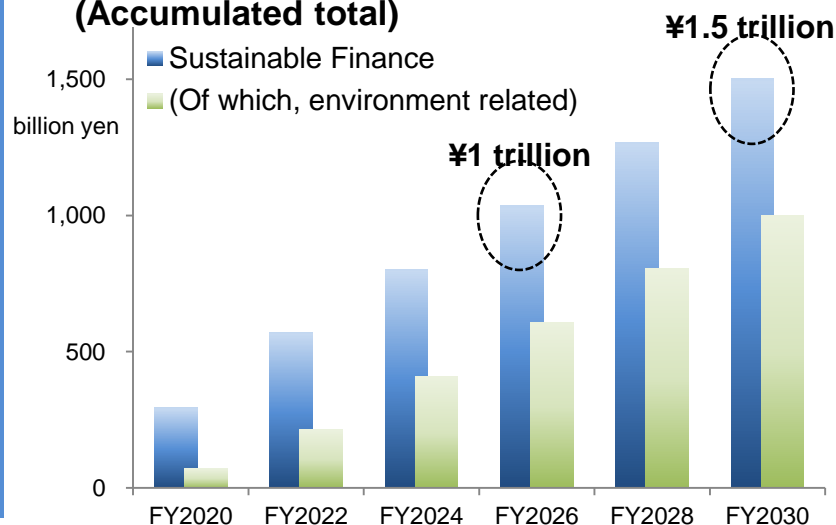
➤ Invested amount: 1,500 billion yen

(Balance: approx. **700 billion yen**)

- Loans for renewable energy, sustainable loans, storage batteries, EVs, medical care, nursing care, education, regional-revitalization-related loans, COVID-19-related loans, etc.
- Utilization of accumulated know-how of the Headquarters Loan Department, and enhancement of cooperation with local governments by regional headquarters and the consulting services subsidiary to be established (offering proposals from upstream)

The Group companies will lead the regional initiatives for decarbonization and sustainability.

➤ Image of future implementation (Accumulated total)



Increase Revenues from Loans

Local development

Target for
FY2026

- Middle-risk clients, ocean-going ship clients, etc.
(balance: **approx. 200 billion yen**)
- Risks are taken appropriately for local development in which risks can be assessed (increasing average balance and yields).

Personal loans

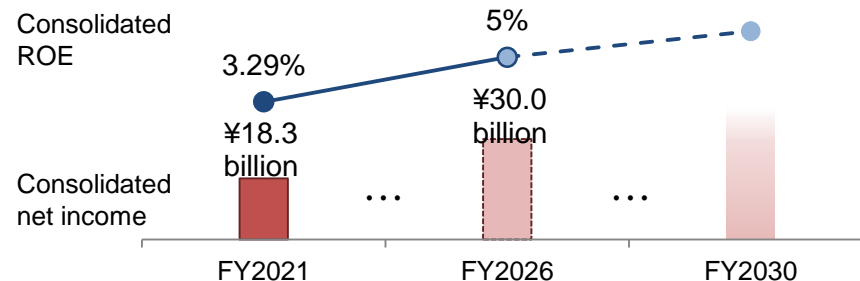
Target for
FY2026

- Housing, apartment houses, unsecured loans, etc.
(balance: **approx. 100 billion yen**)
- Stimulation by our life plan advisors of the customers' need for inheritance measures
- Enhancement of card loans under the advertising strategy

The balance of loans will **increase to over 1 trillion yen** in the future.

- Capital adequacy ratio: an impact of approx. 2% decrease (*roughly estimated using the most recent local development RW)
- Interest on loans will increase by approx. 6.5 billion yen (*roughly estimated using the yields on yen new loans), and attached net fee income (such as consulting fees) will also increase.

The growth of the top line by taking the above risks will become a **growth driver in the future**.



Five Pillars of the Medium-term Management Plan

“Plan for Creating the Future Together: Stage II”

[Additional future growth investment (strategic investment)]

New Businesses

New risk taking
in new
businesses

Consulting services subsidiary (to be established in September 2022)

- Provision of consulting services centering on digital transformation (DX) and sustainability transformation (SX)

Chugin Capital Partners, Limited (Established in April 2022)

- Support and development of companies engaging in business succession through fund investment and hands-on support, startups, regional revitalization business companies, etc.
- Promotion of introduction of renewable energy in the region through investment in renewable energy PPA model* led by municipal governments

Chugin Human Innovations Co., Ltd. (Established in May 2022 to start operations in October 2022)

- Personnel placement business has been started by the Bank since August 2019.
- Provision of solutions for customers' sophisticated needs of “human resources” will be enhanced by establishing a personnel placement company.

*PPA model:

A business model in which an electric power consumer provides areas, such as land or roofs, for a PPA business operator to install, operate and maintain electric power generation equipment, such as solar panels, for free, and the power consumer pays the electricity charge.

Digital

The investment amount is unknown (to be considered in the next medium-term plan).

Digital strategy vision of The Chugoku Bank:

“Pursue comprehensive services business to serve every aspect of customers' lives and businesses”

Effective use of information owned

- Customers' attributes, financial position, accounts, background of negotiations, etc.

Coordination with other industries and TSUBASA: OnAd Co., Ltd.



Development of digital talents

- Enhancement of mid-career recruitment, and coordination with a consulting services subsidiary

Future contacts with customers

Chugin app
(started in July 2021)

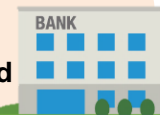


Corporate portal services (to be opened in August 2022)



**Best mix of
“real” and “digital”**

- ✓ The mainstream contact with customers will be digitalized.
- ✓ Customer-oriented optimum channel strategy (Omni-channel)
- ✓ Sales offices will become consulting service offices.



**Our
goals:**

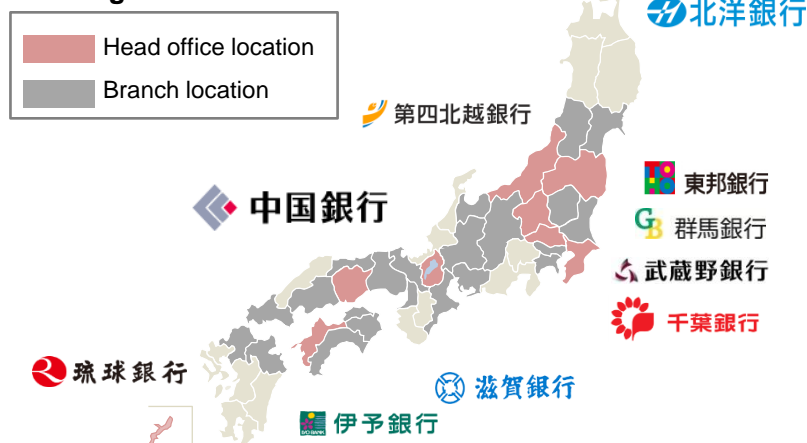
Release of bank's functions to other industries (BaaS)

Establish position as the regional platformer

TSUBASA Alliance:

– We pursue scale advantage and synergies in this broad and large-scale alliance.

- **Total assets of 96 trillion yen** represent the largest following those of Japanese mega banks (as of Mar. 2022).
- **Twenty-six million retail customers and 2.2 million corporate customers** correspond to those of the Japanese mega banks.



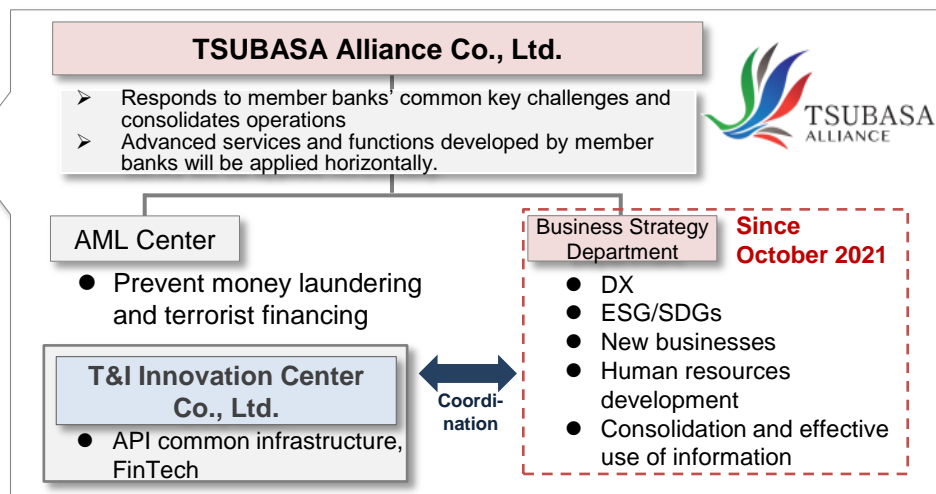
➤ Cost reduction, streamlining of operations

- 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

Strengthen coordination by sharing each bank's knowledge



OnAd Co., Ltd.

Operation started in April 2022.



- New initiatives born from alliance
- A joint venture established by Nomura Holding, Inc., The Chiba Bank, Ltd., Daishi Hokuetsu Bank, Ltd. and The Chugoku Bank, Limited



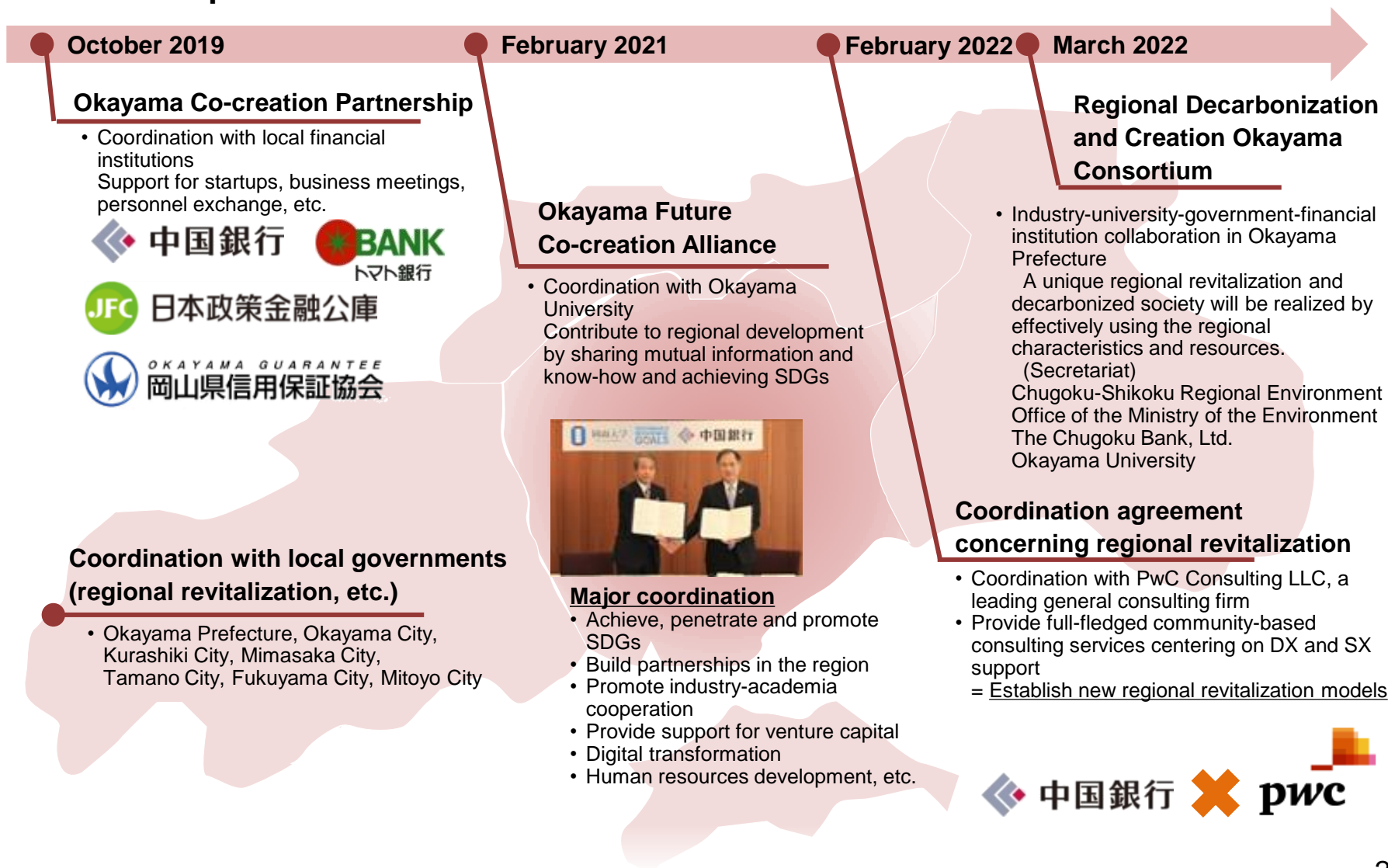
Provides new financial consulting services specialized in online advice

Three characteristics

- ◆ Neutrality
- ◆ Specializing in provision of advice
- ◆ Services completed online

Regional coordination strategy

- Accelerate coordination over the borders of industries toward regional development



Section III

Change to a Holding Company Structure

With the intention of building a sustainable business model that will mutually develop together with both regional society and customers, the Bank will change to a holding company structure in order to continue implementing a framework geared toward realizing its 10-year strategy at a higher level.

The Bank's corporate principle was to "remain firm in self-driven sound management to develop in step with regional society by providing unwavering trust and superior comprehensive financial services." To this end, to date it has undertaken activities to develop regional society by creating a sound corporate culture that can accurately respond to customer needs.

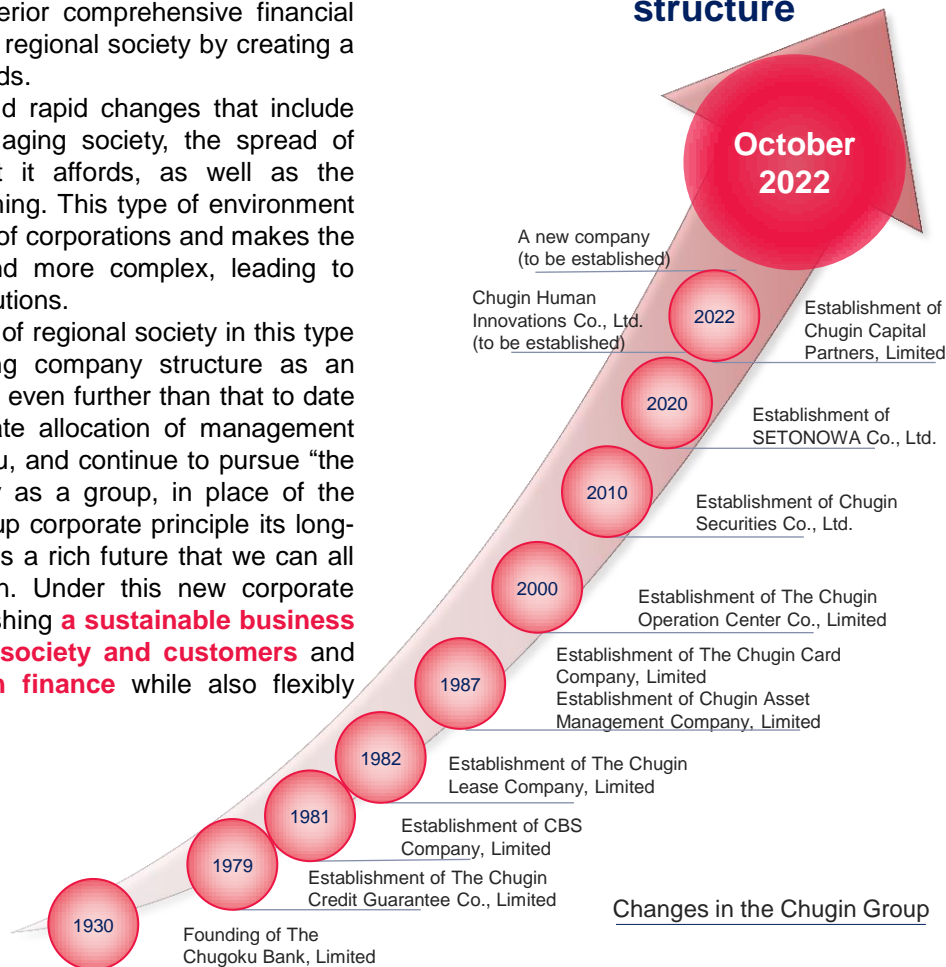
Meanwhile, regional society today faces various social issues and rapid changes that include social structural changes, such as a decreasing population and aging society, the spread of COVID-19, and the digitalization development opportunities that it affords, as well as the acceleration of global decarbonization efforts to combat global warming. This type of environment greatly affects the lifestyles of individuals and the business activities of corporations and makes the issues faced by regional society and customers ever greater and more complex, leading to significant changes in the role to be played by regional financial institutions.

In order for the Group to contribute to the sustainable development of regional society in this type of business environment, it has decided to change to a holding company structure as an organizational structure that will allow it to enhance its service menu even further than that to date through an "expansion of service focus," implement an "appropriate allocation of management resources" so it can continue to provide that enhanced service menu, and continue to pursue "the evolution of group governance." Moreover, in order to foster unity as a group, in place of the corporate principle set forth above, it has newly enacted as the group corporate principle its long-term vision to "create with our community, customers and employees a rich future that we can all share," which was prescribed in the long-term management plan. Under this new corporate principle, the Group will strive to improve corporate value by establishing **a sustainable business model that will mutually develop together with both regional society and customers** and evolving into a **comprehensive services business focused on finance** while also flexibly responding to changes in the business environment.

Evolution into a "comprehensive services business focused on finance"

Toward an organization that can continually create new value for the region

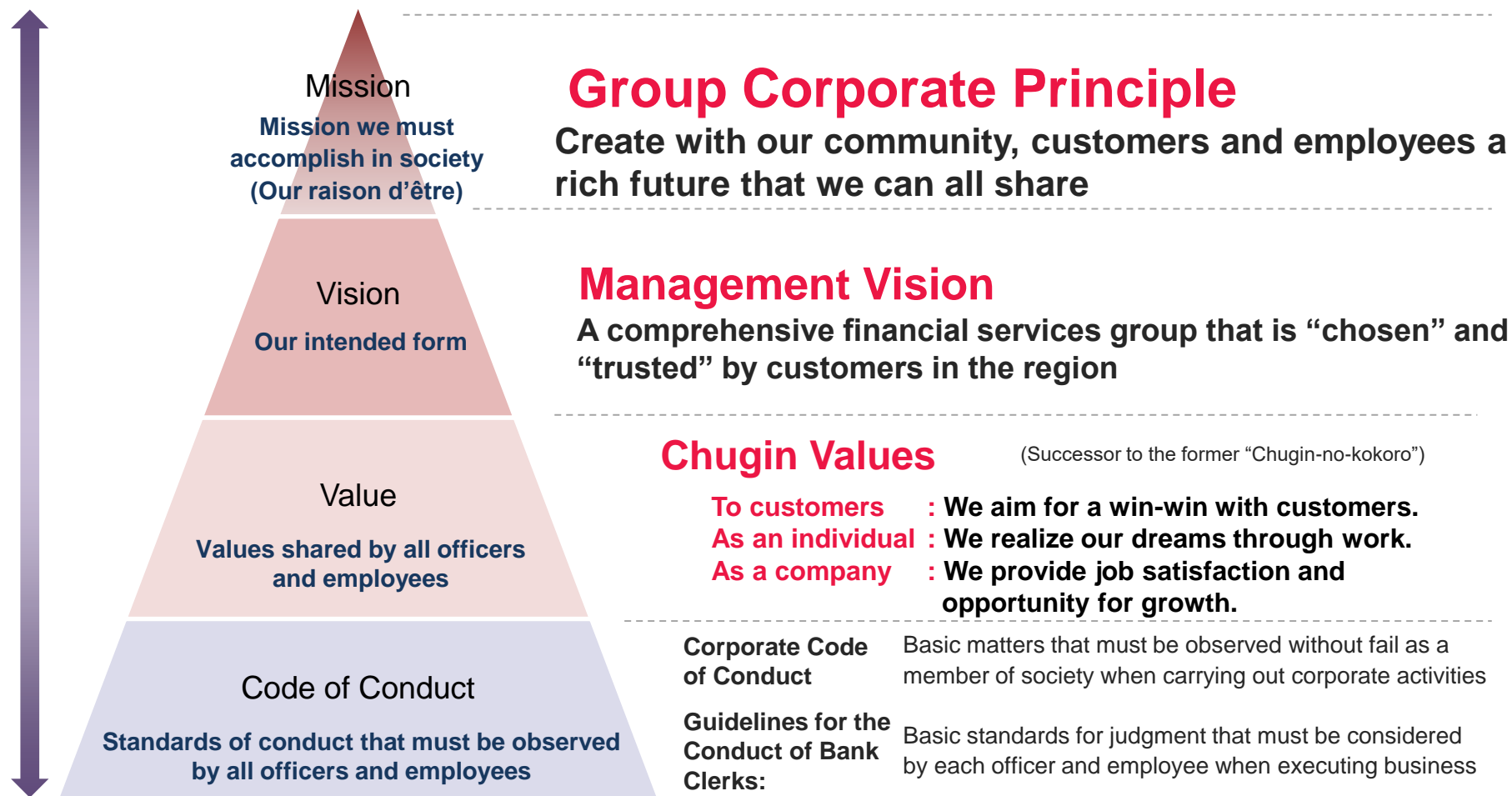
To a holding company structure



*Chugin Human Innovations and the company to be newly established will be established before the establishment of the holding company, subject to approvals, etc. of the competent authorities.

As the corporate principle that truly expresses the mission that must be accomplished by **the Chugin Group**, we have adopted a phrase from the long-term vision set forth in our long-term management plan, “Vision 2027: Plan for Creating the Future Together,” as our **group corporate principle**.

In addition to this corporate principle, our philosophical system consists of the management vision, which describes our intended form and **the Chugin values**, which are the values shared by all officers and employees.



The Chugin Group has decided to establish the above-mentioned implementation as the **“Sustainability Basic Policy.”**

With the intention of building a sustainable business model that will mutually develop together with both regional society and customers, the Bank will change to a holding company structure in order to continue implementing a framework geared toward realizing its 10-year strategy at a higher level.

株式会社 ちゅうぎんフィナンシャルグループ CHUGIN FINANCIAL GROUP, INC.

By being named “**Chugin**,” which is the brand that has been built up group-wide to date, we make it clear that it is the Group’s holding company and incorporate the wish that we want to continue to develop with regional society and customers while keeping our finance focus that we have cultivated for many years.

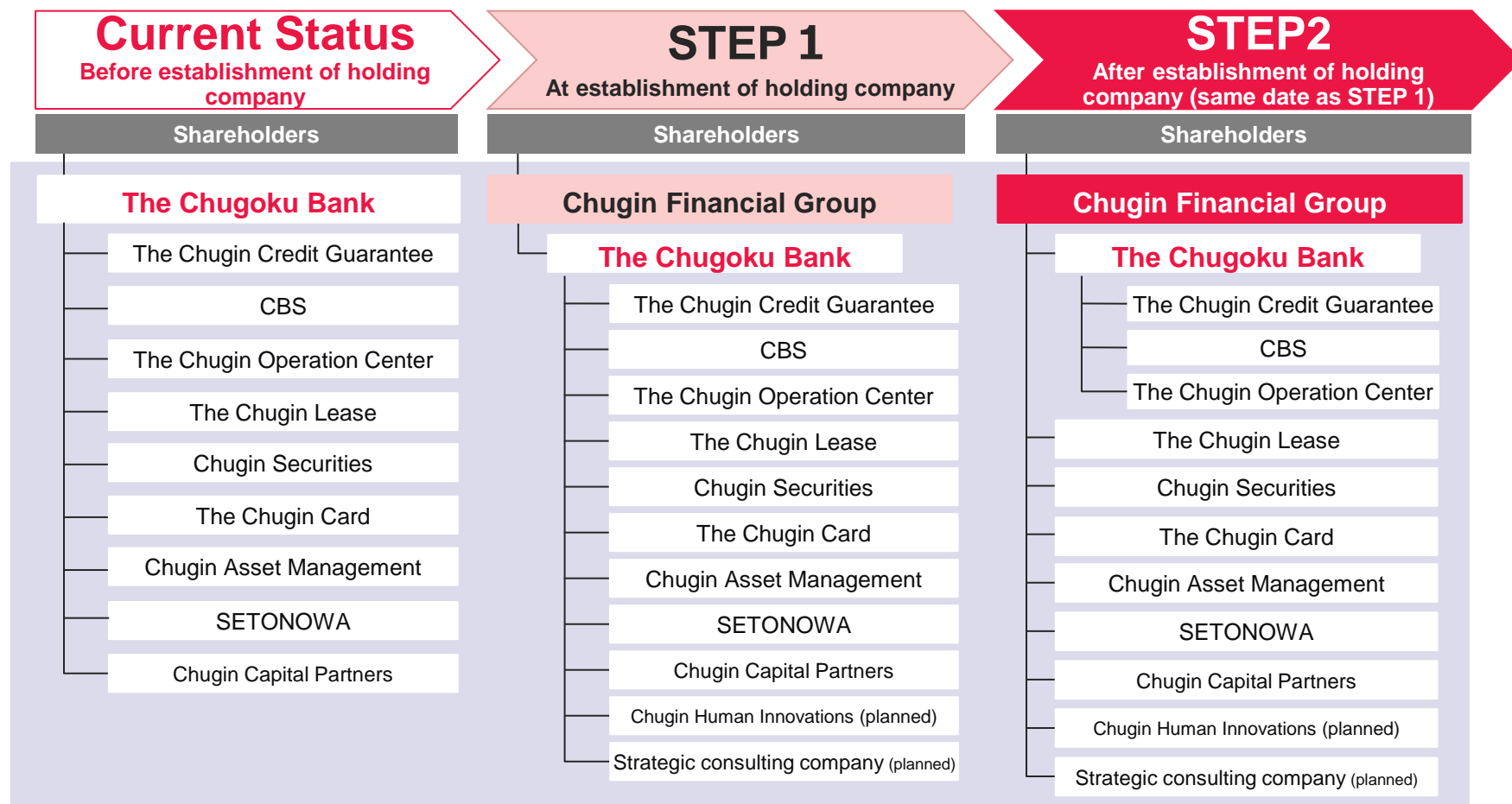
Location of head office	15-20, Marunouchi 1-chome, Kita-ku, Okayama City
Representative	Sadanori Kato, Director and President (Representative Director) (Current Director and President of The Chugoku Bank)
Business details	1. Management of banks and other companies that can be held as subsidiaries pursuant to the Banking Act, and all other business incidental or related thereto; and 2. Business that can be conducted by the holding company of a bank pursuant to the Banking Act other than the business set forth in the preceding item
Stated capital	16.0 billion yen
Date of establishment	October 3, 2022
Book-closing date	March 31

STEP 1

By establishing the holding company through a share transfer solely by the Bank on October 3, 2022 as the effective date, the Bank will become a wholly owned subsidiary of the holding company.

STEP 2

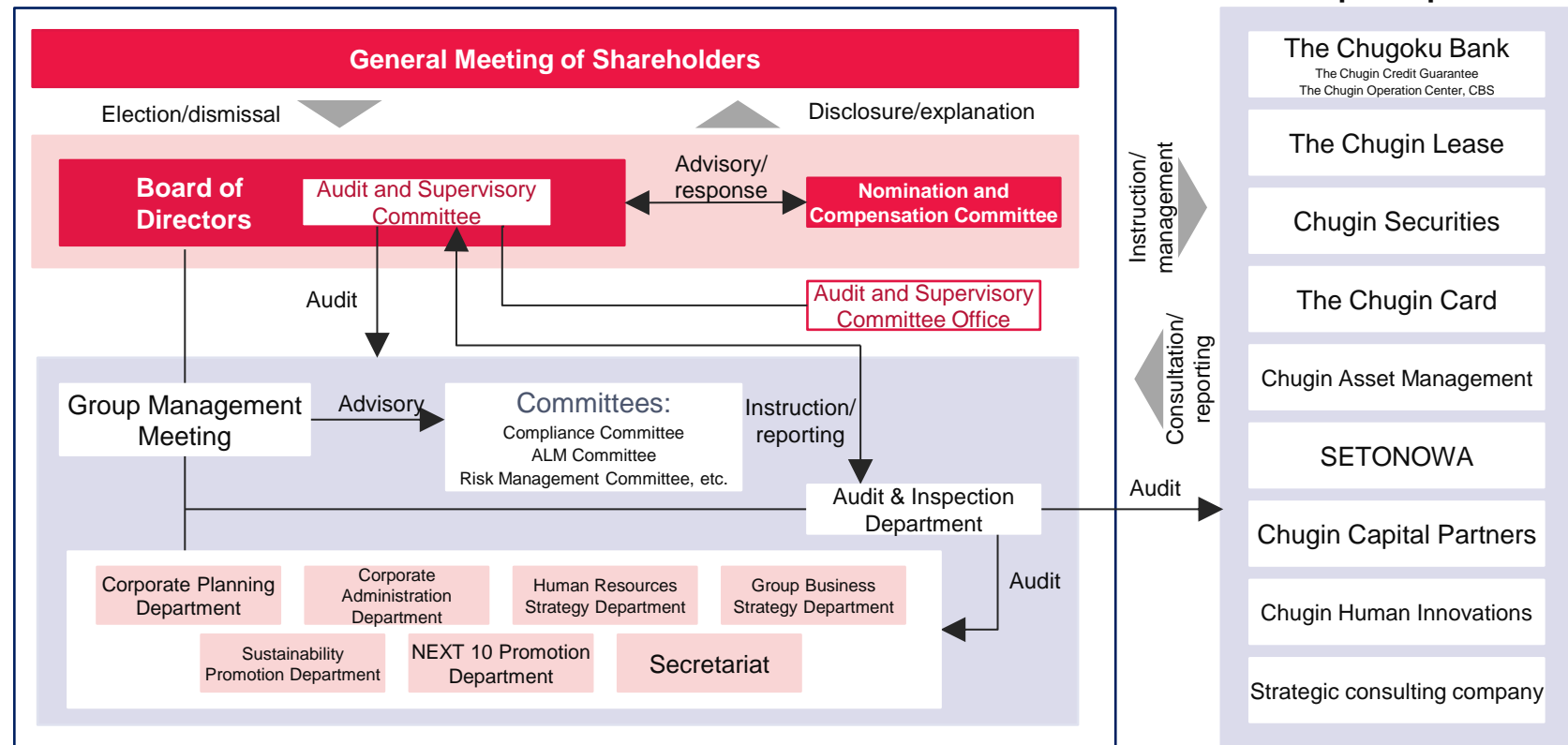
After the establishment of the holding company, the Bank plans to reorganize a total of eight companies as direct investment subsidiaries of the holding company: “The Chugin Lease,” “Chugin Securities,” “The Chugin Card,” “Chugin Asset Management,” “SETONOWA,” “Chugin Capital Partners,” “Chugin Human Innovations,” and the “strategic consulting company.”



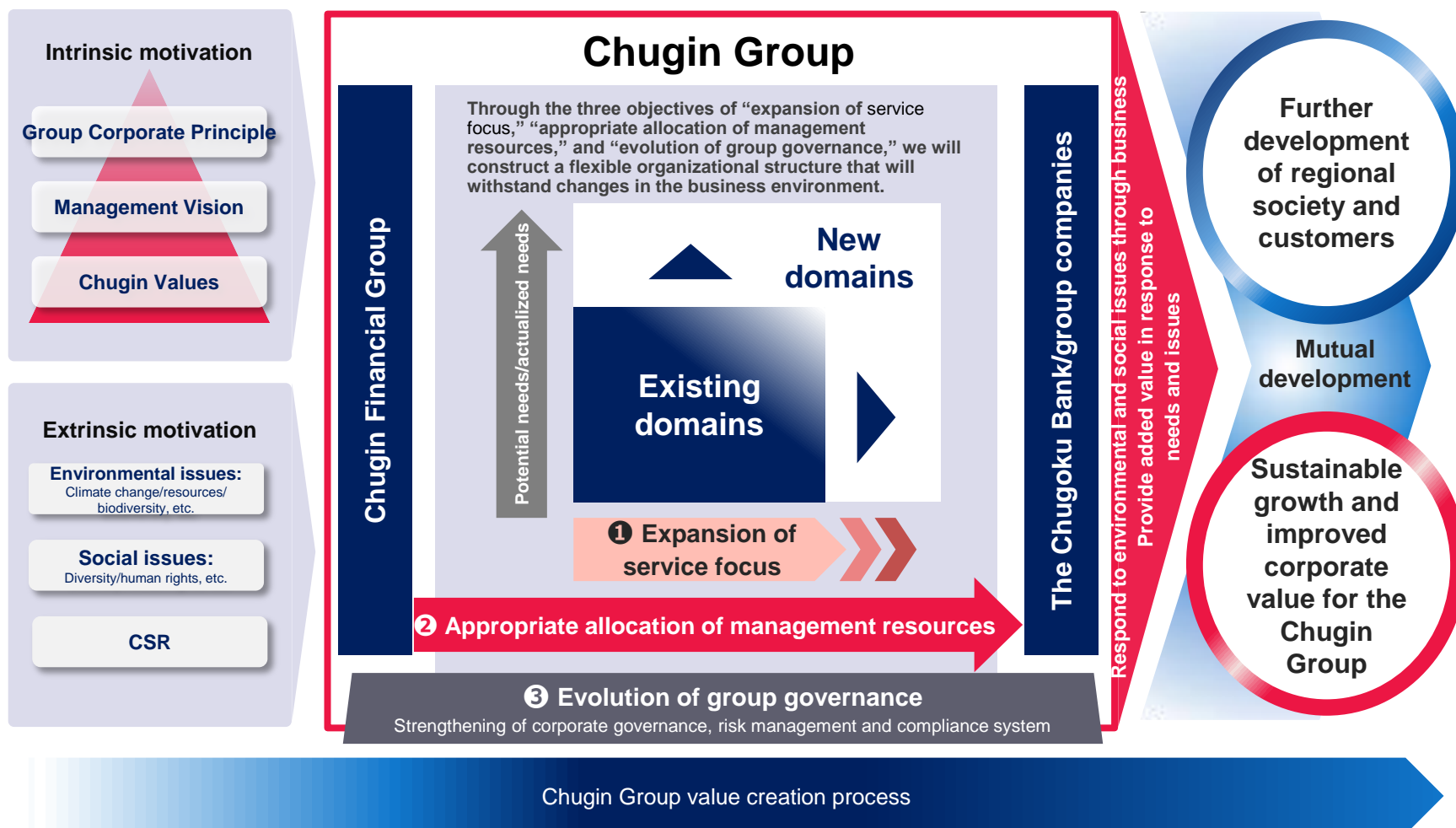
* Chugin Human Innovations and the “strategic consulting company” are planned to be established before the establishment of the holding company, subject to approvals, etc. of the competent authorities.

We will work to evolve group governance by making the holding company a company with an audit and supervisory committee and by the Board of Directors working to separate execution and supervision. By proceeding with the transfer of authority to group companies, we will create quick decision-making and an efficient operational posture. Each group company will increase its autonomy as an organization by planning and implementing specific plans and measures itself based on the holding company's group-wide management policies, etc.

Chugin Financial Group, Inc.



We will provide solutions to customers' diverse needs and social issues as a close-knit group and work to combine both further development of regional society and customers with sustainable growth and improved corporate value for the Chugin Group.



The Chugin Group aims to maximize group synergies and become a comprehensive services business focused on finance by strengthening unified group operations with the “expansion of service focus,” “appropriate allocation of management resources,” and “evolution of group governance” as their growth drivers.

Improved revenues through development of new business

Demonstrate capacity to solve problems by providing new added value

- Provide new added value that was lacking within the group to date
- Pursue synergy effects through strengthening of cooperation with existing business

Improved revenues through development and expansion of existing business

Strengthening of group sales system

- Pursue sales synergies in existing business companies through strengthening of cooperation between group companies
- Group companies work in unison to provide diverse solutions for problem solving

Improved profit through cost synergies

Greater efficiency and concentration of management resources through consolidation, etc. of back-office departments

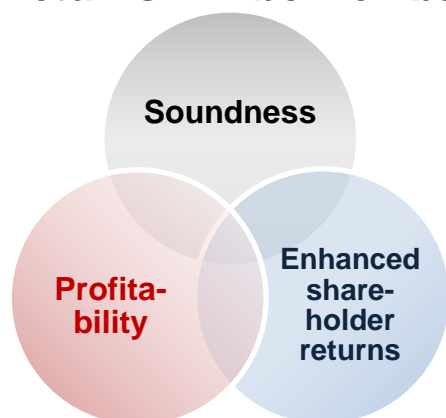
- Cost reduction through review of overlapping operations between companies within the group
- Concentrated investment in focus businesses through review of allocation of management resources within the group

Section IV

Capital Policy, Governance and Cross-held Shares

[Capital balance]

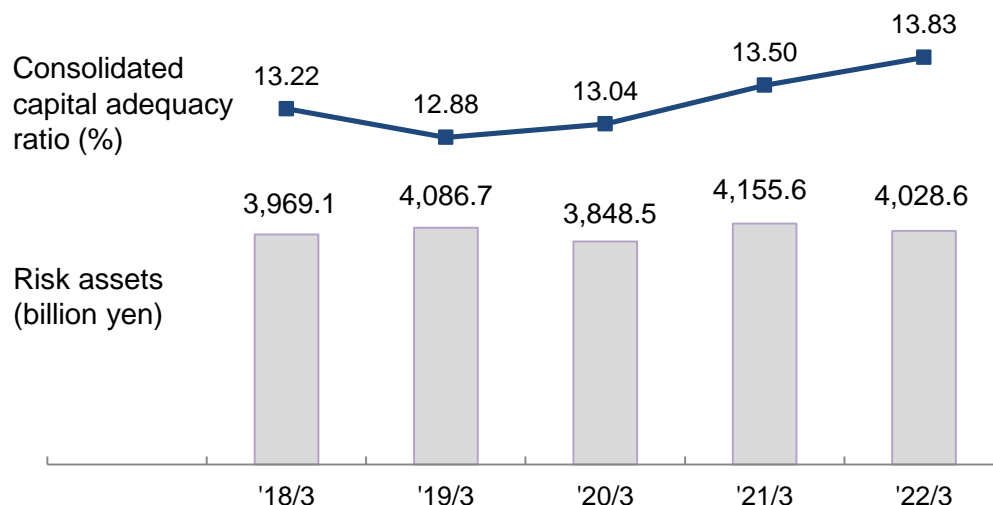
The three points consisting of soundness, profitability and enhanced shareholder returns will be well-balanced.



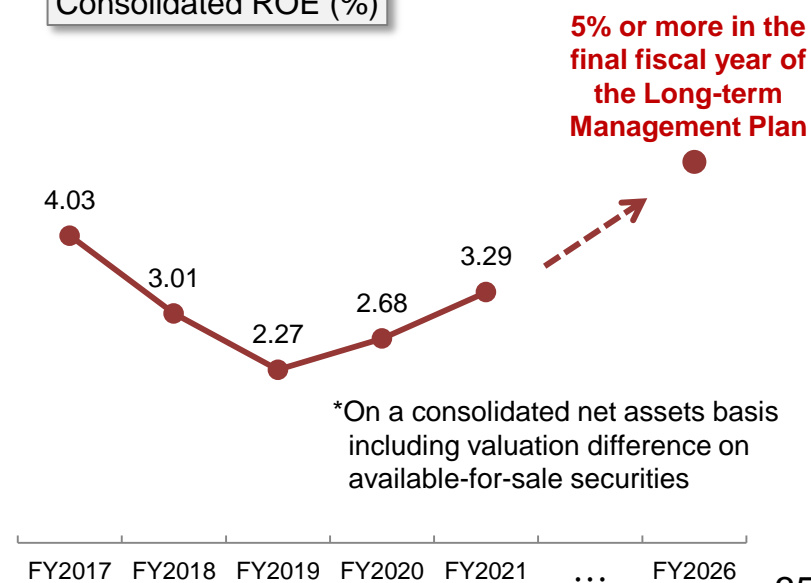
- Stable management base
- Response to local customers' financing needs, implementation of growth investments
- Improvement of profitability, enhancement of shareholder returns

⇒ **Viewpoints of regional community/customers, shareholders/investors and the soundness of banking business should be satisfied in a good balance.**

Consolidated capital adequacy (% , billion yen)

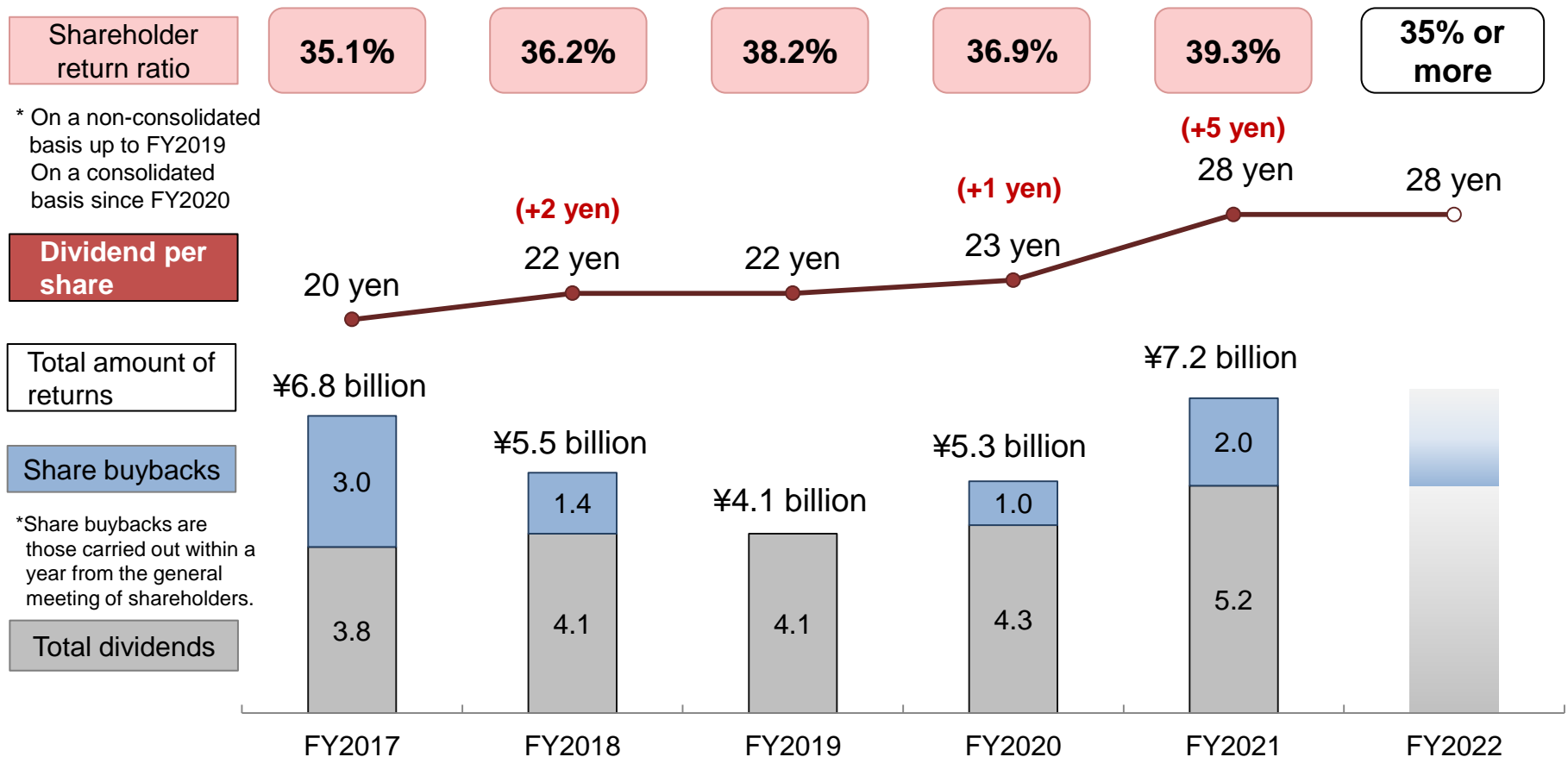


Consolidated ROE (%)



[Shareholder return policy for FY2022] **Shareholder return ratio of at least 35% through dividends and share buybacks (consolidated basis)**

—Enhancement of shareholder returns by stable and continuous increase in dividends and flexible share buybacks—



Shareholder return policy: “35% or more of profit attributable to owners of parent”

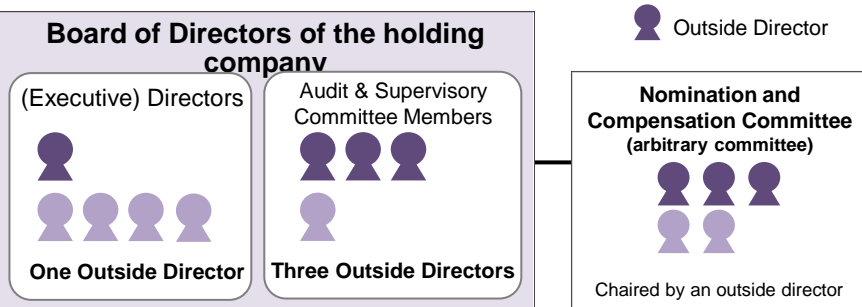
- In FY2021, dividend per share was increased by 5 yen to 28 yen, and share buybacks amounted to 2.0 billion yen (of which, 1.0 billion is in progress).

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

- The Chugoku Bank**
- We selected the Prime Market, where more sophisticated governance is required.
 - The Sustainability Committee was established (as announced on April 27, 2022).

(After the change to holding company) Chugin Financial Group

Holding Company Structure



- Percentage of independent outside directors: **44.4% (4 of 9 directors; including 1 female director)**
- Establishment of the Nomination and Compensation Committee (plan): (The Chugoku Bank established the committee on December 22, 2017.)
- Formulation of the “Basic Policy for Successor Plan of Representative Director” (plan): (The Chugoku Bank established the plan on December 21, 2018.)

Outside Directors (subject to approval at the general meeting of shareholders, and after the change to holding company)

- Outside Directors with diverse career backgrounds were appointed.

	Name	Principal background	Expected area
Holding company	Akira Kodera	Former Representative Director and Managing Director, ITOCHU Corporation Former President, Chairman & Representative Director, ITOCHU ENEX Co., Ltd.	Corporate management
	Toshihide Saito (Audit and Supervisory Committee Member)	Former Director, Managing Executive Officer, Kao Corporation	Corporate management
	Kazuhiro Tanaka (Audit and Supervisory Committee Member)	Certified public accountant	Finance and accounting
	Yukiyo Kiyono (Audit and Supervisory Committee Member)	Attorney at law	Legal matters
Chugoku Bank	Hiromichi Furuya (Audit and Supervisory Committee Member)	Former Vice-Governor, Okayama Prefecture	Economic policy
	Yasuhiro Hitomi (Audit and Supervisory Committee Member) (newly appointed)	Former Director in charge of Development and Design Department, Fishing Operations Division, SHIMANO INC.	Corporate management

* The Outside Director resigning: Yoshiro Sato

We pursue improvement of capital efficiency by constantly reducing cross-held shares.

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.

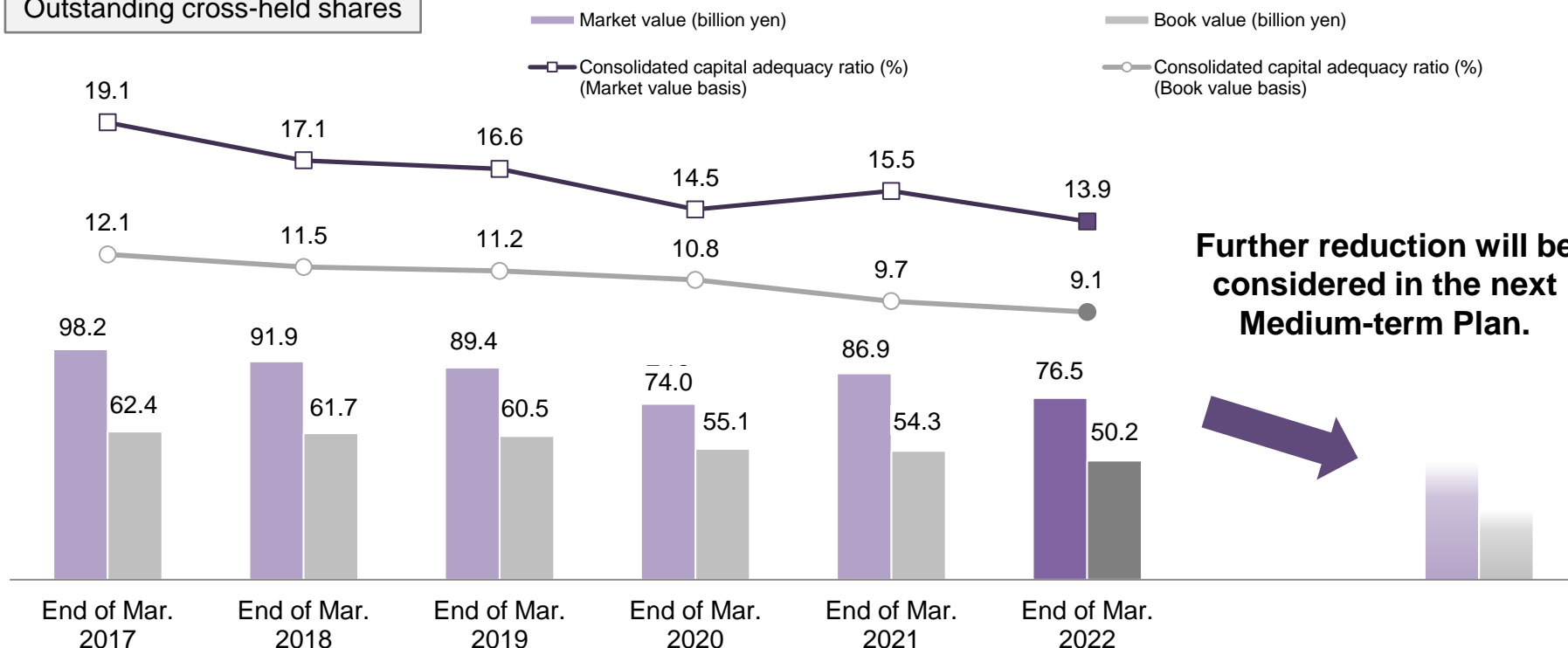
[Judging whether or not the shares should be held]

- 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



[Reference Materials]

Initiatives for the Principal Measures (Sustainability)

1. Enhancement of initiatives for regional revitalization and SDGs	40-44
2. Deepening of customer-oriented sales activities	45-47
3. Vitalization of the organization	48-49
4. Enhancement of the digitalization strategy	50-51
5. Establishment of a sustainable growth model	52

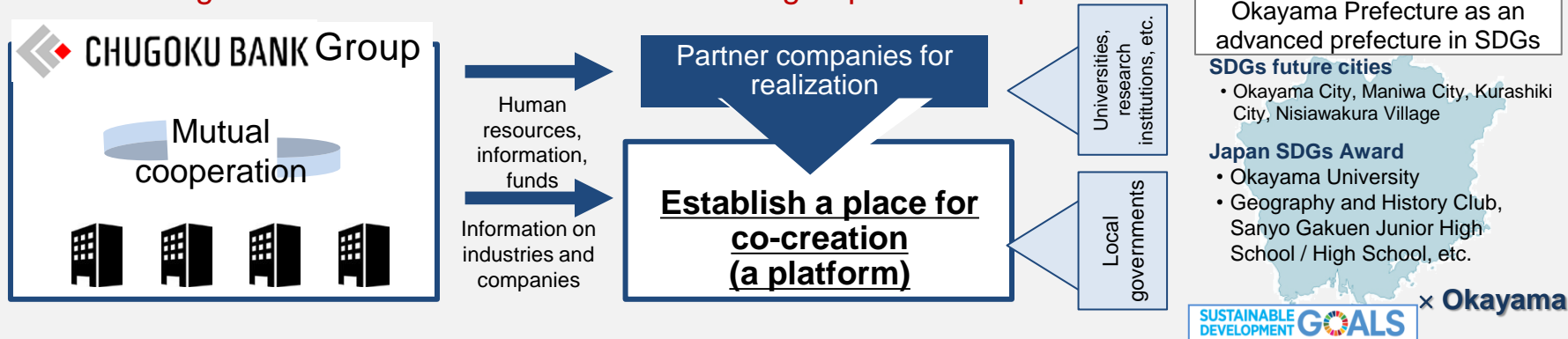
1. Enhancement of Initiatives for Regional Revitalization and the SDGs: Initiatives for Regional Revitalization

Initiatives for Regional Revitalization

Positioning the regional revitalization and SDGs as the “First Pillar” of the current Medium-term Plan, we will strengthen the initiatives toward regional sustainable development together with the Chugoku Bank Group, as a whole.

Roles of the Chugoku Bank Group

- Through the provision of “human resources,” information,” “Funds,” and “know-how,” we will proactively revitalize regions in collaboration with local relevant groups and companies.



Initiatives to date

Momosta (Momotary Startup Cafe)

- A base located in front of Okayama Station to support entrepreneurs and those who try to start up a business.

Science Castle

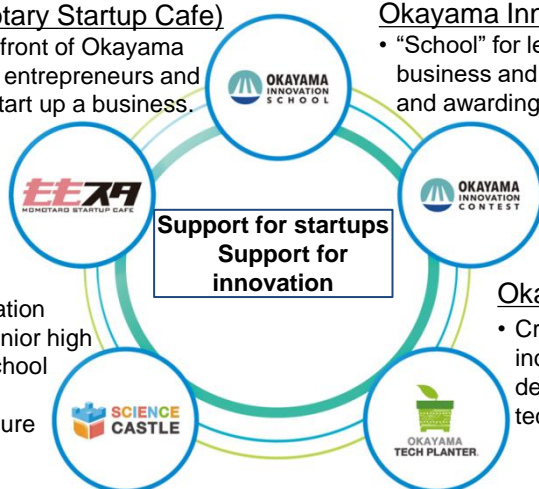
- Research presentation opportunities for junior high school and high school students. The gateway to future researchers.

Okayama Innovation Project

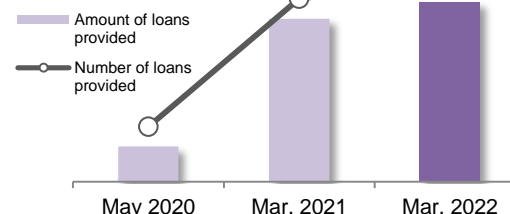
- “School” for learning how to start a business and “Contest” for discovering and awarding talented persons.

Okayama Tech Planter

- Creates industries and incubates ventures by developing science technologies.



COVID-19-related loans



Approx. 9,800

Approx. 330 billion yen
(of which, loans of approx. 180 billion yen were provided to Credit Guarantee Corporation)

Issuance of social bonds (corona bonds)

- For maintenance of local economy and employment through financial support (Our message to customers by issuing corona bonds)
- Maintenance of soundness, generation of surplus capacity for risk taking, improvement of capital efficiency

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

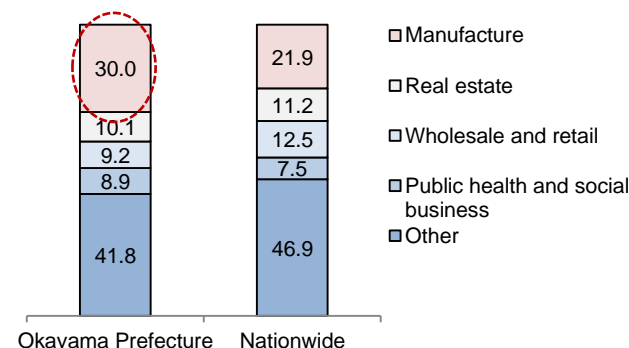
Addressing Climate Change

Through thorough discussions at the Board Meetings, we are determined to improve support for and disclosure of the shift to decarbonization in the region.

Challenges in mind

- ✓ Risk that local companies may fall behind the decarbonization
 - Industrial structure of Okayama Prefecture (There are many manufacturers, including the Mizushima chemical complex and Mitsubishi Motors-related companies.)
 - Our credit portfolio also contains many manufacturing companies, which are strongly aware of the transition risk to decarbonization.
- ✓ Risk of occurrence of natural disasters
 - Although Okayama Prefecture enjoys a mild climate and experienced few natural disasters in the past, the risk of occurrence of disasters, such as Torrential Rain in Western Japan (July 2018), has been rising.
- ✓ Risk of stranded assets such as loans and securities
 - Review of portfolio and risk management are needed.

Composition of Okayama gross domestic product by economic activity (%)



Source: "FY2018 Annual Report on Prefectural Accounts" Cabinet Office



Initiatives

Our efforts to date:

- **Policy for Responsible Financing and Investment Activity (Apr. 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, logging business)
- **Initiatives for "SDGs through our core business"**
 - Private placement bonds for social contribution: The proceeds are partially applied to themes of SDGs.
 - Chugin sustainable loans: Interest rates link to the achievement of goals set.
 - Chugin SDGs support: Support for the preparation of customers' SDGs declaration, etc.

Future initiatives

➤ TCFD* (June 2022)

*Task Force on Climate-related Financial Disclosures



➤ **Reduction of CO₂ emissions**

Net zero in Scopes 1 and 2* by the end of FY2030

*Scope 1: Direct emissions by the Bank through fuel consumption (gas, gasoline, etc.)

Scope 2: Indirect emissions from materials provided by other companies (electricity, heat, etc.)

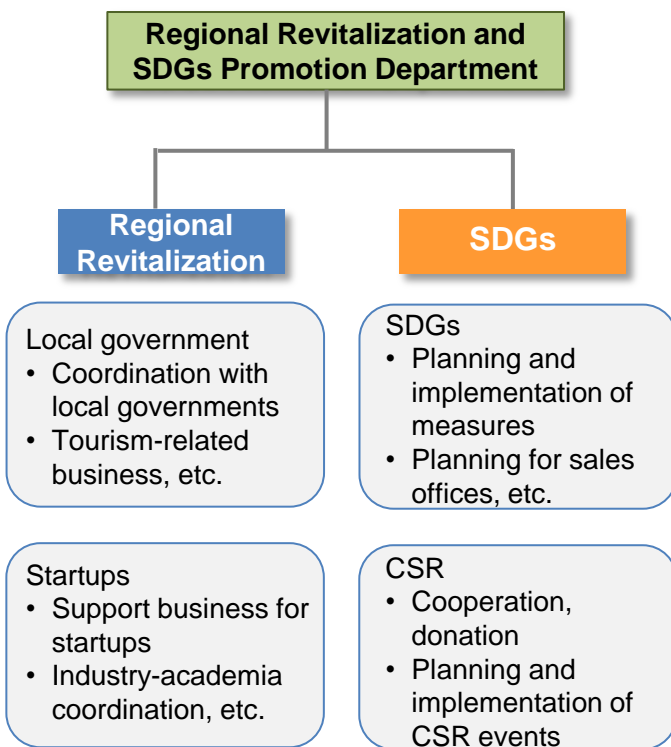
➤ **Sustainable finance**

1,500 billion yen by the end of FY2030 (of which, 1 trillion yen is for environment-related initiatives)

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

- The special dedicated section “Regional Revitalization and SDGs Promotion Department” was newly established, and the Basic Policy of Sustainability and the Sustainability Committee were established.
- From the perspective of the improvement of corporate value over the medium to long term, we will accelerate responses to sustainability issues with the unified efforts of the entire Group.

Regional Revitalization and SDGs Promotion Department (since June 2021)



Basic Principles of Sustainability / Sustainability Committee (since April 2022)

[The Chugin Group's Basic Principles of Sustainability]

= Implementation of the Chugin Group's "mission," "vision," "value," and "code of conduct"

[Sustainability Committee]

<Chairperson>

- Representative Director, President

<Matters deliberated>

- Identification and review of sustainability issues
- Measures and principles of regional revitalization SDGs, and the status of the initiatives
- Measures and principles of environmental issues, and the status of the initiatives
- Measures and principles of social issues, and the status of the initiatives
- Measures for CSR, and the status of the initiatives
- Other matters incidental to the above-mentioned items

<Structure>



- Formulation of the entire Chugin Group's principles of initiatives concerning regional revitalization SDGs, and provision of support for regional headquarters and sales offices

- Concurrently with identifying and reviewing the sustainability issues, we will deliberate the measures, principles and the status of implementation concerning "environmental issues," such as climate change and biodiversity, and "social issues," such as diversity, labor environment and human rights.

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.
- We will contribute to the development of the local economy by accelerating our support for customers' main businesses through a local trading company and personnel placement.

Local Trading Company



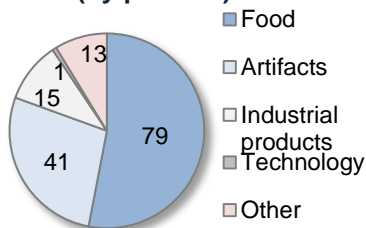
Strengths

- 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

Number of consultations



Breakdown (by product)



Number of contracts concluded: 49

Consulting: 17
Of which, marketing: 9
Of which, planning and development: 8
Channel development: 32

From Nov. 2020
to Mar. 2022

Personnel Placement

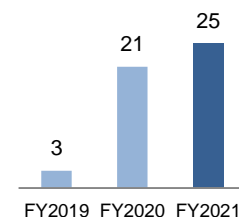


“Personnel Placement” Business (since August 2019)

We interview both job seekers and recruiting companies (“Both-hands style”).

- We deeply investigate the recruiting company's needs by effectively using the management issue discussion sheets. We not only provide information to personnel placement companies but also the Chugoku Bank itself directly scouts after interviewing a job seeker.
- Another new company was established in May 2022: **Chugin Human Innovations Co. Ltd.**
⇒ We will further contribute to customers' growth and regional development.

Number of successful contracts

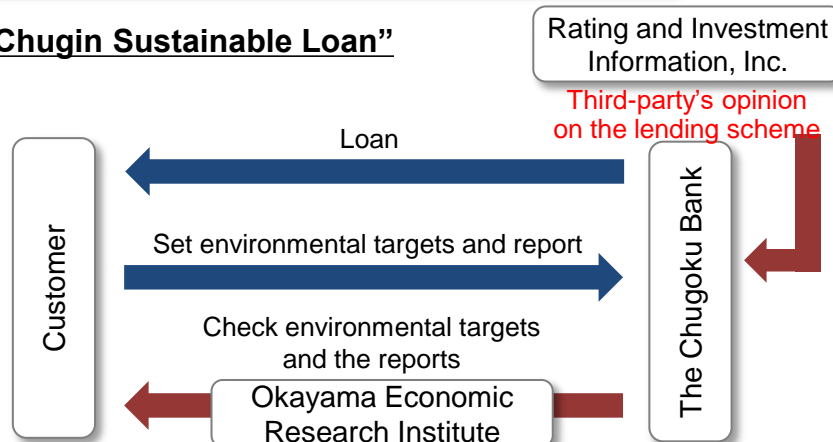


1. Enhancement of Initiatives for Regional Revitalization and the SDGs: SDGs and ESG through Our Core Business

- We provide strong support for our customers' achievements in decarbonization and SDGs, etc. by accelerating SDGs and ESG through our core business.
- We endeavor to improve our corporate value continuously over the long term through support for the local community and customers.

SDGs and ESG through our core business

“Chugin Sustainable Loan”

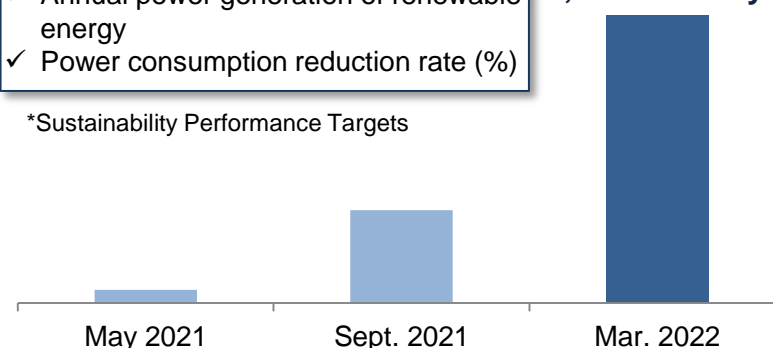


Customers' major SPTs (*)

- ✓ Ratio of CO₂ reduction to net sales (%)
- ✓ Recovery and regeneration rate of chlorofluorocarbon (%)
- ✓ Annual power generation of renewable energy
- ✓ Power consumption reduction rate (%)

*Sustainability Performance Targets

Total amount of implementations
2,170 million yen

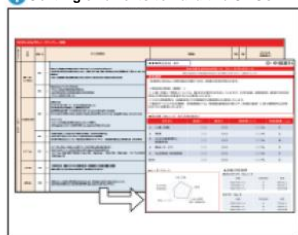


“Chugin SDGs Support”

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



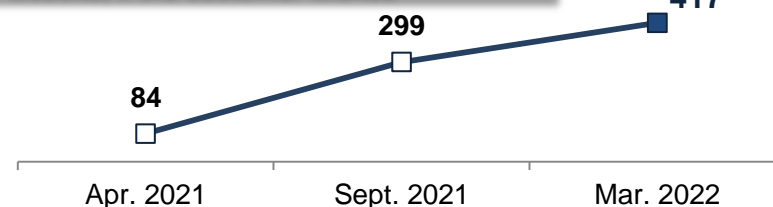
3 Assisting PR of efforts toward the SDGs



Details of support

- Simplified examination of the status of SDGs efforts and feedback
- Assisting preparation of an SDGs declaration document
- PR of efforts on website, etc., posting of the declaration as a news release on our website, if the customer wishes

Total number of applications:
417



2. Deepening of Customer-oriented Sales Activities: Corporate Solutions CHUGOKU BANK

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

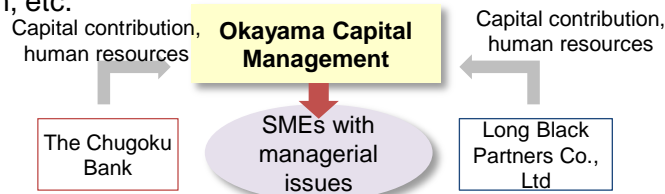
Local support activities (corporate solutions)

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

- **Assigned a Relationship Management rep at 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)
 - Subsidiary specialized in investment “Chugin Capital Partners”

Customers for relationship management

Both sales offices and the headquarters are continuously in charge of customers whose impact on the local economy is significant and who are very likely to expand transactions with the Chugoku Bank.

Proposals with higher added value

Sharing of management issues, and provision of solutions

- Consulting on business succession, consulting on personnel affairs
- Business matching, finance, etc.

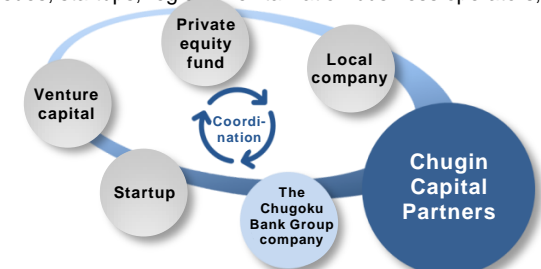


Chugin Infinity Fund (Investment framework: 0.5 billion yen)

Operates in cooperation with the Bank's programs concerning startup and foundation, including “Innovation Project” and “Tech Planter” Supports formulation of growth strategies by effectively using equity, and supports their growth (FY2021 result: 7 projects equivalent to 170 million yen)

Chugin Capital Partners (April 2022)

Provides proactive support for and develops companies with business succession issues, startups, regional revitalization business operators, etc.



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

- Retail solutions: We support customers' life plan from both financial and non-financial aspects according to the customer segment and sales channel.
- Group synergies: Higher synergies are pursued by seconding or assigning active bank employees to the position of president of the Group companies, etc.

Life plan support activities (retail solution)

Face-to-face channels

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

Maximization of group synergies

Strategic group companies

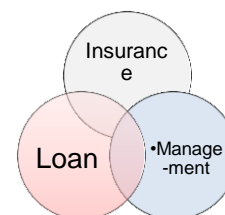
- Strategic assignment of active bank employees (*The underlines indicate an active bank employee took the position of the president of the company.)
 - The Chugin Lease, Chugin Securities, Chugin Capital Partners, The Chugin Card, Chugin Asset Management, Local trading company “SETONOWA”, etc.

Expanding the service focus

- Consideration of new business areas
 - Newly established three companies (company specialized in investment, personnel placement, support for SX/DX)
 - New lease areas, utilization of real estate

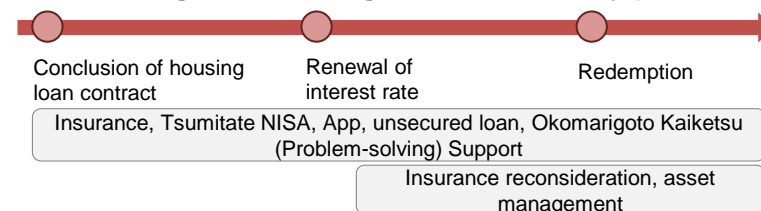
Increase transactions with customers

Life Plan Center (Five centers as of March 2022)

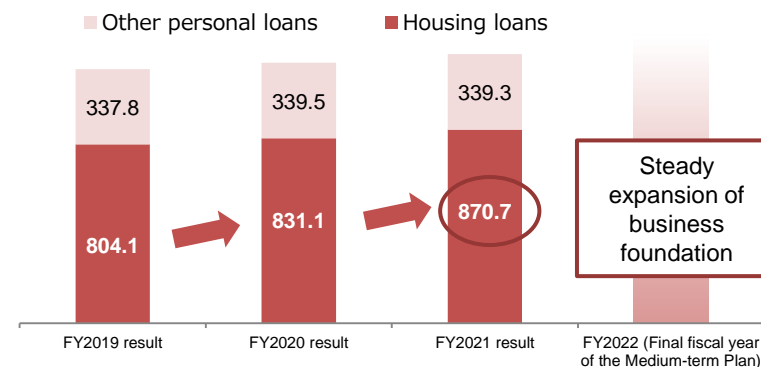


- ✓ The conventional functions of the housing loan center were strengthened and the name was changed to Life Plan Center. (Sales Offices provided customers with information on holiday channels.)
- ✓ Consulting sales and cross-selling are conducted according to customers' life plans, with housing loans and various kinds of insurance as an entry point.

Cross-selling with housing loans as an entry point



Average balance of personal loans (billion yen)

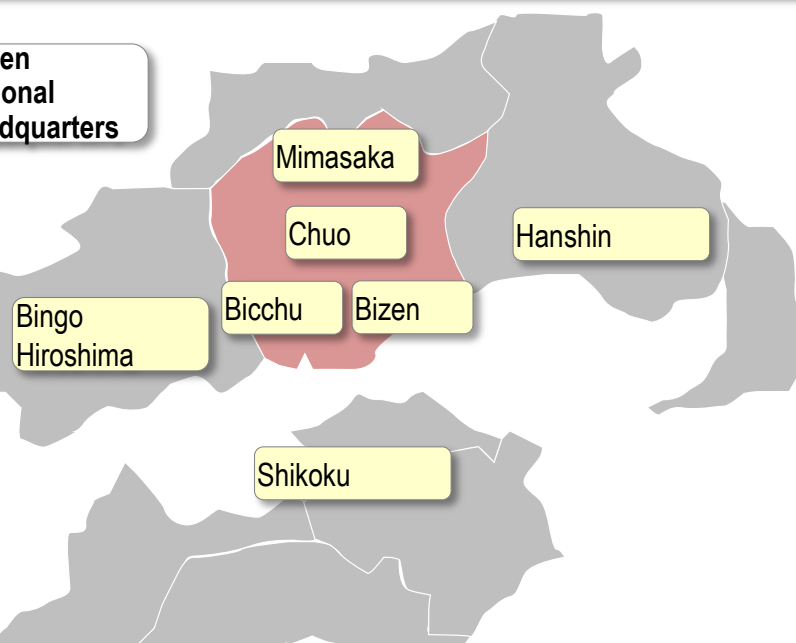


2. Deepening of Customer-oriented Sales Activities: Regional Headquarters Structure and Autonomously Set Goals

- 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

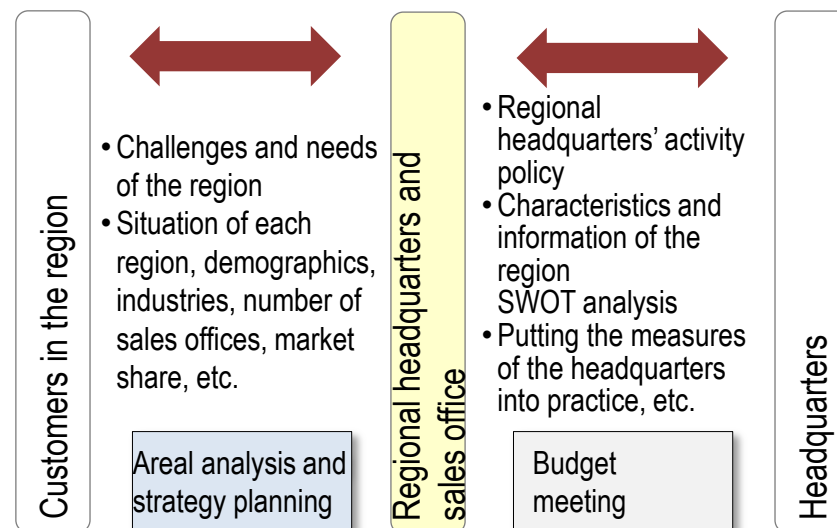
Seven regional headquarters



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.)

Introduction of “Autonomously set goals” by sales offices



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.

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.

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

Career path

Work style

Self-discipline

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



3. Vitalization of the Organization

Promotion of diversity

We pursue the improvement of corporate value on a medium- to long-term basis through employees' workstyle reforms and active roles played by diverse human resources.

Health and Productivity Management

Initiatives for the promotion of work-life balance and workstyle reforms

- Introduction of flex-time system, working-hour interval system and staggered working hours
- Introduction of a system to precisely record the time of employees' arrival and leaving, such as log-in records of personal computers
- Annual paid leave must be taken by the hour, and 10-day paid leave must be taken.
- Promotion of Iku-boss (a boss sympathetic to male employees spending time with their children) and promotion for both male and female employees to take childcare leave up to the maximum number of days they are entitled to

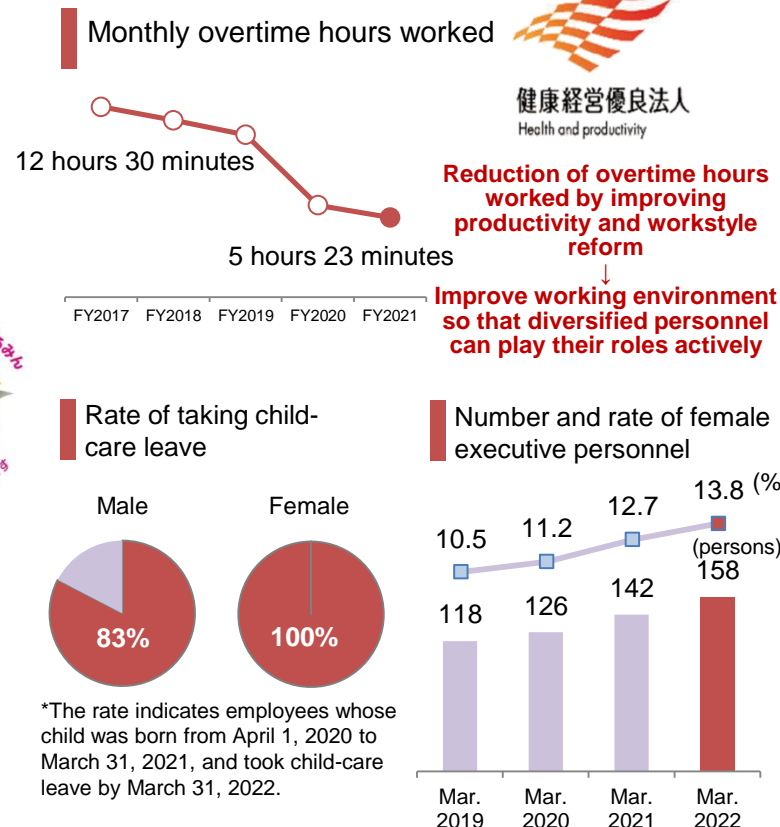


Support for balancing work and family life

- Improve systems to enable employees to continue to work without concerns in the event of child-rearing and nursing care
- We obtained a "Platinum Kurumin" certificate, which is granted to enterprises that support employees in their childcare period.
- We have established the Job Return system in order to enable retired employees to work again for the Chugoku Bank.

Diversity (employment of those with diverse values and expertise)

- Since 2019, we have proactively hired personnel with special skills, such as consultants and lawyers from diversified industries other than financial institutions.
- We have introduced training programs for mid-career recruits (for improvement of satisfaction and abilities of the employed).
- In October 2021, a special course was established. (A career path to become a specialist in a specific field)



- Personnel who were appointed as General Manager at the Headquarters in June 2021
 - A mid-career recruit (General Manager, International Department)
 - A female (General Manager, Regional Revitalization & SDGs Promotion Department)
- There are already many mid-career recruits and female 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



July 1, 2020
Establishment of Digital Innovation Promotion Center

Development of digital channel

- ✓ Provision of corporate portal services (Non-face-to-face loan application) (Digitalization of loan agreements)
- ✓ Enhanced online meetings (website and app)
- ✓ Mail marketing for the purpose of providing information

Corporate platform



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

Combination of physical and digital businesses

- ✓ Next-generation-type sales office (Less clerical work, consulting service)
- ✓ Sophistication of proposals (Omni-channel) (Utilization of AI)

Next-generation-type sales office



Deepening of digital channels Enhancement of digital armament

- ✓ Sophistication and one-stop service on a corporate portal
- ✓ Sophistication of online financing and provision of information (using AI)

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

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 becoming consultants who support local companies’ important decision-making.

Network of experts

In-house knowledge database

AI

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

Bank’s customer base network

Industry and region information

Retail customers

Corporate

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

- On July 7, 2021, “Chugin app” for retail customers started.
- We will realize our new retail sales style, focusing on the use of “Chugin app” in the future.

Chugin app

Offered functions (★since June 2022)

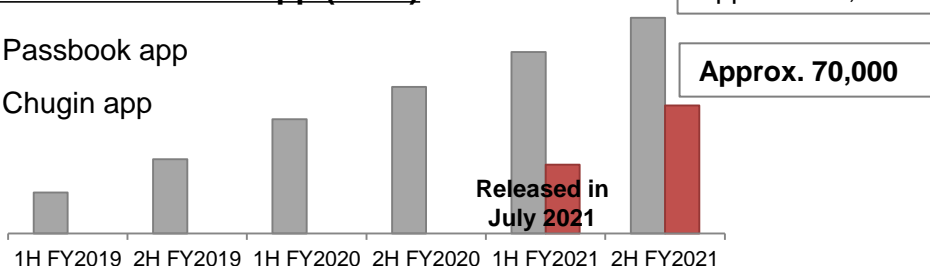
- ✓ Checking bank balances and deposit/withdrawal statement
- ✓ Bank transfer (between Head Office and branches) and book transfer
- ✓ Remittance (to other banks) ★
- ✓ Notice of scheduled automatic withdrawal ★
- ✓ Borrowing and repayment of card loans ★

The Chugin app enables customers to access various procedures, including making an appointment to visit a sales office and applying for loans and credit cards. Recommendation notices are being sent according to customers' needs. More functions will be added.



Status of the use of app (Total)

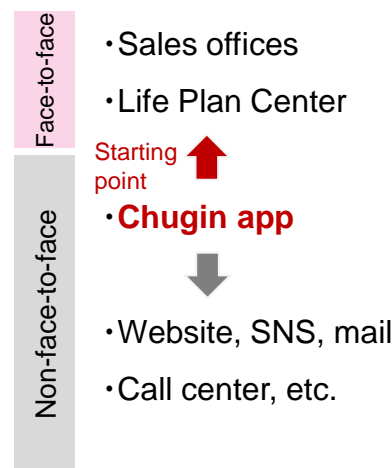
- Passbook app
- Chugin app



Effective use of app for future retail sales activity

Develop the app as the “Main channel” that connect us to retail customers

Data analysis of customer information



Number of customers who underwent face-to-face meeting

Approx. 230,000

Lead them to face-to-face meeting to offer higher value-added proposals

Number of customers who have not undergone face-to-face meeting

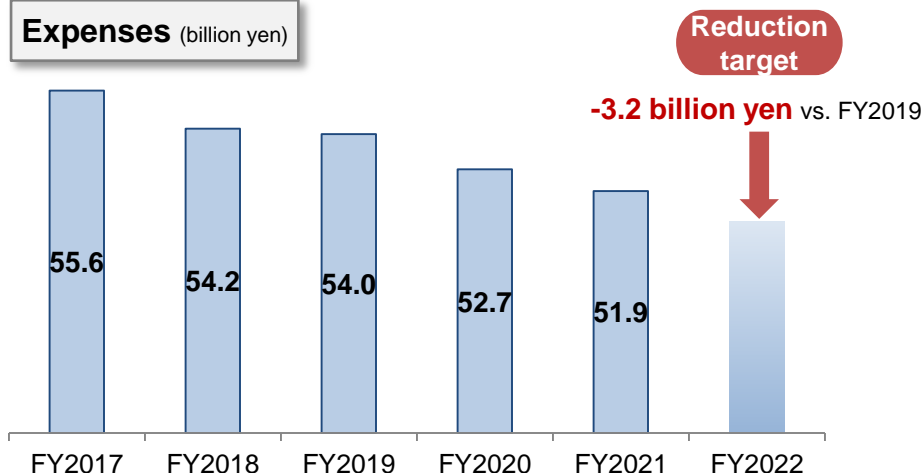
Approx. 1,770,000

- We offer higher value-added proposals to customers in face-to-face meetings.
 - We precisely ascertain customer needs for conducting problem-solving consulting services.
 - We will endeavor to approach customers whom we haven't met to date.
- Clerical work will be shifted to non-face-to-face operations.
 - Improve customer convenience, and reduce clerical work at sales offices

5. Establishment of a Sustainable Growth Model

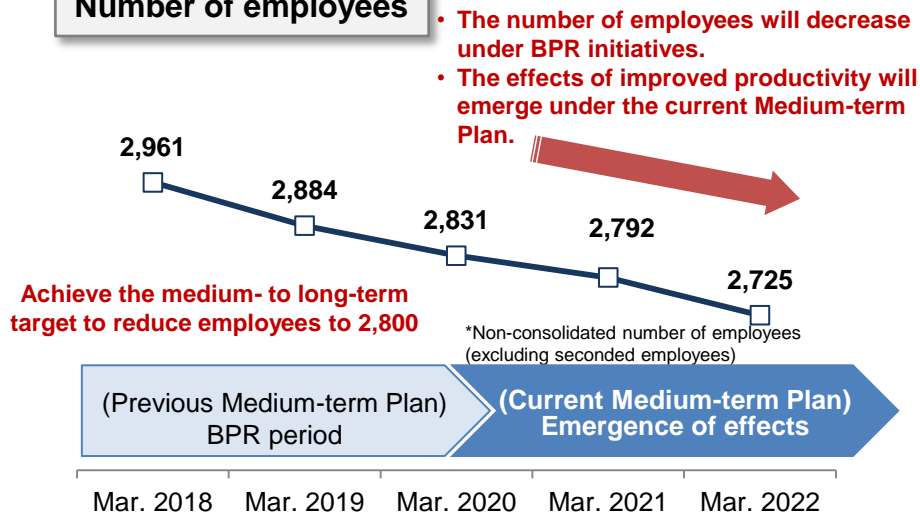
- We have succeeded in thoroughly streamlining operations due to the digitalization and BPR that we promoted under the previous Medium-term Plan.
- We will carry out fundamental cost reductions toward a sustainable growth model while maintaining and improving customer convenience.

Expenses (billion yen)

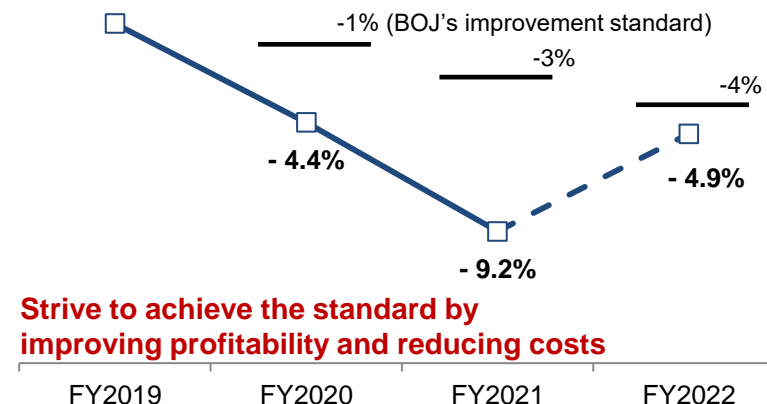


*The reduction target includes the end of the 1.4 billion yen per year amortization of the TSUBASA mission-critical system.

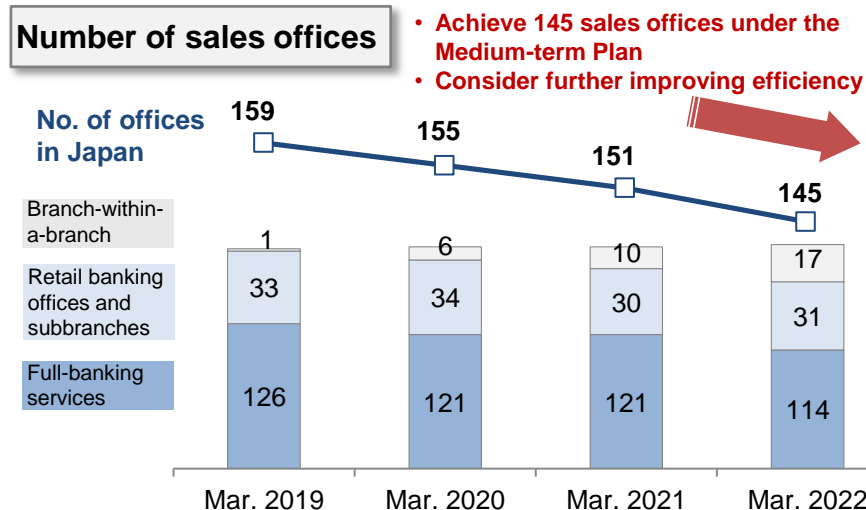
Number of employees



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



Number of sales offices



*Excludes overseas and internet branches



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.