

1H FY2022 Earnings Results Briefing

December 5, 2022



Our challenges build our future.

Chugin Financial Group, Inc.

1. 1H FY2022 Earnings Results and FY2022 Plan

- 1H FY2022 earnings results: Consolidated profit was 13.9 billion yen
(An increase of 3.6 billion yen from the announced forecast (progress of the plan: 74%))
Corporate-related revenue centering on the net fee income remained robust.
Replacement of the foreign-bond portfolio was advanced in response to a rise in overseas interest rates.
- 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, a year-on-year increase in profits by maintaining an upward trend.**

2. Toward the next Medium-term Management Plan (starting from April 2023)

- **Final stage of the Long-term Management Plan “Vision 2027: Plan for Creating the Future Together,”** which started in 2017
This is an **extension of our ongoing efforts** such as “enhancement of tangible aspects (thorough BPR),” “enhancement of intangible aspects (organization and human resources),” and “transition to a holding company,” and is positioned as a **significant Medium-term Plan for sustainable development of the local community.**
- Our present orientation (key words) is **“Creating innovation together”** and **“Expanding investments in human resources.”**

I. Earnings Results for 1H FY2022 and Forecasts for FY2022

Summary	5
Net Interest Income	6
Net Fee Income	7
Corporate-solution-related Revenues	8
Revenues Related to Assets in Custody	9
Expenses	10
Credit Costs and Non-performing Loans	11
Major Accounts ((1), (2), (3), (4))	12
Earnings Forecasts	16

II. Capital Policy

Capital Policy	18
Shareholder Return Policy	19
Cross-held Shares	20

III. Management Strategy

Long-term Management Plan “Vision 2027: Plan for Creating the Future Together”	22
Medium-term Management Plan “Plan for Creating the Future Together: Stage II”	23
Five Pillars and KPI of the Medium-term Management Plan	24
Abundant Business Foundation of the Chugin Group	28
Missions to Be Fulfilled	29
Foundation for Fulfilling Missions	30
Toward the Future of Affluent Communities	31
Reasons and Objectives for the Transition to a Holding Company	33
Initiatives of the Newly Established Subsidiaries	34
Initiatives of Alliance/Partnership	40
Next Medium-term Management Plan	42
[Reference Materials]	
Initiatives for the Principal Measures (Sustainability)	46

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Section I

Earnings Results for 1H FY2022
(The Chugoku Bank)

and

Forecasts for FY2022 (Holding Company)

1H FY2022 Earnings Results –Summary–

(billion yen)		1H	1H	1H	1H		
[Consolidated]		FY2019	FY2020	FY2021	FY2022	YoY	vs. Plan*
Consolidated ordinary income		12.9	11.9	15.2	19.9	4.7	4.9
Profit attributable to owners of parent		8.6	8.2	10.1	13.9	3.8	3.6
[Non-consolidated]							
Core business gross profit		37.7	38.9	40.4	46.0	5.6	5.0
	Net interest income	30.0	30.3	31.3	34.5	3.2	2.6
	Net fee income	7.5	7.5	8.8	9.2	0.4	0.7
	Net other operating profits	0.1	0.9	0.2	2.2	2.0	1.7
Expenses (-)		27.3	26.4	25.9	25.3	- 0.6	- 0.4
OHR (%)		72.6	67.7	64.0	55.0	- 9.0	- 7.8
Core business net profit		10.3	12.5	14.5	20.7	6.1	5.5
	Excl. gains or losses on cancellation of investment	10.2	12.2	14.5	18.7	4.2	3.9
Credit cost (-)		1.0	3.2	1.4	1.2	- 0.2	- 1.5
Bond trading loss, write-off		1.0	0.8	- 0.4	- 15.3	- 14.9	- 15.6
Equity trading and evaluation loss		0.4	0.9	1.5	15.7	14.2	14.3
Other		1.3	0.0	0.1	- 0.6	- 0.7	- 0.8
Ordinary profit		12.2	11.1	14.3	19.2	4.9	5.0
Profit		8.4	7.7	9.7	13.6	3.9	3.6

*Forecast published on May 13, 2022

- Profit attributable to owners of parent: 13.9 billion yen (+3.8 billion yen YoY; +3.6 billion yen vs. Plan)
Core business net profit increased by 6.1 billion yen year on year due to growth of net interest income, net fee income, and net other operating profits (gains on derivatives trading, etc.)
Ordinary profit increased significantly by 4.9 billion yen year on year despite losses on sales of mainly foreign bonds, which was covered by gains on sales of equity.

Net Interest Income

[Factors behind change in net interest income]

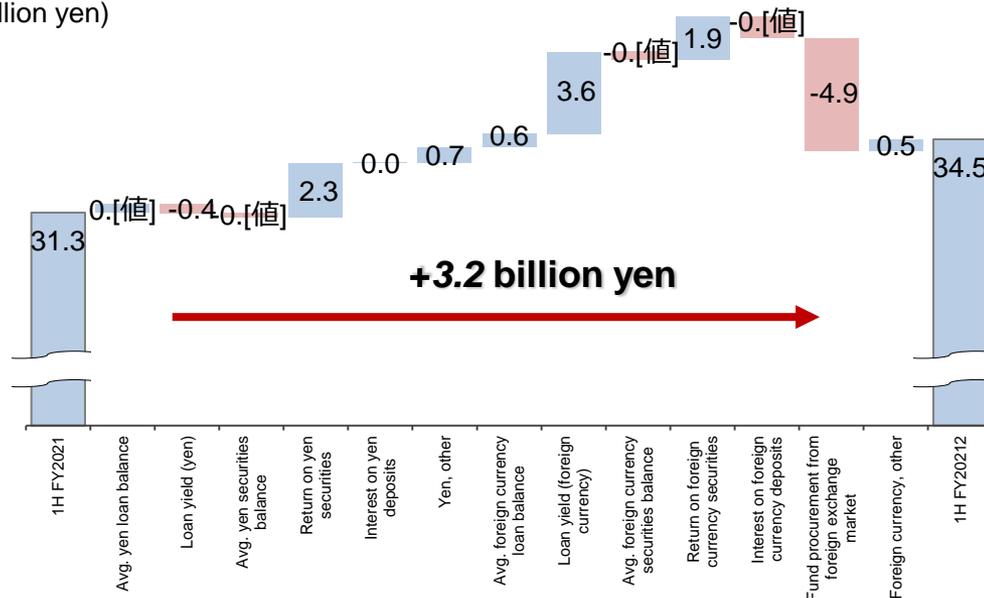
■ Yen based: ¥29.4 billion (+¥2.8 billion YoY)

- Interest on loans and discounts: Flat YoY
- Interest on securities: +¥2.2 billion YoY (including +¥1.9 billion in gains on cancellation of investment trusts)
- Yen, other: +¥0.7 billion YoY (Gains on short-term management such as BOJ's special deposit facility)

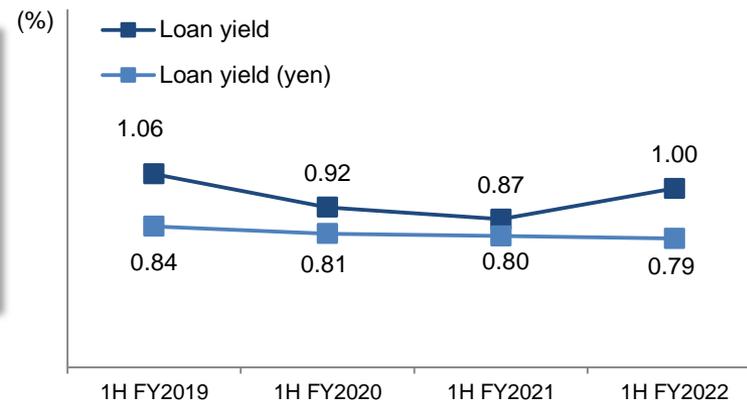
■ Foreign currency-based: ¥5.0 billion (+¥0.4 billion YoY)

- Interest on loans and discounts: +¥4.2 billion YoY
- Interest on securities: +¥1.5 billion YoY
- Increase in foreign currency procurement: -¥5.8 billion YoY (from foreign currency deposits, foreign exchange markets)

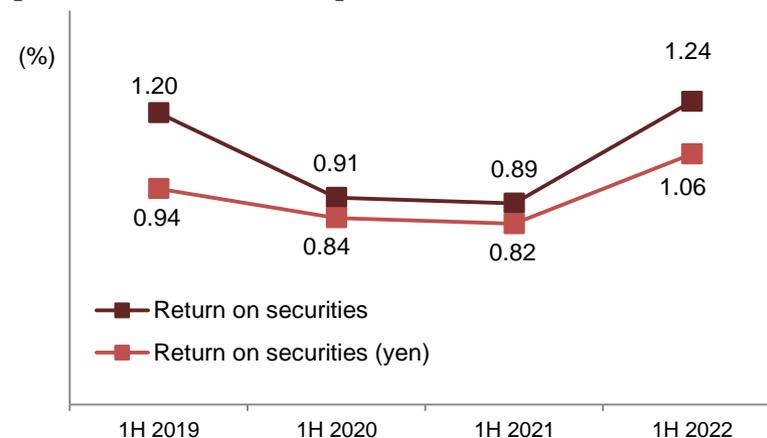
(billion yen)



[Loan yield]



[Return on securities]

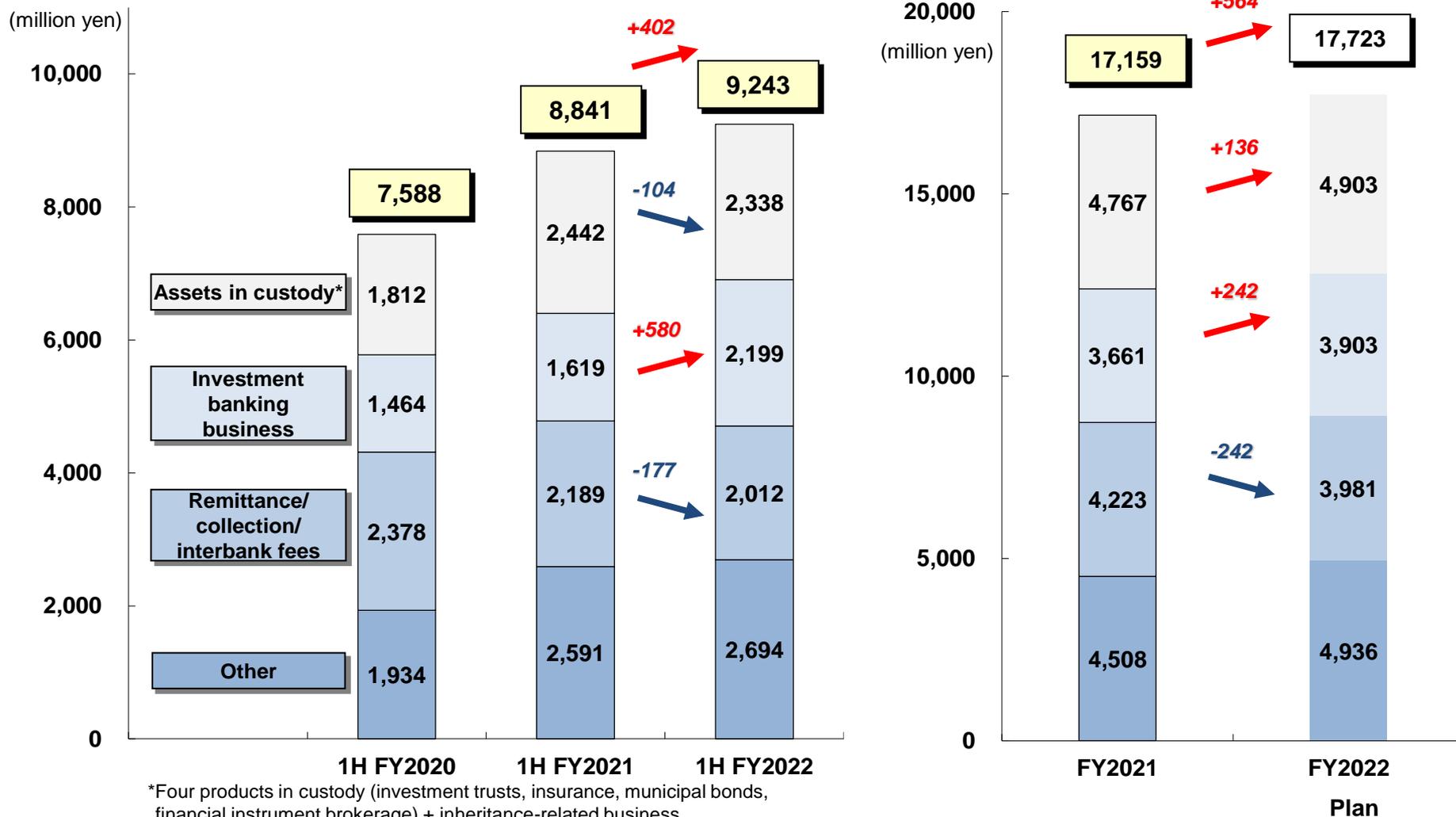


- Yen net interest income: Interest on loans remained almost unchanged year on year despite lower yield, which was covered by the increased balance. Yen net interest income grew 2.8 billion yen year on year due to an increase in interest on securities arising mainly from gains on cancellation of investment trusts.
- Foreign currency net interest income: Increased by 0.4 million yen year on year due to our efforts to improve our portfolio by reducing low-return assets despite an increase in fund procurement cost due to a rise in overseas interest rates.

Net Fee Income



[Net fee income]

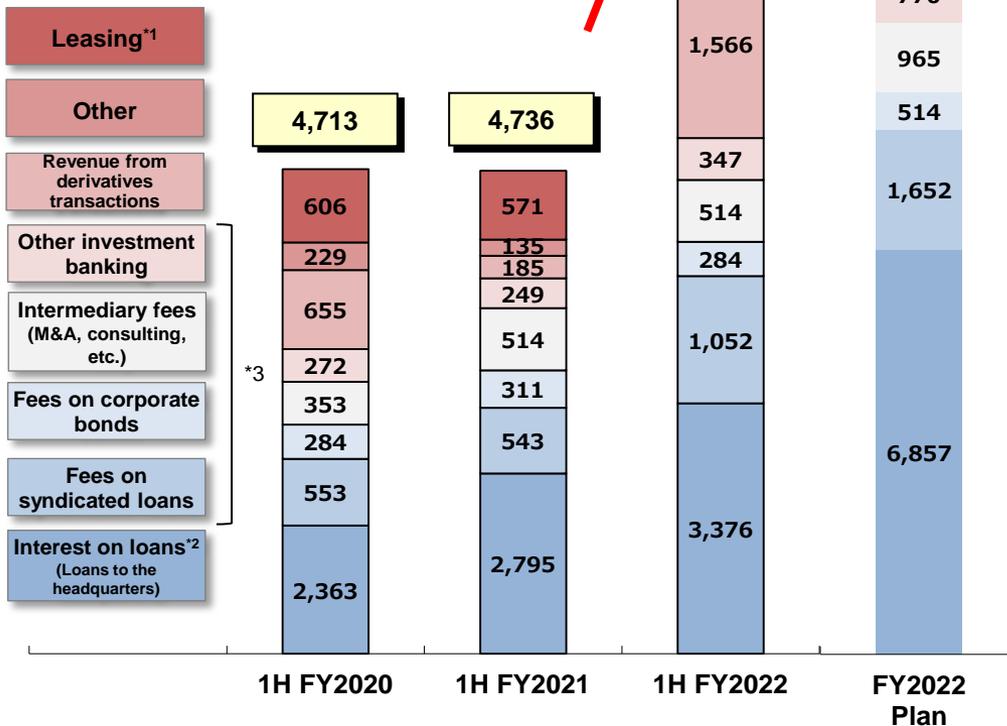


- In 1H FY2022, revenues from investment banking business such as syndicated loan commissions showed robust growth, despite negative factors arising from revisions to interbank transfer fees.
- Going forward, we will improve profitability in fees and commissions and enhance fee income by further strengthening our consulting business.

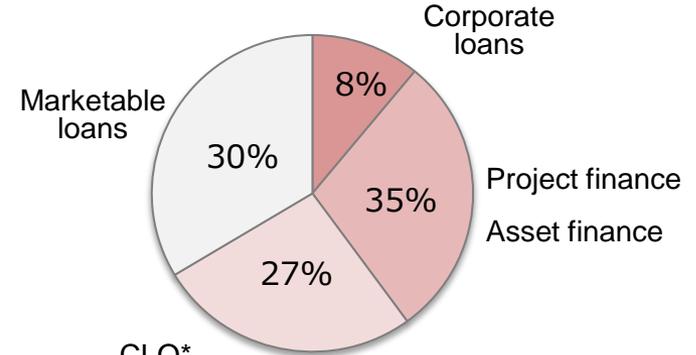
Corporate-solution-related Revenues

[Revenues from solutions for corporate customers]
(million yen) (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.
- *3. Investment banking business included in net fee income

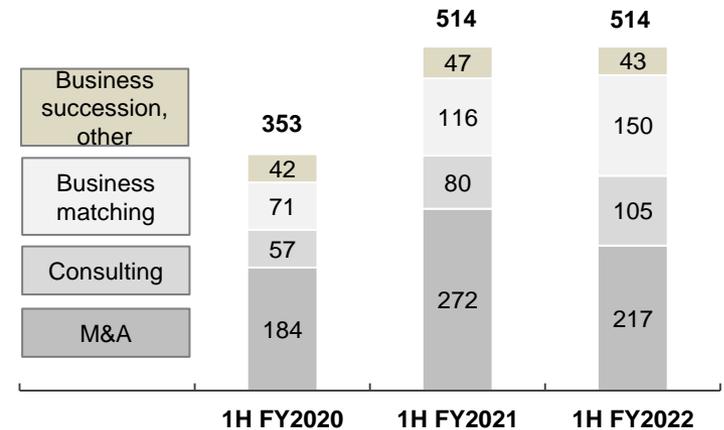


[Breakdown of loans to the headquarters]
(Balance at end of Sep. 2022)



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

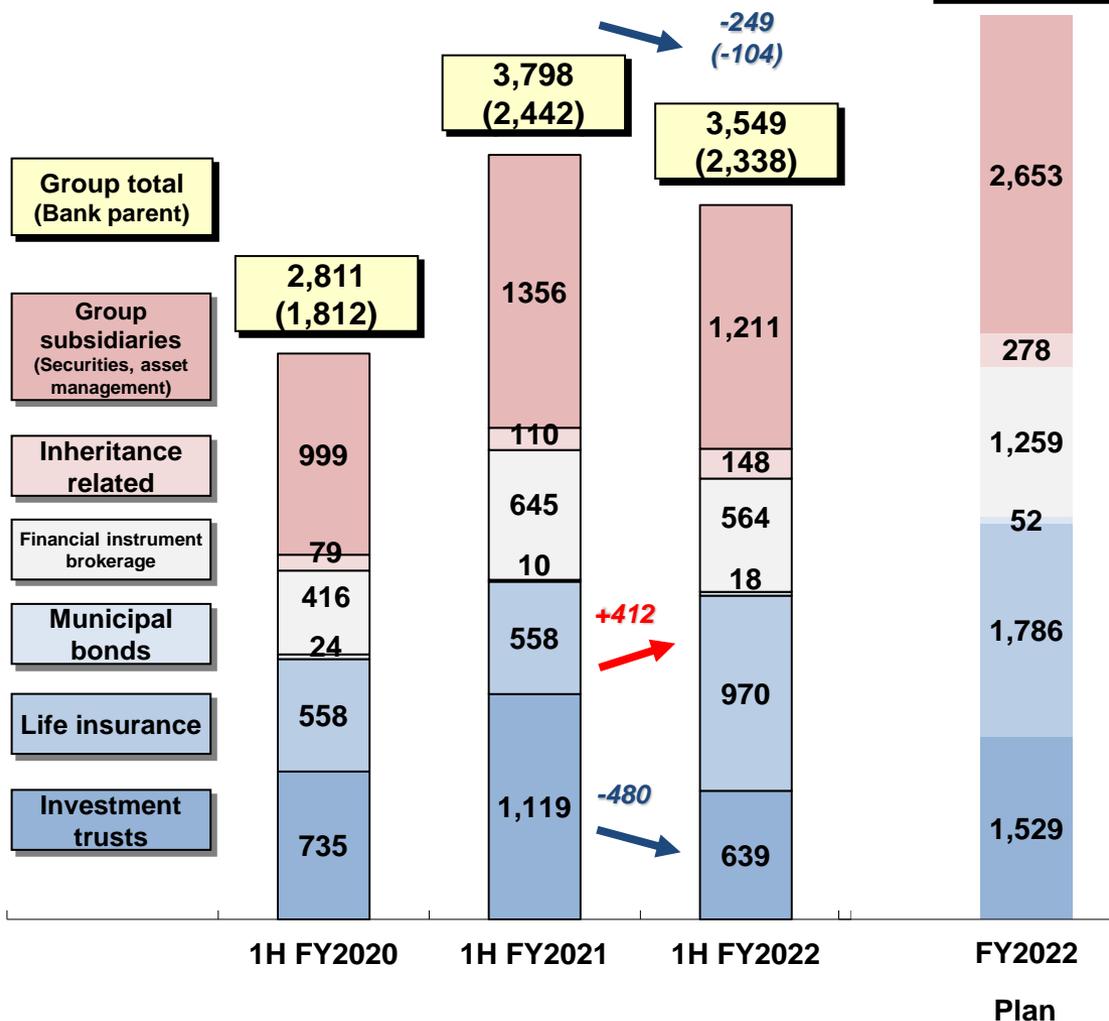
[Breakdown of intermediary fees] (million yen)



- In 1H FY2022, fees for setting up syndicated loans and revenues from derivatives transactions for customers showed strong growth.
- We will continue to strengthen our consulting business to address customers' business challenges.

Revenues Related to Assets in Custody

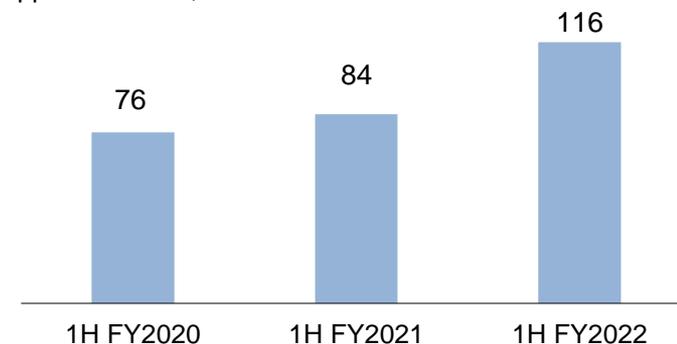
[Breakdown of revenues related to assets in custody] (million yen)



[Inheritance-related business]

*Testamentary trusts, inheritance support business, etc.

No. of contracts signed

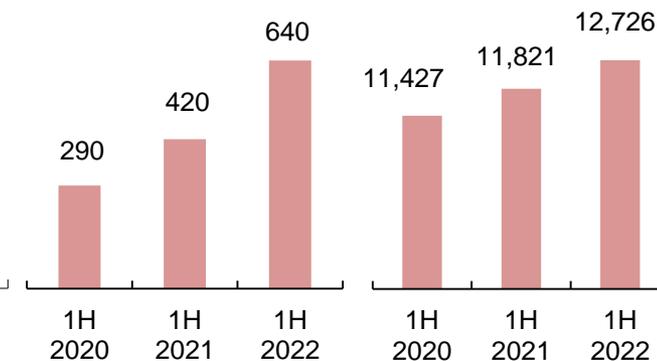


[Tsumitate NISA]

Sales value (million yen)

[iDeCo contracts]

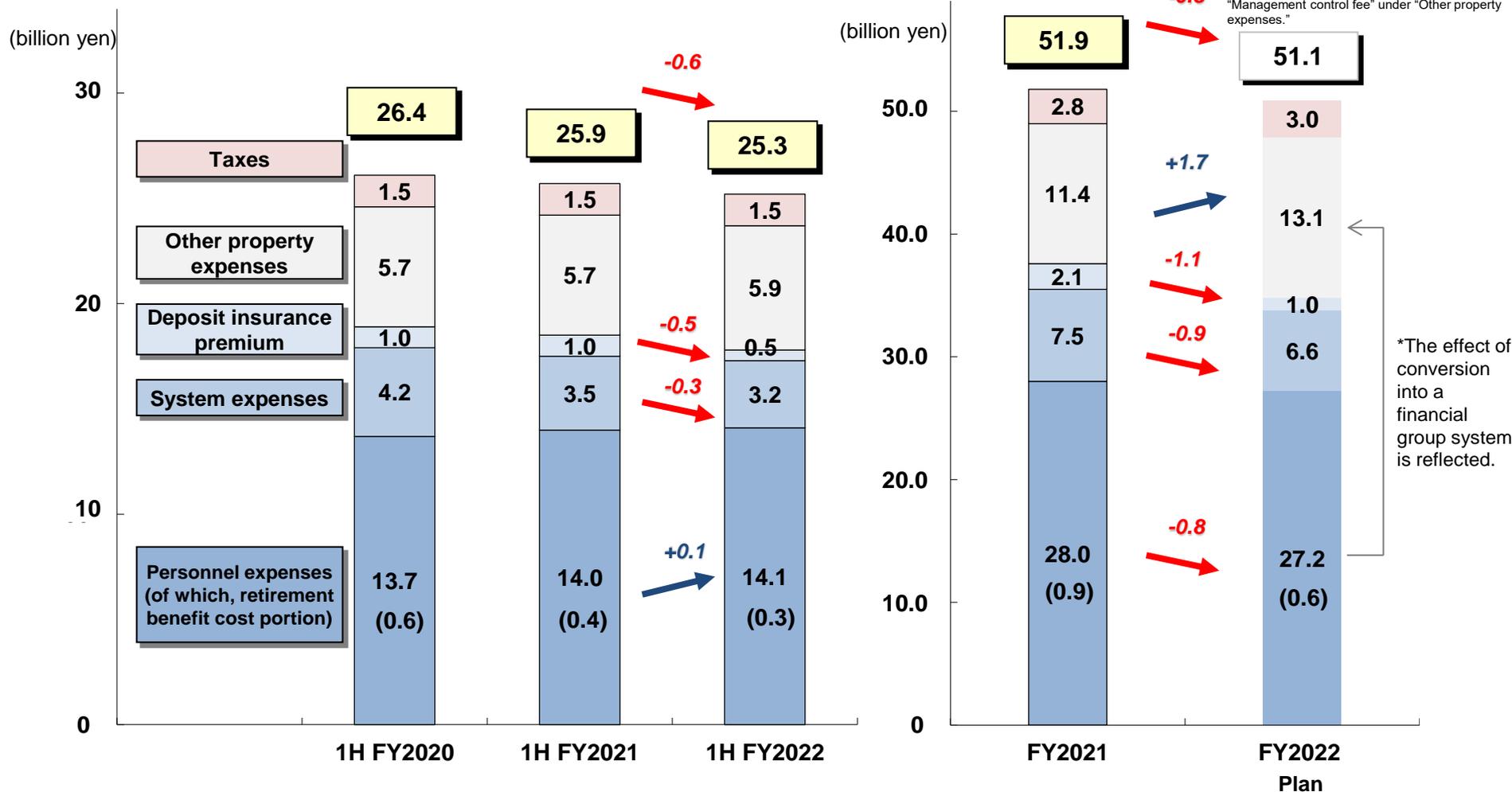
Total number of subscribers



- In 1H FY2022, revenues related to assets in custody decreased year on year, mainly due to sluggish sales in investment trusts amid an uncertain market environment.
- In the FY2022 Plan, we will respond to customer's asset-related needs by strengthening cooperation among the Group companies under the financial group system.

[Expenses]

*Effect of conversion into a financial group system
Of personnel expenses, a decrease of 800 million yen represents the concurrent portion of the financial group, and has been transferred to the "Management control fee" under "Other property expenses."



- In 1H FY2022, total expenses decreased by 600 million yen year on year due to a drop in system expenses and deposit insurance premium despite an increase in personnel expenses such as a rise in bonuses.
- In 2022, we will control expenses, as a whole, while implementing strategic expenditures (such as new businesses, branding and training).

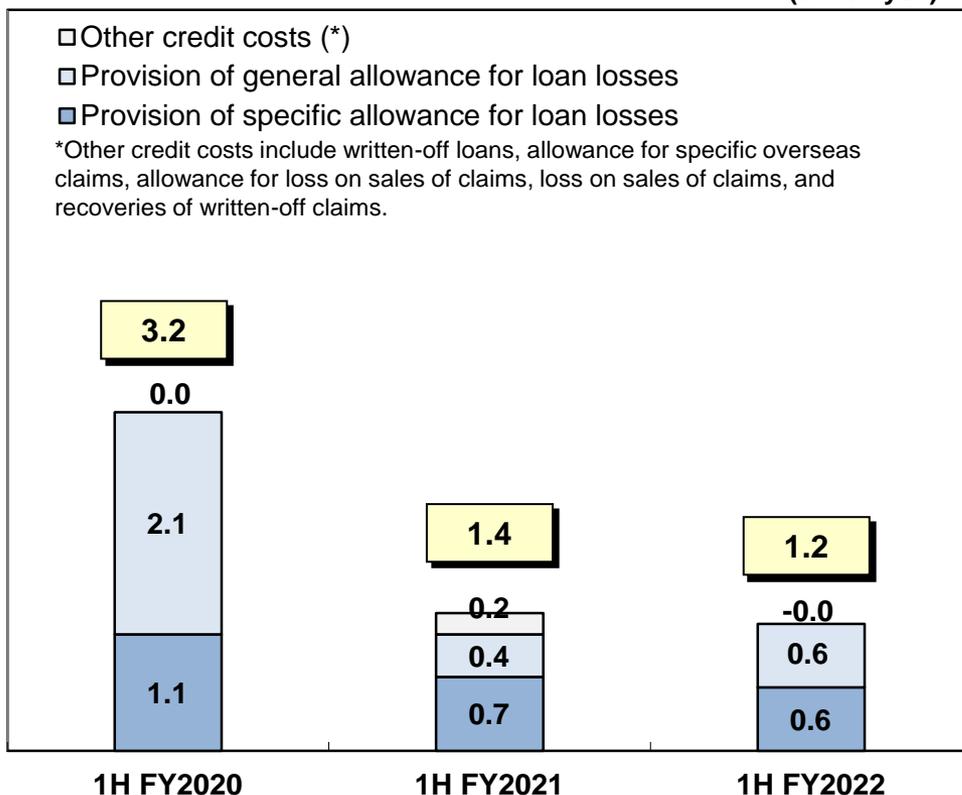
1H of FY2022 Earnings Results

-Credit Costs and Non-performing Loans-

[Credit costs]

(billion yen)

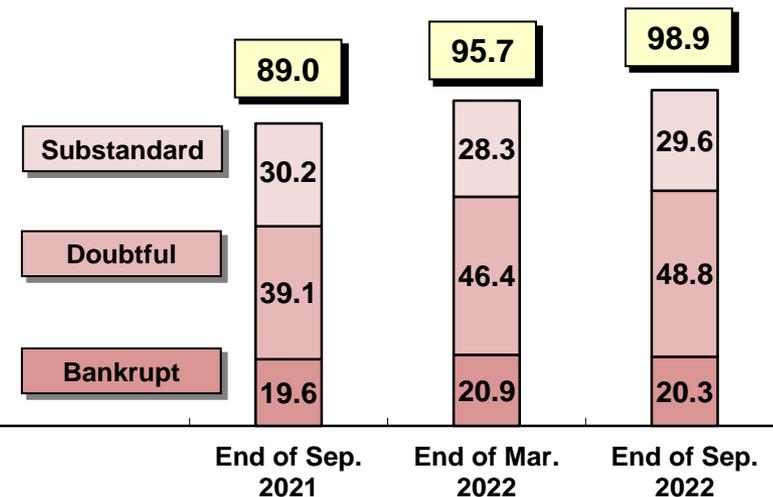
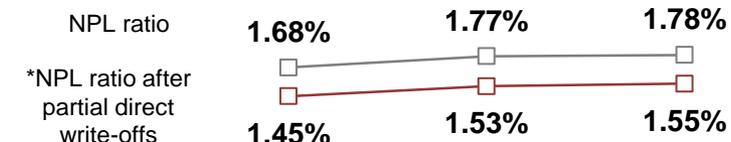
- Other credit costs (*)
 - Provision of general allowance for loan losses
 - Provision of specific allowance for loan losses
- *Other credit costs include written-off loans, allowance for specific overseas claims, allowance for loss on sales of claims, loss on sales of claims, and recoveries of written-off claims.



[Status of non-performing loans]

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

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



■ Calculation method of general allowance for loan losses

- The expected loss rate is calculated based on the actual loan loss rates for one calculation period consisting of three years (each period moved forward by six months).
- The expected loss rate shall be either the "most recent three-period average" or the "most recent five-period average," or the "long-term average starting from 1H FY2008," whichever is larger (changed from 1H FY2022).
- Loans to healthy accounts and substandard I accounts are adjusted by taking into consideration the average remaining period of the receivables.

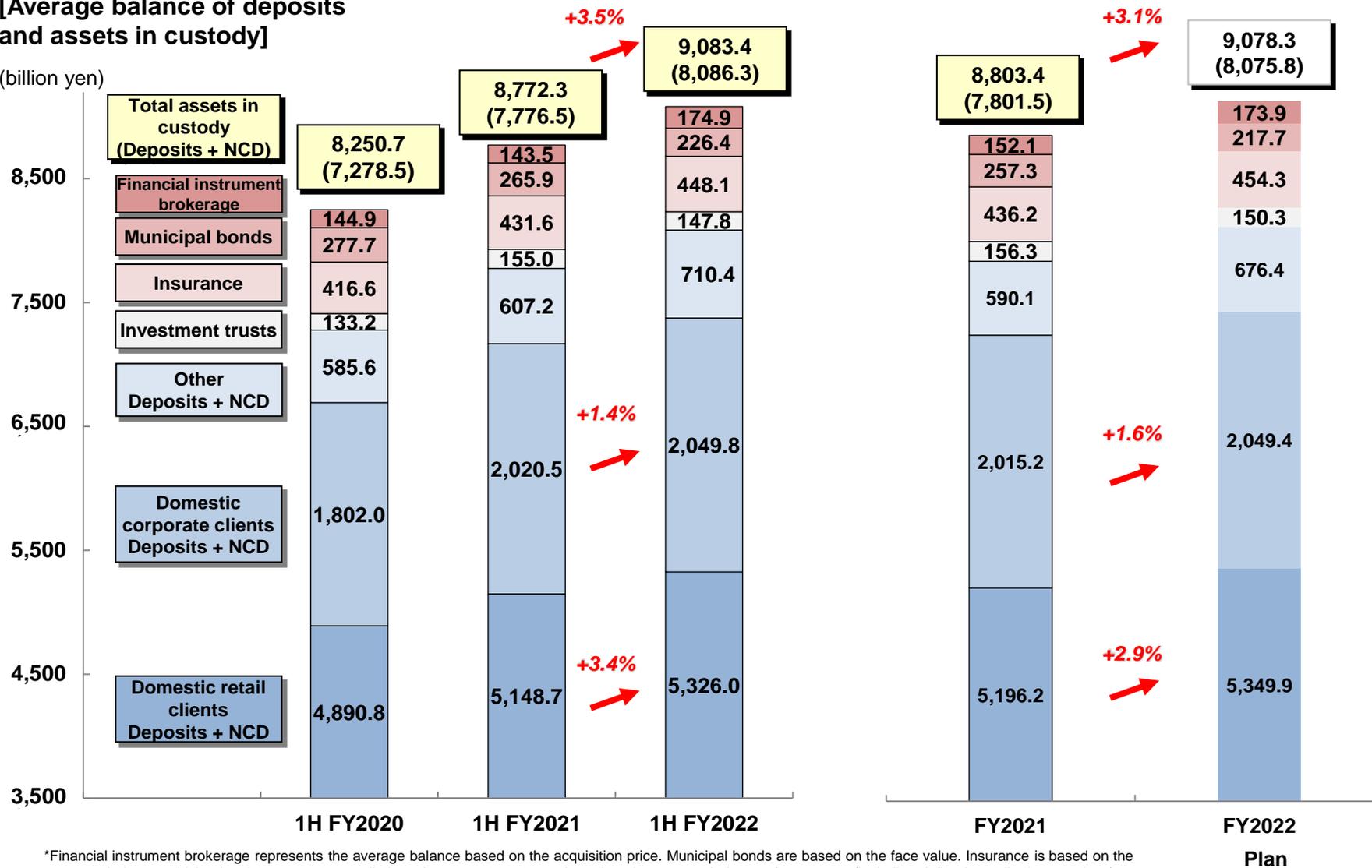
- We have provided positive support since the beginning of the COVID-19 pandemic. Currently, credit costs remain low.
- With the NPL ratio remaining low, we maintain excellent asset quality.

(Reference) Major Accounts (1) –Deposits & Assets in Custody–



[Average balance of deposits and assets in custody]

(billion yen)

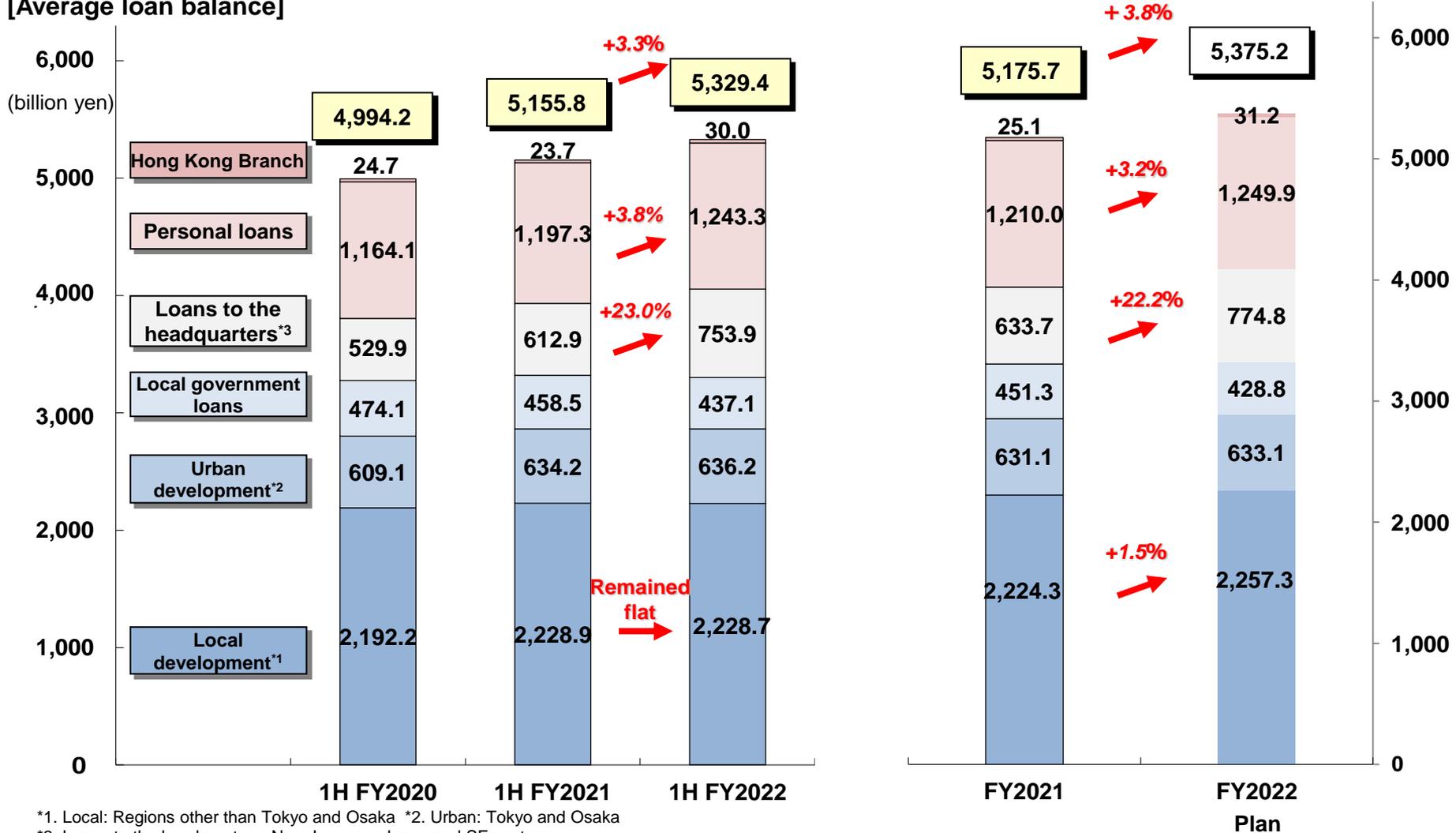


*Financial instrument brokerage represents the average balance based on the acquisition price. Municipal bonds are based on the face value. Insurance is based on the average balance, which takes into account cancellations. Investment trusts are based on the average balance of net assets (including defined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

- Deposits + NCD of both retail and corporate clients have steadily increased, although the trends of securing funds in hand and reducing consumer spending due to the COVID-19 pandemic are coming to a halt.
- In the FY2022 plan, the upward trend of deposits + NSD is expected to continue, although deceleration is forecasted.

(Reference) Major Accounts (2) –Loans–

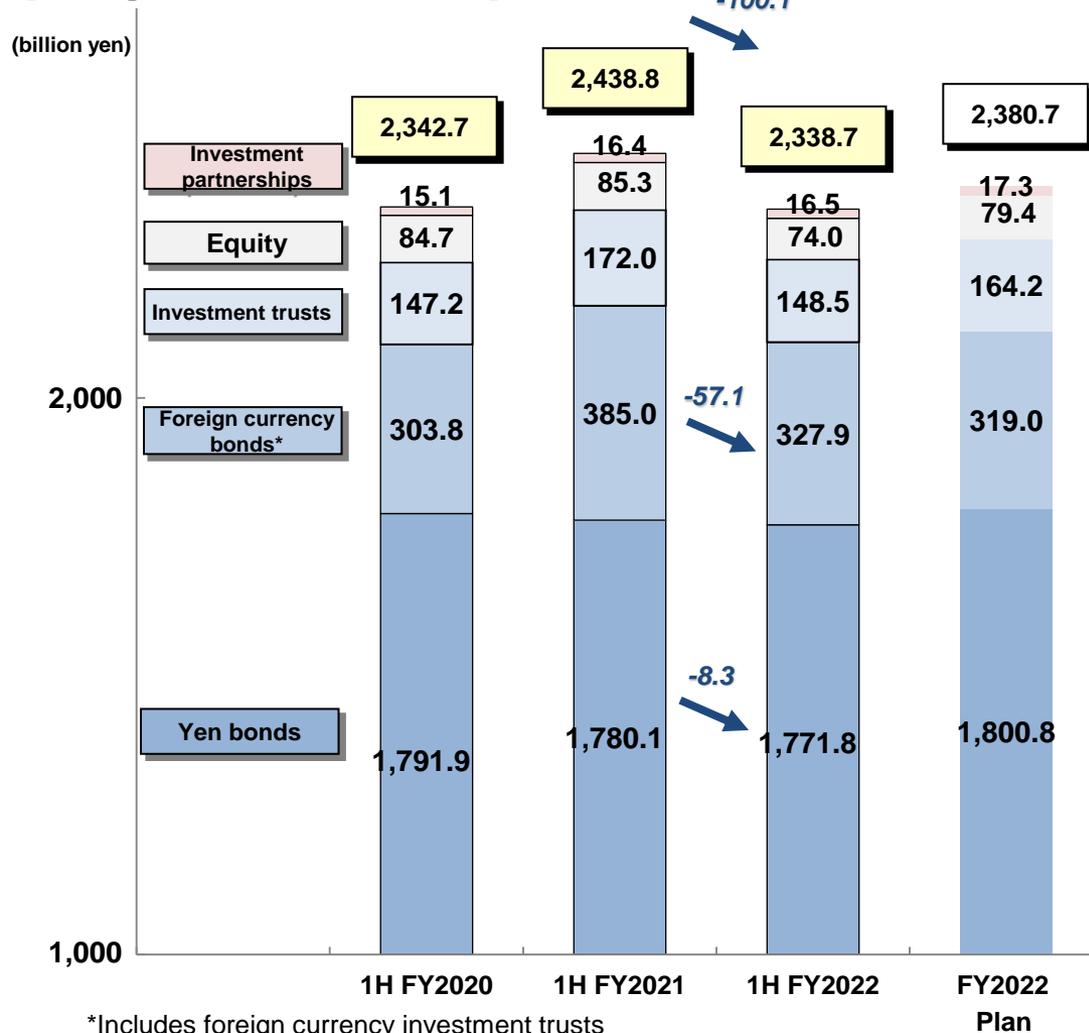
[Average loan balance]



- In 1H FY2022, local development remained flat, reflecting customers' financing needs in the COVID-19 pandemic coming to an end. Total loans increased by 3.3% year on year due to robust personal loans centering on housing loans, initiatives for loans to the headquarters responding to an increase in deposits, and the impact of the increase in foreign currency loans arising from a weaker yen.
- We will continue to boost quality loans based on initiatives for sustainable financing, and by expanding our share in local development.

(Reference) Major Accounts (3) –Securities–

[Average balance of securities]

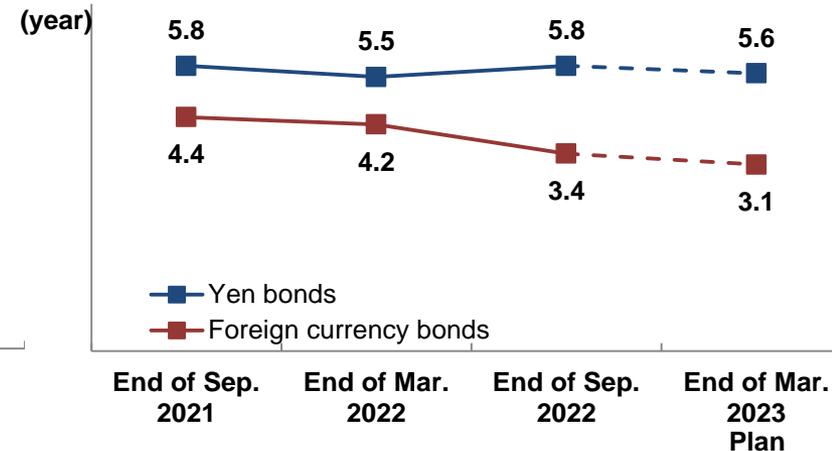


[Unrealized gains/losses]

(billion yen)

	End of Sep. 2021	End of Mar. 2022	End of Sep. 2022	Change from end of Mar. 2022
Total	148.4	94.5	41.3	- 53.2
Held to maturity	0.2	0.1	0.1	0.0
Other securities	148.2	94.4	41.1	- 53.3
Equity	65.8	53.7	36.2	- 17.5
Investment trusts	57.9	48.3	32.8	- 15.5
Foreign currency bonds	2.2	- 12.0	- 19.5	- 7.5
Yen bonds	21.4	3.8	- 7.7	- 11.5

[Duration of bonds]

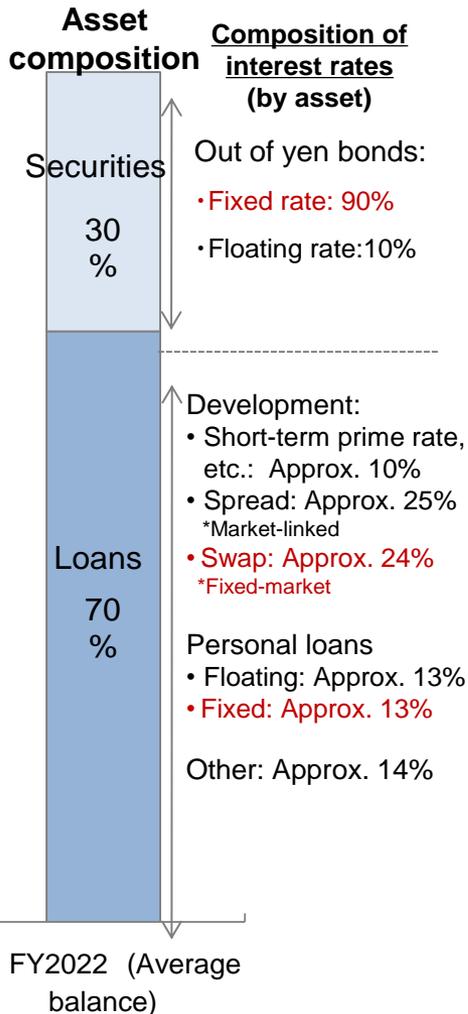


- In 1H FY2022, the average balance of securities decreased by 100.1 billion yen year on year due to sales of lower return assets such as foreign currency bonds, etc.
- In the FY2022 Plan, we will carefully manage assets while taking into consideration the interest rate trends in Japan and overseas and the unstable market environment.



- Investment in yen assets: With a large amount of deposits, we will seek the expansion of a stable profit margin when interest rates are rising.
- Investment in foreign currency assets: We will continue the ongoing improvement of foreign bonds portfolio to reduce risks and secure medium- to long-term revenues.

Investment in yen assets



Status of yen bonds

- Yen bonds take into account the impact of worsening unrealized gains/losses on capital.
- While watching signs for changes in financial policy, we will make reinvestments to raise returns.

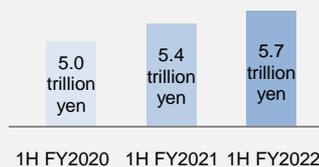
(billion yen)	End of Sep. 2021	End of Mar. 2022	End of Sep. 2022
10BPV	-9.6	-9.2	-10.4

Status of yen loans

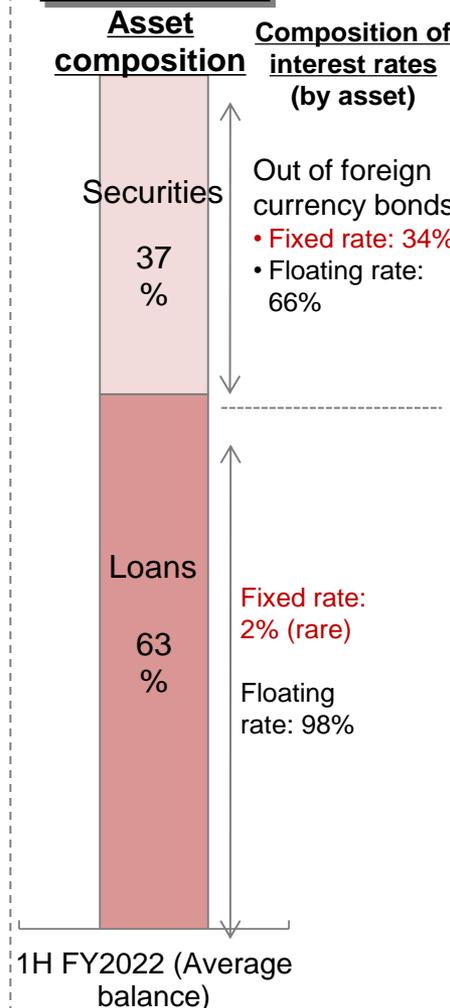
- When interest rates were rising, loan interests were linked to the market based on the short-term prime rate and spread.
- Profit margins steadily expanded based on highly retentive and abundant liquid deposits.

Reference: Status of deposits (including NCD)

- Deposits + NCD: 8.1 trillion yen (1H FY2022)
- Of which, liquid deposits: 5.7 trillion yen



Investment in foreign currency assets



*BPV: Changes in current value when the interest rate rises 1 bp (0.01%).

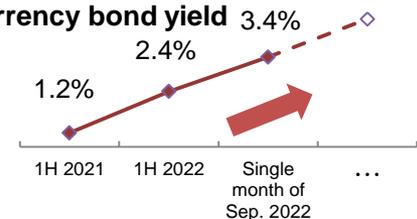
Improvement of foreign currency bond portfolio (1H FY2022)

Loss on sales of foreign currency bonds was 16.9 billion yen.

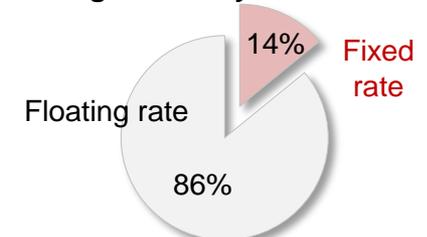
- Loss was covered by gains on sales of equity and investment trusts and an increase in revenues.
- Investment returns on foreign currency bonds were improved by partial replacement with high-return bonds.
- We will make our portfolio capable of securing profits in the medium- to long-term.

(billion yen)	End of Sep. 2021	End of Mar. 2022	End of Sep. 2022
10BPV	-1.6	-1.6	-1.0

Trend of foreign currency bond yield



Composition of interest rates on foreign currency assets:



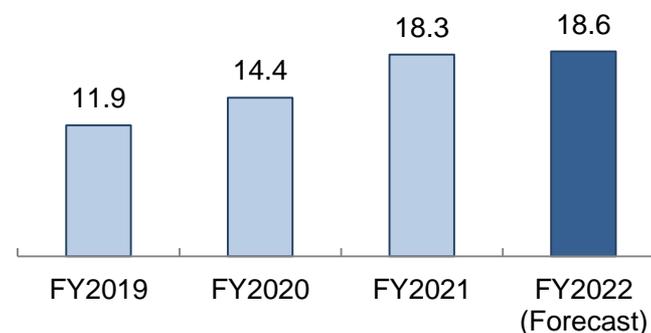
[Earnings forecasts]

(billion yen)		FY2021	FY2022		
		Result	Forecast	YoY	Change from announcement*
Consolidated	Consolidated ordinary profit	25.8	27.1	1.3	0.0
	Consolidated profit	18.3	18.6	0.3	0.0

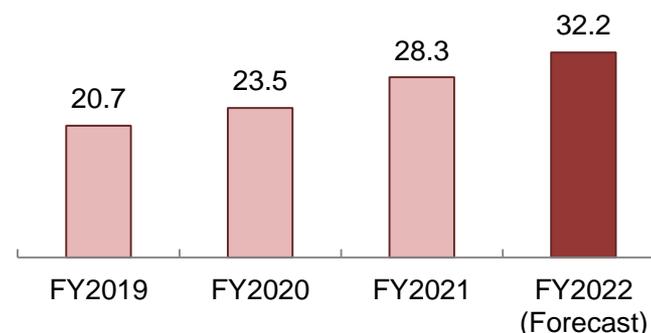
The Chugoku Bank	Core business gross profit	80.2	83.4	3.2	3.9
	Net interest income	61.6	63.0	1.4	1.2
	Of which, gain on cancellation of investment trusts	0.0	1.9	1.9	1.1
	Net fee income	17.1	17.7	0.6	1.0
	Net other operating profits	1.5	2.7	1.2	1.8
	Expenses (-)	51.9	51.1	-0.8	0.1
	Core business net profit	28.3	32.2	4.0	3.9
	Credit cost (-)	7.6	5.8	-1.8	-0.9
	Provision of general allowance for loan losses	5.0	2.3	-2.7	0.0
	Provision of specific allowance for loan losses	2.3	3.5	1.2	-0.9
	Securities-related gains/losses	3.0	-1.0	-4.0	-4.0
	Other	-0.2	-0.5	-0.2	-0.8
	Ordinary profit	23.4	24.9	1.5	0.0
	Profit	16.9	17.3	0.4	0.0

*Forecast announced on May 13, 2022

Consolidated profit



Core business net profit



(Note) Chugin Financial Group, Inc. was established on October 3, 2022 as a wholly owning parent company of The Chugoku Bank, Limited by means of sole share transfer from the latter. The consolidated forecast includes the consolidated business results of The Chugoku Bank for the 1H FY2022. (Period subject to the forecast: April 1, 2022 to March 31, 2023)

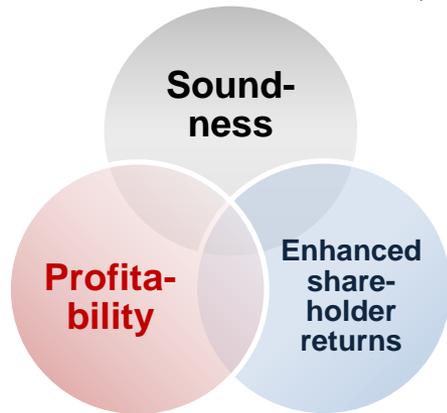
- The top line increased significantly mainly in net fee income and net other operating profits (including gains on derivatives trading, etc.) Profits are also expected to steadily increase, taking into consideration a decrease in expenses and decreasing credit costs.
- Meanwhile, improvement of the securities portfolio will be implemented ahead of schedule for the future, and we will endeavor to “increase profits for the three consecutive fiscal years” and “maintain the upward trend of profits,” while maintaining the forecast of ordinary profit and profit announced in May 2022.

Section II

Capital Policy

[Capital balance]

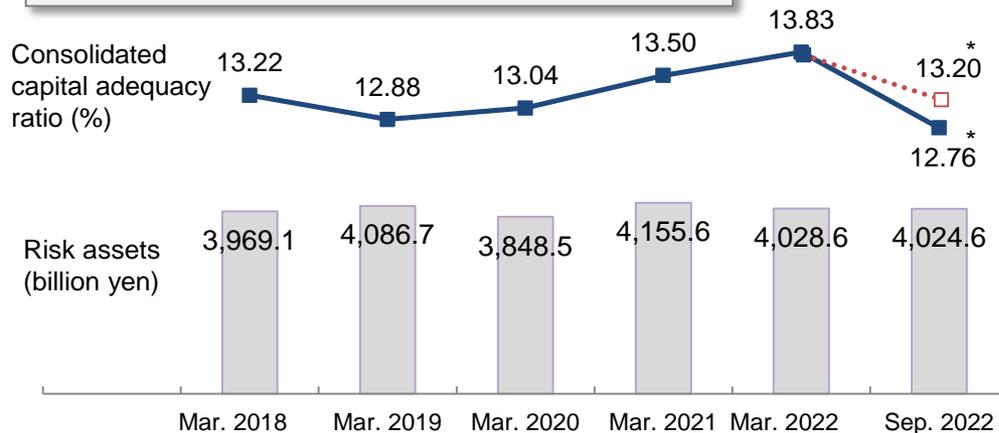
The three points, consisting of soundness, profitability and enhanced shareholder returns, will be well-balanced.



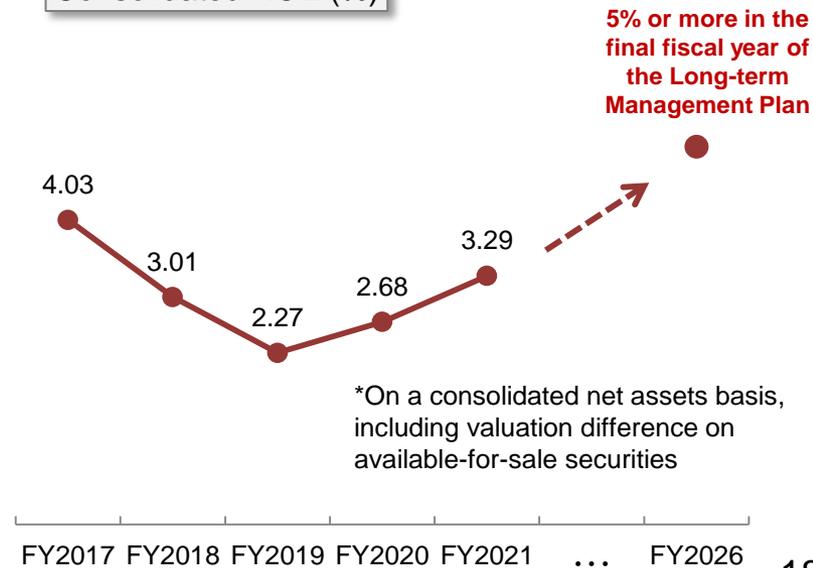
- Stable management base
- Response to local customers' financing needs, implementation of growth investments
- Improvement of profitability, enhancement of shareholder returns

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

Consolidated capital adequacy (% , billion yen)



Consolidated ROE (%)



*On a consolidated net assets basis, including valuation difference on available-for-sale securities

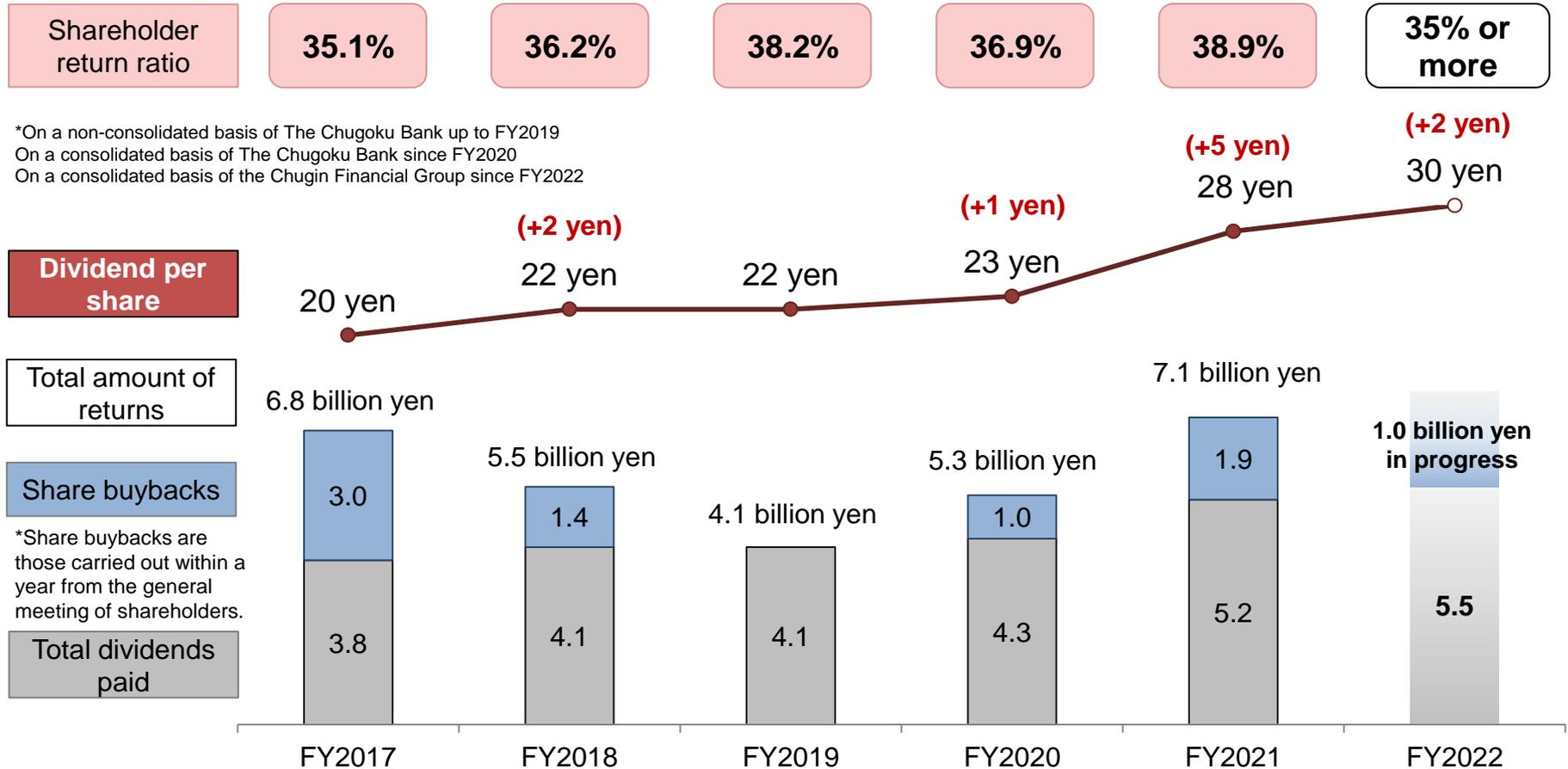
*Due to transfer to a holding company system, the capital adequacy ratio as of the end of September 2022 declined as a result of distribution of dividends-in-kind (8.5 billion yen) and extraordinary dividend (9.0 billion yen) by The Chugoku Bank to the Chugin Financial Group in the form of shares of subsidiaries, etc.

If the impact of the abovementioned transfer to a holding company is not considered, the consolidated capital adequacy ratio would be 13.20% (as shown by the broken line).

[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 –



*On a non-consolidated basis of The Chugoku Bank up to FY2019
On a consolidated basis of The Chugoku Bank since FY2020
On a consolidated basis of the Chugin Financial Group since FY2022

Dividend per share

Total amount of returns

Share buybacks

*Share buybacks are those carried out within a year from the general meeting of shareholders.

Total dividends paid

- Given robust business performance, the dividend per share for FY2022 is expected to increase by 2 yen to 30 yen per share (14 yen for interim dividend + 16 yen for year-end dividend).
- Share buyback is in progress with an upper limit of 1.0 billion yen.

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

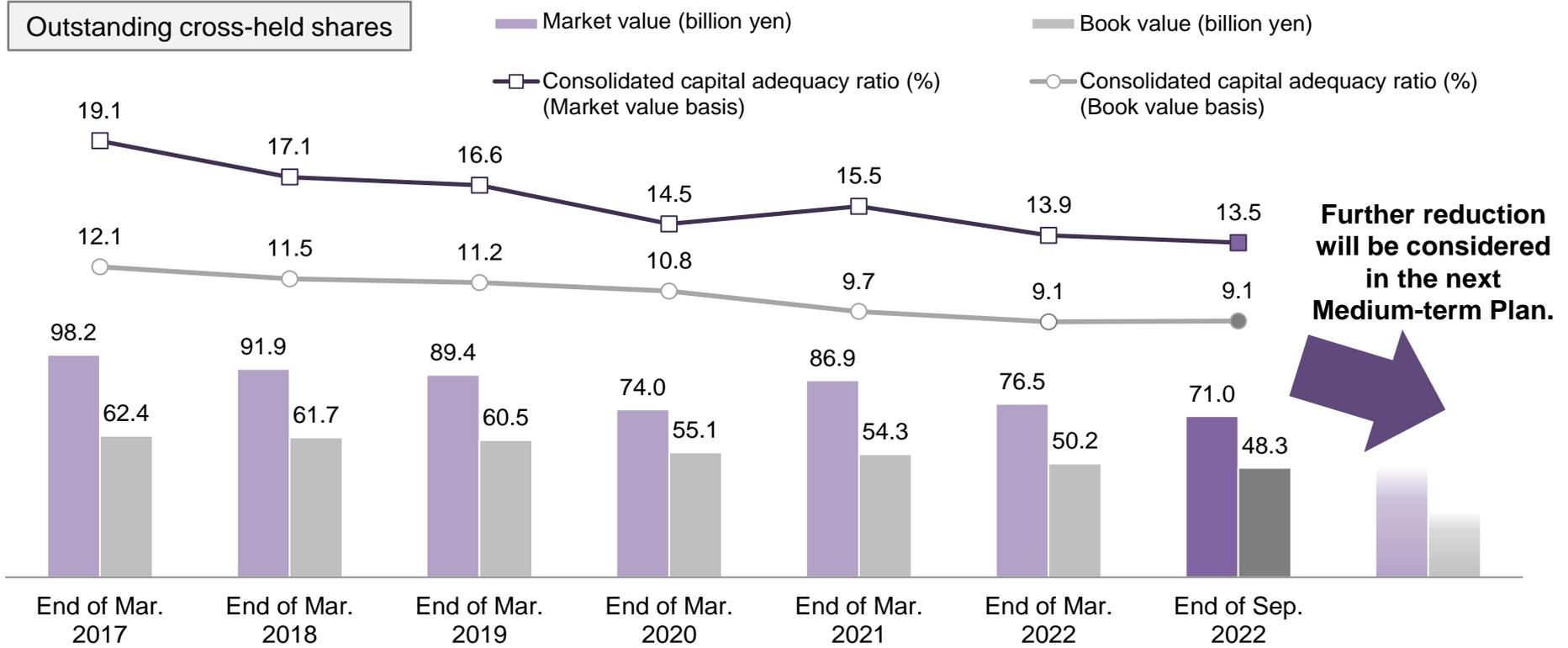
Initiatives toward reducing cross-held shares

- The relevant shares are held only when it is considered 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] | [Shares not satisfying the shareholding criteria] |
| <ul style="list-style-type: none"> • Profitability, taking cost of capital into account • Relationship with local economy • Viewpoint on managerial strategy | <ul style="list-style-type: none"> • Negotiate improvement of transaction profitability • Negotiate reduction of the number of shares held |

Outstanding cross-held shares



Further reduction will be considered in the next Medium-term Plan.

Section III

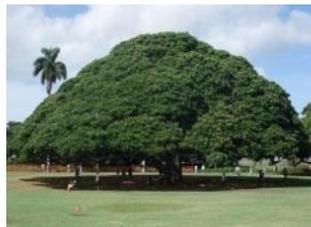
Management Strategy

- Long-term Management Plan and
Medium-term Management Plan –

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

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

The long-term vision has been positioned as the Group corporate principle (since April 2022).

Group Corporate Principle

Create with our community, customers and employees a rich future that we can all share

Management Vision

A comprehensive financial services group that is “chosen” and “trusted” by customers in the region

Chugin Values

- To customers** : We aim for a win-win relationship with customers.
- As an individual** : We realize our dreams through work.
- As a company** : We provide job satisfaction and opportunity for growth.



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 in 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”

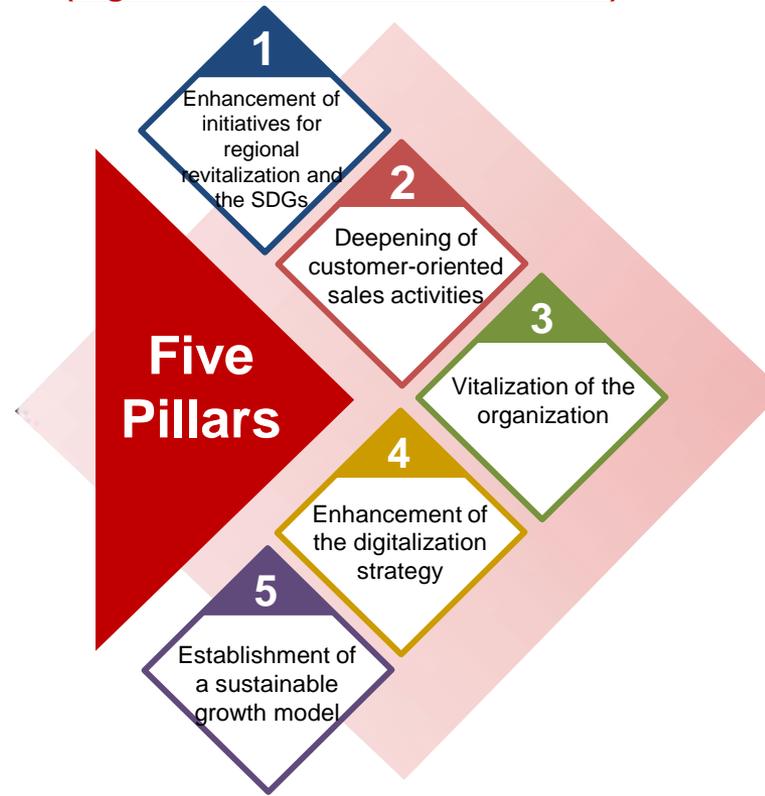
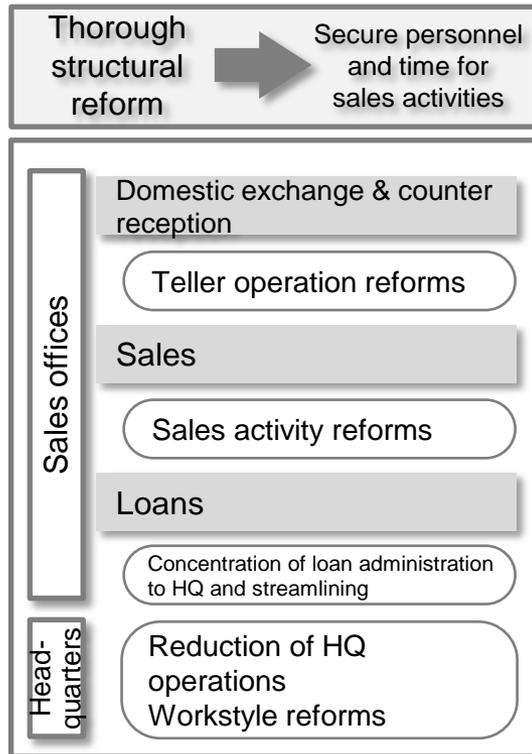
New Medium-term Management Plan “Plan for Creating the Future Together: Stage II”

“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 Chugin Financial 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 Chugin Financial 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, 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”



Our challenges build our future.
Chugin Financial Group, Inc.

- 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 endeavor to increase the regional (East Setouchi Economic Zone)*1 population and GDP in the long run by achieving the KPIs.

Stakeholder	KPI	1H FY2022 results/ full-year plan	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 for which we provided support in business succession*3	176 (in 2.5 years)	200 companies in 3 years	—
	(2) Activities contributing to the improvement of financial literacy*4	596 (in 2.5 years) More than 11,000 persons attended the events.	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 of core business net profit before payment of personnel cost*6	46% (FY2022 Plan)	54% or more	—
Shareholders, etc. (All stakeholders)	Profit attributable to owners of parent	18.6 billion yen (FY2022 Plan)	15.0 billion yen	30.0 billion yen
	Consolidated total capital adequacy ratio (Basel III)	12.76% (1H FY2022 Result)	Maintained stably at 12%	Maintained stably at 12%
	Consolidated ROE	3.34% (FY2022 Plan)	—	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 established as a result of our event for startup support, etc.

*3. Number of companies for which we provided support in business succession: Number of companies to which we provided 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

Five Pillars of the Medium-term Management Plan

“Plan for Creating the Future Together: Stage II”

[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 regional headquarters structure and autonomous 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
 - Launch of “Chugin app” and “Chugin Business Portal”
- 5 Establishment of a sustainable growth model**
 - Expense control, reorganization of sales offices, personnel reallocation, etc.

Achievements to date

[Number of startups for which we provided support*]

15

(Total of startups from FY2020 to 1H FY2022)

*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*]

7.2 billion yen

(1H FY2022)

(Increased by 3.8 billion yen compared to 1H FY2019)

*Corporate-solution-related revenues

[Retail-related revenues*]

3.5 billion yen

(1H FY2022)

(Increased by 0.6 billion yen compared to 1H FY2019)

*Assets in custody-related revenues

[New businesses]

3 newly established companies

(Personnel placement, investment-specific and consulting companies)

[New personnel system]

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

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

[Chugin app]

110,000 customers

(Total of customers from July 2021 to September 2022)

[OHR]

55.0% (1H FY2022)

(Decreased by 17.5 pts compared to 1H FY2019)

Section III

Management Strategy

—Our intended form—



The population is based on "Population Estimates" as of October 2021 published by the Ministry of Internal Affairs and Communications.

Abundant forest resource

- In northern Okayama Prefecture, forest resource produces abundant water resources. The supply capability of industrial water is at the highest level in the Chugoku-Shikoku-Kyushu region.

One of the largest industrial zones in Japan

- In southern Okayama Prefecture, Mizushima Industrial Zone, one of the largest industrial zones in Japan, is located amid a concentration of a wide range of manufacturers of petroleum, chemicals, steel, automobiles, etc.

Wide area of East Setouchi Economic Zone

- The area covering Okayama Prefecture, Kagawa Prefecture, and the Bingo region* has high potential as a single wide economic zone.
 *Okayama Prefecture: Kasaoka City, Ibara City
 Hiroshima Prefecture: Mihara City, Onomichi City, Fukuyama City, Fuchu City, Sera Town, Jinseki Kogen Town

Temperate climate with few natural disasters

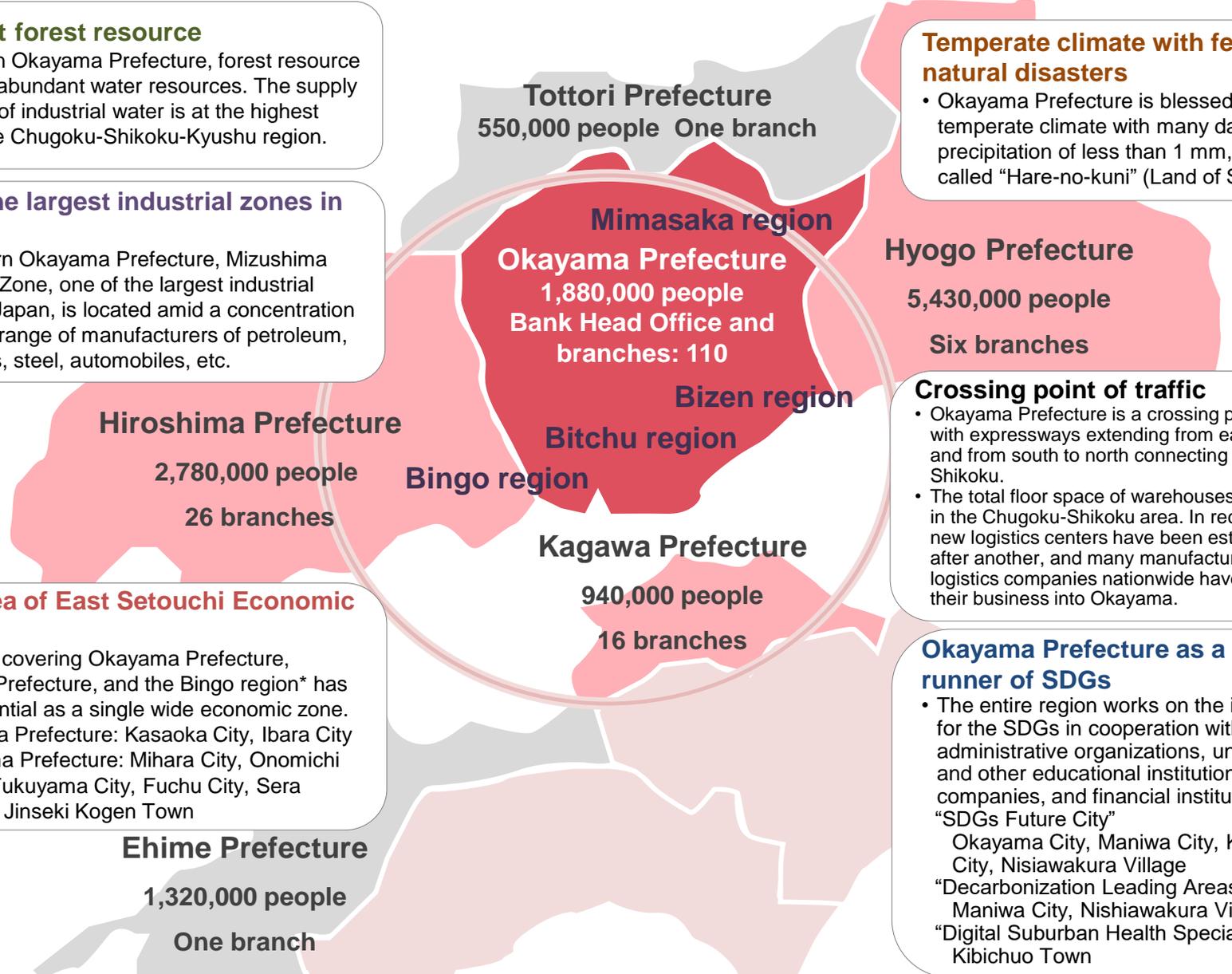
- Okayama Prefecture is blessed with a temperate climate with many days of precipitation of less than 1 mm, and is called "Hare-no-kuni" (Land of Sunshine).

Crossing point of traffic

- Okayama Prefecture is a crossing point of traffic, with expressways extending from east to west and from south to north connecting Honshu and Shikoku.
- The total floor space of warehouses is the largest in the Chugoku-Shikoku area. In recent years, new logistics centers have been established one after another, and many manufacturers and logistics companies nationwide have expanded their business into Okayama.

Okayama Prefecture as a front runner of SDGs

- The entire region works on the initiatives for the SDGs in cooperation with administrative organizations, universities and other educational institutions, local companies, and financial institutions.
 "SDGs Future City"
 Okayama City, Maniwa City, Kurashiki City, Nisiwakura Village
 "Decarbonization Leading Areas"
 Maniwa City, Nisiwakura Village
 "Digital Suburban Health Special Zone"
 Kibichuo Town



Create with Our community, Customers and Employees a Rich Future That We Can All Share.

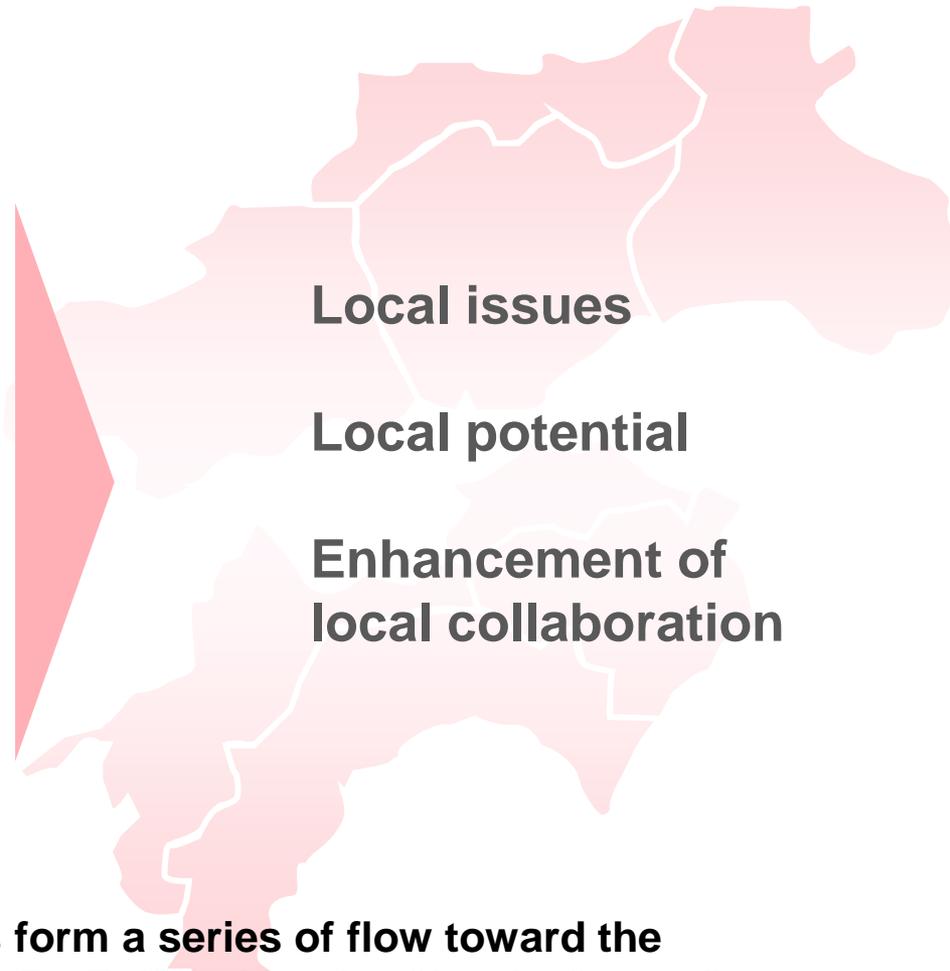
Previous Medium-term Plan: “Plan for Creating the Future Together: Stage I”
Enhancement of tangible aspects
(thorough BPR)

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

- Enhancement of intangible aspects (organization and human resources)
- Make “Regional revitalization and the SDGs” the first pillar

Establish the basic systems
“Regional headquarters structure / introduction of autonomous goal setting, new personnel systems, and Group management principles”

Transfer to “a holding company”
(to establish a sustainable business model)



All of the above missions form a series of flow toward the achievement of “Missions to Be Fulfilled by the Chugin Group.”



- Various initiatives that contribute to vitalization of the organization have been implemented to respond to changes in the internal and external environment.
- “Chugin Open Lab,” autonomous goal setting by sales offices, and other systems were realized by cultivating a bottom-up organizational culture.

October 2022 Transfer to a holding company system



June 2021 / October 2021 Introduction of Regional Headquarters Structure / 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

April 2022 Establishment of the management principle and Chugin Value

- Positioning the long-term vision as the management principle, the principle structure was changed from “Chugin Heart” to “Chugin Value,” etc.

April 2020 Revision of the performance commendation system

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

April 2021 Revision of the personnel system of the Chugin Group and launch of Chugin Open Lab

- 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
- “Chugin Open Lab,” an internal venture program, provides opportunities to realize ideas for solving challenges.

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.

Introduction of a “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 the “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 internal environment

Changes in the external environment

Career path

Discipline

Work style

Challenge

Maniwa City (Decarbonization Leading Area and SDGs Future City)

Chugin's Forest (since 2008)

- We named part of a forest in Maniwa City that suffered damage from a typhoon "Chugin's Forest," and have begun activities to improve it since 2008.
- In 2018, we signed a memorandum of understanding, under which we have conducted tree thinning and improvement cutting. As to thinned wood, the fund gained on sales is applied to improvement work and biomass power generation, etc.



Comprehensive Agreement (November 2022)

- Coordination and cooperation concerning initiatives for a sustainable regional economy are further strengthened through effective use of intellectual and human resources of Maniwa City and the Chugin Financial Group.

Creation of new business using unused farmland

– Culture and commercialization and sale of moss –

- Maniwa City
- KOBASHI HOLDINGS CO., LTD.
- Japan Moss Factory Co., Ltd.
- Agricultural Association Yoriebara
- SETONOWA Co., Ltd.

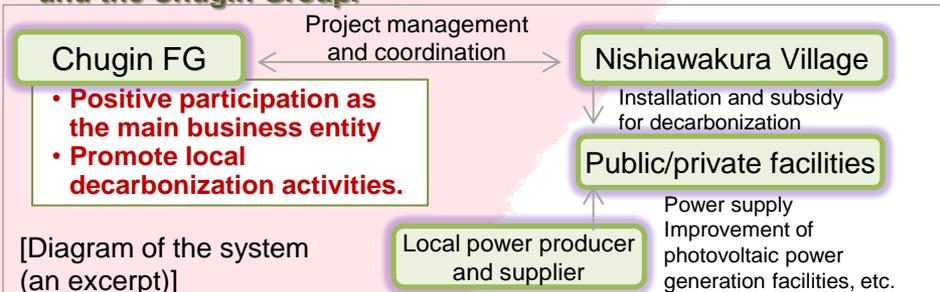


Nishiawakura Village (Decarbonization-leading Area and SDGs Future City)

Decarbonization Leading Area

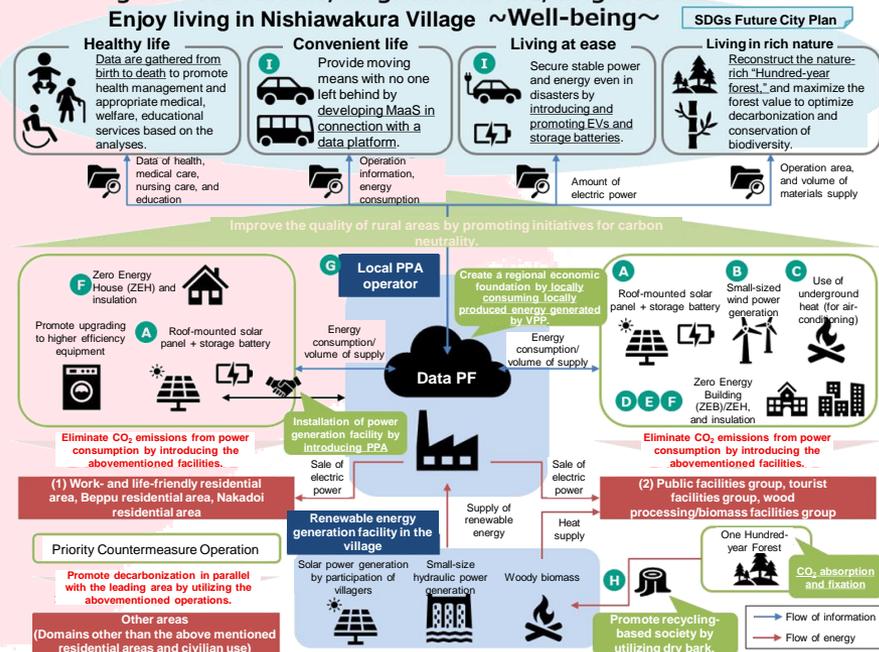
“Business to create decarbonization-leading areas to allow the whole village to ‘enjoy living’ by 2050”

Joint proposals by four parties including Nishiawakura Village and the Chugin Group.



[Diagram of the system (an excerpt)]

brighten our forests, brighten our life, brighten our future!!



(Source: Proposal Plan of Nishiawakura Village)

Horizontal development of regional communities is pursued by the Chugin Group as a main partner

Improvement of financial literacy of regional communities

- ✓ Provided office tours and visiting lectures for students as part of financial education.
- ✓ Held life plan seminars and defined contribution pension plan seminars for adults.

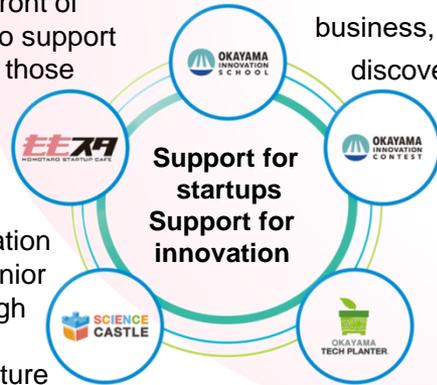
Ecosystem of startup

Momosta (Momotaro Startup Café)

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

Science Castle

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



Okayama Innovation Project

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

Okayama Tech Planter Tech Grand Prix

- Creates industries and incubates ventures by developing scientific technologies

Accelerate regional DX and SX

- ✓ The Chugin Group will design the regional community by taking the lead in solving regional issues.

C Cube Consulting



Support companies by involving the regional community

- ✓ **“Setouchi Supporter” to support regional companies**

Establishment of an investment trust by a Group company (an asset management company) to include companies based in three prefectures (Okayama, Kagawa and Hiroshima) in the Setouchi area.



- ✓ **Community-based crowdfunding**

Support for fund procurement of community-based projects from a small amount



Hare Fure Okayama Transition to a holding company

Chugin Group

Conventional financial functions (loans, deposits and exchange)

Support for starting up a business

Support for growth

Business succession Management improvement

Digital

Solution of regional issues



Objectives

Establish sustainable business models that will mutually develop among regional society and customers

Goals

- ✓ Expanding business channels
- ✓ Appropriate allocation of management resources
- ✓ Advancing group governance

Build a flexible organizational structure that will withstand changes in the business environment.

Our intended form

Evolve into “a comprehensive service provider centering on finance”

Become an organization capable of continuing to create new value to regional society.

The Chugin Group’s comprehensive financial services provision system



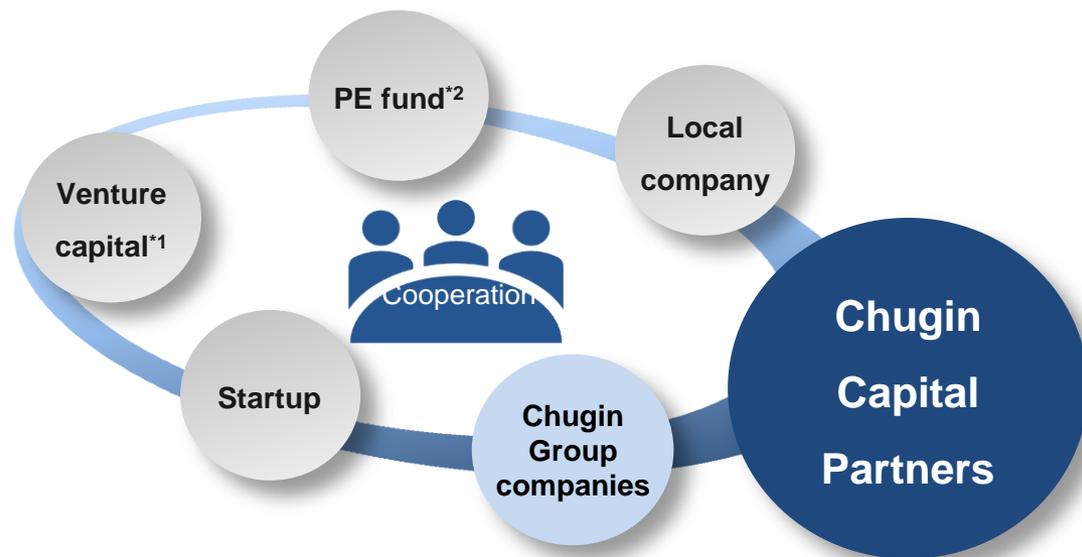
Expansion of business channels to respond to regional needs

Chugin Capital Partners, Limited

Established: April 1, 2022

A community-based, investment-specific subsidiary

- (*1) An investment company that invests in companies expected to achieve high growth such as startups and venture capitals
- (*2) PE stands for private equity fund. A company that invests in unlisted companies with challenges such as business succession, and provides support for management and growth (to improve corporate value)
- (*3) A company that operates businesses considered to contribute to vitalization of the region



Startup
Local company / local entrepreneur
Regional problem-solution-type company
Build a regional ecosystem with startups

Regional vitalization business operator*3
Renewable-energy-related business operator
Town-development-related business operator
Contribution to regional vitalization and regional decarbonization

Business succession company
Company in need of business succession
Company attempting to realize new growth
Survival and development of companies without a successor

Sustainable development of the regional economy



Fund

- Business succession and growth • “Chugin Fund for Creating the Future Together”
- Infrastructure • “Chugin Hare-no-kuni Infrastructure Fund*”
- Venture capital • “Chugin Infinity Fund” • Other • “Chugin Bridge Fund”

*The commitment period expired in March 2020.

Menu

Business succession

- Become a recipient of capital in the absence of a successor to support smooth succession of stock.

Support for growth

- Support for planning growth strategies and fund procurement with the aim of accelerating growth

MBO (Management Buyout)

- Support for succession (management) by accompanying an internal candidate for successor

Joint investment

- Joint support for management in cooperation with major domestic business partners (e.g., private companies, external PE funds)

M&A strategy (roll-up strategy)

- Support for business growth (creation of synergy effects and expansion of market share) through M&A from financing and operational aspects

Support for further growth through a hands-on approach

Chugin Human Innovations Co., Ltd.

Established: May 30, 2022



- ✓ **Utilization of management resources and creditworthiness of the Chugin Group**
Differentiate the company from other companies by making the best use of the Group's management resources (people, products, money, information and networks) plus creditworthiness.
- ✓ **Application of group synergy and contribution to regional vitalization**
Contribution to the development of the regional economy by cooperating with the two newly established companies (Chugin Capital Partners and C Cube Consulting) in addition to the Group's existing businesses, and collaborating with regional companies in the same industry.

Become the platform of the region that connects “people’s” hearts by providing one-stop solutions to various consultations and requests concerning “people.”

A company that provides one-stop solutions concerning “people”



● '19/8

The Chugoku Bank launched the “staff agency business.”

● '22/5

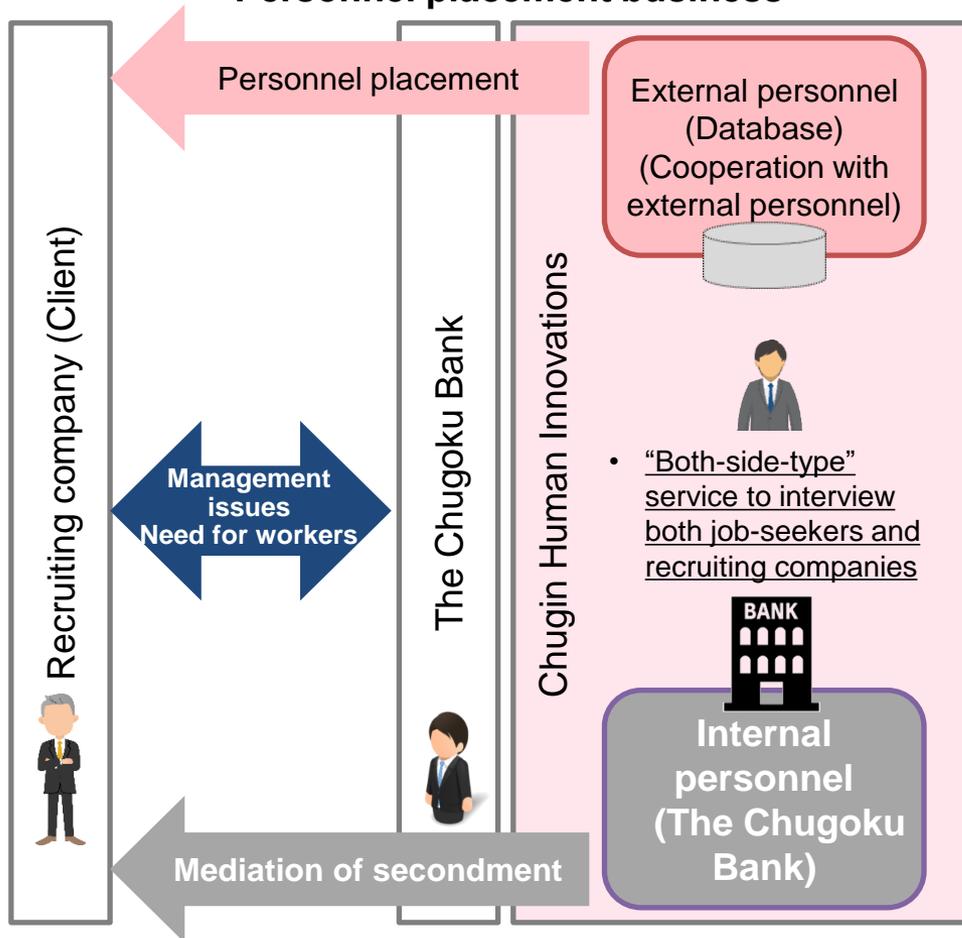
Chugin Human Innovations was established.

● '22/10

Received a license for the fee-charging, employment-placement business. Launched the business after the transfer of business from The Chugoku Bank.

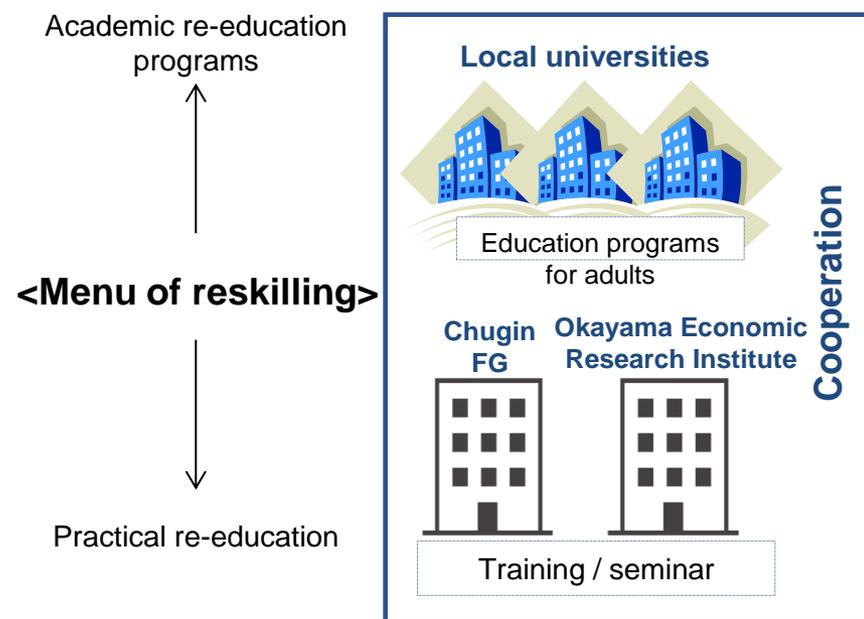
Provide a menu of diversified solutions concerning “people” as the key management issue of a corporation based on the “personnel placement business.”

Business program of “Personnel placement business”



Future development (including those under consideration)

Example: Re-skilling, training/seminar services



The expansion of services including support for dual employment / side-business placement and personnel consulting is under consideration.

Introduced ahead of other banks the “both-side-type” personnel placement system under which matching is made by interviewing both recruiting companies and job-seekers.

The retention rate after joining the recruiting company is 98.3%.* (as of July 2022)

*Results in The Chugoku Bank

C Cube Consulting Co., Ltd.

Representative: Ryu Nishihara

(Former Director at PwC Consulting LLC;
Born in Okayama Prefecture)

Established: September 1, 2022

Origin of the company name:

Chugin Financial Group × **C**ommunity × **C**o-Creation

Characteristics

1

A **startup** with enthusiasm for regional revitalization

2

Solution to **wide-area** social issues (BtoX)

3

Design regional communities with the **comprehensive capability** of the Chugin Group

4

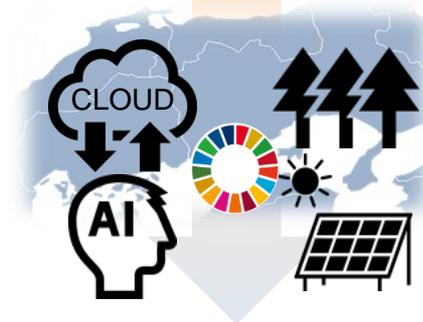
Utilization of the **creditworthiness** and regional relations of The Chugoku Bank

Contribution to the solution of customers' and regional issues and sustainable growth

Diversifying and sophisticating regional issues

DX

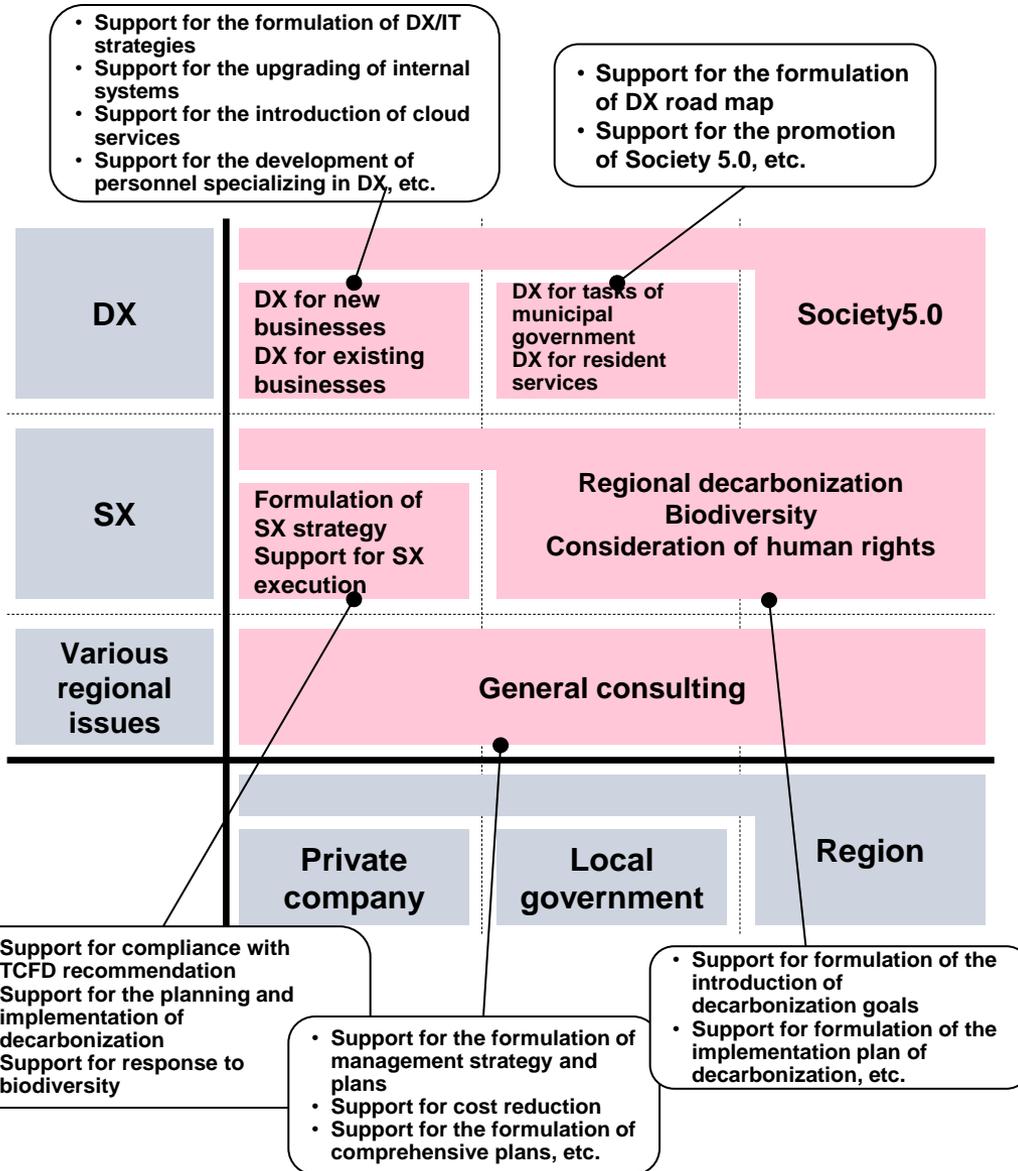
SX



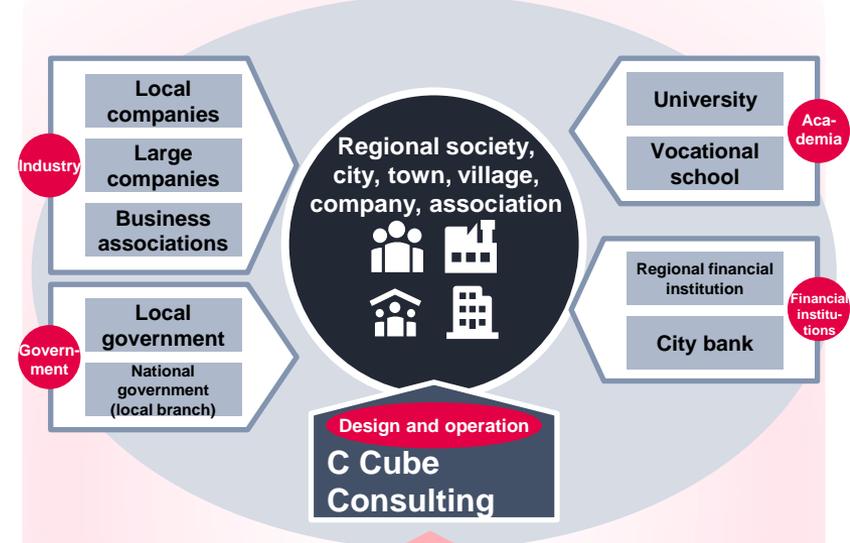
Establishment of regional DX/SX promotion models

- New, unprecedented **startup** as a regional financial institution, **a consulting company with a progressive spirit**
- Take the **lead in solving difficult issues of the region** as the center of the regional ecosystem.
- **Create the future of the regional communities with the predominantly wide solutions** generated from the synergy of the consulting capability and the comprehensive power of the Chugin Group, not limited to loans.
- Handle regional issues from the standpoint that is **closest to regional opinions (issues)**, using the firm relations with the relevant region as a leading bank of the East Setouchi Economic Zone.

Business Domain



To solve social issues of the region

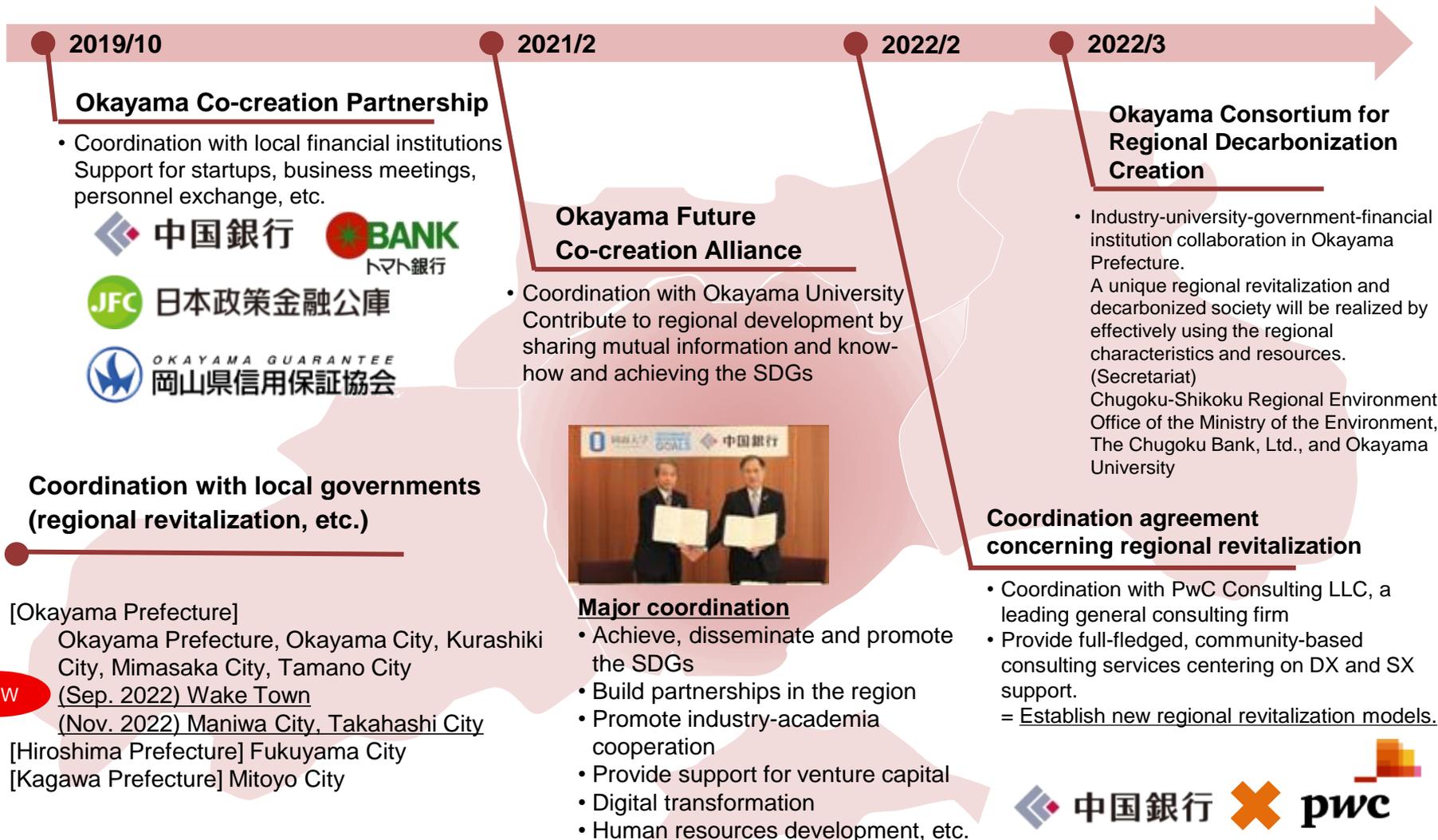


Comprehensive capabilities of the Chugin Group

- **Management resources of the Chugin Group**
Total support from upstream (formulation of strategy) to downstream (financing and acquisition of human resources)
- **Utilization of creditworthiness and relations in the region**
- **Group of professionals with a passion for regional revitalization**
Established as a small group of elite professionals specializing mainly in consulting business, invited from outside the Group

Regional coordination strategy

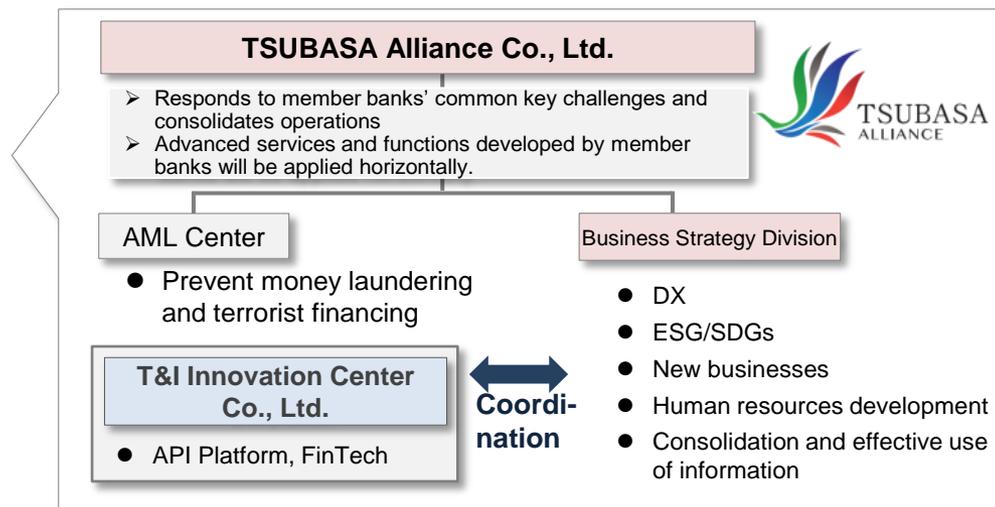
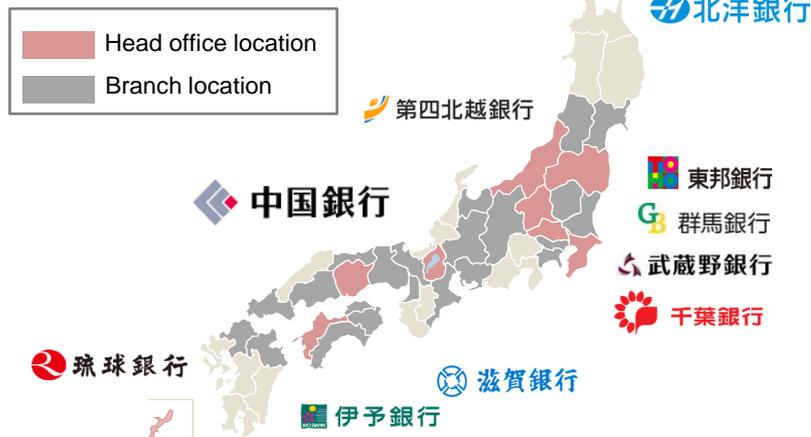
- Accelerate coordination in a wide range over the borders of industries toward regional development



TSUBASA Alliance:

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

- The alliance's **total assets of 96 trillion yen** are the largest following those of Japanese mega banks (as of Mar. 2022).
- **26 million retail customers and 2.2 million corporate customers** correspond to those of the Japanese mega banks.



The effect of the alliance will significantly increase when each bank mutually utilizes its strengths.

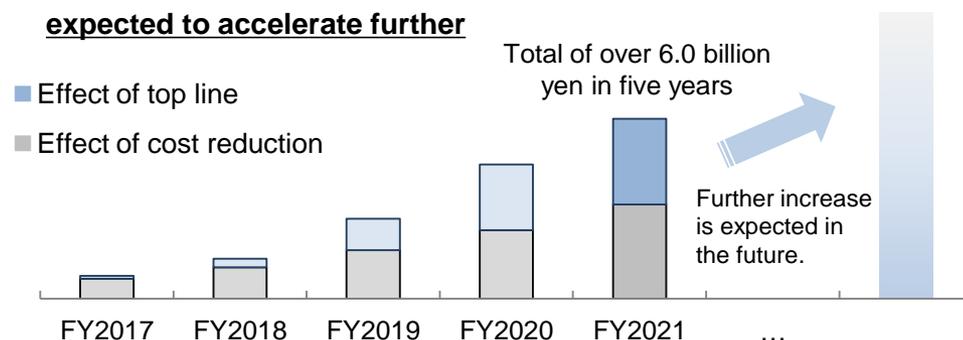
➤ Enhancing the top line

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

➤ Cost reduction, streamlining of operations

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

The effect of the alliance is expected to accelerate further





- The next Medium-term Management Plan represents the period in which we must work to achieve the KPIs of the Long-term Management Plan (10-year strategy) by demonstrating the results of the reforms implemented in Stages I and II. It is also the period for considering the direction we should pursue on a long-term basis, taking into consideration the next 10 years.

Positioning

Achievement

Stage



**Structural reform
Enhancement of
tangible aspects**

Investment in BPR



**From clerical work
to sales activities**

Stage



**Behavioral change
Enhancement of
intangible aspects**

**Autonomous sales system
Personnel evaluation system**



**Acceleration of new business
development**

Transfer to a holding company system

Stage

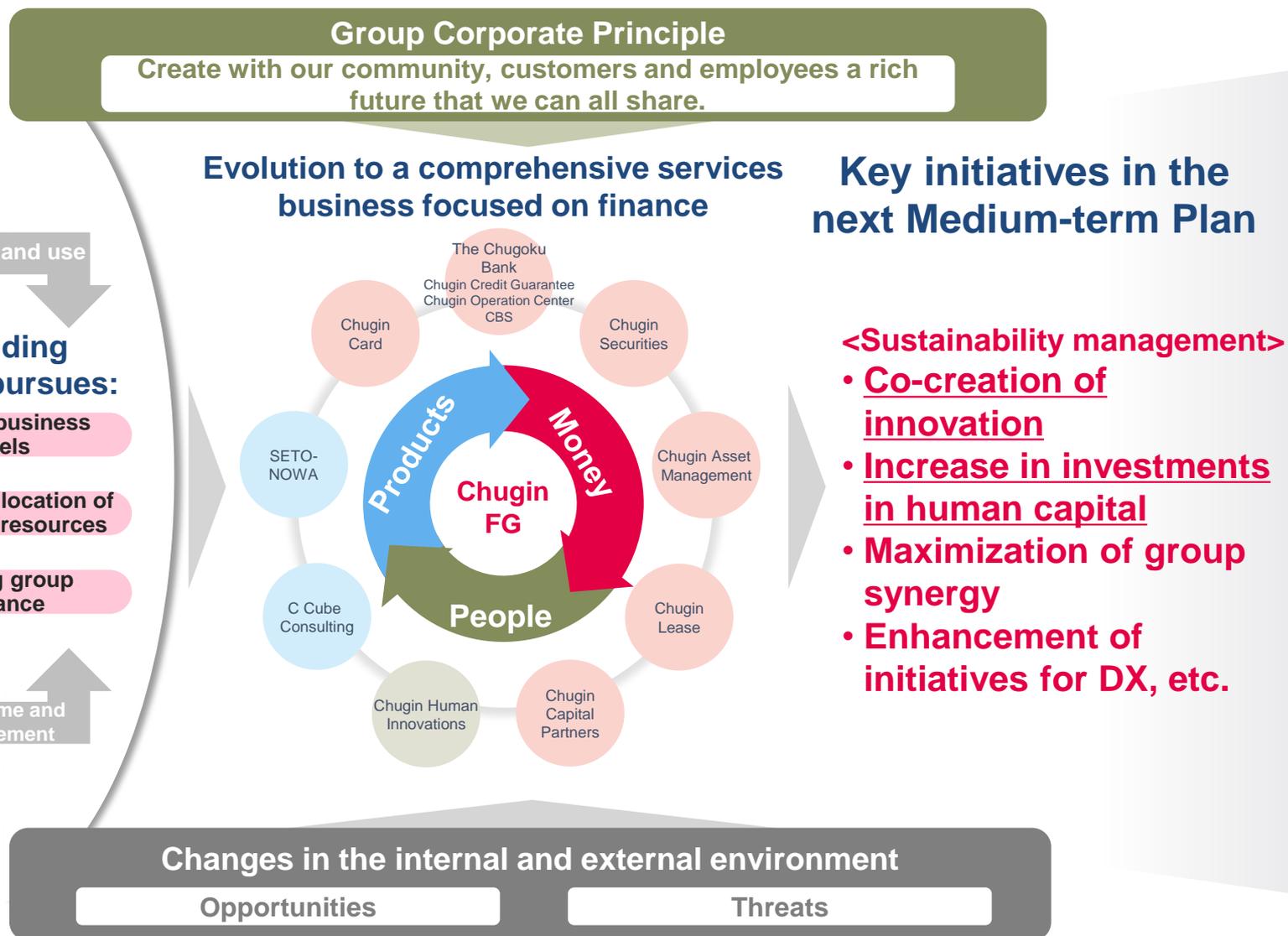


<Positioning of the next Medium-term Plan>

- Achievement of the KPIs of 10-year strategy by demonstrating the results based on the reforms implemented in Stages I and II
- Responses to challenges in the aspects of strategy and measures and factors to be newly added, which emerged in Stages I and II
- Consideration of the direction we need to pursue on a long-term basis toward the next 10 years



- Build sustainable business models while addressing new challenges.



Our Future (Statement)

We are in times of change. Turn to an offensive, not a defensive, position.

Let your dreams come true without getting into a rut.

Chugin will evolve to a comprehensive financial group to co-create a rich future together with its customers.

Optimum solutions will be created for diversified and sophisticated issues while we listen sincerely to customers' opinions, on the back of our deepening financial services.

We may experience failure in taking on the challenge of expanding our business domains.

We may also be caught in trouble and suffer when we face a question without a right answer.

Still, we refuse to escape.

Our challenges build our future. Challenges of each of us build our future. This is our belief.

Each one of us will proactively take on the challenge of each issue.

What we see over the horizon is an area where happiness circulates and the future of dreams come true.

Today, we walk in excitement toward our challenges.



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Chugin Financial Group, Inc.

[Reference Materials]

Initiatives for the Principal Measures (Sustainability)

- | | |
|--|-------|
| 1. Enhancement of Initiatives for Regional Revitalization and the SDGs | 47-52 |
| 2. Deepening of Customer-oriented Sales Activities: | 53-55 |
| 3. Vitalization of the Organization | 56 |
| 4. Enhancement of the Digitalization Strategy | 57-58 |
| 5. Establishment of a Sustainable Growth Model | 59-60 |

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

Initiatives for Regional Revitalization

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

Roles of the Chugin 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.



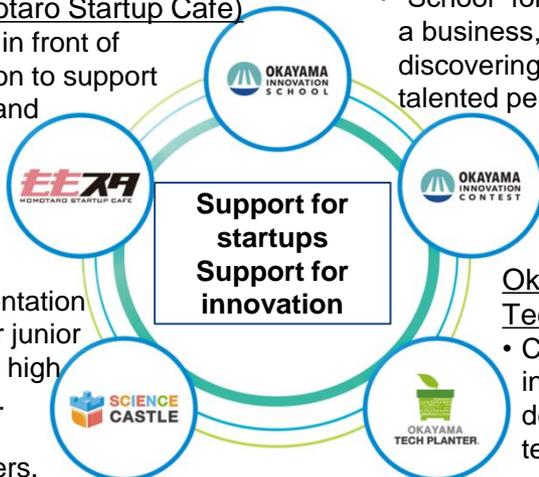
Initiatives to date

Momosta (Momotaro Startup Cafe)

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

Science Castle

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



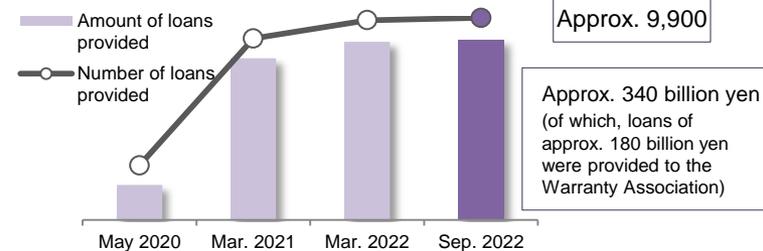
Okayama Innovation Project

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

Okayama Tech Planter Tech Grand Prix

- Creates industries and incubates ventures by developing science technologies

COVID-19-related loans



Issuance of social bonds (corona Bonds)

- For maintenance of the 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

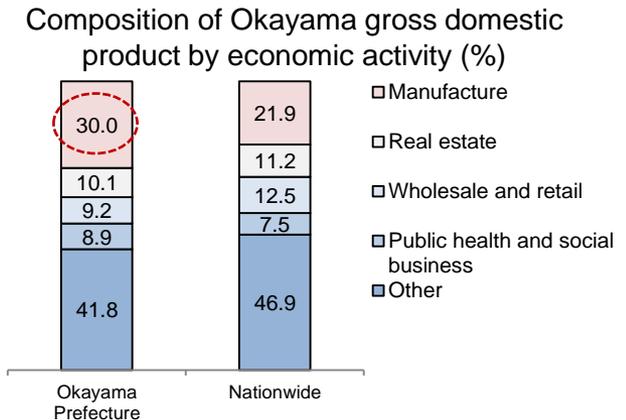
Addressing Climate Change

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

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

Challenges in mind

- ✓ Risk that local companies may fall behind in decarbonization
 - Industrial structure of Okayama Prefecture (There are many manufacturers, including the Mizushima Industrial Zone 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.



*1. Task Force on Climate-related Financial Disclosures
 *2. IEA's Sustainable Development Scenario (SDS) (2 degrees Celsius scenario)
 *3. IPCC's RCP8.5 scenario (4 degrees Celsius scenario)

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.

Task Force on Climate-related Financial Disclosures*¹ (since July 2022)

- | | |
|------------------------|---|
| Governance | <ul style="list-style-type: none"> • Improvement of the promotion system mainly by the Sustainability Committee • Reflected on the evaluation of risk and opportunity, and the sustainability management strategy |
| Strategy | <ul style="list-style-type: none"> • <u>Transition risk</u> ("electric power," "automobiles and their components")² • Increase in credit cost until 2050: 18.0 billion yen in total • <u>Physical risk</u> (impact of flood disaster)³ • Total increase in credit cost until 2050: 6.0 billion yen at the maximum |
| Risk management | <ul style="list-style-type: none"> • <u>CO₂ emissions</u>: Scopes 1 and 2 will be reduced to Net Zero by the end of 2030. |
| Indicators and targets | <ul style="list-style-type: none"> • Sustainable finance: Loans equivalent to 1.5 trillion yen will be executed by the end of 2030. |

1. Enhancement of Initiatives for Regional Revitalization and the SDGs – Sustainable Finance

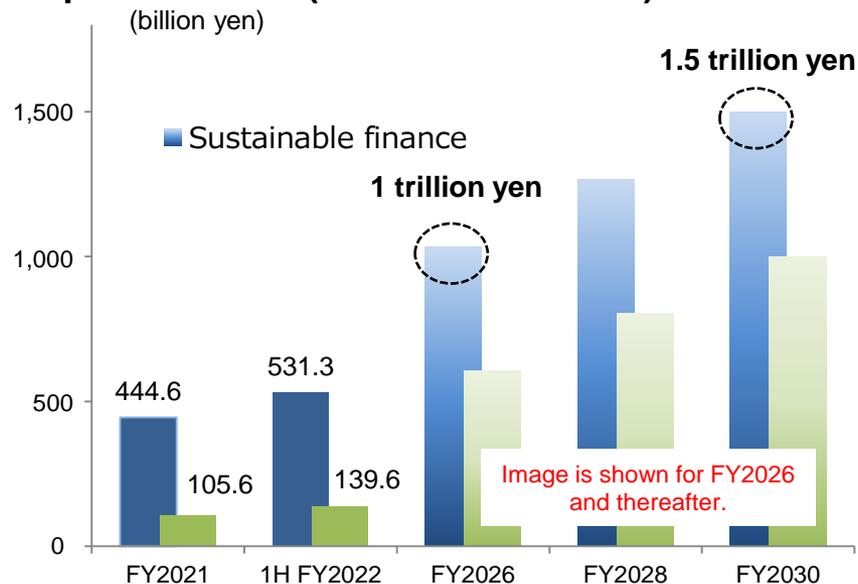
Environmental and social finance

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

Image of track record and future implementation (Accumulated total)



➢ Enlightenment activity for the Group companies

SDGs-related training has been implemented periodically
Promoting the understanding and initiatives for employees



➢ Coordination with external companies

Contribution to fostering the sense of regional sustainability in cooperation with other financial institutions, companies, and universities.

2022年 9月8日(木) 13:30~16:30 (受付13:00~)

場所: ヘルスピア倉敷 (倉敷市湯島町西之湯4141)

対象: 水島地域でコンテナに関連する事業を営む企業ご担当者、脱炭素化に関心のある企業及び自団体のご担当者

申込/お切り: 9月5日(月)

参加費無料 定員100名 (先着順)

当日スケジュール: 13:30~16:00 講演 「カーボンニュートラル社会の実現に向けた未来社会のデザイン」 講師 辻 佳子氏、「化学等の原料産業のカーボンニュートラル化に向け、廃棄物及び再生可能エネルギーの有効利用」 講師 藤井 英広氏、「地域脱炭素創生の実現に向けて」 講師 中国四国地方連携事務局、「カーボンニュートラルに向けた取組と支援策について」 経済産業省 中国経済産業局

16:00~16:30 交流会 講師や参加者同士での名刺交換会 (自由参加)

(Held on September 8, 2022)
A “decarbonization seminar” was held for companies in the Mizushima area of Kurashiki City.

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

- The special dedicated section “SDGs Promotion Department (FG)” plays the leading role, operating the basic policy and the committee.
- 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.

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 abovementioned items

Sustainability Promotion Department

Regional Revitalization

- Local government
- Coordination with local governments
 - Tourism-related business, etc.

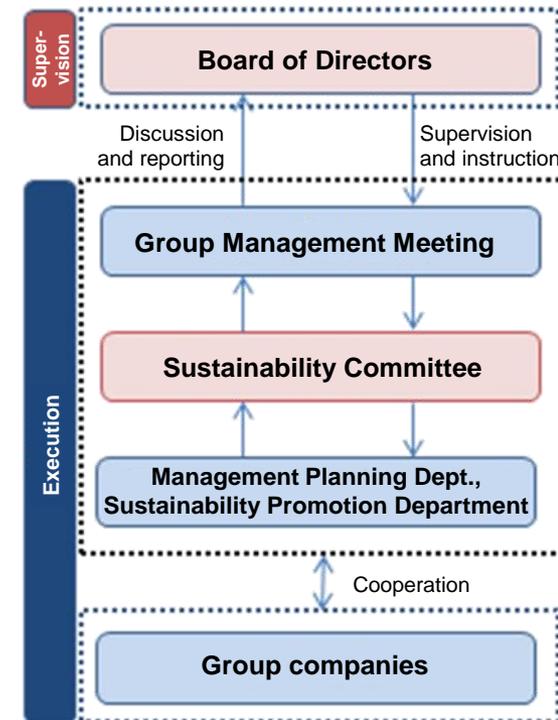
- Startups
- Support business for startups
 - Industry-academia coordination, etc.

SDGs

- SDGs
- Planning and implementation of measures
 - Planning for sales offices, etc.

- CSR
- Cooperation, donation
 - Planning and implementation of CSR events

<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

- 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.

Local trading company

Local trading company
“SETONOWA”

Chugin Financial Group

山陽新聞社
 (Local newspaper)

TENMAYA
 (Local department store)

Analysis, strategy
 Product planning and development
 Branding
 Channel development
 Promotion

株式会社アイディーエイ
 (Branding, design)

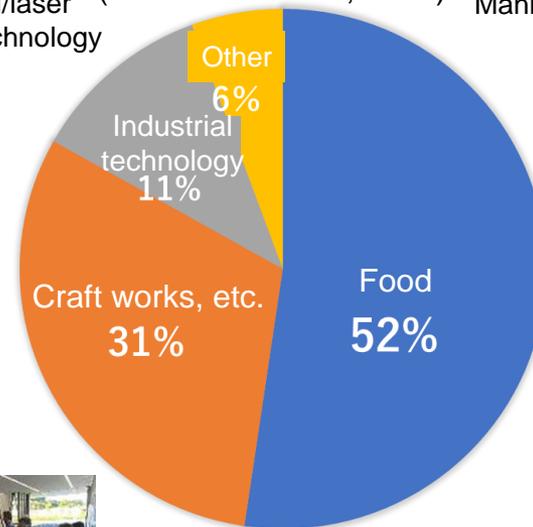
・HAKUHODO・
 中国四国博報堂
 (Advertising and producing)



Sheet metal/laser processing technology



Status of consultations (as of October 31, 2022)



Mannou sunflower seed oil



Tatami mats & sports



Strengths

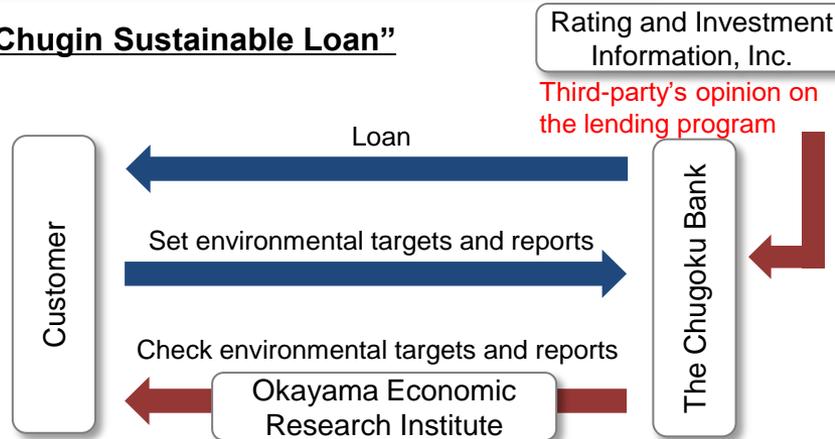
- Complements knowledge that the Chugin Group lacks, such as in distribution, promotion, design and marketing, through merger with companies representing the region
- Disseminates the region's appeal by making the most of the know-how and networks of the five participating companies and the Chugin Group's managerial resources

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 the 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

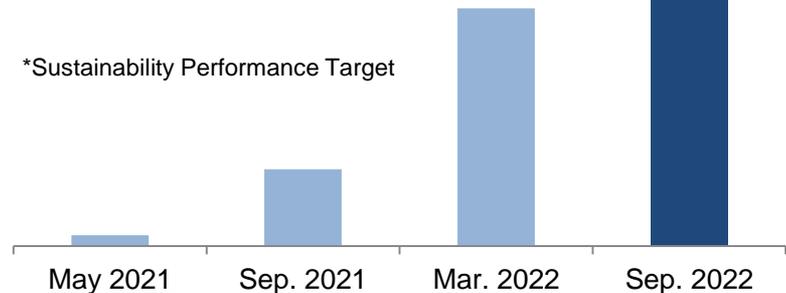
“Chugin Sustainable Loan”



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 (%)

Total amount of implementations: 2,770 million yen



“Chugin SDGs Support”

The Chugoku Bank will support your efforts toward the SDGs.



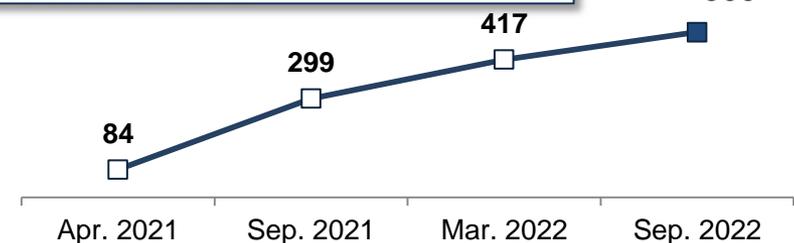
Illustration of Chugin SDGs Support



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: 500



2. Deepening of Customer-oriented Sales Activities – Corporate Solutions

- 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 the HQ in unison

- **Assigned a Relationship Management rep at the HQ**
 - Carries out sophisticated solution sales that link the information of the sales sites and the professional knowledge of the 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**
 - Subsidiary specialized in investment "Chugin Capital Partners"

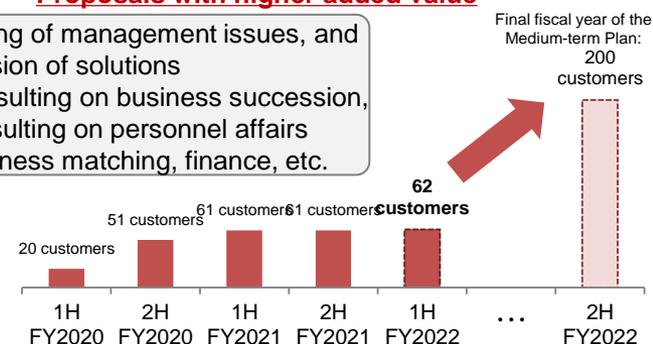
Customers for relationship management

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

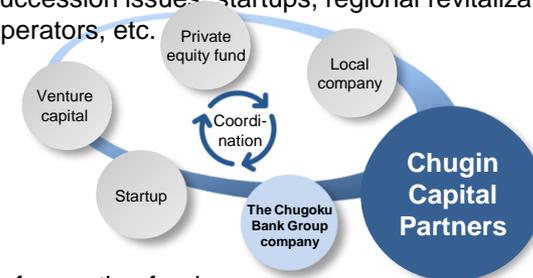
Sharing of management issues, and provision of solutions

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



Chugin Capital Partners (April 2022)

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



<Example of operating fund>

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 the formulation of growth strategies by effectively using equity, and supports their growth

2. Deepening of Customer-oriented Sales Activities

– Retail Solutions and Group Synergies

- Retail solutions: We support customers' life plans from both financial and non-financial aspects, according to the customer segment and the 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 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 Okomarigoto Kaiketsu (Problem-solving) Support”
 - Inheritance, end-of-life preparations, real estate, housework, nursing care, etc.

Maximization of group synergies

Personnel allocation

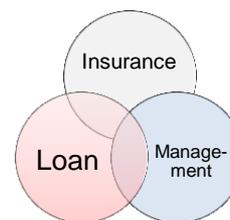
- Active bank employees and external personnel take office as representatives (*At the underlined company, an external personnel member has assumed the representative position.)
 - Chugin Lease, Chugin Securities, Chugin Capital Partners, Local trading company “SETONOWA,” Chugin Human Innovations, C Cube Consulting

Expanding the business channels

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

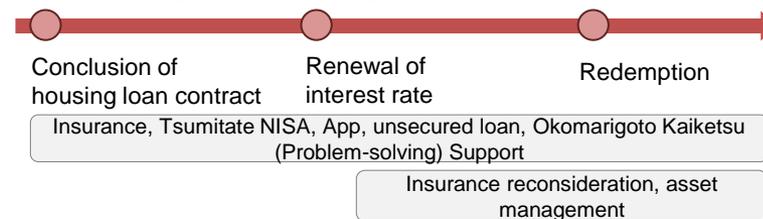
Increase transactions with customers

Life Plan Center (Five centers as of March 2022)

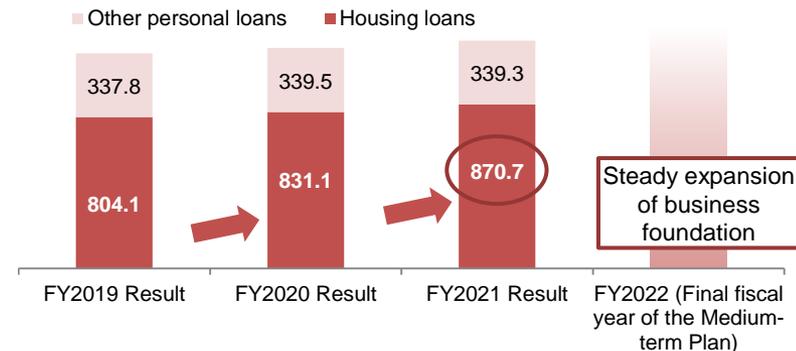


- ✓ The conventional functions of the housing loan center were strengthened, and the name was changed to the Life Plan Center. (Sales Offices provided customers with information on holiday channels.)
- ✓ Consulting sales and cross-selling are conducted according to customers' life plans, with housing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

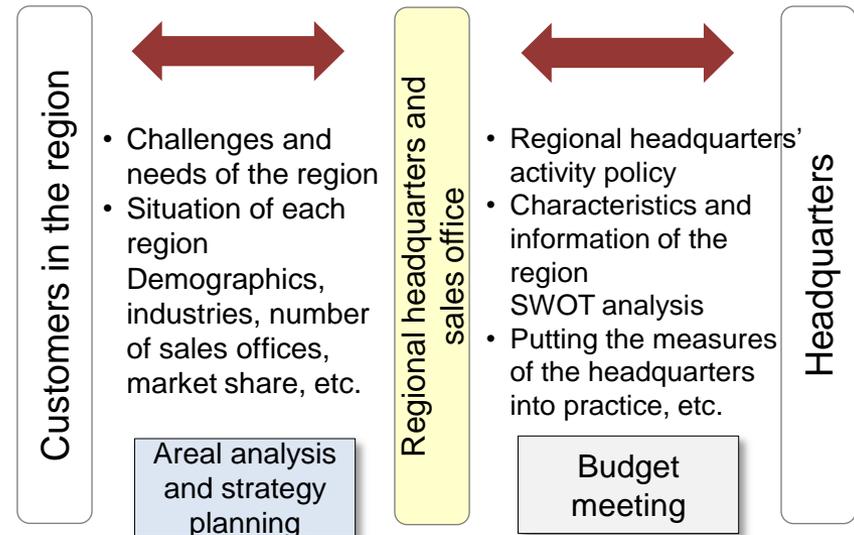
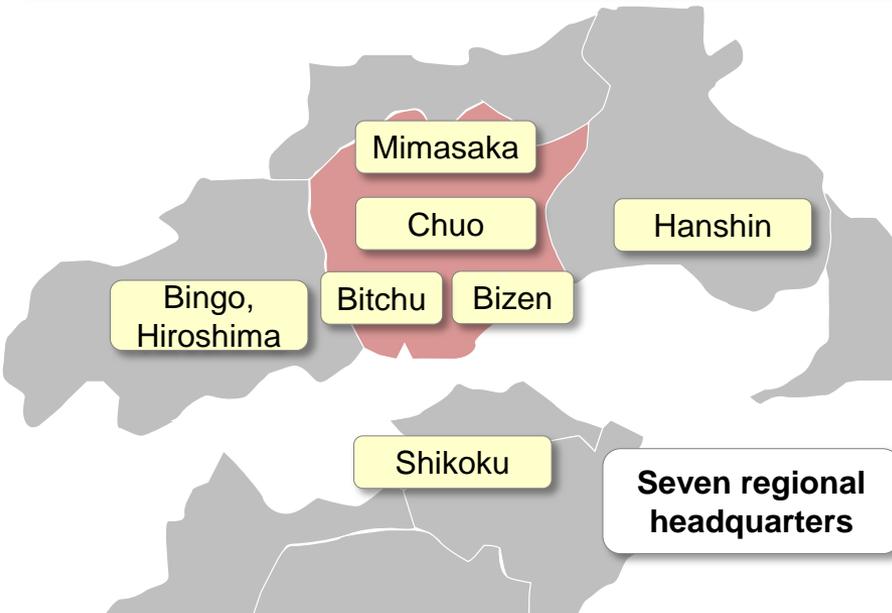
– Regional Headquarters Structure and Autonomous Goal Setting



- Regional Headquarters Structure: Cooperation with the region (city, town, village) will be further strengthened by establishing seven regional headquarters according to the administrative divisions.
- Autonomous goal setting: 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 “Autonomous goal setting” by sales offices



Objectives of the regional headquarters structure:

- Understanding the challenges and needs, which 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 autonomous goal setting:

- 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

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 a flex-time system, a 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 the "Iku-boss" (a boss sympathetic to male employees spending time with their children), and promotion of both male and female employees taking 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 concern 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 (to improve the 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).



Health & Productivity Management Outstanding Organization

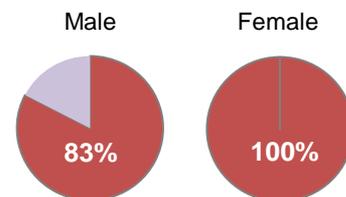
Health and productivity

Reduction of overtime hours worked by improving productivity and workstyle reform

↓

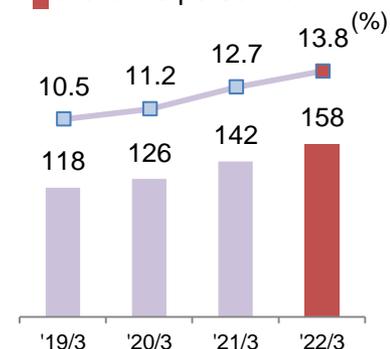
Improve the working environment to allow diversified personnel to play their roles actively

Rate of taking child-care leave



*The rate indicates employees whose child was born between April 1, 2020 and March 31, 2021, and took child-care leave by March 31, 2022.

Number and rate of female executive personnel



- Personnel who were appointed as General Managers 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 the 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 businesses

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

Next-generation-type sales office



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 a cross-industrial coordination channel

Retail customers

Corporate

Development of a 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



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)

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

4. Enhancement of the Digitalization Strategy – Channel Our challenges build our future. Chugin Financial Group, Inc.

- Launched the “Chugin app” for retail customers in July 2021, and the “Chugin Business Portal” in September 2022.
- A new sales style will be realized by combining face-to-face and non-face-to-face channels.

Chugin app

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

Face-to-face

- Sales offices
- Life Plan Center
- **Chugin app**

- Website, SNS, mail
- Call center, etc.

Non-face-to-face

Number of customers who underwent a face-to-face meeting
Approx. 230,000

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

Number of customers who have not had a face-to-face meeting
Approx. 1,770,000



Chugin Business Portal NEW

Timely information provided using the online contact

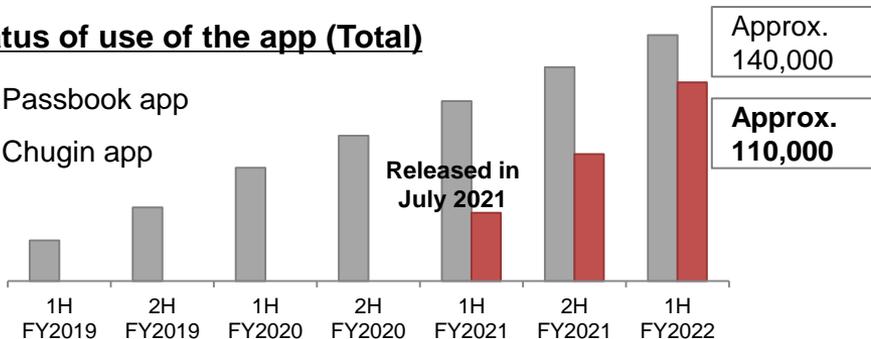
Mikatano fund management: Fund management function



(Mikatano Works: Management of schedule and attendance, etc.)

Status of use of the app (Total)

- Passbook app
- Chugin app



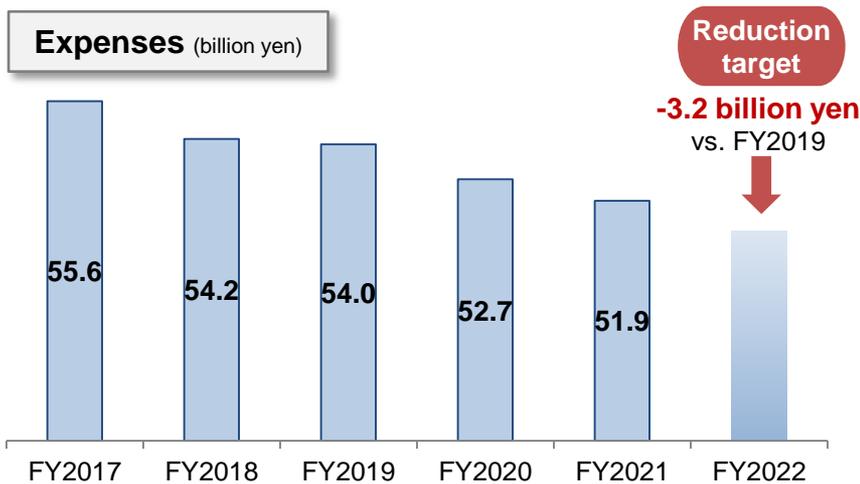
Contributes to improvement of customer convenience and efficiency of operations, and timely information is provided based on data analyses from sales offices and the Headquarters and according to customer needs

5. Establishment of a Sustainable Growth Model

– Expenses, Employees and Sales Offices

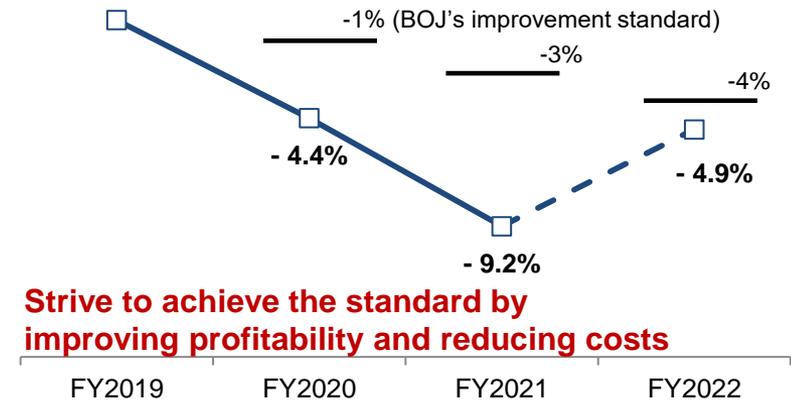
- We have succeeded in thoroughly streamlining operations due to the digitalization and BPR that we promoted under the previous Medium-term Plan.
- We will carry out fundamental cost reductions toward a sustainable growth model while maintaining and improving customer convenience.

Expenses (billion yen)



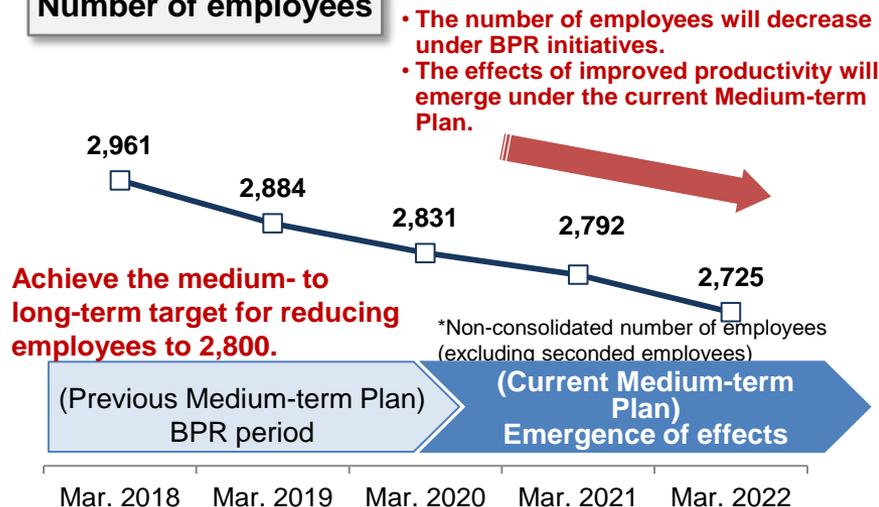
*The reduction target includes the end of the 1.4 billion yen per year amortization of the TSUBASA mission-critical system.

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

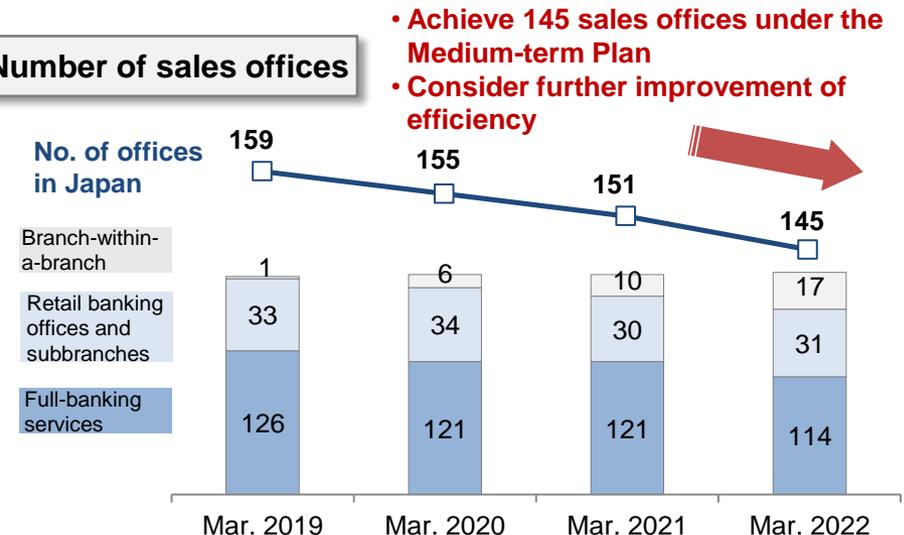


Strive to achieve the standard by improving profitability and reducing costs

Number of employees



Number of sales offices

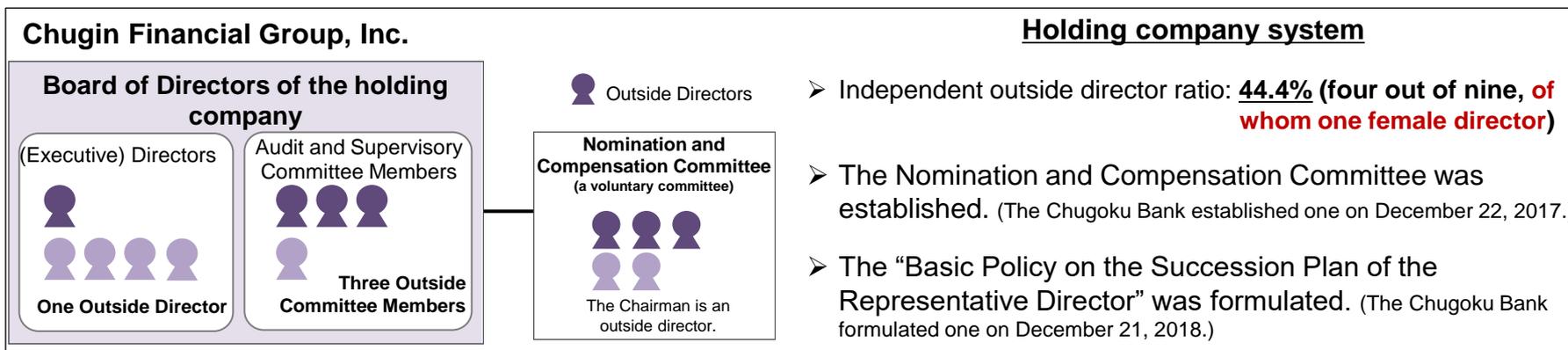


*Excludes overseas and Internet branches

5. Establishment of a Sustainable Growth Model – Corporate Governance

Enhance governance to achieve “sound and sustainable growth” and “improvement of corporate value on a medium- to long-term basis.”

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



Outside Directors ➤ Outside Directors with diversified backgrounds and professions were appointed.

	Name	Principal background	Specialized field
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
The Chugoku Bank	Hikomichi Furuya, Audit and Supervisory Committee Member	Former Vice-Governor, Okayama Prefecture	Economic policy
	Yasuhiro Hitomi, Audit and Supervisory Committee Member	Former Director in charge of Development and Design Department, Fishing Operation Division, SHIMANO INC.	Corporate management



Our challenges build our future.

Chugin Financial Group, Inc.

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.