# February 10, 2025 –
# Financial Results for the Nine Months of FY2024 ending March 31, 2025
# Main Questions and Answers

[Capital policy / Shareholder returns]

Q. Please explain the intent and meaning that management is trying to convey to investors with this dividend increase.

A. The dividend payout ratio have now set at a level that would achieve the long-term dividend payout ratio target of 40%, which we had said we would like to achieve as soon as possible. The reasons for this is that the policy rate hike in January has made it clear that we will be able to achieve our goals for the current fiscal year, and also to increase our net interest income in the next fiscal year and beyond. In addition, the increase in the loan balance, steady growth in net fees and commissions, and the fact that we have been able to achieve a high pass-through rate on interest rate increases are also the basis for raising the dividend. Although our policy of aiming for 40% or more over the long term remains unchanged at this time, we will continue discussions, taking into consideration the opinions of you all and market conditions. Regarding capital utilization, we are currently reviewing the RAF. We are organizing this so that we can give a full explanation of capital allocations, etc., at the large meeting in May.

Q. I would like to know about the progress of upgrading the RAF and clarification of capital allocation to the extent possible.

A. Regarding upgrading the RAF, it is envisioned that the new framework will be operational on a trial basis in FY2025, with full-scale operation beginning in FY2026. We are in a world with interest rates, so we intend to develop our performance plan while clarifying where we should willingly assume risk or not. We are in the process of making rational decisions based on figures such as RORA, ROE, and OHR, while determining which sectors are profitable and match our strategy in the short, medium, and long term. In this context, we would like to be able to explain more clearly how we will use the capital, and what level of capital is required.

Q. Regarding the cancellation of treasury shares, I would like to know the reason for the implementation of the 10 million shares and the future policy for the remaining treasury shares. Also, what kind of discussions took place at the board meeting when you decided on 10 million shares?

A. We received many comments regarding capital discipline, and have sincerly taken these comments into consideration and decided to cancel more shares than the amount of share buyback in this fiscal year. We intend to continue canceling the shares we repurchase in the future as well. The Board of Directors is in the process of discussing how it will be utilized. About the cancellation of treasury shares, we will be considered based on discussions on the appropriate level of treasury shares.

Q. I would like to know how to divide the segments in upgrading the RAF and what is the policy for dealing with less profitable businesses. Also, is there any change in the operation of the target range?

A. We are currently examining various cut-off points such as RORA and OHR, including what segments might be good. It is also believed that less profitable businesses are areas with room for growth. Including the operation of the target range, we are considering the use of capital.

[Credit-related expenses]

Q. Please tell us about the current situation, the outlook for the next fiscal year and beyond, and the status of your bank's response.

A. For Q3, there were no large, downgraded customers as in H1 of the year, and the amount of new downgrades was only JPY1.2 billion. We believe that this has calmed down for the moment. Even with the precautionary provisioning that we implement each period, we are still within our current planned credit-related expenses and have a bit of leeway. As we intend to continue to use of data including tracking deposit and withdrawal data from other banks and we have expanded the scope of our solution review meetings, we are committed to understanding the actual situation of our customers in detail and to providing support in an accompanying manner. In the next fiscal year and beyond, at this time, we expect the credit-related expenses and the amount of new downgrades to be at the same level as in the current fiscal year. It is a phase of a certain degree of renewal due to various environmental changes surrounding a company, and we believe it is necessary to continue to monitor the situation closely.

[Loans and deposits]

Q. Regarding loan growth, what is your view of sustainability, including corporate financing needs? Please give us your impressions, such as whether you sense any change in the sentiment of business managers, etc.

A. Lending to SMEs increased by JPY430.0 billion YoY, while lending to large and med-sized corporations also increased by approximately JPY80.0 billion. Also,the amount of equipment financing increased by 11% YoY, with demand being strong. As for the future outlook, according to the business trend survey conducted by the Chiba Economic Center, the capital investment plan for FY2024 is 26% higher than that for FY2023. We believe that many companies are committed to maintaining a high level of investment and we see the demand as being as strong as ever.

Q. Please tell us about your strategy for obtaining deposits and whether you will be able to maintain a 40% deposit interest pass-through rate.

A. We expect deposits to continue to grow in Chiba Prefecture, which has an area with high growth potential, and a favorable mother market. We believe it is important to do two things to increase the number of young customers who open new accounts and to let customers take advantage of their account. For the younger generation, the number of accounts opened via the Web is increasing due to strengthening the web advertising. Since we will enhance the use of data and changing the customer experience, we believe that customers will make use of their accounts and other products, which will lead to an increase in deposits. We believe that the pass-through rate can be maintained at approximately 40% based on the current situation.

[Net fees and commisions]

Q. About fees and commissions received from corporate solutions. Finance-related business has been particularly strong. Please tell us about its sustainability and the potential for non–finance-related business.

A. We believe that the growth rate of finance-related and non–finance-related fees is about the same, and that the growth is well-balanced. In the finance-related fees, lending is growing and a pipeline of cooperative projects that are being promoted through alliances is being built. As for the non-financial fees, there continues to be a large number of ICT consulting projects. Furthermore, now that EDGE Technology has become a wholly owned subsidiary, we are receiving an increasing number of inquiries about how to utilize AI. At the lecture meetings sponsored by Chibagin Research Institute Corporation, the response to AI has been very positive. We are able to receive consultations on a wide range of digital transformation and we believe that these are also in our pipeline. As for M&As, we are sensing the possibility of more progress than anticipated in the future through the buyout fund we have established.

[Securities Management]

Q. In a rising interest rate, are yen bonds that do not meet the deposit rate subject to loss-cut?

A. We understand that interest rates are likely to rise gradually, so we have sold low-yield bonds and are currently replacing them with mainly two-year JGBs. We would also have to consider selling more depending on the status of the interest rate hike. The policy is to gradually replace bonds with negative spreads.

[Cross-shareholdings]

Q. In the policy shares of Chiba Bank may be sold by the holding company, is there a possibility of a sale, or will you absorb them while the other party sells them, including acquiring treasury shares?

A. In principle, we expect our shareholders to sell their shares in the market when they decide to sell their shares in the Bank, and we will naturally consider absorbing such sales through share repurchases and other means.

[EDGE Technology]

Q. What did you notice about EDGE Technology in PMI? Conversely, what did the other party think of Chiba Bank?

A. We had multiple opportunities to speak with employees as well as board members through social events, and they have received us very favorably. We also feel that they have high expectations for the Bank in terms of sales. Four people from EDGE Technology have already come to the Bank's Digital Strategy Division to participate primarily in data marketing. In addition, the company's AI training is currently being deployed within the bank, and the high participation and progress rates indicate that employees as a whole are increasingly motivated towards AI.

[BOJ operations]

Q. I would like to know the balance and the remaining maturity subject to this loan increase support operation.

A. Of the JPY1.6 trillion, approximately JPY1.3 trillion is the balance of loan increase support operations. Most of them have been financed with four-year maturities, and will start maturing around 2027. The interest rate rise simulation on page 19 conservatively assumes that the cost of funding from the BOJ operations will rise at the same rate as market interest rates. In reality, however, funding through BOJ operations does not raise funding costs until maturity, so we believe this is a bit of an upside factor.

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