May 23, 2025 –
Financial Results for FY2024 ended March 2025
Main Questions and Answers

[General Management]

Q. Please tell us about your management issues separately for the short-term, medium- and long-term. Could you tell us about the issues that the president Yonemoto identified as an issue or challenge in the short term, and the corporate culture, operating base, capital management, and other issues for the next mid-term plan?

A.One of the short-term management issues is retail business. In the past five years, the Bank has halved its revenue from investment trusts and personal annuities and shifted to a policy of eliminating profit targets and placing emphasis on activity. On the other hand, gross business profit of retail business increased by about 3.5 billion yen in two years. The challenge is to move forward with reskilling the liaison and contact personnel and transitioning to a general consultant for individuals. Non-face-to-face sales of investment trusts increased to two-thirds of the total, and sales of investment trusts and financial products as a whole increased by about 25% and 7%, respectively, from the previous year, which is viewed as a good change.The second point is difference between consolidated and non-consolidated. Preparations are underway for the next mid-term plan to review existing operations through the use of consulting and to take on challenges in new operations. I would like to steadily nurture good businesses such as electric power, regional trading companies and initiatives related to anti-money laundering. The third point is the regional ecosystem. We would like to develop a “regional-focused business” through the integration of apps, cashless, and regional trading companies, while using loyalty programs. The number of registered apps exceeds 1.2 million, and the total number of TSUBASA has increased to approximately 4 million. By the end of the next mid-term plan, we plan to increase the number to around 7 million, and it will be developed so that the package of regional ecosystems can be utilized.

The first of last year's challenges was the acquisition of a large solar power plant in Kimitsu. At Choshi, the third solar power plant was acquired and the exploration of hydroelectric power and onshore wind power generation was started, and established a foothold for region-wide GX. The second is the use of real estate funds. We have established a system to support customers' asset securitization and development. The third point is EDGE technology. The TOB began to instill AI-native thinking within the Bank Group, which was a good opportunity for the first year of AI. In addition, there is a strong need for AI from customers. Fourth, holding a stake in Chiba Kogyo Bank. It is considered that the project will contribute to the realization of the Purpose and future growth of both banks.

The first aspect of our medium-to long-term perspective is our corporate culture. The most important thing is to transform the organization from a top-down to a bottom-up approach, and the Bank intends to become a strong organization where employees can think and act on their own, such as by setting voluntary targets for all branches. In addition, in order to disseminate the system for reflecting opinions in the organization, based on the results of the engagement survey and the evaluation of 360 degrees at headquarters, possible responses are immediately implemented and the outcomes are clearly communicated. The second point is our operating base. Divided into three categories (Chiba Prefecture, outside the prefecture, and nationwide), Chiba Prefecture accounts for about 15 trillion yen of the Bank's approximately 16 trillion yen in deposits and about 8 trillion yen of its approximately 12 trillion yen in domestic loans. Approximately 60% of the residents of Chiba Prefecture have an account. By boldly advancing DX, GX, and

WX, this will lead to sustainable growth in Chiba Prefecture itself, and we are examining measures for the next mid-term plan premised on contributing to that growth. Outside the prefecture, the Bank will expand its lending as a growth driver and increase its position. Nationwide, as a platformer, we want to evolve in many areas, including the ecosystem. Third, capital management. Maintaining the current rating is the fundamental principle, and we will consider the allocation while considering the top risk. Regarding the allocation, we are examining the next mid-term plan focusing on the three points of social significance, maximization of ROE, and improvement of service.

[Financial Target]

Q. What are the key differences regarding medium-to long-term ROE targets compared to other banks?

A. Currently, we are examining the next mid-term plan based on various discussions. The timing of the policy interest rate hike is uncertain, but the main scenario assumes a 1 percent policy interest rate, and the Bank is now looking to exceed ROE of 9% in FY2028. In addition, in FY2030, the Bank had previously set a target of at least ROE of 8% calculated based on shareholders' equity and at least 100.0 billion yen in consolidated net income. However, the Bank expects to achieve ROE of 10% based on the TSE and 130.0 billion yen in consolidated net income. Details will be disclosed at the time of the next mid-term plan release.

[Capital Policy]

Q. For capital allocation, is the total return ratio of 50% to 60% expected to include additional shareholder returns? If no projects contribute to improving ROE in the fiscal year, what measures will be taken?

A. We have been conscious of the total return ratio of 50%, and the 50% to 60% is expected to serve as the baseline. Strategic capital utilization of surplus capital will be reviewed each fiscal year, including future assumptions. In the event that surplus capital cannot be effectively utilized, additional shareholder return measures will be considered not only in the final fiscal year.

Q. Why did it take longer to raise the dividend payout ratio and to retire treasury stock?

A. We have received many comments, and will continue to take these comments into account seriously. Dividends and other returns are being strengthened with a strong focus on dividends. The TSR and dividend growth rate have exceeded the average of the leading regional banks. In response to your suggestion, we retired treasury stock for the amount of buyback last fiscal year. We are aware of the voices that the capital discipline and the shareholder return policy are not sufficiently stated, and we will thoroughly consider them based on the opinions of investors.

[Cross-shareholdings]

Q. Is the reduction target of less than 15% by March 2029 inclusive of shares in affiliated companies? Also, please tell us about the reduction policy including the transfer to pure investment shares.

A. Figures are based on the ratio including affiliated companies. As for the reduction of cross-shareholdings, basically we do not transfer them to pure investment stocks, but we sell them directly.

[Credit-related Expenses]

Q. With regard to stress testing, please tell us about the expansion of microanalysis and the addition of the impact of U.S. reciprocal tariffs on macroeconomic factors, and the difference between the first and second half results.

A. As for micro factors, in light of the large credit costs in the first half of the previous fiscal year, the Bank has conservatively expanded its perspectives on individual companies and expanded its scope, and has been making efforts to enhance and refine credit by using macroeconomic indicators, etc. Credit costs are estimated for each industry by taking into account the adverse effects of reciprocal tariffs in the macro scenario. As for the difference between the first half and the second half, the macro factor tends to increase in the second half because notch-down effects of ratings by industry are manifested out of time. On the other hand, micro factors are more likely in the first half of the fiscal year because they are conservative. Looking at the credit-related costs from the perspective of the actual amount of newly generated credit costs excluding the precautionary provision for the second half of the previous fiscal year, a buffer ranging from 3.0 billion yen and 5.0 billion yen exists for the new plan of 12.0 billion yen, and this buffer is considered to be sufficient to absorb the negative impact of U.S. reciprocal tariffs, etc.

[Acquisition of deposits]

Q. Why is the acquisition of deposits stronger than other regional banks due to factors other than the convenience of apps?

A. The first point is branch network. A survey was conducted on the reasons for doing business with banks, and the most common reason was proximity to a branch, even as apps have become increasingly prevalent. As a result of the consolidation of branches in Chiba Prefecture by major banks, deposits are gathering at regional banks that have a high market share in the prefecture. As a distinctive strategy, the Bank maintains its branch network. Although the causality is unknown, even if 30% to 50% of transactions are transferred to apps, the number of transactions at the counter does not decrease at the same rate. The second point is the standing position of Chiba Prefecture. Financial assets in Chiba Prefecture are said to be about 100 trillion yen, and financial assets concentrated to Tokyo area in inheritance are said to be about 40 trillion yen. The environment is relatively favorable, as the area has about 20% of the population of the Tokyo metropolitan area, which attracts a commensurate amount of deposits. Third, the Bank is focusing on One-to-One marketing for the approximately 2 million people that use payroll, pension, and account transfers. In addition to apps, the most important measure is to increase the gross business profit per customer by using products as well. It was initiated immediately after taking over as president and began functioning in the third or fourth year.

[Alliance Strategy]

Q. Realignment of regional banks. I understand that the alliance strategy has been focused on in the past, but have there been any changes in the way of thinking as it has become a world with interest rates? Please tell us as much about future trends with the Chiba Kogyo Bank as possible.

A. Regarding the effectiveness of the alliance, there is no change in the perception that the alliance can be as effective as business integration. However, if the operating base is divided into three categories (Chiba prefecture, outside the prefecture, and nationwide), it is conceivable that the reorganization will be considered if there is an opportunity to improve ROE, expand the business base, and increase the depth of the business, in Chiba prefecture, an opportunity to accelerate growth drivers such as lending outside the prefecture, and in the case of nationwide, as the Bank develops as a platform, restructuring, etc., could be considered. Since the acquisition of the shares, Chiba Kogyo Bank has been continuously engaged in dialogue at the administrative level and is examining various options from the viewpoint of realizing the two banks' purpose and contributing to the improvement of ROE. However, there is no decision at present.

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