

Review of Operations

Financial Condition

Analysis of Financial Condition, Operating Results, and Status of Cash Flows

Since the Company was established on October 3, 2022, comparative information with the previous fiscal year is not presented. The Group's consolidated operating results, etc. are prepared by taking over the consolidated operating results, etc. of the Chugoku Bank, Limited, which became a wholly owned subsidiary of the Company through a sole share transfer.

Overview of Results, etc.

Results

Regarding the results for the fiscal year ended March 31, 2023, consolidated ordinary income was ¥183,586 million, and consolidated ordinary expenses were ¥153,993 million. As a result, consolidated ordinary profit was ¥29,593 million, and net income attributable to owners of parent was ¥20,477 million.

With respect to the results by business segment, in the Banking business, ordinary income was ¥167,546 million, and ordinary profit was ¥30,360 million.

In the Leasing business, ordinary income was ¥17,461 million, and ordinary profit was ¥3,640 million.

In the Securities business, ordinary income was ¥2,973 million, and ordinary profit was ¥239 million.

In Other business, ordinary income was ¥14,769 million, and ordinary profit was ¥11,970 million.

[Outlook for FY 2023]

As for financial performance forecasts for the fiscal year ending March 31, 2024, the Group is expecting consolidated ordinary income of ¥167.2 billion, consolidated ordinary profit of ¥21.5 billion, and net income attributable to owners of parent of ¥15.0 billion.

Cash Flows

The status of cash flows is as follows.

Cash flows from operating activities

Net cash used in operating activities was ¥403.4 billion, due primarily to an increase in loans and bills discounted and a decrease in borrowed money.

Cash flows from investing activities

Net cash provided by investing activities was ¥164.2 billion, due primarily to proceeds from sales and redemption of securities exceeding purchases of securities.

Cash flows from financing activities

Net cash used in financing activities was ¥7.8 billion, due primarily to cash dividends paid and purchases of treasury stock.

As a result of the above, cash and cash equivalents as of the end of the fiscal year ended March 31, 2023 were ¥1,506.3 billion.

Dividend Policy

In light of the public nature and soundness of a holding company of a bank, the Company makes it a basic policy to secure sufficient retained earnings while maintaining shareholder returns in order to maintain a firm financial standing capable of withstanding any challenging business environment.

For the fiscal year ended March 31, 2023, the Company have increased the year-end dividend by ¥2 from the initial forecast of ¥14 (¥28 for the year) to ¥16 per share (¥30 for the year).

With respect to the dividend policy for the fiscal year ending March 31, 2024, we aim to achieve the total payout ratio of 40% or more of net income attributable to owners of parent through the total of dividends and share buybacks, and we forecast an annual dividend of ¥30 (interim ¥15).

Consolidated Risk-managed Loans (Loans Disclosed under the Financial Revitalization Act)

The balance of consolidated risk-managed loans increased by ¥12.1 billion from the end of the previous fiscal year to ¥109.1 billion.

Status of impaired loans	(Millions of Yen)	
	End of March, 2023	
Loans in Bankruptcy/rehabilitation or similar proceedings	¥	20,019
Loans at risk		62,106
Loans past due three months or more but less than six months		724
Restructured loans		26,295
Total	¥	109,146

Ratings

The Company has obtained the A credit rating from Rating and Investment, Inc. (R&I). In addition, the Chugoku Bank, its subsidiary, has obtained the A2 credit rating from Moody's as well as the A+ credit rating from R&I.