

1H FY2024 Earnings Results Briefing

December 2, 2024



Our challenges build our future.

Chugin Financial Group, Inc.

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Section I

Earnings Results for 1H FY2024 and Forecasts for FY2024

Net sales expanded significantly, mainly in net interest income and net fee income.

*Forecast published on May 10, 2024

Consolidated financial results for the Chugin Financial Group (billion yen)		1H FY2020	1H FY2021	1H FY2022	1H FY2023	1H FY2024	YoY	vs. Plan*
Consolidated gross profit		42.5	43.0	33.5	44.8	51.7	6.9	—
(excluding profits and losses related to bonds)		41.7	43.4	48.9	46.1	53.7	7.6	—
Net interest income		30.0	30.9	34.0	31.0	36.0	5.0	—
Fees and commissions income		7.0	8.1	8.5	9.1	10.7	1.6	—
Net other operating profits		5.4	3.9	- 9	4.7	4.9	0.2	—
Of which, profits and losses related to bonds		0.8	- 0.4	- 15.3	- 1.2	- 2.0	- 0.8	—
Expenses (-)		28.5	27.9	27.4	28.4	28.8	0.4	—
Credit cost (-)		3.5	2	1.6	3.8	3.7	- 0.1	—
Profits and losses related to equity		0.9	1.5	15.7	1.6	1.4	- 0.2	—
Other		0.6	0.6	- 0.2	0.8	0.4	- 0.4	—
Ordinary profit		11.9	15.2	19.9	15.0	20.9	5.9	2.9
Extraordinary profits and losses		- 0.1	- 0.4	- 0	- 0	- 0	- 0	—
Interim profit attributable to owners of parent		8.2	10.1	13.9	10.4	14.6	4.2	2.2

Net interest income increased significantly mainly due to strategic asset expansion and rising domestic interest rates.

Non-consolidated for The Chugoku Bank (billion yen)		1H FY2020	1H FY2021	1H FY2022	1H FY2023	1H FY2024	YoY
Core business gross profit		38.9	40.4	46.0	42.1	49.7	7.6
Net interest income		30.3	31.3	34.5	31.0	36.9	5.9
Net fee income		7.5	8.8	9.2	9.9	11.5	1.6
Net other operating profits		0.9	0.2	2.2	1.1	1.2	0.1
Expenses (-)		26.4	25.9	25.3	26.0	26.7	0.7
OHR		67.7%	64.0%	55.0%	61.9%	53.7%	- 8.2pt
Core business net profit		12.5	14.5	20.7	16.0	23.0	7.0
Excl. gains and losses on cancellation of investment trusts		12.2	14.5	18.7	16.0	23.0	7.0
Credit cost (-)		3.2	1.4	1.2	3.6	3.5	- 0.1
Profits and losses related to securities		1.7	1.1	0.4	0.3	- 0.5	- 0.8
Other		0	0.1	- 0.6	0.1	0.2	0.1
Ordinary profit		11.1	14.3	19.2	12.9	19.1	6.2
Extraordinary profits and losses		- 0.1	- 0.4	- 0	- 0	- 0	0
Net income		7.7	9.7	13.6	9.0	13.7	4.7

Summary

—Breakdown of Net Interest Income and Net Fee Income (Non-consolidated for the Bank)—

[Breakdown of net interest income (non-consolidated for the Bank)]

(billion yen)	1H FY2023	1H FY2024	YoY
(1) Net interest income	31.0	36.9	5.9
Yen net interest income	27.3	31.8	4.5
Of which, interest on loans	19.7	23.5	3.8
Of which, interest on securities	8.5	10.4	1.9
Of which, gains and losses on cancellation of investment trusts	0	0	0
Foreign currency net interest income	3.6	5.1	1.5
Investment revenues	30.2	38.1	7.9
Procurement costs (-)	26.6	33.0	6.4
Net other operating profits	1.1	1.2	0.1
② Of which, foreign-currency procurement costs (-)	0	0.1	0.1
(Reference)			
(1)+(2) Net interest income (real)	30.9	36.8	5.9

[Breakdown of net fee income (non-consolidated for the Bank)]

(billion yen)	1H FY2023	1H FY2024	YoY
Net fee income	9.9	11.5	1.6
Investment banking business	2.1	2.8	0.7
Of which, fees on syndicated loans	0.8	1.3	0.5
Of which, fees on corporate bonds	0.1	0.1	0
Of which, intermediary fees*1	0.6	0.7	0.1
Assets in custody*2	2.5	3.4	0.9
Of which, investment trusts	0.8	1.2	0.4
Of which, life insurance	0.8	1.3	0.5
Of which, financial instrument brokerage	0.6	0.6	0
Remittance/collection fees	2.0	2.2	0.2
Other	3.3	3.1	- 0.2

*1: M&A, consulting, business matching, etc.

*2: Assets in custody (investment trusts, insurance, municipal bonds, and financial instrument brokerage) + inheritance-related business

<Reference> Fee Business-related Revenues (Group total)

[Breakdown of fee business-related revenues (Group total)]

(billion yen)		1H FY2021	1H FY2022	1H FY2023	1H FY2024	YoY
Fee business-related revenues		11.5	13.1	13.3	16.5	3.2
The Chugoku Bank		9.1	10.9	10.7	13.0	2.3
Investment banking business		1.6	2.1	2.1	2.8	0.7
Assets in custody		2.4	2.3	2.5	3.4	0.9
Other net fee income		4.7	4.7	5.3	5.3	0
Derivative fees, etc.		0.3	1.6	0.7	1.4	0.7
Group companies other than The Chugoku Bank*		2.3	2.2	2.6	3.5	0.9
The Chugin Lease		0.5	0.5	0.6	1.1	0.5
The Chugin Card		0.4	0.4	0.4	0.4	0.01
Chugin Human Innovations		—	0	0.05	0.06	0.01
C Cube Consulting		—	0.01	0.06	0.14	0.08
Chugin Securities		1.0	1.0	1.2	1.4	0.2
Chugin Asset Management		0.2	0.2	0.2	0.2	0.06

*Gross margin for The Chugin Lease, and operating revenues for other Group companies (after deducting internal transactions)

Showed a stable increase mainly in Lease and Securities (expansion of group sales due to transition to a holding company)

Group companies	(billion yen)	Ordinary profit	YoY	Net income	YoY
The Chugin Lease		0.75	0.56	0.49	0.34
The Chugin Card		0.11	-0.03	0.07	-0.01
Chugin Human Innovations (Employment placement)		-0	-0.01	-0	-0.01
Chugin Capital Partners (Fund management and administration)		0.01	-0	0.01	-0
C Cube Consulting (DX, SX and other consulting services)		0.05	0.05	0.05	0.05
Chugin Energy (Decarbonization support such as renewable energy power generation)		-0.02	-0	-0.02	-0
Chugin Securities		0.56	0.15	0.39	0.08
Chugin Asset Management		0.1	0.02	0.07	0.01
The Chugin Operation Center		0.02	0	0.01	0
CBS (Contracted administrative work related to banks)		0.11	0.02	0.07	0.01
The Chugin Credit Guarantee		0.91	-0.03	0.6	-0.02
Group companies total		2.63	0.74	1.77	0.47

Earnings forecasts were revised upward based on strong performance up to 1H.

Consolidated for the Chugin Financial Group (billion yen)	FY2023	FY2024		
	Results	Forecasts	Change	vs. Initial plan
Consolidated ordinary profit	31.1	35.5	4.4	1.0
Profit attributable to owners of parent	21.3	25.0	3.7	1.0

<Reference: Non-consolidated for The Chugoku Bank>

Core business gross profit	84.3	97.3	13.0	4.2
Expenses (-)	52.8	55.6	2.8	- 0.4
Core business net profit	31.4	41.7	10.3	4.7
Of which, credit cost (-)	8.5	14.8	6.3	5.2
Of which, profits and losses related to securities	4.8	4.5	- 0.3	0.3
Ordinary profit	26.6	32.0	5.4	0.6
Net income	18.4	23.0	4.6	0.8

Initial plan

*May 10, 2024 Plan

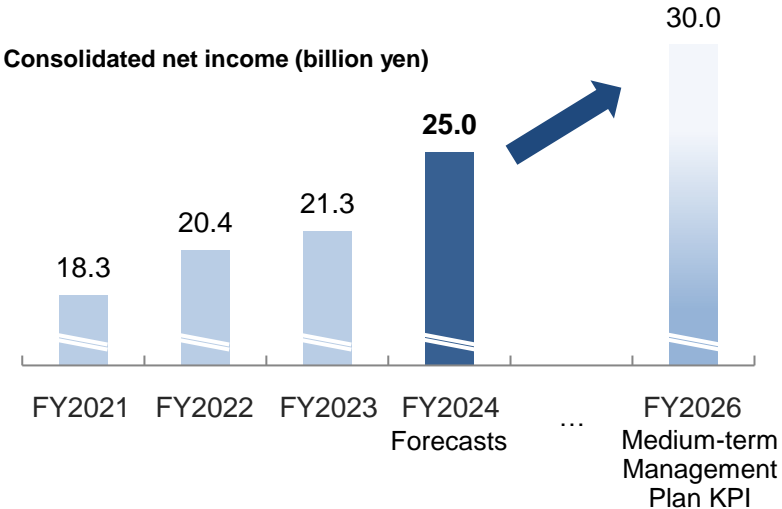
Consolidated net income: 24.0 billion yen

▼

Revised forecasts

Consolidated net income 25.0 billion yen

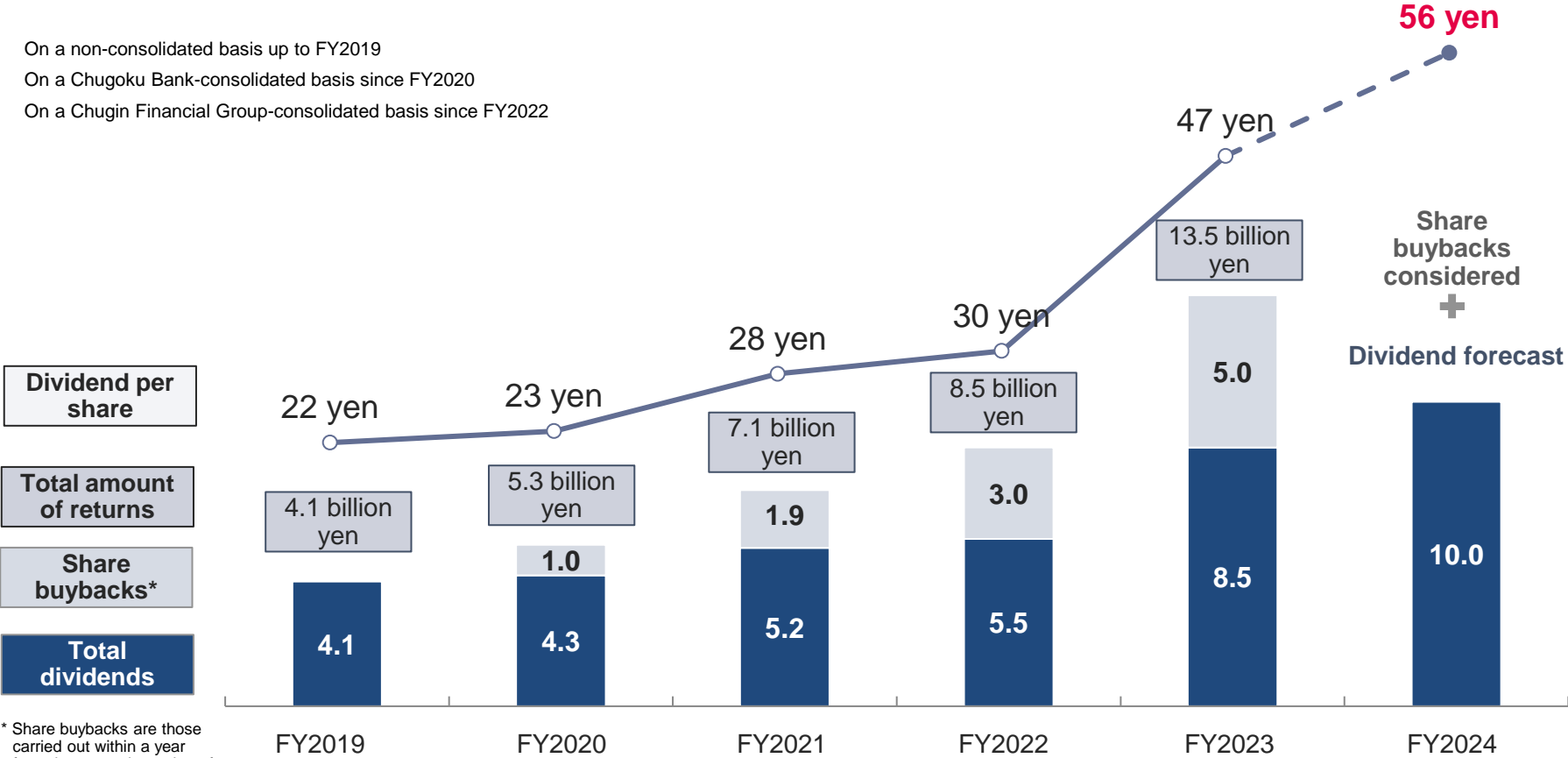
Up 3.7 billion yen YoY
(Up 1.0 billion yen from the initial plan)



- [FY2024] • **Aiming for a dividend payout ratio of around 40%**, increase dividends through profit growth
- **Flexibly carry out share buybacks** through capital control

Shareholder return ratio	38.2%	36.9%	38.9%	41.6%	63.4 %	Not yet determined
Dividend payout ratio	38.2%	29.8%	28.4%	26.9%	40.0%	Approx. 40%

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



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

Dividend per share (FY2024)

Initial plan

53 yen

Up 6 yen YoY

▼

Revised forecasts

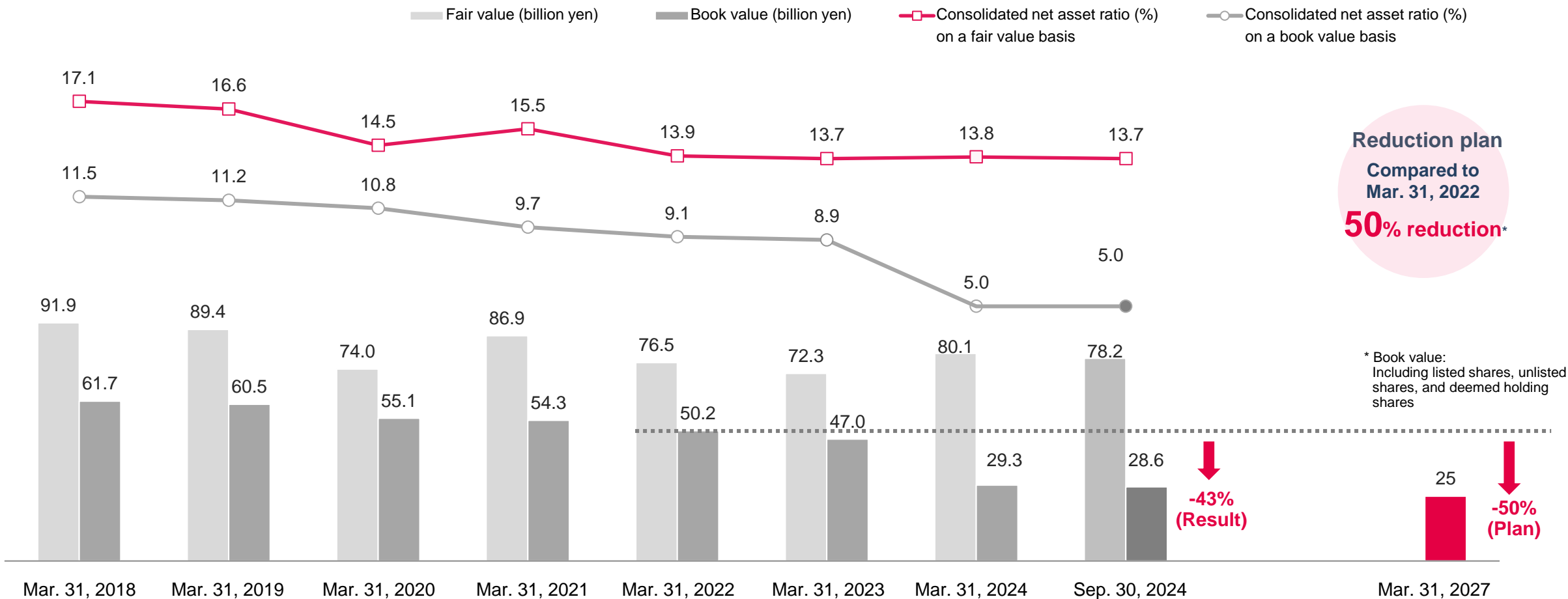
56 yen

Up 9 yen YoY
(Up 3 yen from the initial plan)

Basic Policy

We will limit cross-holdings to cases where it is determined necessary for the sustainable growth and enhancement of the corporate value of the Group and the issuers, and we will reduce them through dialogue with the issuers from the perspectives of capital efficiency and reduction of the risk of holding the shares.

- ✓ The appropriateness of cross-shareholdings is determined strictly based on the basic policy.
- ✓ The reduction rate as of September 30, 2024 was a decrease of 43% compared to the reduction plan by March 31, 2027 (a decrease of 50% compared to March 31, 2022 on a book value basis).



Section II

Toward Enhancement of Corporate Value

Overview of the Medium-term Management Plan: Three Growth Strategies

1 “Deepening” of regional revitalization SDGs

We will contribute to the “**sustainable development of communities**” by drawing out their appeal and potential.

Regional revitalization	▶ Strengthen initiatives, startup support, and activities for SDGs that use DX and SX as a starting point and capture communities from a wide perspective.
Community support activities	▶ Provide one-stop solutions from upstream to downstream. ▶ Strengthen sustainable finance.
Life planning support activities	▶ Support the realization of customers’ life plans. ▶ Strengthen support for stable asset formation and reliable asset succession.

Corresponding materiality (priority issues)

Revitalization of local economy and society
Response to a society with a declining birthrate and an aging population
Promotion of environmental management
Promotion of DX

2 Creation of innovations

We will create “**new value**” toward the next phase of growth.

DX	▶ Promote operational process reforms and the development of next-generation channels and digital technology-oriented human resources.
New businesses	▶ Create new businesses unique to the Group through alliances.
Alliances	▶ Actively implement wide-area collaborations, collaborations with communities, and collaborations with different industry players.

Corresponding materiality (priority issues)

Promotion of DX
Active participation by diverse human resources

3 Strengthening of the Group business base

We will build a “**solid foundation**” to implement growth strategies.

Portfolios	▶ Optimize business portfolios and strategically allocate management resources.
Financial capital	▶ Implement appropriate financial management from the viewpoints of soundness, profitability, and shareholder returns.
Human capital	▶ Significantly increase “investment in human capital” in line with the business strategies.
Diversity	▶ Strengthen the recruitment of and active participation by diverse human resources.
Governance	▶ Sophisticate the internal control system of the Group as a whole.

Corresponding materiality (priority issues)

Active participation by diverse human resources
Sophistication of governance
Promotion of DX

Progress of the Medium-term Management Plan (KPIs)

(On a consolidated bases for the FG, unless indicated otherwise)

Financial KPI	FY2022 result	FY2023 result	FY2024 1H result	FY2026 target
Profit attributable to owners of parent	20.4 billion yen	21.3 billion yen	14.6 billion yen	30.0 billion yen
ROE	3.79%	3.85%	Lower 4% range (FY2024 forecast)	5% or more
Ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.)	12.01%	12.12%	12.02%	11% to 12%

The ROE is based on the TSE standards (including the valuation difference on available-for-sale securities).

Materiality (priority issues)	Growth strategy	KPI	FY2022 result	FY2023 result	FY2024 1H result	FY2026 target
Promotion of environmental management	“Deepening” of regional revitalization SDGs	Reduction of CO ₂ emissions ^{*1}	-35%	-46%	—	-72%
Revitalization of local economy and society		Cumulative amount of sustainable finance executed ^{*2}	641.8 billion yen	942.2 billion yen	1,072.1 billion yen	1 trillion yen
		Number of contracted consultation cases ^{*3}	256	356	194	460
Response to a society with a declining birthrate and an aging population		Number of customers of five products in custody and number of customers of housing loans	206,000	214,000	218,000	260,000
		Inheritance-related business cases handled ^{*4}	487	553	324	800
Promotion of DX	Creation of innovations	Operational model reforms (Operations, channels, and organizations)	—	—	—	(Qualitative assessment)
Active participation by diverse human resources	Strengthening of the Group business base	Ratio of female managers and supervisors (non-consolidated for the BK)	13.4%	17.7%	20.8% ^{*6}	25%
		Amount of investment in human capital ^{*5}	0.3 billion yen	0.41 billion yen	0.24 billion yen	0.5 billion yen

Assumed interest rate scenarios

[Domestic interest rates]

- FY2023
The long-term interest rate (10 years) is assumed to be around 0.75% due in part to the lowered YCC.
- From FY2024 1H onward
Lifting of the negative interest rate (short-term interest rate +10 bp)
* An additional interest-rate hike and a rise in the short-term prime rate are not taken into consideration. The long-term interest rate (10 years) is assumed to remain at around 1%.

[Overseas interest rates]

- The FF interest rate for FY2023 is around 5%.
Phased policy rate cuts are anticipated, starting from FY2024.

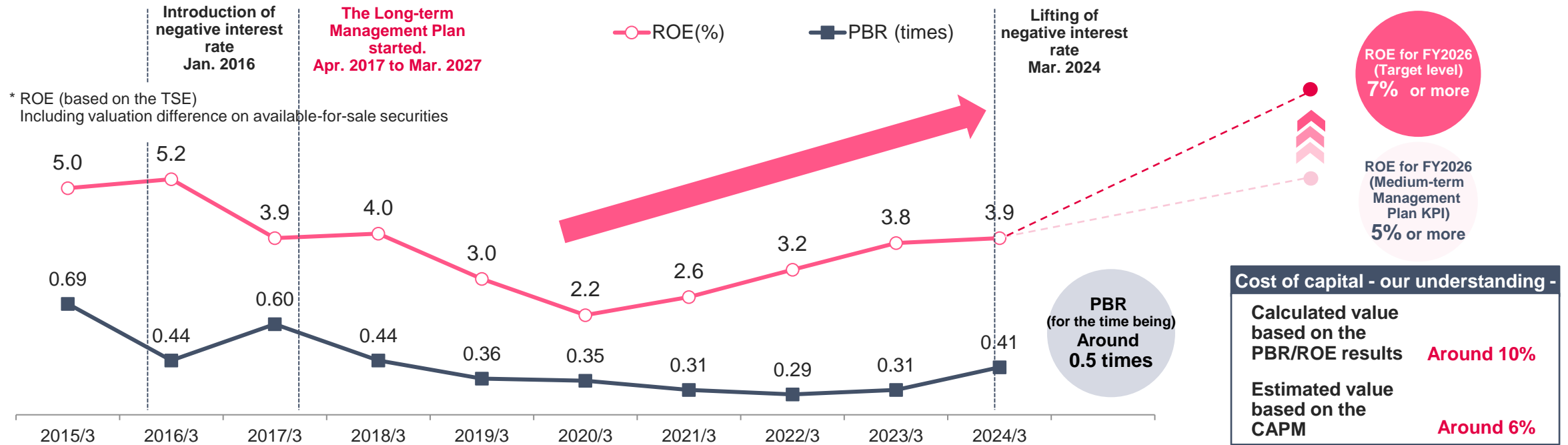
^{*1} Reduction rate compared to FY2013 for Scope 1 (direct emissions from consumption of fuels such as gas, gasoline, and diesel oil) and Scope 2 (indirect emissions from the use of electricity and heat supplied by other companies) (Achieving net zero for Scopes 1 and 2 has been separately set as the target for FY2030.)
^{*2} The cumulative amount of investments and loans from FY2020, including financing for social sectors (healthcare, nursing care, childcare, education, etc.) and environmental sectors (solar, wind, biomass, EV, etc.), as well as support for regional revitalization and SDG/ESG initiatives

^{*3} Annual number of contracted consultation cases related to business succession, the environment, etc.
^{*4} Annual number of cases handled in relation to testamentary trusts, inheritance support services, etc.
^{*5} Amount invested in employees, such as training- and education-related expenses, study incentives, Chugin Open Lab activity expenses, and personnel expenses for training and secondment
^{*6} As of October 31, 2024

Awareness of the Current Situation

Trends and targets for ROE/PBR

The need to aim for a level higher than the KPIs in the current Medium-term Management Plan is recognized.



Initiatives in the Long-term Management Plan

Stage I

Apr. 2017 to Mar. 2020

Structural reforms (Strengthening of hardware aspects)

Stage II

Apr. 2020 to Mar. 2023

Action reforms (Strengthening of software aspects)

- BPR investments (A shift from administrative affairs to sales activities)
- Autonomous sales system and personnel system
- Acceleration of the development of new businesses
- Transition to a holding company system

Stage III

Apr. 2023 to Mar. 2027

Through the three growth strategies toward the improvement of PBR:

Further improvement and enhancement of ROE

Accumulation of high-quality assets, expansion of business pillars, etc.

Improvement of PER (reducing cost of capital)

Sustainable growth of profits through regional revitalization SDGs, and others

Initiatives toward Improvement of ROE

Evolution of the Medium-term Management Plan

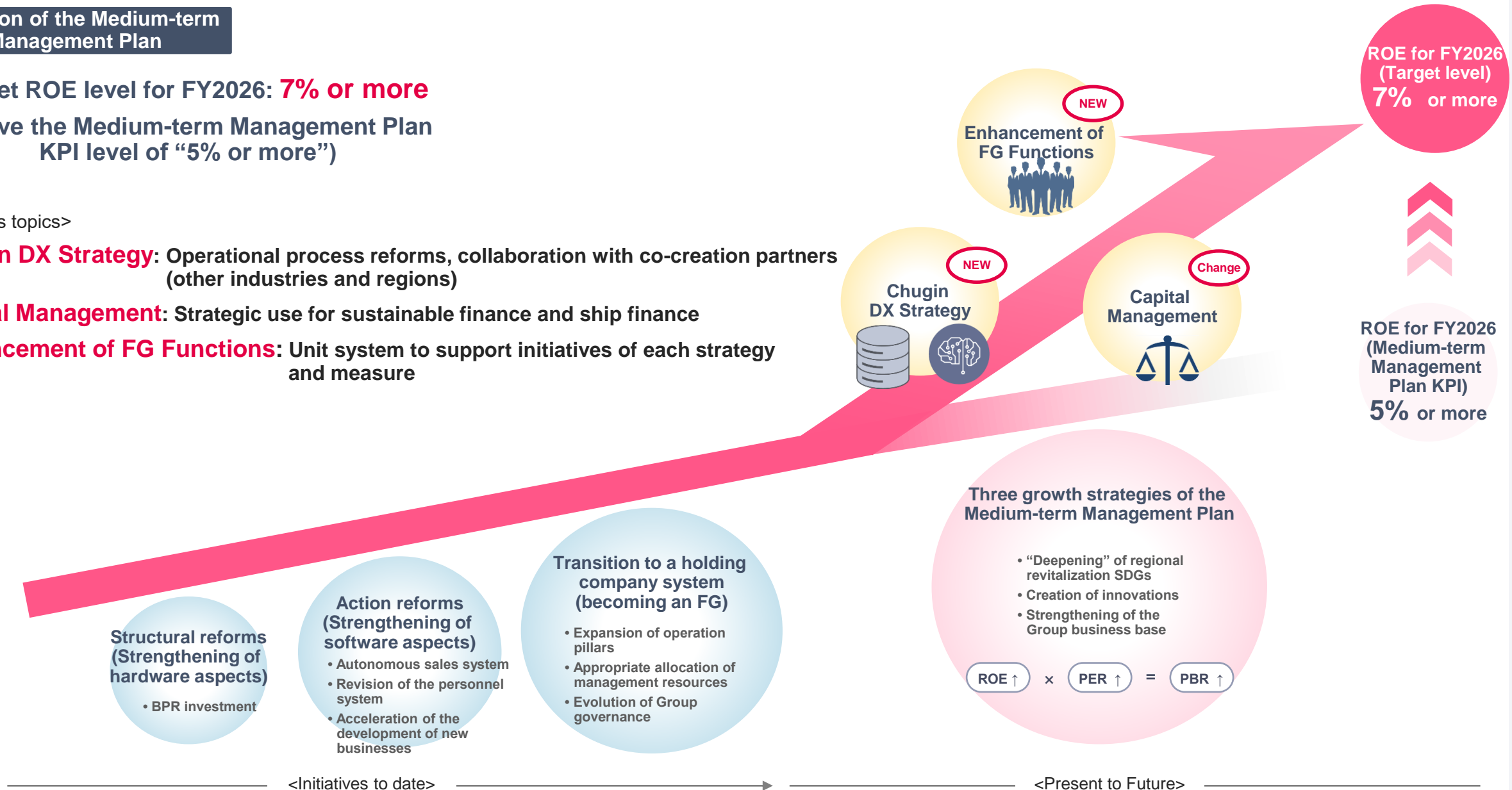
Target ROE level for FY2026: **7% or more**
(Above the Medium-term Management Plan KPI level of “5% or more”)

<Today's topics>

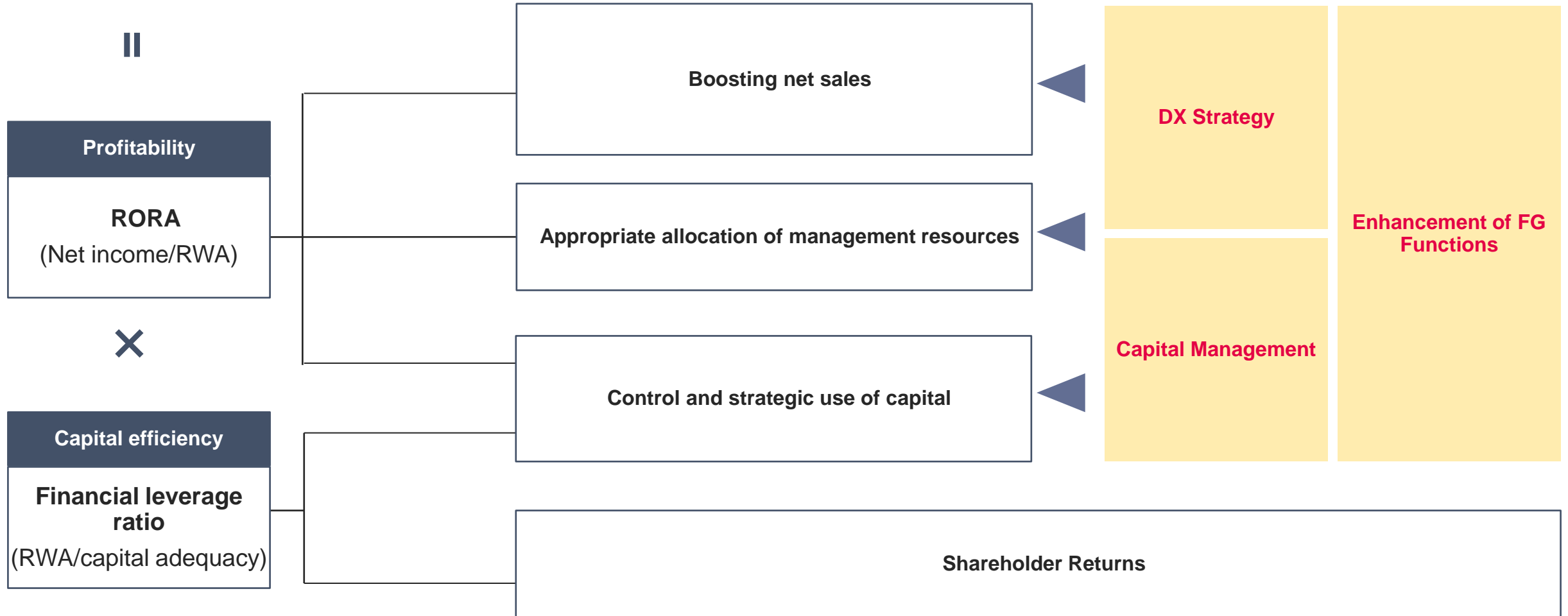
Chugin DX Strategy: Operational process reforms, collaboration with co-creation partners (other industries and regions)

Capital Management: Strategic use for sustainable finance and ship finance

Enhancement of FG Functions: Unit system to support initiatives of each strategy and measure



Measures to Improve ROE (Net Income/Capital Adequacy)



Since 2017, based on the Long-term Management Plan Vision 2027 “Future Co-creation Plan,” we have been implementing reforms for co-creation with communities and the establishment of a sustainable business model.

The current Medium-term Management Plan period is positioned as the stage for “Demonstrating growth & taking on new challenges,” and the “Chugin DX Strategy” was formulated in May 2024 to further accelerate DX.

Long-term Management Plan

(Apr. 2017 to Mar. 2027)

Long-term Vision: Co-create a prosperous future with our communities, customers, and employees.

Stage I: Structural reforms

(Apr. 2017 to Mar. 2020)

Stage II Action reforms

(Apr. 2020 to Mar. 2023)

Stage III: Demonstrating growth & taking on new challenges

(Apr. 2023 to Mar. 2027)

Chugin DX Strategy

TSUBASA core system migration

Establishment of an in-house system development structure

Launch of BPR promotion project

Improving efficiency through reform of sales offices operations

Commencement of Okayama Innovation Contest

Promoting open innovation in local communities

Establishment of the digital innovation center

Established a company-wide innovation unit, the predecessor of the current Innovation Promotion Dept.

Establishment of four new companies

Established four new companies to expand operation pillars for community DX and decarbonization.

Conclusion of Alliance for Co-creation of Future of Okayama

Achieving sustainable regional economic development by employing regional revitalization SDGs through industry-academia collaboration



Operational process reforms (Phase 1)

Review existing operations on an End-to-End basis and implement fundamental reforms of operations through the use of digital technology. Shift the saved operational man-hours to “sales” and “growth and strategic” areas.

Realization of the co-creation model (Phases 2 and 3)

Reforms for co-creation have been implemented steadily in the period to date.

Based on the results achieved, further strengthen ties with “industry-leading companies” and “communities” that share the same values as the Chugin FG.



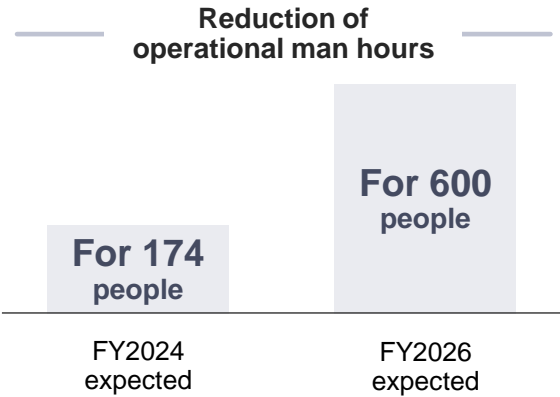
Deploy successful cases of solving local issues as the Okayama Model to other regions and areas.

Chugin DX Strategy —Operational process reforms (Phase 1)—

Promote various measures to streamline operational man-hours of approximately 600 people by the end of FY2026.

A reduction of operational man-hours of 174 people is expected as of the end of FY2024.

- Operational process reforms
- Review on an across-the-Group basis
 - Setting projects for each major operation area
 - Using knowledge of external partners



Status of various measures

Digitization of housing loan applications (Operational process reform)



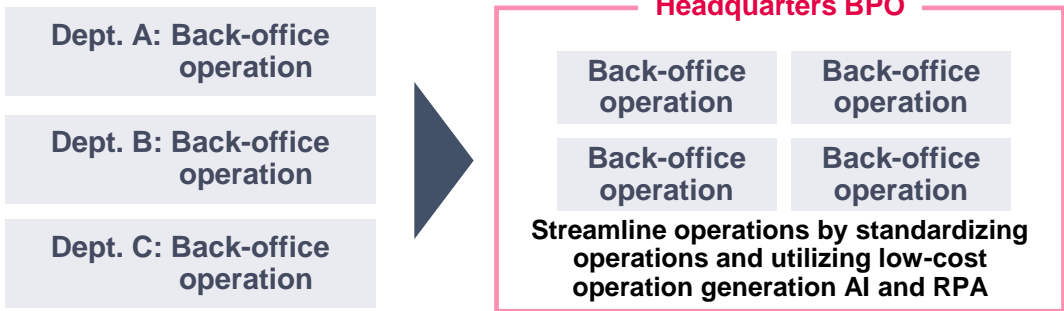
▲ Housing loan pre-screening application screen

Dramatically simplified the input items required for pre-screening



- Started accepting digital applications for housing loans in July 2024.
- Pre-screening results can be returned in 30 minutes thanks to digital reception.
- Customer convenience has improved, and the number of applications is steadily increasing.

Start of headquarters BPO operations (Optimal operational shift)



- Started centralized processing of headquarters back-office operations in September 2024.
- Headquarters staff can focus on planning and strategy development.

*BPO: Business Process Outsourcing, centralized processing of business operations

Chugin DX Strategy —Business partnership with Recruit (Phases 2 and 3)—

◆ Collaborative partners ◆

November 26, 2024

Signed a basic agreement with Recruit Co., Ltd. for services to individuals and businesses.

Specific collaboration will start in the areas of **individuals** and **businesses (corporations and sole proprietors)**.



For individuals

Housing loans

- Launching a campaign to introduce the SUUMO Counter users to housing loans whose convenience has been improved through the operational process reforms and offer preferential interest rates to them (started in December 2024)
- Considering other measures such as preferential interest rates on housing loans for users of Recruit's services other than the SUUMO counter, such as the SUUMO app and website

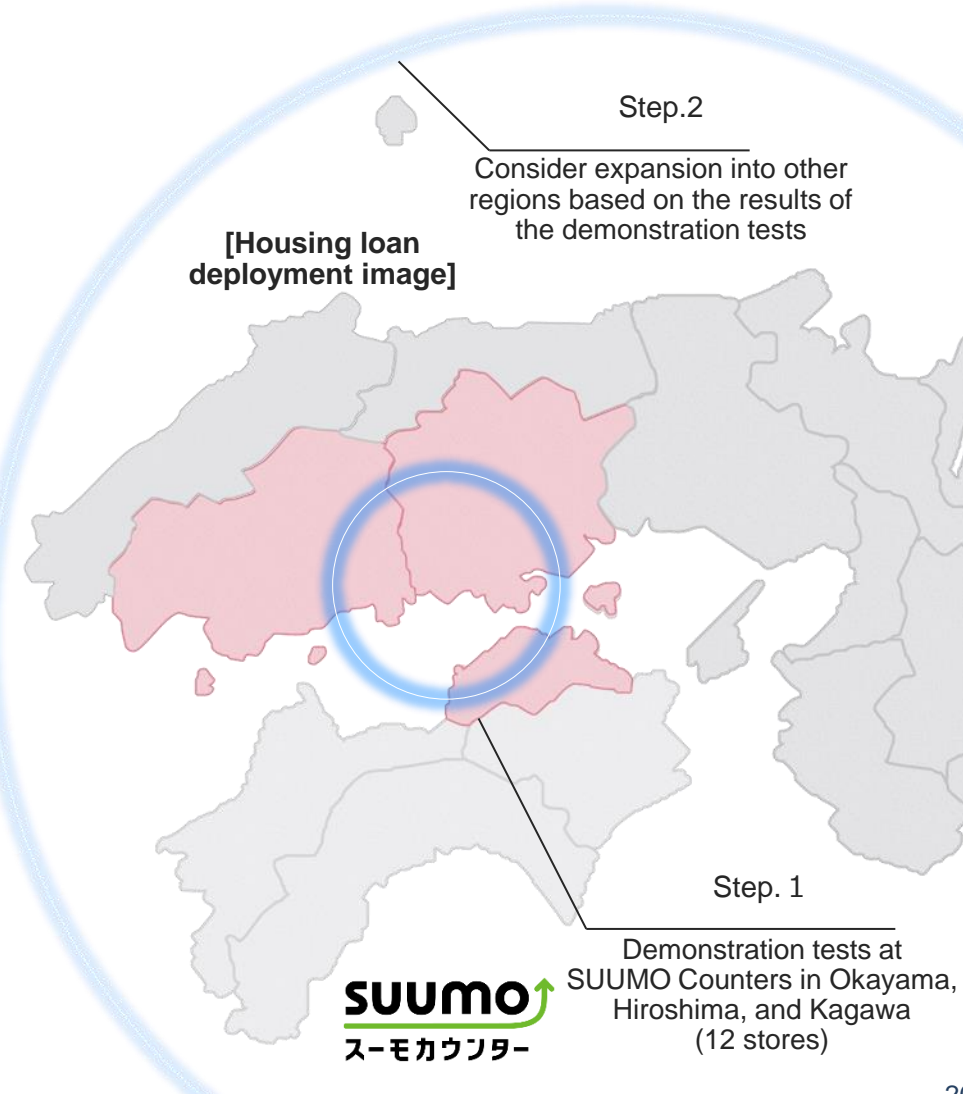
Synergy between the two companies' services to increase the number of loans

For companies (businesses)

Loan service brokerage and business/management support

- Considering brokerage of loan services by Recruit Payment Co., Ltd. (during FY2025)
- Considering implementing business and management support measures using "Air Business Tools" for Chugin FG's business partners

Consider collaboration in both business areas and expand transactions mainly in housing and business support and financial services



Chugin DX Strategy — Trial launch of regional BPO services (Phases 2 and 3) —

Established a trial base for full-scale operation of the regional BPO service from October 2024.

Going forward, we will establish a business contracting system and operate the system with the aim of increasing contracted operations.

Purpose of regional BPO services

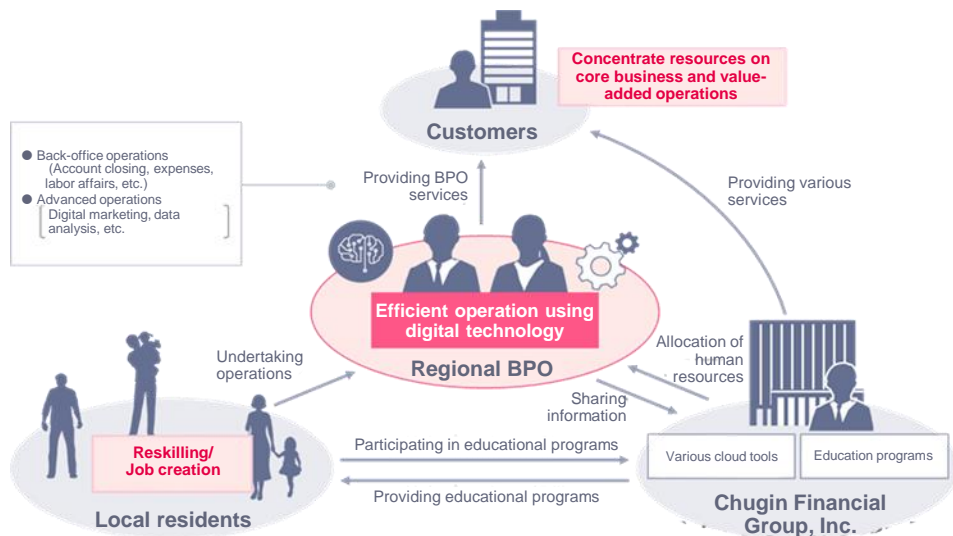
Take on back-office operations of local companies to help create an environment that allows them to focus on their core business operations

Create jobs in the region by undertaking operations of companies outside the region

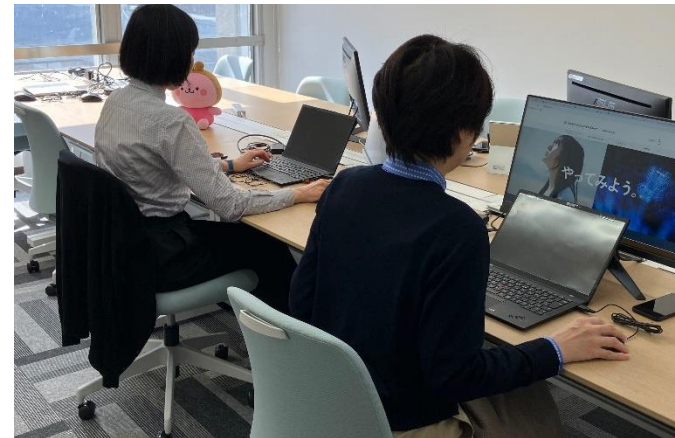


Efficient business operation using digital technology

Regional BPO image



Business contracting system



▲ Regional BPO office (established in October 2024)

The Chugin Operation Center
(Business execution)

C Cube Consulting
(Digital utilization, operational efficiency improvement)

Innovation Promotion Dept.
(Overall design)

Aiming to have a system capable of handling contracted operations with a staff of around 100 in the future

Chugin DX Strategy — Initiatives to ensure the steady advancement of DX measures —

In the Chugin DX Strategy, we first aim to become a DX company ourselves and then apply the expertise we have gained there to our customers and communities.

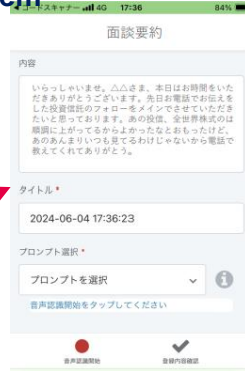
Taking advantage of our strengths and characteristics, we are flexibly promoting DX measures from a high perspective.

1 Promoting utilization of high-dimensional digital assets

Enhancing in-house development system
Many smartphone apps and other applications have been developed.



▲ Distributing various apps to business smartphones



▲ Interview summary app

- Verify cutting-edge technologies, such as generative AI, using the **Innovation Lab** as a starting point.
- Establish an **In-house development system** to develop smartphone apps and many other products.
- * Currently, **23 projects** are under development or examination.

2 Developing the infrastructure to support DX



▲ Chugin AI Chat



▲ Power Platform training session

A total of 670 people participated.

- A next-generation OA environment is being developed to build a system that enables all Group employees to use cutting-edge tools such as **generative AI**.
- Held 71 training sessions to **develop digital technology-oriented human resources**, with a total of 670 participants.

3 Collaboration with external partners

First as a regional bank



▲ Generative AI seminar held in September 2024



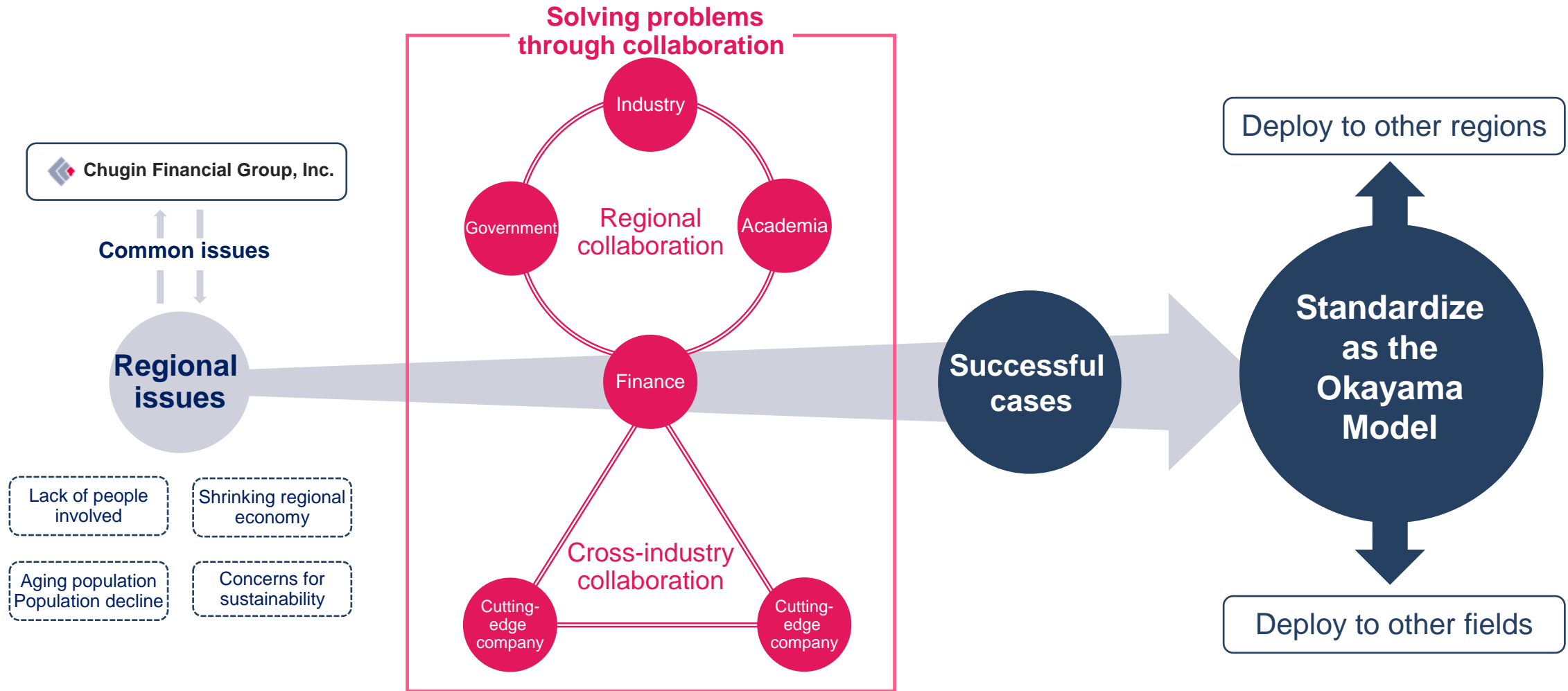
- Held a joint seminar with Matsuo Institute and C Cube Consulting on the impact of generative AI and its introduction examples.
- With many people participating and recognizing the usefulness of generative AI, **advanced knowledge of Matsuo Institute was returned to and shared with communities.**

Chugin DX Strategy —Deployment of the Okayama Model—

In the Chugin DX Strategy, we aim to solve problems facing local communities by collaborating with “industry, government, and academia” and “cutting-edge companies from different industries” to achieve sustainable regional growth.

In addition, we will establish a system for deploying successful cases and methods of problem solving as the Okayama Model to other regions and areas.

Overall picture of the Okayama Model

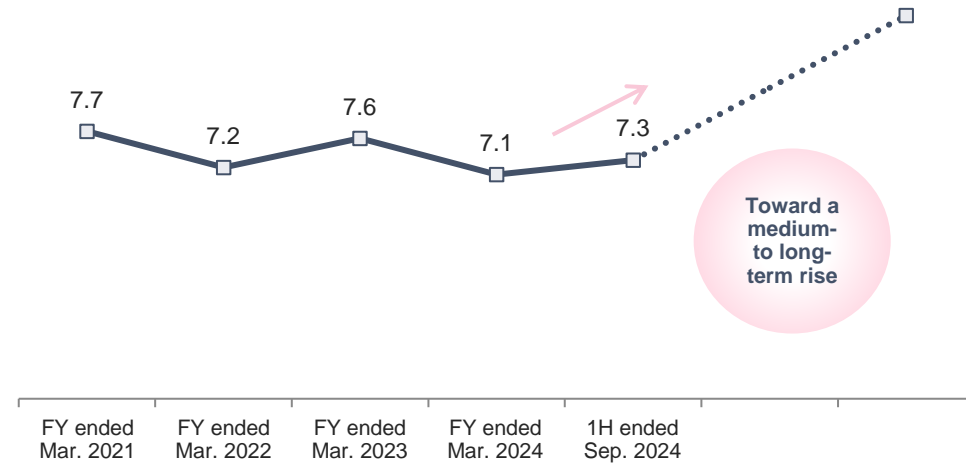


Change in the capital control indicator

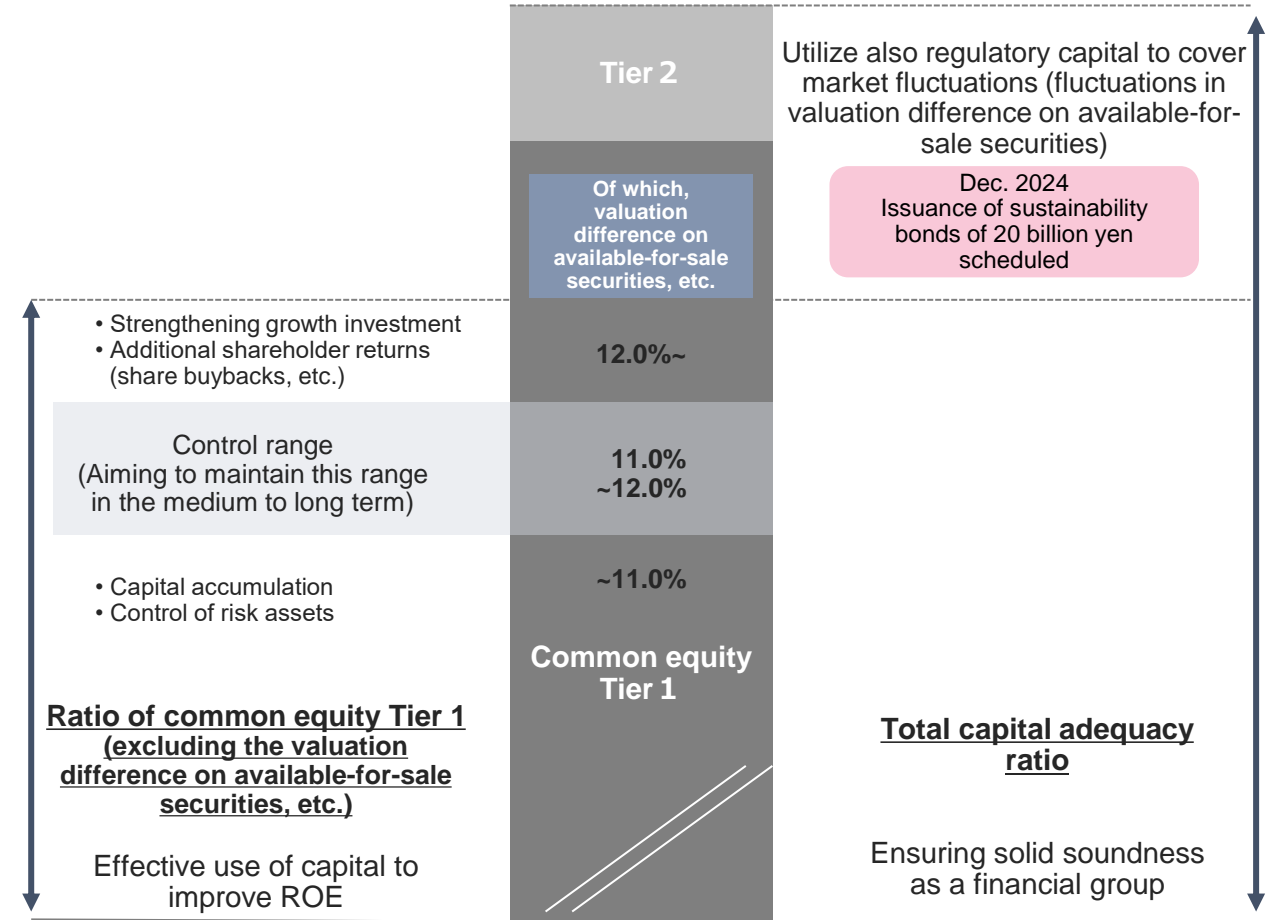
Consolidated for the FG

Ratio of common equity Tier 1 (excluding valuation difference on available-for-sale securities, etc.): 11.0% to 12.0%

Financial leverage (times)

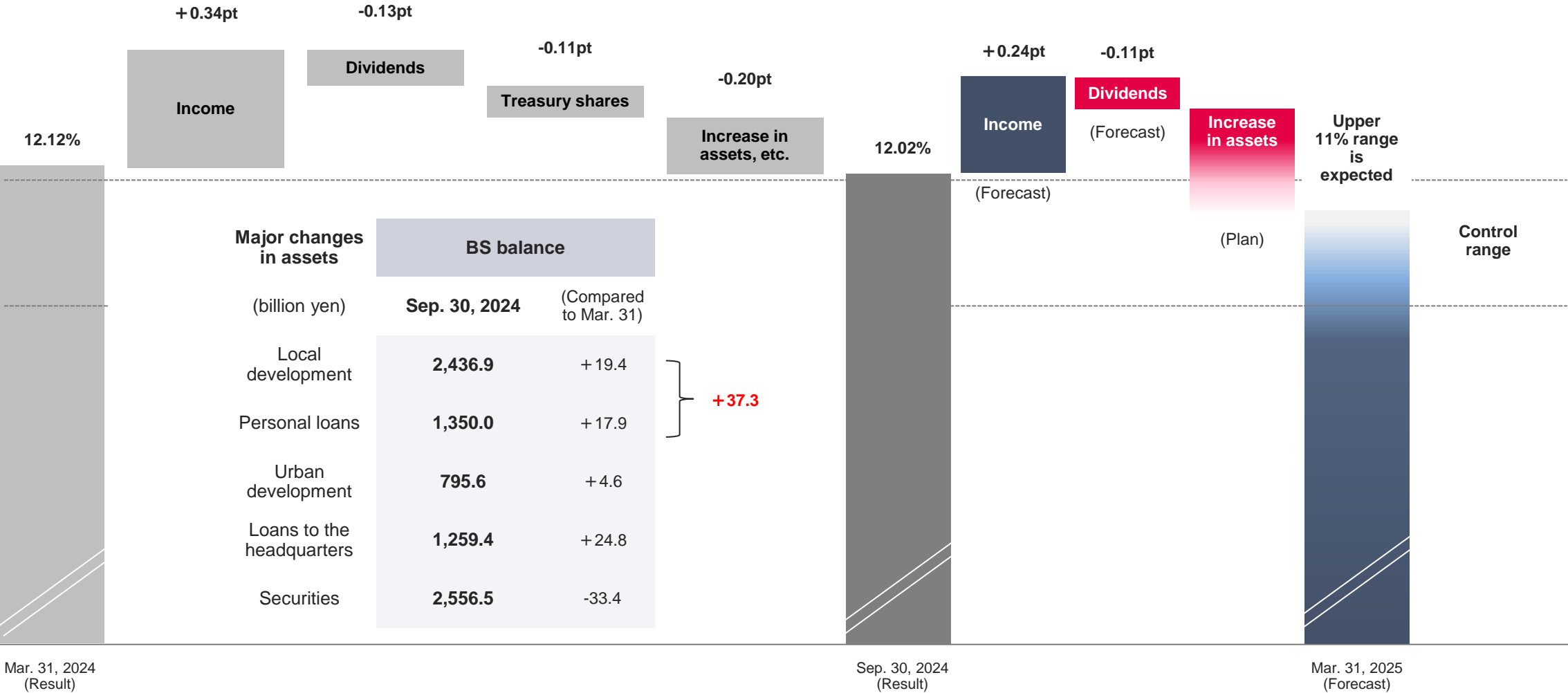


[Capital management approach]



Capital allocation

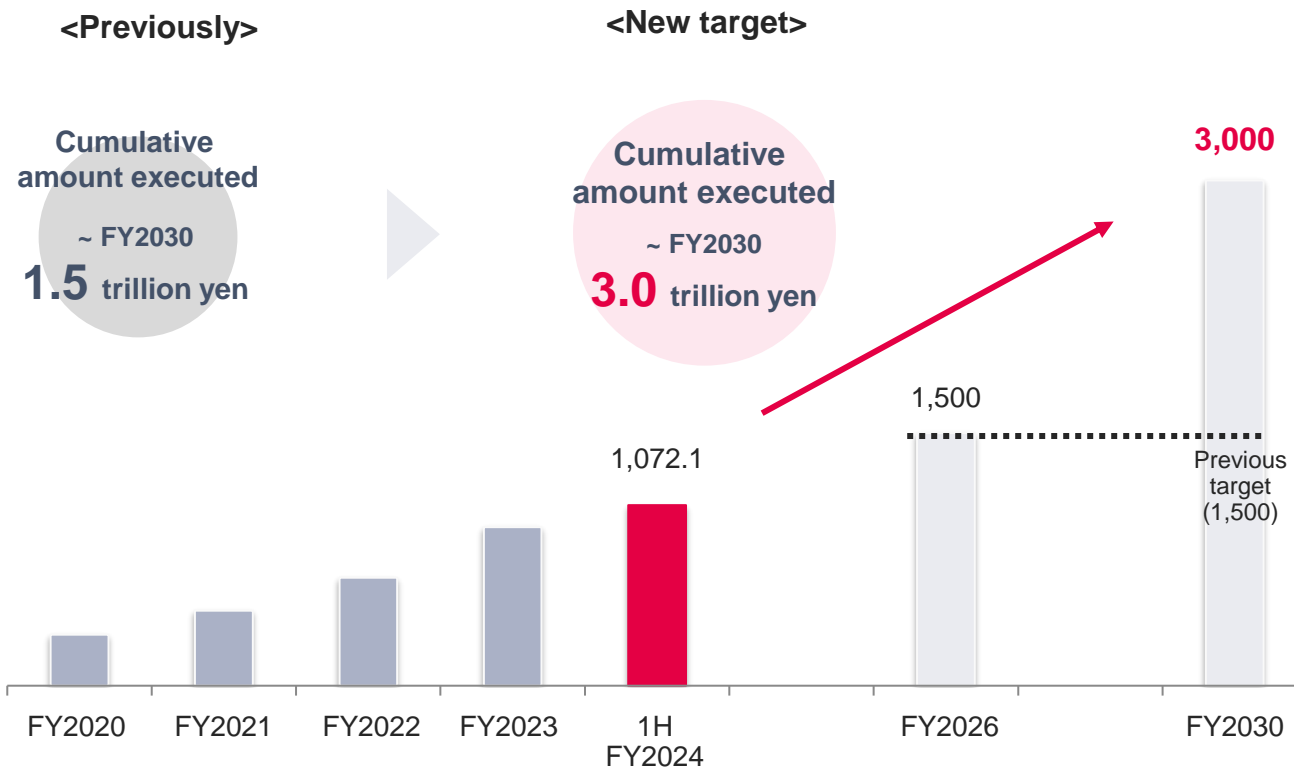
[Consolidated for the FG] Ratio of common equity Tier 1 (excluding the valuation difference on available-for-sale securities, etc.)



Sustainable finance

The amount executed has exceeded the initial assumption, and the target amount has been revised upward. By proposing solutions that leverage the comprehensive capabilities of the Chugin Group, we will raise awareness and support efforts to improve sustainability in local communities.

Cumulative amount of sustainable finance executed (billion yen)



Regional decarbonization is also a growth driver for Chugin FG.

A region with a thriving manufacturing industry

Okayama Prefecture

- Percentage of manufacturing industry in gross prefectural domestic product
31.2% (20.6% nationwide, FY2021)
- Value of manufactured goods shipments (establishments with 30 or more employees)
12th in Japan (Approx. 9.7 trillion yen, FY2022)



Source: Annual Report on Prefectural Accounts, Cabinet Office
Survey on Economic Structure, METI

Supporting sustainability improvement

Chugin FG

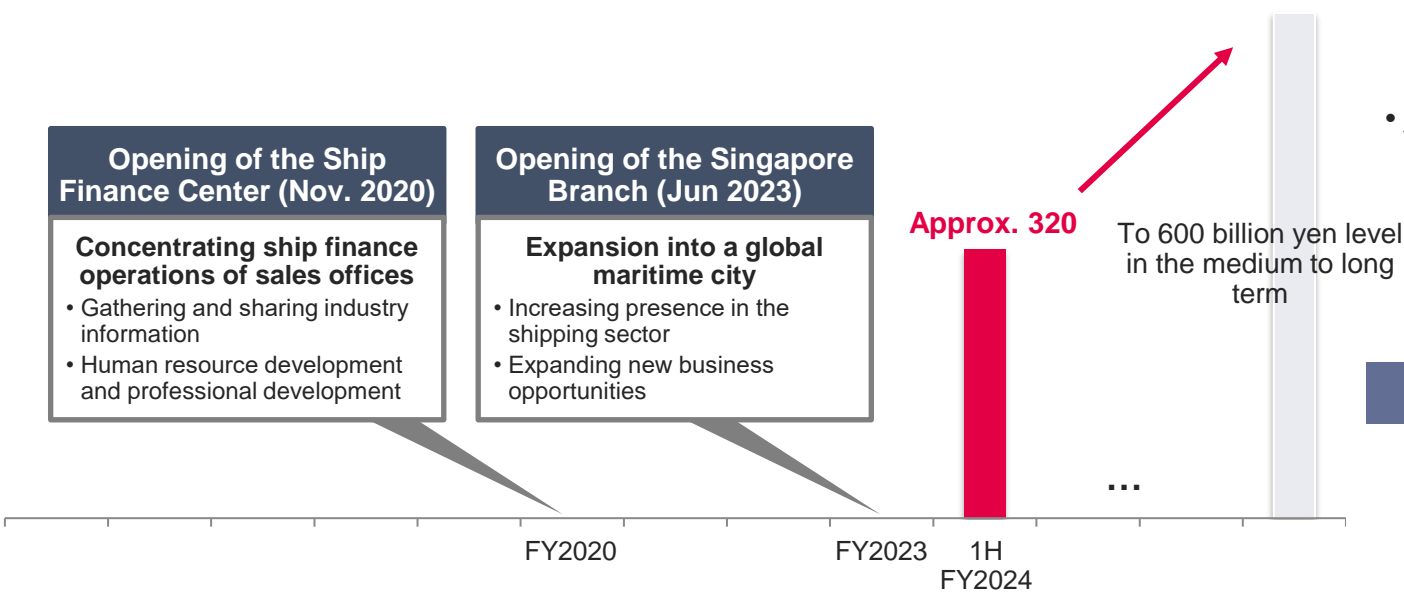
- Diverse solutions
Covering from small and medium-sized companies to large corporations and local governments
- C Cube Consulting
Providing high level of expertise



Oceangoing shipping

The oceangoing shipping industry is one of the local key industries in the eastern Setouchi economic zone, and the significance of this initiative is great in terms of its ripple effect on the region.
As market trends also show the growth potential of this field, we will proactively invest capital in this field as a priority area.

Future balance image (billion yen)



- ✓ Establish internal systems for both “accumulation of knowledge and know-how” and “risk management”
- ✓ Further accelerate the initiative

Market trends

- Volume of new ships built**
Expected to increase on the back of replacement demand and demand for conversion to zero-emission ships
- Shipping tonnage**
Increase due to growth of the global economy, long-term use of ships, and introduction of new ships
- Maritime cargo volume**
Expected to expand moderately in the future in line with economic growth in emerging countries and global population growth
- Freight index**
Despite large fluctuations due to spot supply-demand and economic conditions, the need for marine transport is expected to remain strong due to economic expansion.

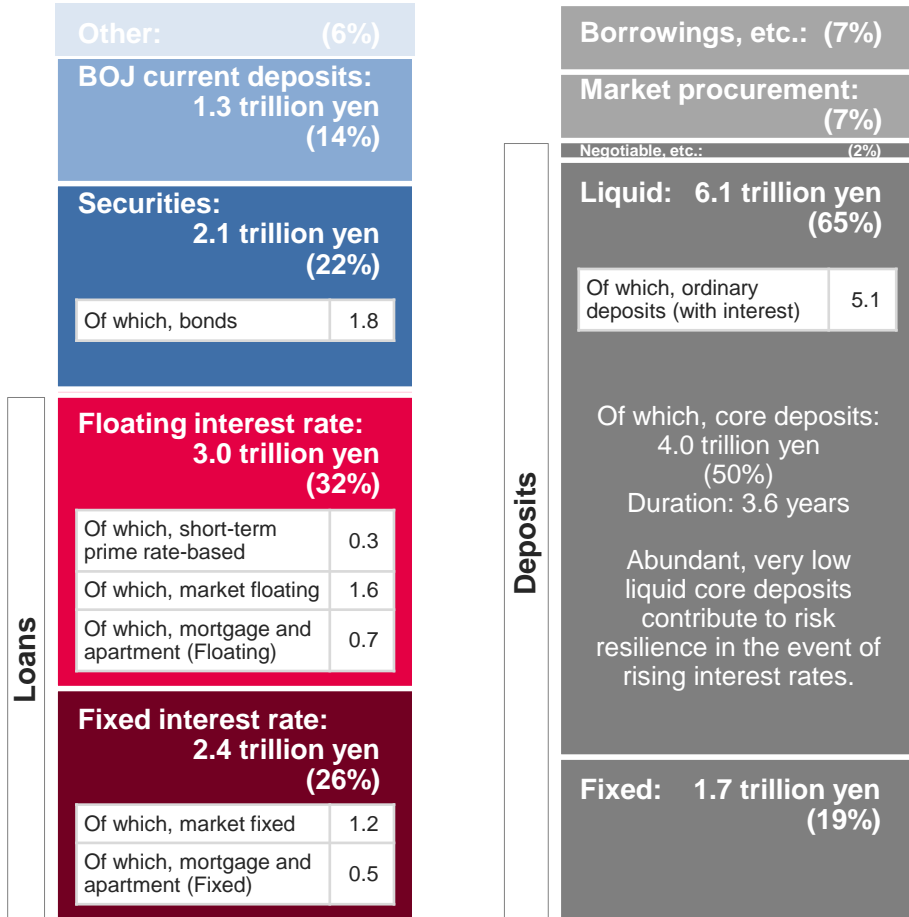
Status of Chugin FG

RORA by sector	Percentage in loans by business type*	Creditor Categories
1.2% (Period ended Sep. 2024)	Approx. 5% (Period ended Sep. 2024)	 Healthy accounts 99.7% (Period ended Sep. 2024)
<Reference> Local development: 0.8%	<Reference> Manufacturing: approx. 12%	
* Including overseas and offshore offices		

<Reference> Impact of rising domestic interest rates (simulation)

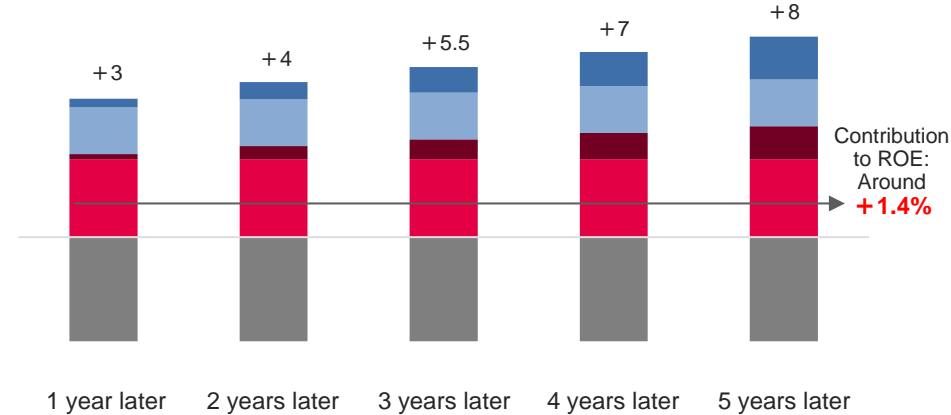
Yen BS (approx. 9 trillion yen)

Balance is based on the
average balance of FY2024 1H.



Interest rate simulation (1) –Policy interest rate 0.50%–

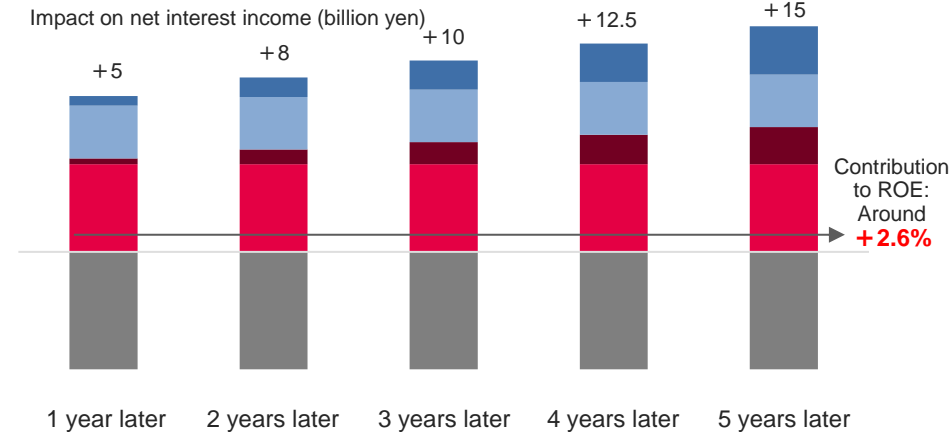
Impact on net interest income (billion yen)



Interest rate scenario (compared to the level of Sep. 30)		
Policy interest rate	0.50%	(+0.25%)
Short-term prime rate	2.375%	(+0.25%)
Tibor 3M	0.68%	(+0.25%)
Government bonds 10Y	1.25%	(+0.40%)

Interest rate simulation (2) –Policy interest rate 0.75%–

Impact on net interest income (billion yen)



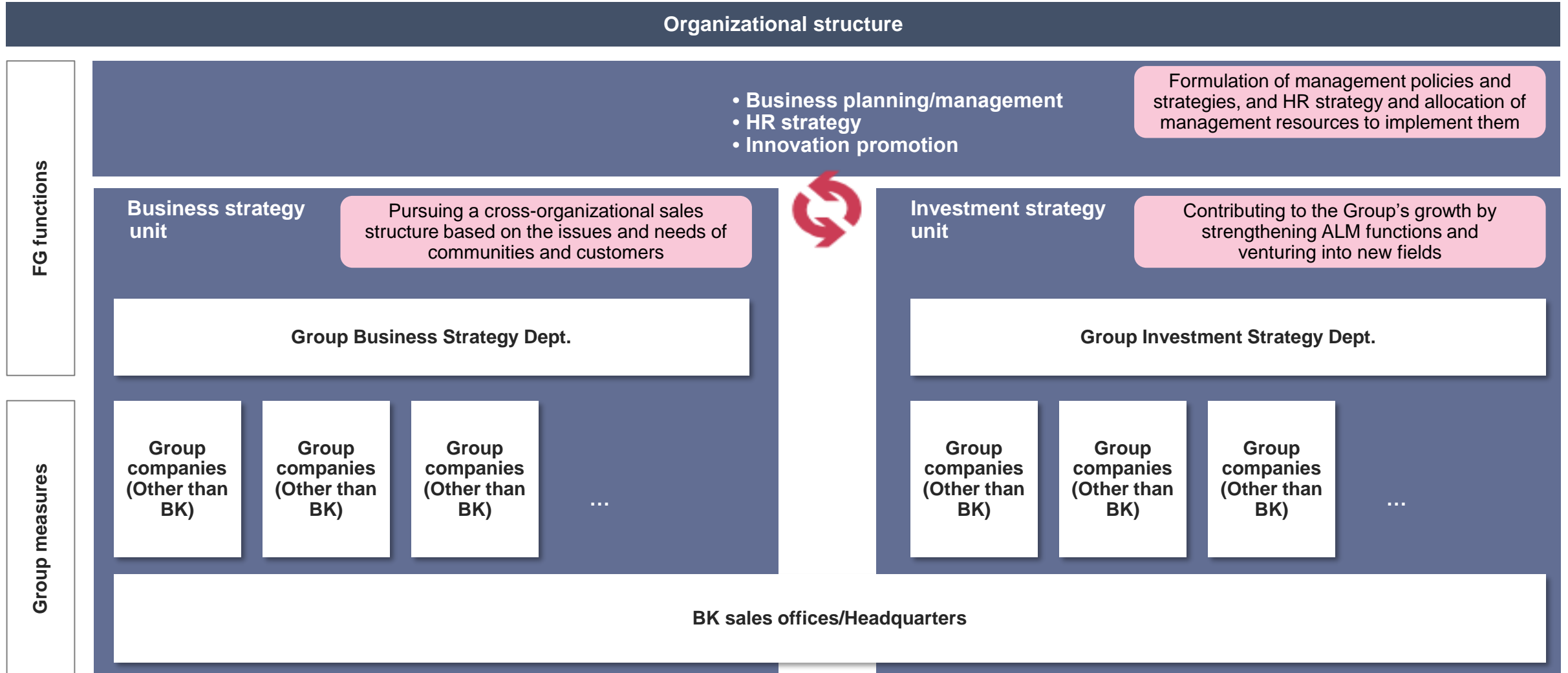
Interest rate scenario (compared to the level of Sep. 30)		
Policy interest rate	0.75%	(+0.50%)
Short-term prime rate	2.625%	(+0.50%)
Tibor 3M	0.93%	(+0.50%)
Government bonds 10Y	1.50%	(+0.65%)

Preconditions

- * Calculated assuming that the balance is constant at the average balance level for 1H of FY2024 and the interest rate is constant at the level of each scenarios (1) and (2).
- * For loans, pass-through rates are 80% for short-time prime rate and market floating, and 100% for mortgage and apartment.
- * For deposits, pass-through rates are 40% for ordinary deposits and 50% for time deposits (fixed).
- * Interest rate increases are reflected in amounts equivalent to repayment of loans and redemption of securities.

We have a unit system in place from June 2024. (Business strategy unit, investment strategy unit)

By transferring authority to make prompt decisions and demonstrating comprehensive capabilities of the Chugin Group, we will accelerate the implementation of each strategy and measure to realize the “Evolution of the Medium-term Management Plan.”



Measures to improve PER (Aggregate Market Value (Stock Price) / Net Income)

II

Expectations for continuous growth

Decrease in costs of
shareholders' equity

Implementation of corporate philosophy

Co-creation of a prosperous
future

Communities

- Initiatives that capture the community from a wide perspective (collaboration with municipal governments)

Customers

- Startup ecosystem
- Asset formation

Employees

- Human capital investments
- Diversity and inclusion

Engagement improvement (IR, SR, etc.)

Improved external ratings

Co-creation of a Prosperous Future —Communities and Customers—

Improvement of PER

Communities

Customers

Employees

Initiatives that capture the community from a wide perspective (collaboration with municipal governments)

The Chugin Group works as one to further develop cooperation with local governments.



SDGs x Kagamino-cho

- Agreement concerning comprehensive cooperation related to regional revitalization SDGs

SDGs x Maniwa-shi

- Agreement concerning comprehensive cooperation related to regional revitalization SDGs

SDGs x Shinjo-son

- Agreement concerning comprehensive cooperation related to regional revitalization SDGs
- **Forestation project aimed at building sustainable forests**
- **DX promotion support business**

SDGs x Takahashi-shi

- Agreement concerning comprehensive cooperation related to regional revitalization SDGs

SX x Fuchu-shi

- **Operations to analyze the regional economy toward the realization of a decarbonized society and to conduct surveys on the potential for the introduction of renewable energy**

SX x Fukuyama-shi

- Comprehensive agreement related to regional revitalization

SX x Kurashiki-shi

- Comprehensive agreement related to regional revitalization

DX, SX, and SDGs x Mitoyo-shi

- Industrial development utilizing AI, IoT, and other advanced technologies
- Agreement concerning collaboration toward the realization of a decarbonized society
- Agreement concerning collaboration and cooperation toward the realization of a sustainable and attractive agriculture industry in Mitoyo-shi

SX x Okayama Prefecture

- Comprehensive agreement related to regional revitalization

SX x Tsuyama-shi

- **Operations to support applications for certification as a Decarbonization Leading Area**



SX x Nishi-awakura-son

- Co-proposal for "Decarbonization Leading Areas"
- **Establishment of a new local electricity company**



SX x Mimasaka-shi

- Comprehensive agreement related to regional revitalization

SX x Wake-cho

- Comprehensive agreement related to collaboration and cooperation related to regional decarbonization

DX, SX, and SDGs x Okayama-shi

- Comprehensive agreement related to regional revitalization
- Agreement on the dissemination of the SDGs Collaboration Partners Program and the promotion of activities of registered businesses
- Introduction of "Enpay for Chugoku Bank" to public kindergartens and daycare facilities
- **Accepting contract BPR operations for Okayama City's smart counter service**

SX x Setouchi-shi

- Co-proposal for "Decarbonization Leading Areas"
- **Establishment of a new local electricity company**



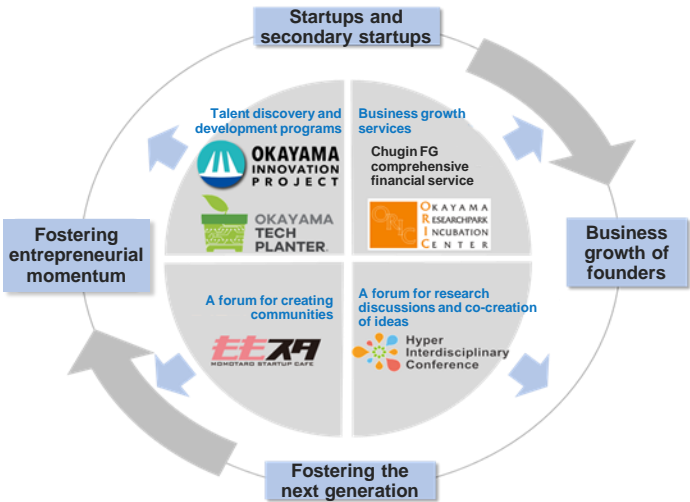
SX x Tamano-shi

- Comprehensive agreement related to regional revitalization

* The red font color indicates contracted operations performed by C Cube Consulting.
The blue font color indicates investments made by Chugin Energy.

Startup ecosystem

Expand efforts through the deployment of the startup ecosystem.

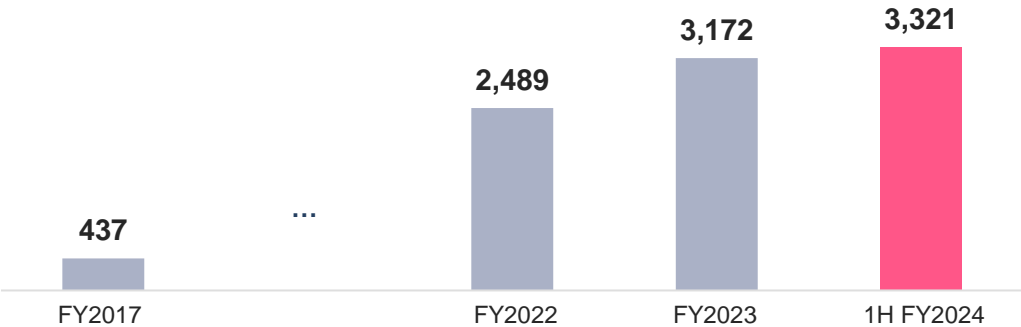


Number of companies newly established through the startup ecosystem

29 companies
(Cumulative total from 2017 to Sep. 2024)

38 companies
(Cumulative target from FY2017 to FY2026)

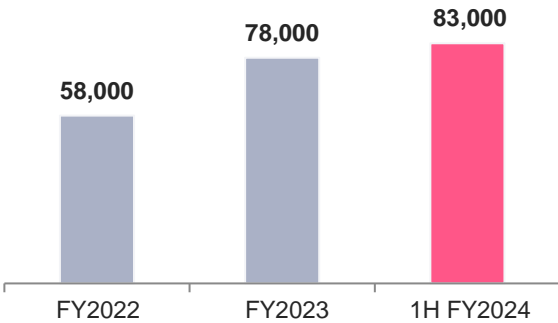
Investment and loans for participation in talent discovery and development programs
(unit: million yen) (cumulative total)



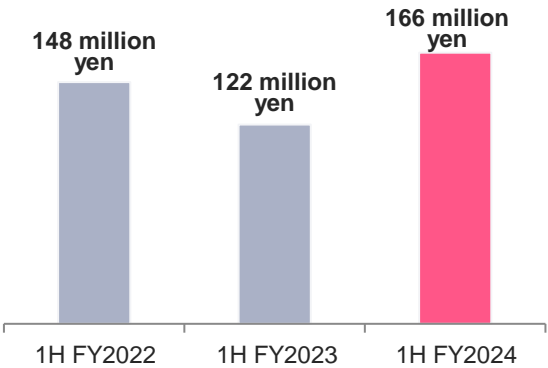
Calculation criteria: The amount invested in or loaned to each participant is recorded after participation in each program. (For loans, only loans on deed are recorded.)

Asset formation

Number of NISA accounts



Revenues from inheritance-related business



* A service to help customers solve various problems by presenting optimal proposals and introducing them to partner companies

Campaigns

TV commercials

NISA account opening via Chugin App started

Encourage “a shift from savings to investments” by also utilizing the new NISA system

Asset management consultation service

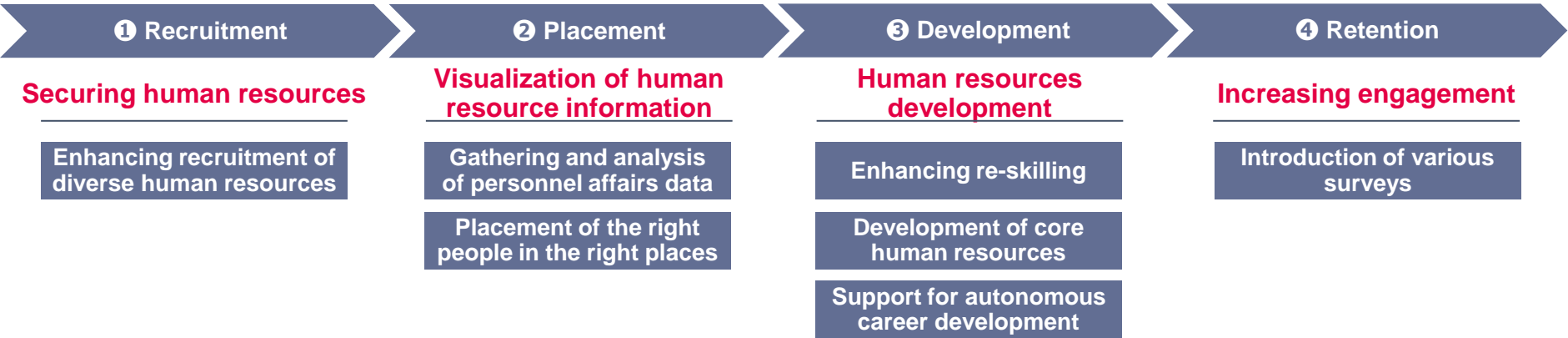
Chugin problem-solving support*

Support smooth transfer of assets, focusing on affluent elderly customers

Human capital investments

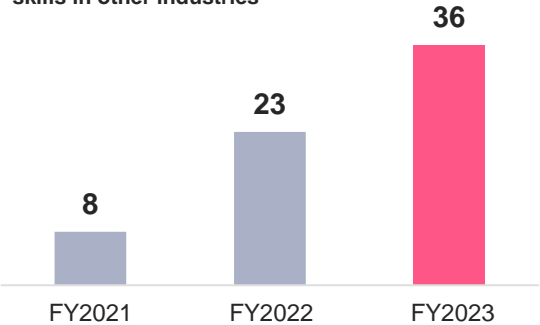
We will enhance and maintain the quality and quantity of human resources necessary for the realization of our management strategy over the medium to long term.

Implement specific investments according to four steps.



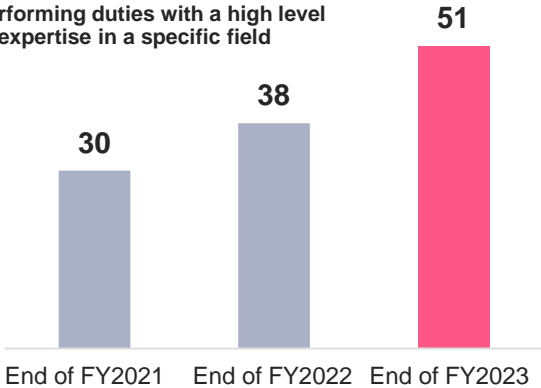
Trends in the number of mid-career recruits (single year/persons)

Persons with experience in the financial industry
Specialists with knowledge and skills in other industries

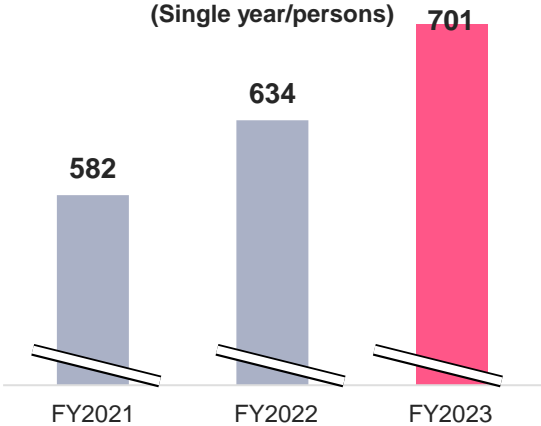


Number of persons enrolled in specialized courses (as of the end of fiscal year/persons)

Performing duties with a high level of expertise in a specific field



Trends in the number of applicants for open recruitment (Single year/persons)

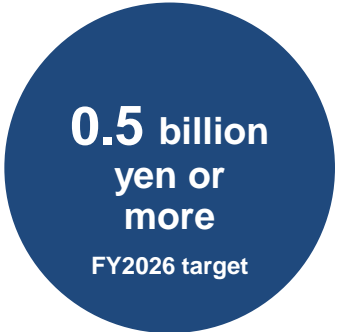


Total of mid-career hires and course changers

Applicants for Skill Challenge, Job Challenge, and open recruitment

Increasing investment amount*

*Monetary investment • Time investment



Diversity and inclusion

We will take consistent steps to improve the wellbeing and engagement of our Group employees.

Major diversity & inclusion initiatives (classified into four categories)

① Career support

• Mentorship system

TSUBASA Cross-Mentor Program

Utilizing the unique network of the TSUBASA Alliance

Through dialogue with management, aim to support career development and improve leadership skills of women who are potential executives

Internal mentorship system

Through 1-on-1 dialogue between senior and junior employees, aim to raise awareness of career advancement, ease work-related concerns, and foster leadership

• Nijiirō (rainbow) Heart Project

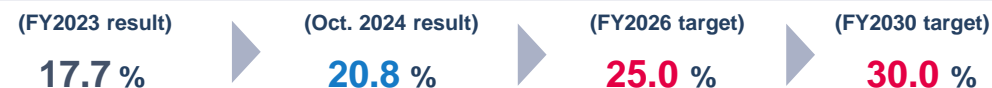
Launched as a working group to utilize women's perspectives and sensitivities in management and measures

Project proposals have led to the implementation of flextime systems, side jobs, etc. Opinions within the project are also reflected in measures such as personnel system revisions

• Women's *Mirai-Juku* (academy for the future) (from 2024)

One-year educational program for female chiefs and senior managers, aimed at developing next-generation leaders

Ratio of female managers and supervisors



② Workstyle reform

• Balancing childcare or infertility treatment and work

In April 2024, acquired “Platinum Kurumin Plus” certification as the first in Okayama Prefecture and the second in the Chugoku region



③ Organizational culture reform

• Zakkubaran-kai (frank discussion meeting) (from 2024)

Frank discussions for young employees at sales offices with President Kato on topics ranging from daily challenges to the future of the company

• Produced our second brand movie (2024)

Produced in collaboration with IDENCE, a video production company founded by Yuhi Itadani, a contest winner in the Okayama Innovation Project.



④ Health and productivity management

• Health and productivity management declaration

Based on the recognition that the maintenance and promotion of the physical and mental health of our employees and their families are essential for the growth of our Group, we have formulated the Chugin Financial Group Health and Productivity Management Declaration and practice health and productivity management.



Conclusion

ROE (Evolution of Medium-term Management Plan)

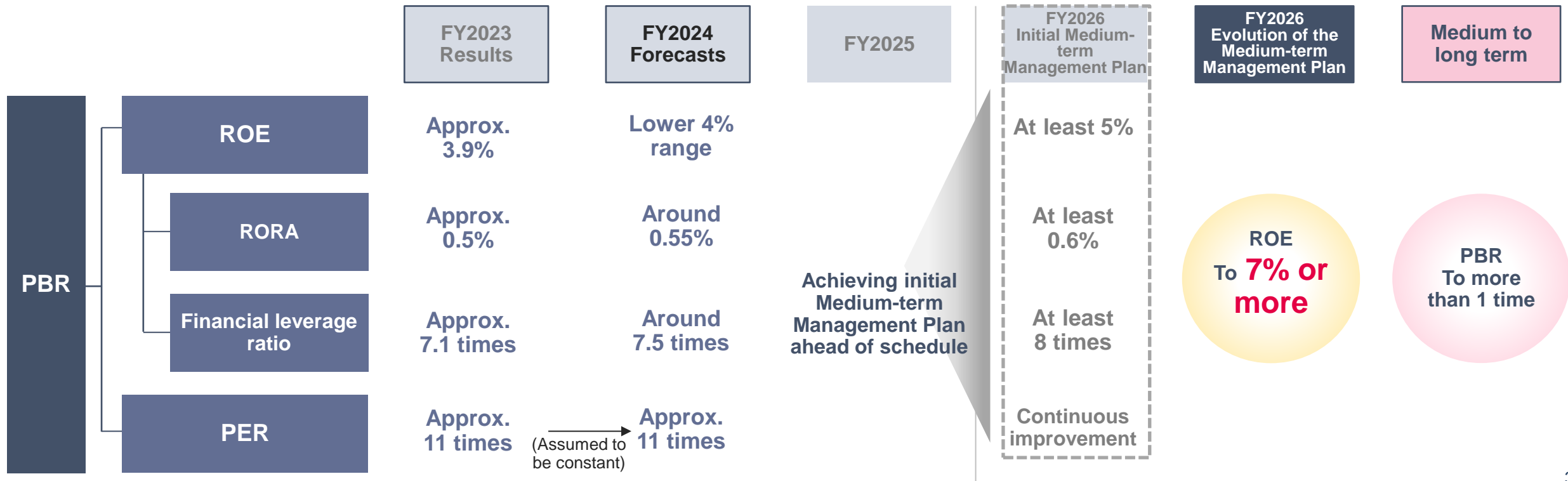
- ✓ Shifting operations to “sales” through advancement of operational process reform, and reinforcing net sales by starting collaboration with external partners
- ✓ Strategic investment of capital in priority and growth areas through capital control based on the management policy

PER (Implementation of corporate philosophy)

- ✓ Co-creation of a prosperous future for “communities,” “customers,” and “employees” (collaboration with local governments, startups, asset formation, human capital)

Toward the improvement of PBR

Achieving the initial Medium-term Management Plan target ahead of schedule and ROE of 7% in FY2026



Section III

Appendix

Appendix 1

Initiatives toward Improvement of ROE

Boosting Net Sales

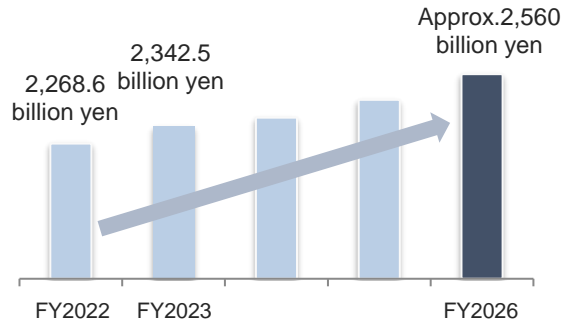
—An Increase in Net Interest Income through Accumulation of High-Quality Assets—

Improvement of ROE			
Net sales	Management resources	Capital	Return

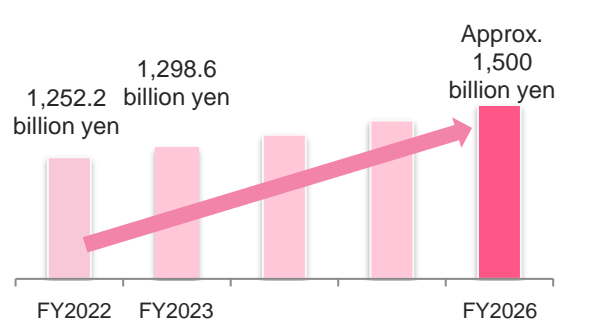
Accumulation of Loans

Capturing local demand for funds (Medium-term Management Plan)

Local development
(average balance)



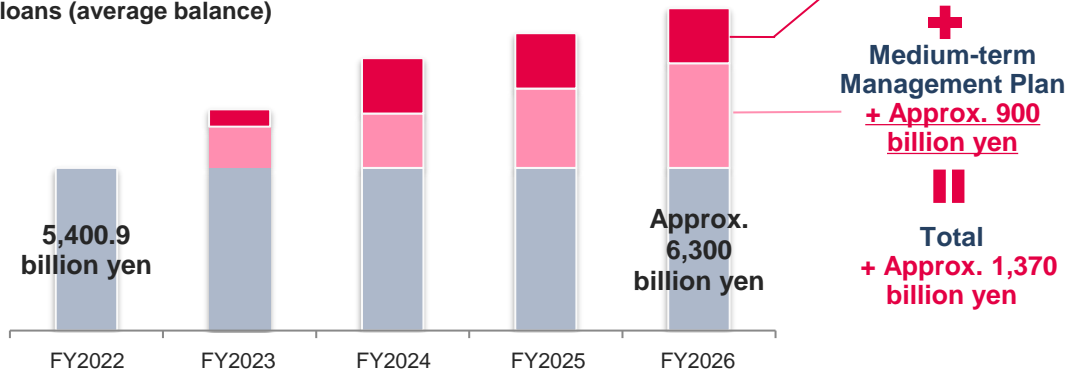
Personal loans
(average balance)



Addition based on the extra capacity for risk taking (beyond the Medium-term Management Plan)

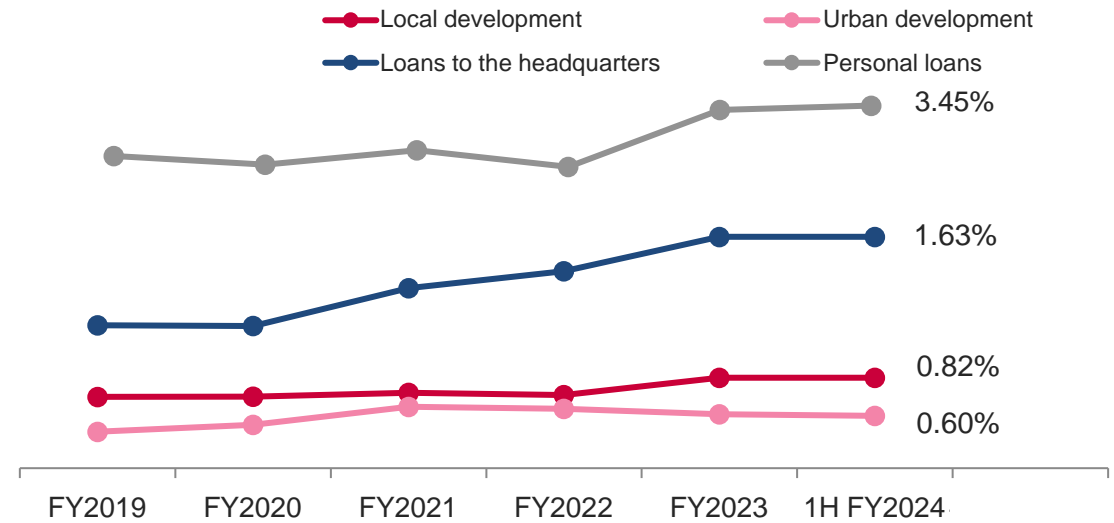
Further increase in assets starting from H2 of FY2023
• Local development, structured finance, etc.

Total loans (average balance)



Improvement of RORA

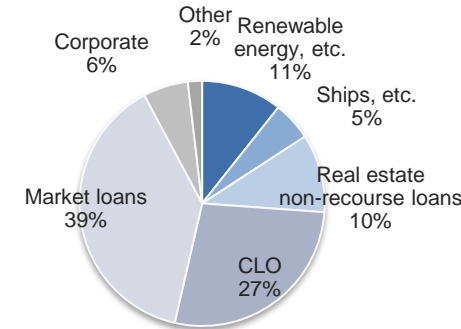
RORA on loans



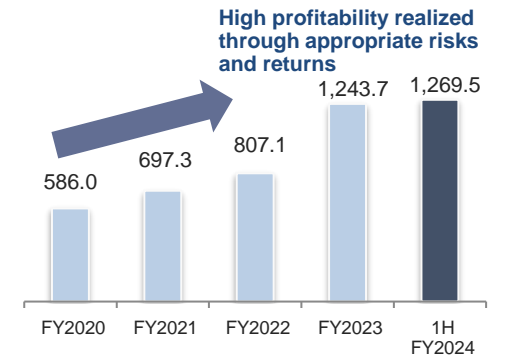
Initiatives for structured finance (loans to the headquarters)

Composition ratio
(as of the end of Sep. 2024)

* Japanese yen : foreign currency = 5 : 5



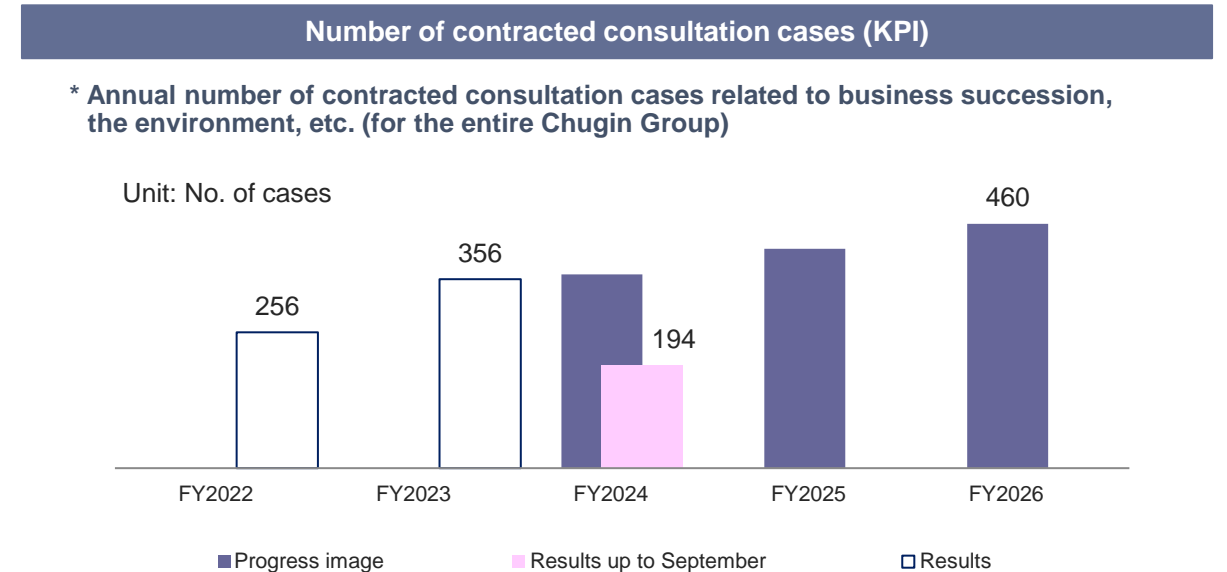
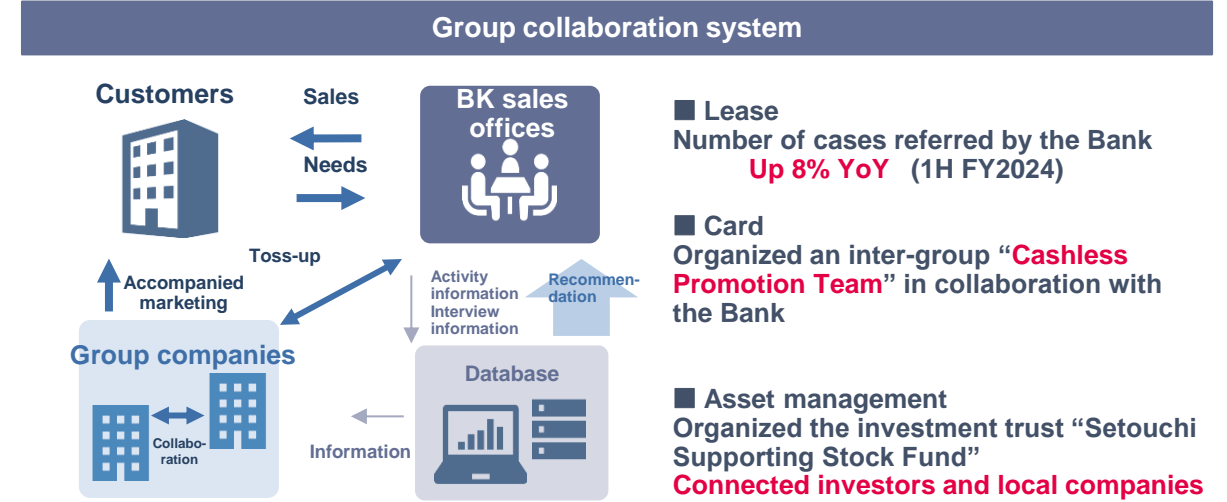
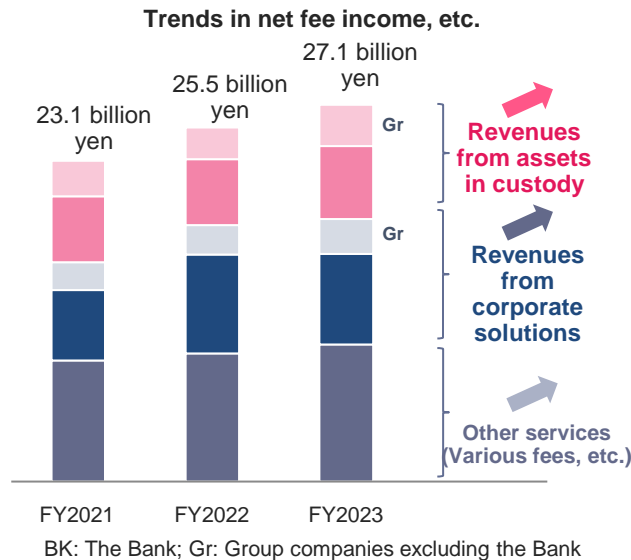
Structured finance trends
(average balance, billion yen)



Boosting Net Sales —Expansion of Consulting Revenues of the Entire Group—

Improvement of ROE			
Net sales	Management resources	Capital	Return

An increase in consulting revenues through collaboration within the Chugin Group



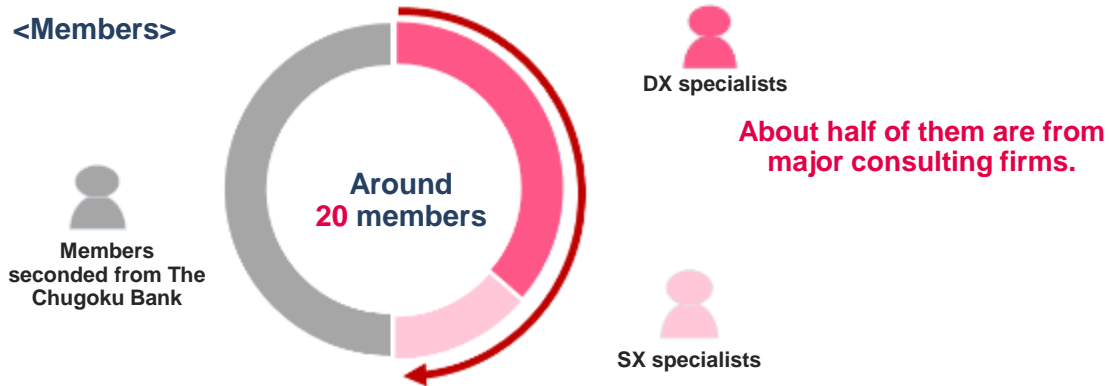
Boosting Net Sales —Expansion of Business Pillars—

Improvement of ROE			
Net sales	Management resources	Capital	Return

C Cube Consulting

A consulting company centered on DX and SX with
a small group of elite professionals

<Members>

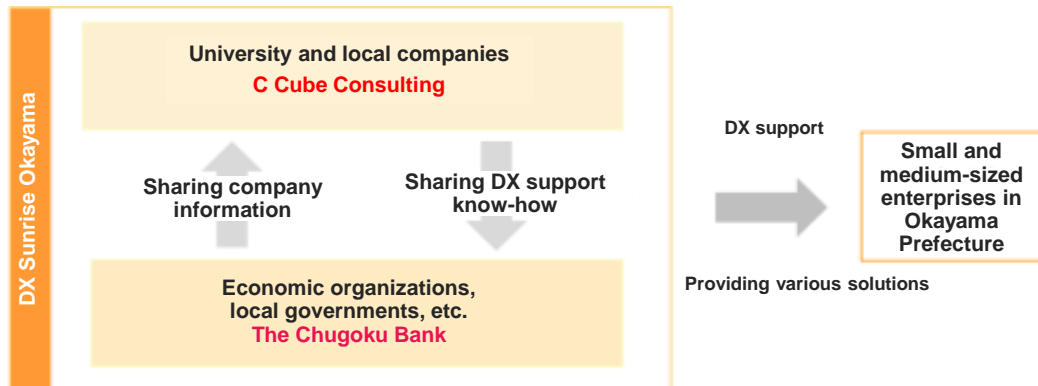


Promoting solutions to local social issues with the
comprehensive capabilities of the Chugin Group

Initiative example

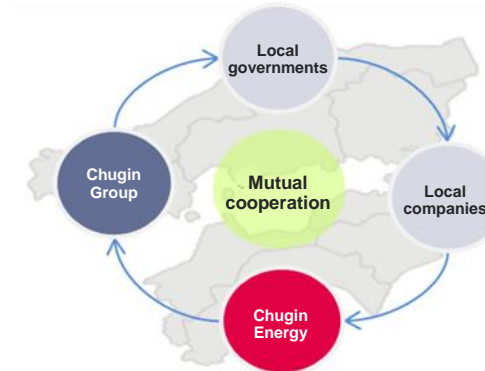
DX —Support for DX promotion for small and medium-sized companies in Okayama Prefecture—

Participated in “DX Sunrise Okayama,” a community to support collaboration among industries, academic institutions, governments, and financial institutions (July 2023)
Supporting DX of local SMEs in the region through collaboration with Okayama University and companies within the Prefecture



Chugin Energy

A local energy company that promotes decarbonization



<Solar power PPA service results>

* As of September 30, 2024

Contracts concluded	19 customers 33 facilities
Installation capacity	11 MW
Planned investment amount	1.4 billion yen

Strongly promoting decarbonization and SX in local communities with direct involvement by the Chugin Group **as the business operator**

Initiative example

Establishment of a new power company to promote zero carbon in Setouchi City (Feb. 2024)

せとうちしみんぞんりょくかふしきがいのしゃ
瀬戸内市民電力株式会社



Utilizing government subsidy programs, etc., the new company aims to achieve local production and consumption of energy by promoting the introduction of solar power generation, mainly in public facilities and general households, and selling solar-derived electricity generated in the region.

Alliance Strategy

We aim to co-create new value through **active collaboration** with various stakeholders, including different industry players.

Basic stance

- Co-creation and promotion of measures that contribute to the enhancement of corporate value of the Group
- Co-creation and promotion of measures that contribute to the sustainable growth of communities

Boosting net sales

Cost reduction

Business domain expansion

Regional revitalization

Promotion of DX

Decarbonization

Wide-area collaboration

● TSUBASA Alliance

Aim to maximize synergies in both net sales and costs generated by leveraging the largest economies of scale as a regional bank

<Major initiatives>

Boosting net sales	Syndicated loans
	Inheritance-related business
Cost reduction	Core system integration
	TSUBASA FinTech common platform
	Integration of subsystems
Sophistication of operations	Sophistication of AML operations



Community collaboration

Further promote a system of collaboration with diverse partners in the community to solve local issues and promote regional revitalization

● Okayama Co-creation Partnership



● Alliance for Co-creation of Future of Okayama



● Okayama Consortium for Promotion of Community Decarbonization



Appendix 2

Initiatives toward Improvement of PER

Co-creation of a Prosperous Future —Communities and Customers—

Improvement of PER

Communities

Customers

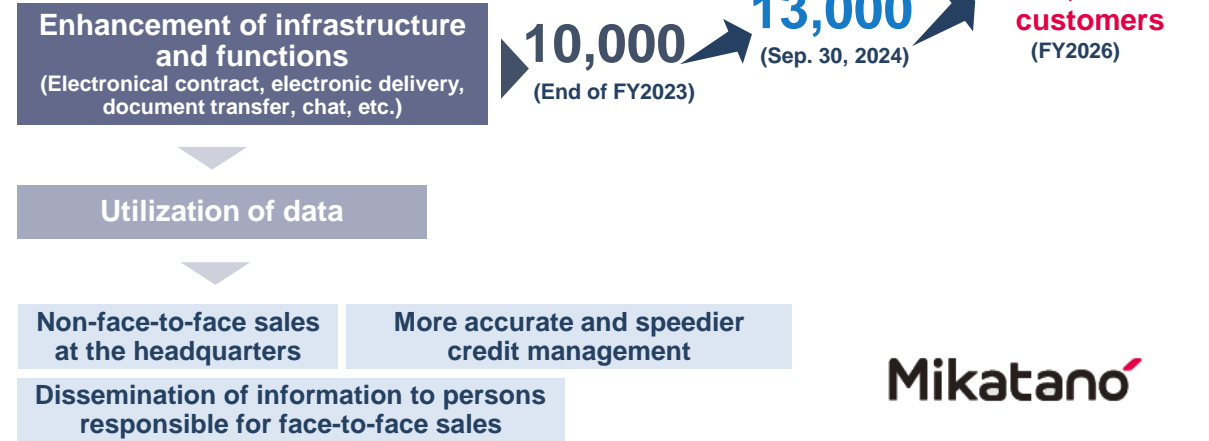
Employees

Transformation into next-generation channels through DX

Chugin App

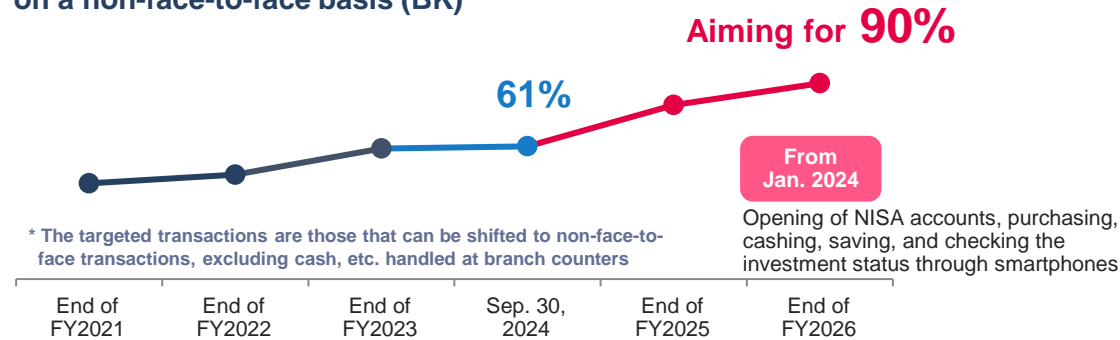


Chugin Business Portal



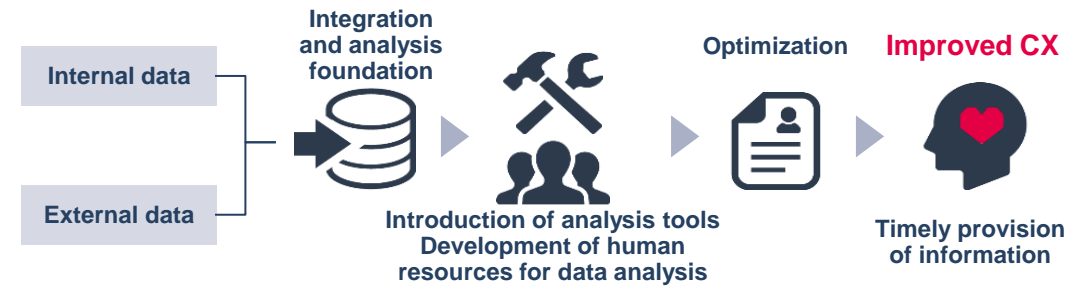
Expansion of web-based transactions

Rate of transactions that can be completed on a non-face-to-face basis (BK)*

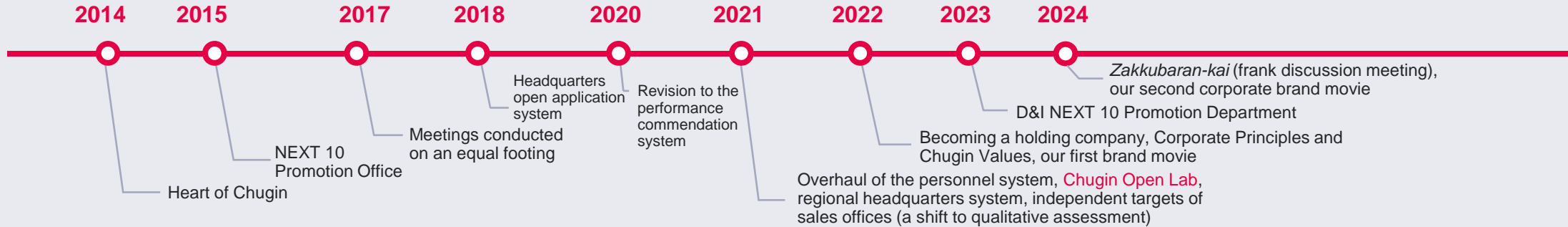


Strengthening of database marketing

Realization of “personalization” and “timeliness”



Organizational culture



Chugin Open Lab

An internal venture system that started in 2021 (cumulative total of **54** teams and **over 200** participants to date)

<Examples of commercialization>

Chugin CM service “MITAI”
—Broadcasting of customer PR videos at sales offices, etc.—



Standardization of inheritance procedures
—Improving customer convenience in cooperation with neighboring financial institutions—



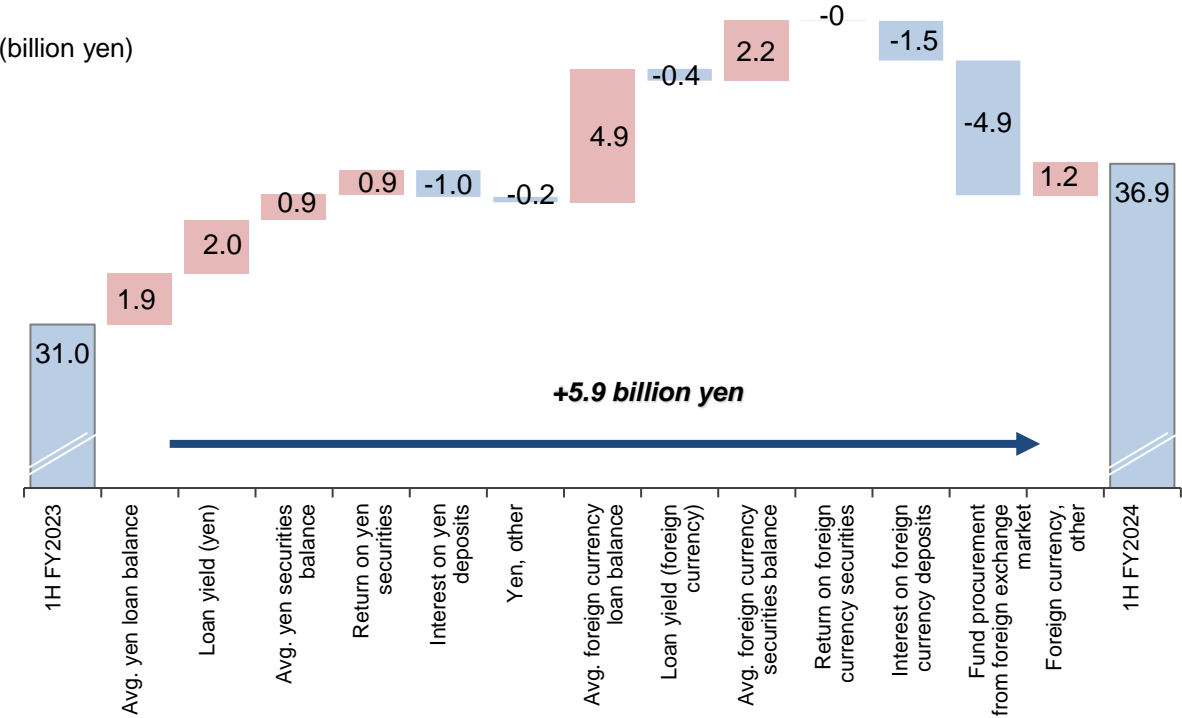
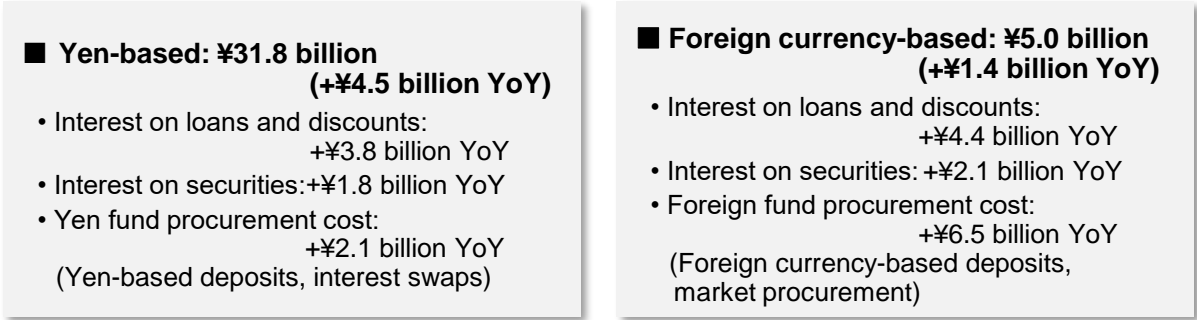
Chugin Energy
—A local energy company operating decarbonization-related businesses—



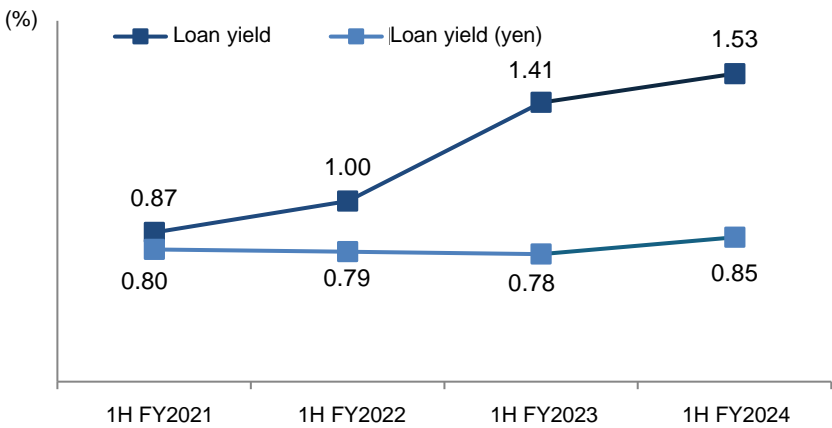
Appendix 3

Major Numerical Figures

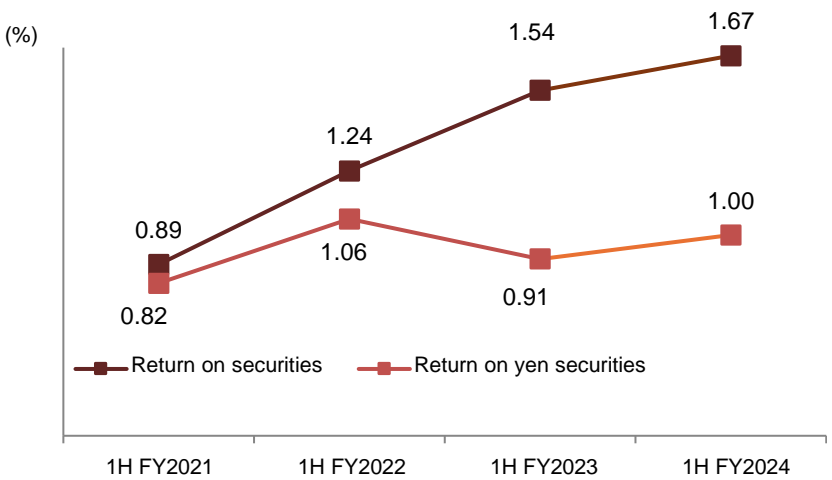
[Factors behind change in net interest income]



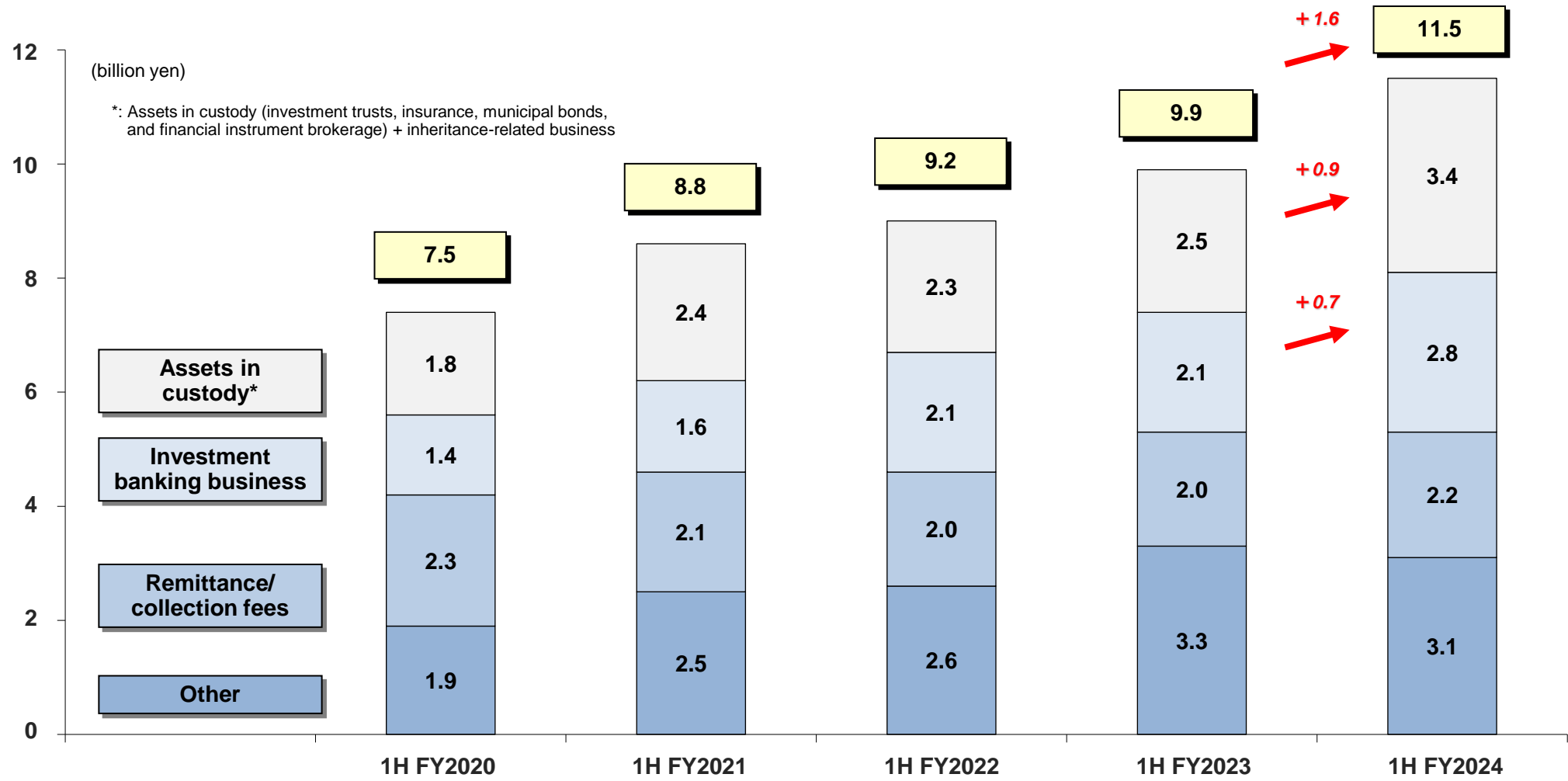
[Loan yield]



[Return on securities]



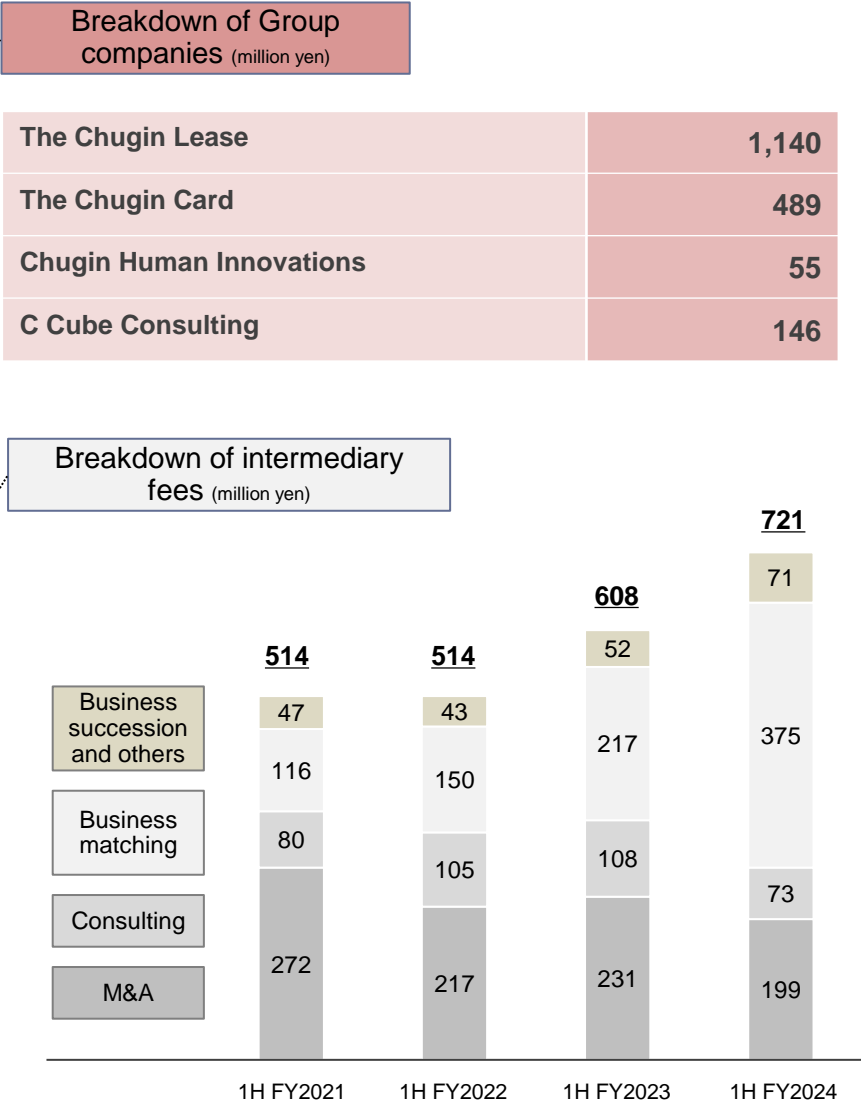
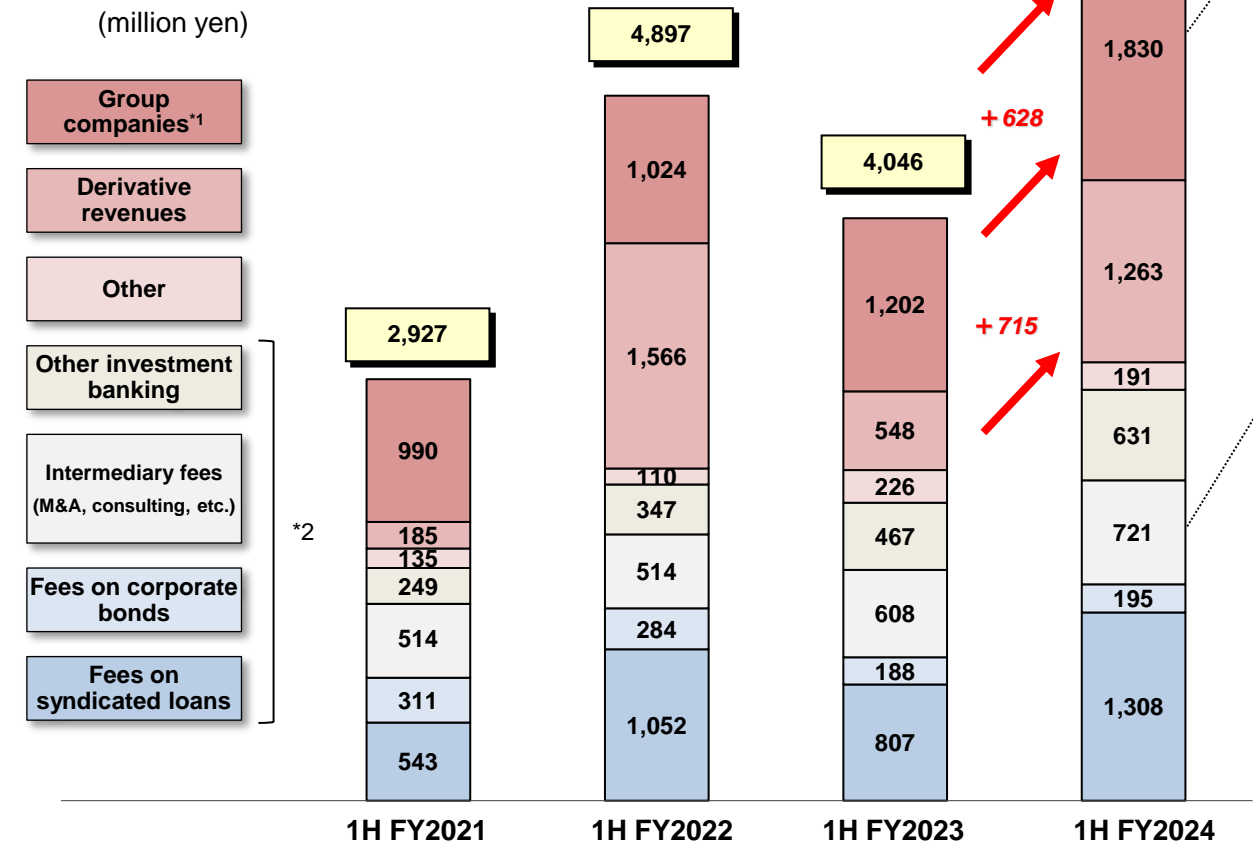
[Net fee income]



[Corporate solutions-related revenues]

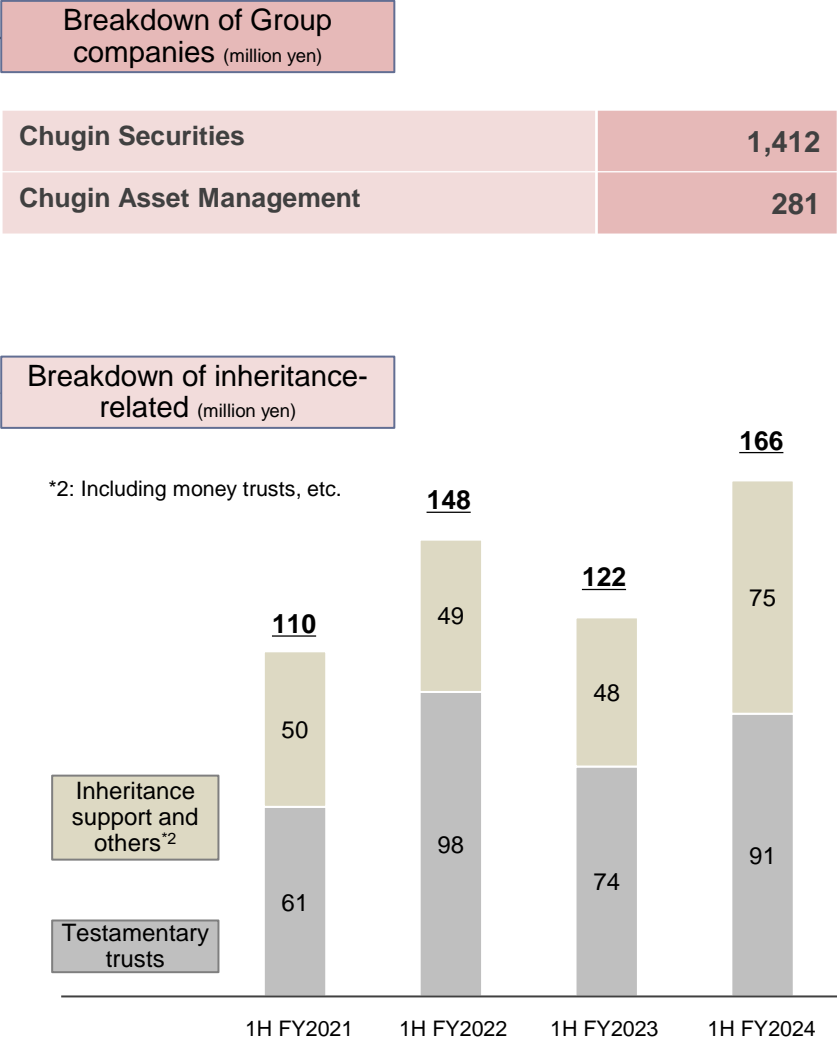
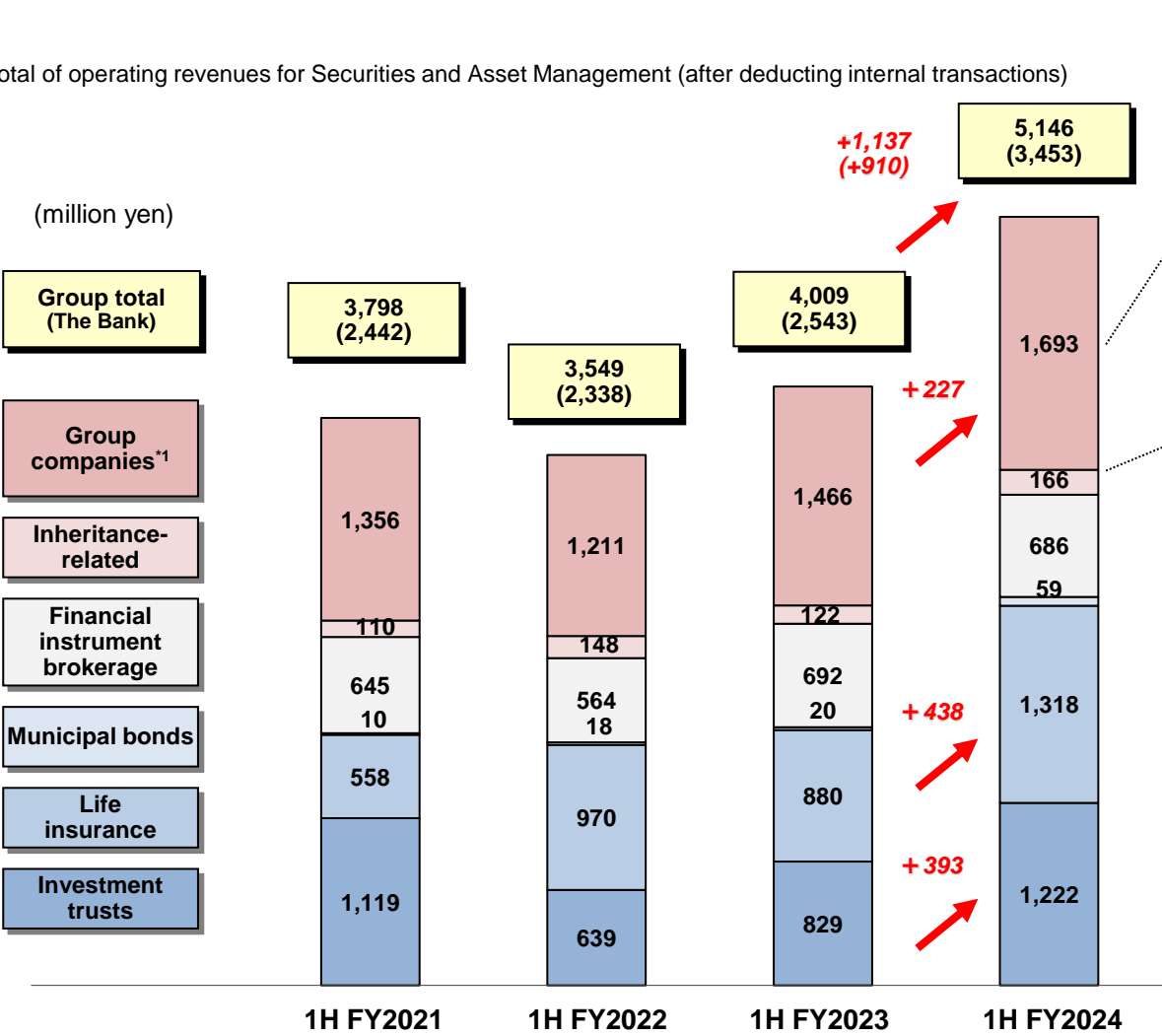
*1 : A total of gross margin for Lease, and operating revenues from Card, Human Innovations, and C Cube Consulting (after deducting internal transactions)

*2 : Investment banking business recorded in net fee income



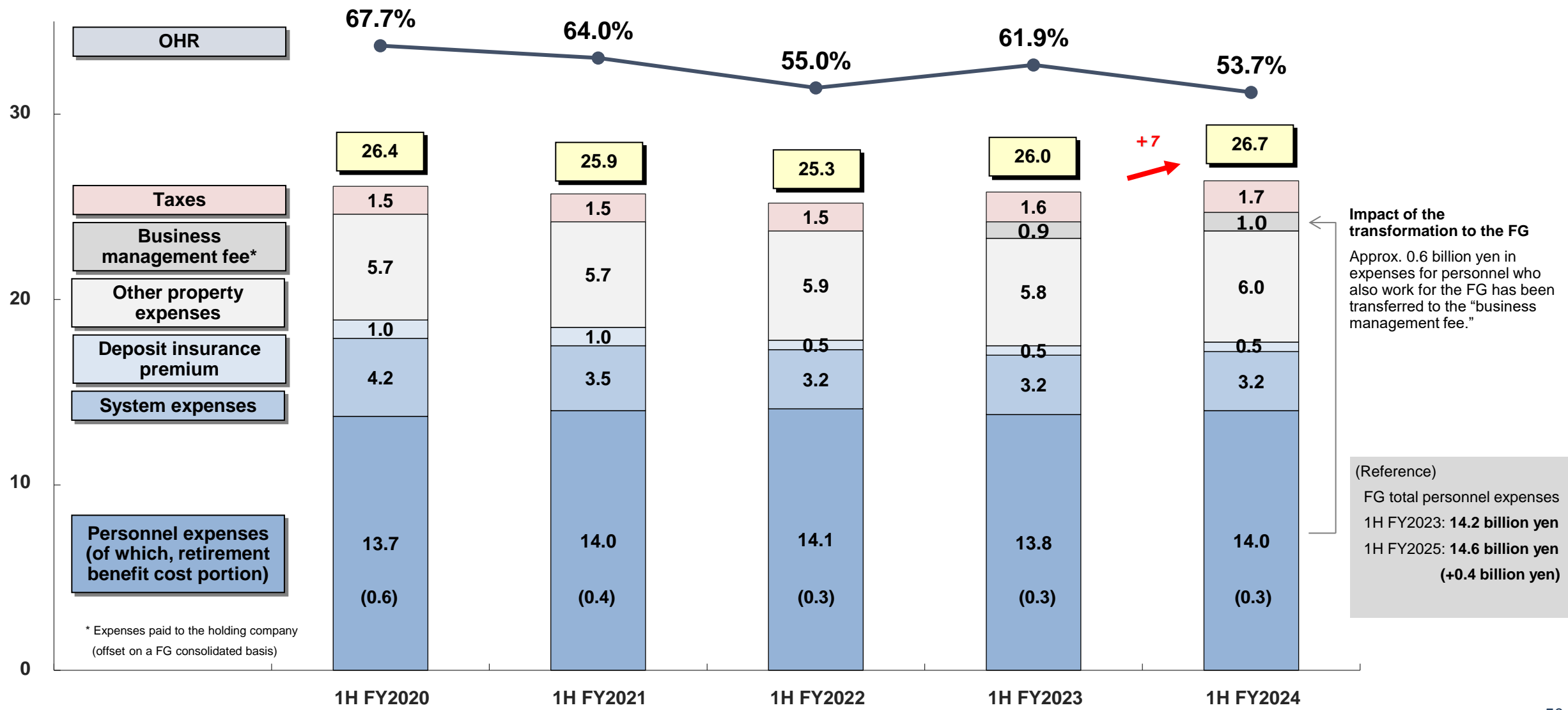
[Breakdown of revenues related to assets in custody]

*1: Total of operating revenues for Securities and Asset Management (after deducting internal transactions)

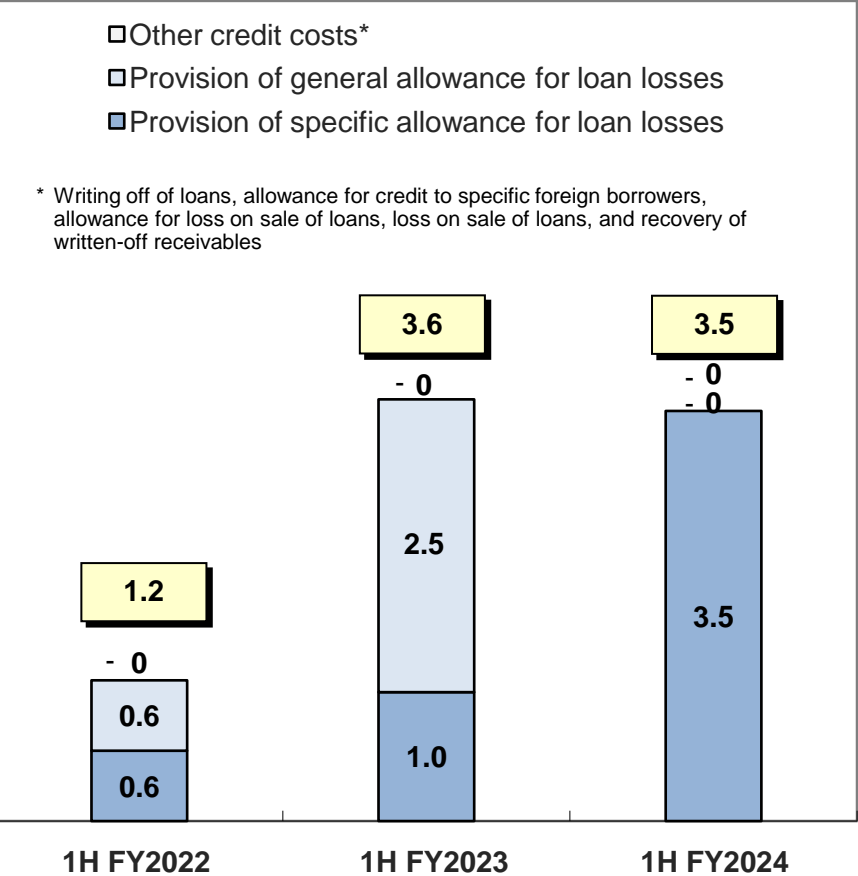


[Expenses]

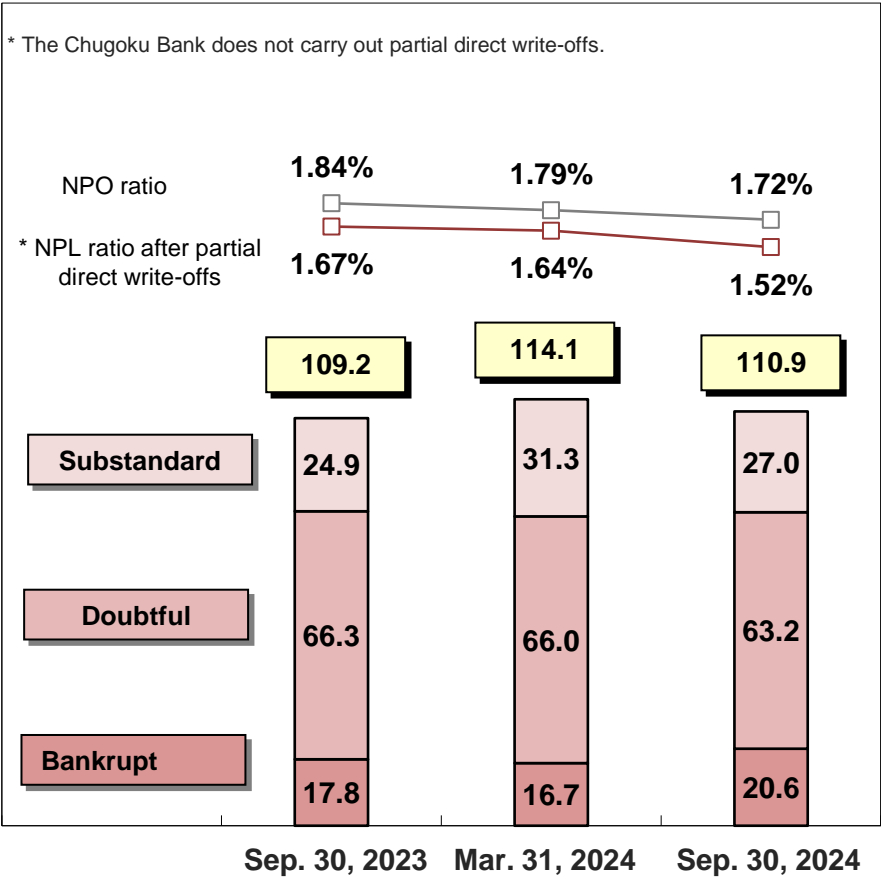
(billion yen)



[Credit costs] (billion yen)



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

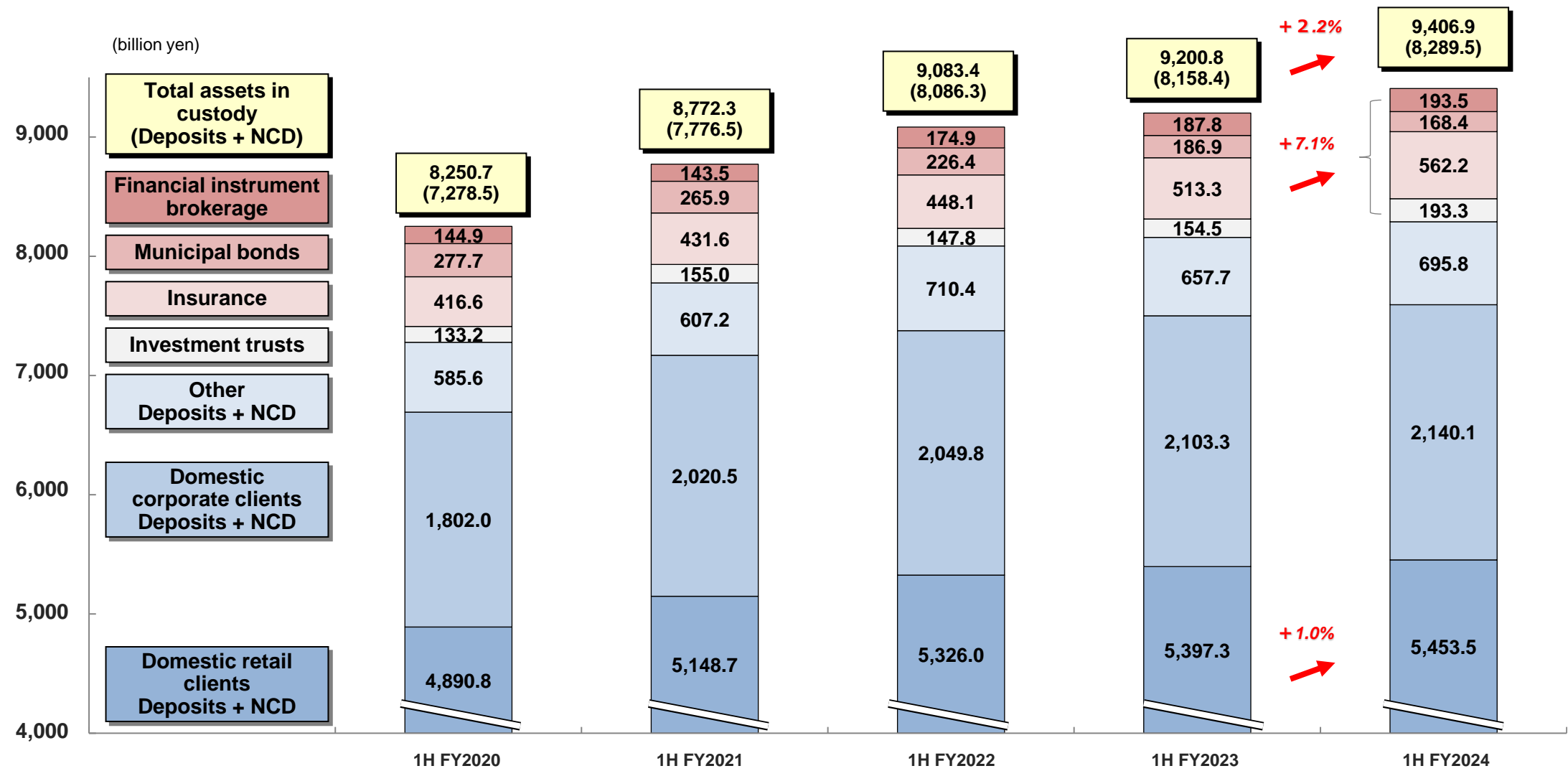


■ Calculation method of general allowance for loan losses

- The expected loss rate is calculated based on the actual loan loss rates for three consecutive calculation periods, with one period being three years. (Each calculation period is moved half a year forward.)
- The expected loss rate shall be the “most recent three-period average,” the “most recent five-period average,” or the “long-term average starting from the fiscal period ended in September 2008,” whichever is larger (changed from the fiscal period ended September 2022).
- Loans to healthy accounts and accounts requiring caution I are adjusted by taking into consideration the average remaining period of the receivables.

Deposits & Assets in Custody —Non-consolidated for the Bank—

[Average balance of deposits and assets in custody]



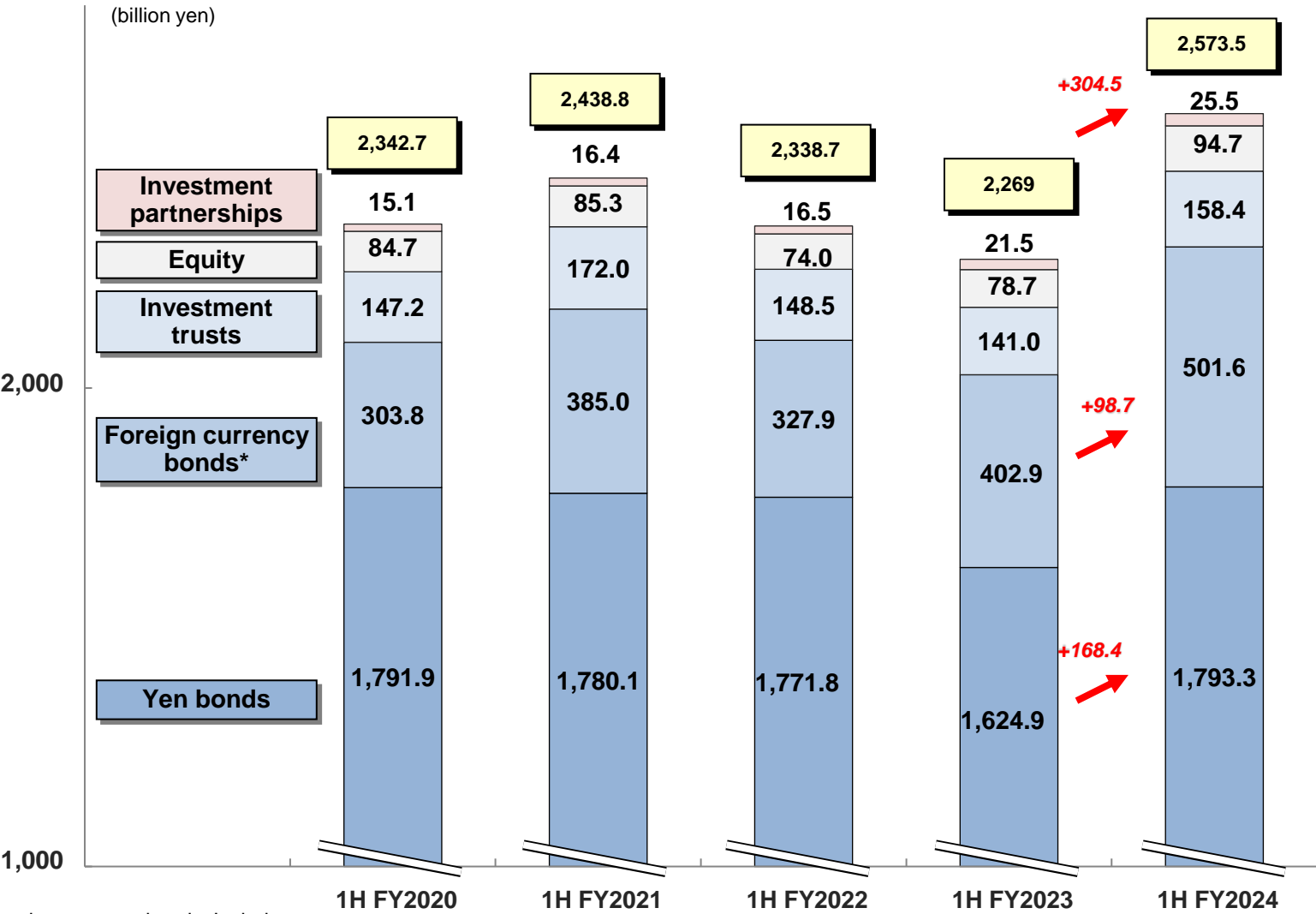
* Financial instrument brokerage is based on the acquisition price. Municipal bonds are based on the face value. Insurance takes into account cancellations. Investment trusts are based on net assets (including defined contribution pensions).

[Average loan balance]



^{*1} Local: Regions other than Tokyo and Osaka ^{*2} Urban: Tokyo and Osaka ^{*3} Loans to the headquarters: Structured Finance Dept.

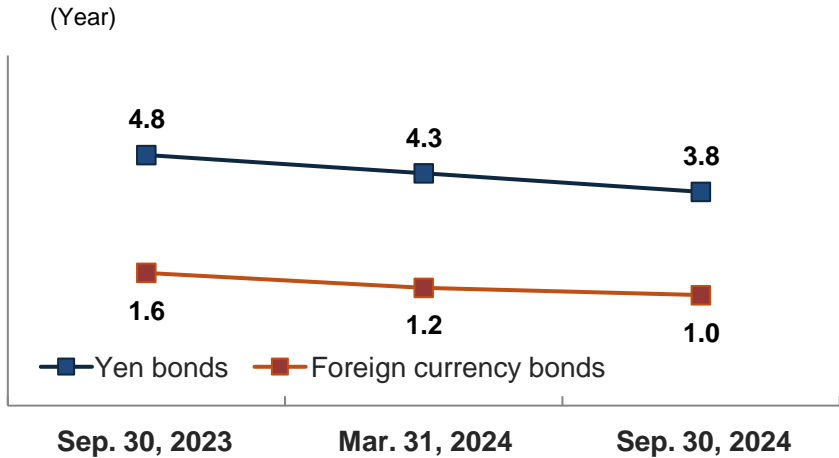
[Average balance of securities]



[Unrealized gains/losses]

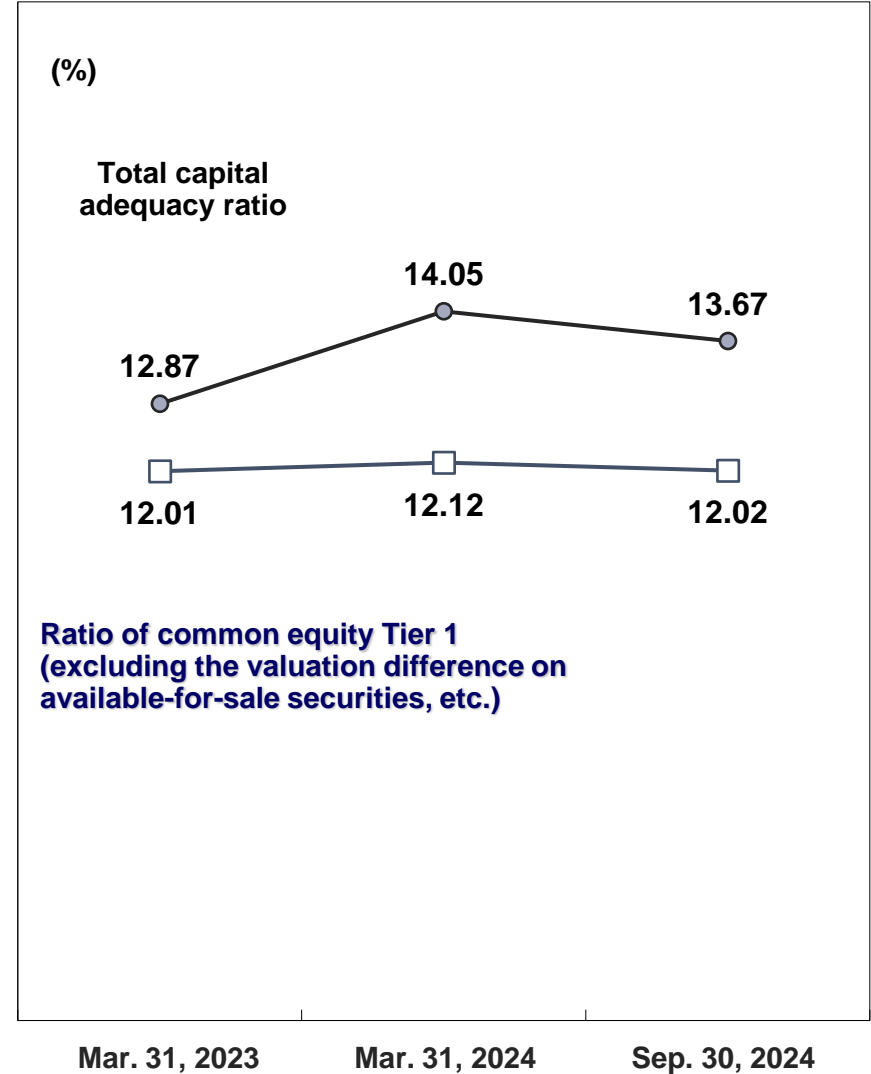
(billion yen)	Sep. 30, 2023	Mar. 31, 2024	Sep. 30, 2024	Term-end comparison
Total	44.8	84.8	64.4	- 20.4
Securities	23.1	74.5	63.8	- 10.7
Held to maturity	- 0.2	0	- 0.3	- 0.3
Other securities	23.3	74.6	64.1	- 10.5
Equity	52.4	73.2	67.6	- 5.6
Investment trusts	34.1	48.4	43.6	- 4.8
Foreign currency bonds	- 25.9	- 17.2	- 5.1	12.1
Yen bonds	- 36.8	- 30.2	- 42.2	- 12.0
Asset swap	21.7	10.3	0.6	- 9.7
Foreign currency interest swap	9.5	5.2	- 4.4	- 9.6
Yen interest swap	12.2	5.1	5.0	- 0.1

[Duration of bonds]



* Foreign currency bonds: Includes foreign currency investment trusts

[Capital adequacy ratio (consolidated for the FG)]



[Status of capital adequacy (consolidated for the FG)]

	(billion yen)	FY ended Mar. 2024	1H ended Sep. 2024	Change
Total capital adequacy		579.5	571.6	-7.9
Of which, common equity Tier 1		565.1	553.8	-11.3
Of which, valuation difference on available-for-sale securities, etc.		65.4	51.1	-14.3
Risk assets, etc.		4,122.4	4,179.2	56.8
Credit risk		3,972.9	4,024.5	51.6
Operational risk		149.5	154.6	5.1

[Other Basel regulations]

	FY ended Mar. 2024	1H ended Sep. 2024	Regulatory level
Consolidated leverage ratio	5.94%	5.80%	At least 3%
Consolidated liquidity coverage ratio (LCR)	152.90%	148.00%	At least 100%



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.

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