

Performance

This section provides an overview of the Group's earnings results for FY 2023 and outlook for FY 2024.

In FY 2023, we achieved a fourth consecutive period of profit growth, finishing the first year of our medium-term management plan “Plan for Creating the Future Together: Stage III (FY 2023-FY 2026)”, on a strong note. In FY 2024, we will expand and accelerate our efforts toward achieving the KPIs for the final year.

Fiscal Year 2023

In FY 2023, consolidated ordinary profit increased by ¥1.5 billion year on year to ¥31.1 billion and net income attributable to owners of parent increased by ¥0.9 billion year on year to ¥21.3 billion. We expanded both the asset business, in which we earn interest mainly from loans and investments by solving various local challenges, and the fee business, in which we earn fees mainly by providing consulting services.

We achieved our publicly announced forecast and increased profits year on year for the fourth consecutive period. We believe that we have thus been able to show positive results to all of our stakeholders.

● Asset business

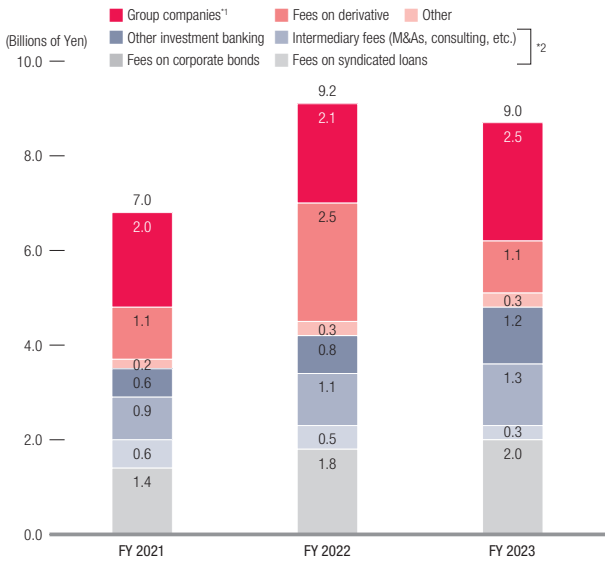
We have accumulated assets, primarily regional business loans and personal loans, across the Company by capturing funding needs through consulting sales. In particular, we began to strategically accumulate assets by utilizing our risk-taking capacity in the fiscal second half. This has led to an increase in yen loan interest.

● Fee business

We can now propose a wide range of solutions thanks to our holding company structure. With respect to corporate solution-related revenue, derivative fee revenue had a reactionary decline after increasing significantly in FY 2022 due to foreign-exchange fluctuations. However, there was an increase in intermediary fees for business matching and other services and fees on syndicated loans. Revenues related to assets in custody increased steadily thanks to a favorable market environment.

As for earnings as a group, we saw an increase in both corporate solution-related revenue and revenues related to assets in custody. The effects of the holding company structure, which has been in place for one and a half years, are gradually surfacing.

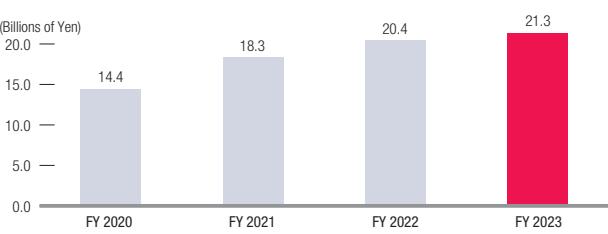
Corporate solution-related revenue (Consolidated for the FG)



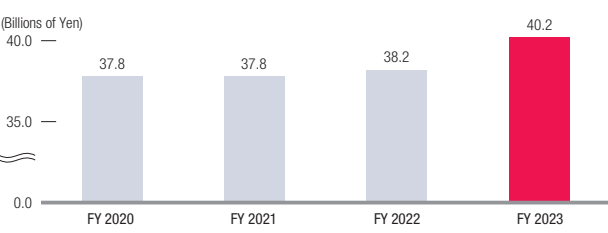
^{*1} Total of lease gross profit and operating revenue from Chugin Card, Human Innovations, and C Cube Consulting (after excluding internal transactions)

^{*2} Investment banking business included in net fee income

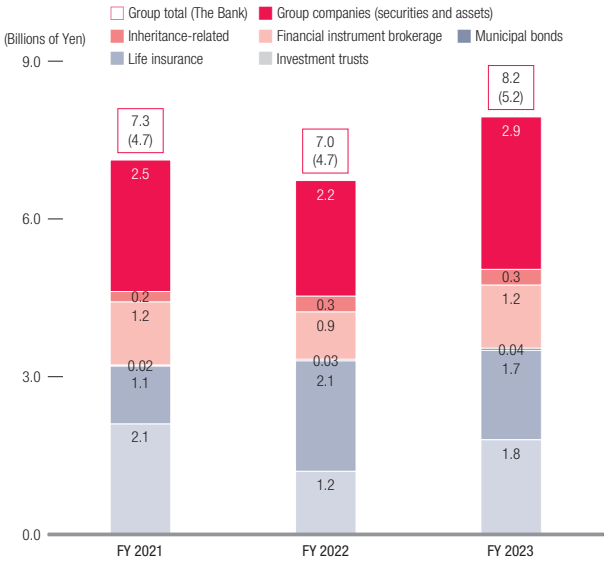
Net Income attributable to owners of parent (Consolidated for the FG)



Yen loan interest (non-consolidated for the Chugoku Bank)



Revenues related to assets in custody (Consolidated for the FG)



^{*} Total of operating revenues for Securities and Asset Management (after deducting internal transactions)

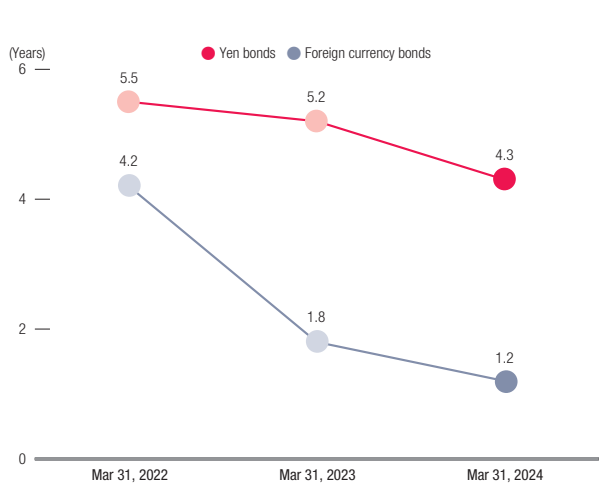
● Securities

Rising interest rates both in Japan and elsewhere have impacted our securities management and resulted in an increase in unrealized losses on bonds. However, we offset these losses by creating enough unrealized gains on other assets through asset swaps and through equity securities and investment trusts. Because we made changes to our portfolio at the beginning of the rapid rise in interest rates, we have also recently been able to make major improvements to the durations of our yen bonds and foreign currency bonds in anticipation of a further rise in interest rates.

Unrealized gains/losses (non-consolidated for the Chugoku Bank)

(Unit: Billions of Yen)			
	Mar 31, 2023	Mar 31, 2024	Term-end comparison
Total	42.4	85.5	43.1
Securities	46.2	74.5	28.3
Held to maturity	0.1	△0.0	△0.1
Other securities	46.1	74.6	28.5
Equity	39.2	73.2	34.0
Investment trusts	259	48.4	22.5
Foreign currency bonds	△11.7	△17.2	△5.5
Yen bonds	△6.6	△30.2	△23.6
Asset swap	△3.8	11.0	14.8
Foreign currency interest swap	△1.2	6.3	7.5
Yen interest swap	△2.6	4.6	7.2

Duration of bonds (non-consolidated for the Chugoku Bank)



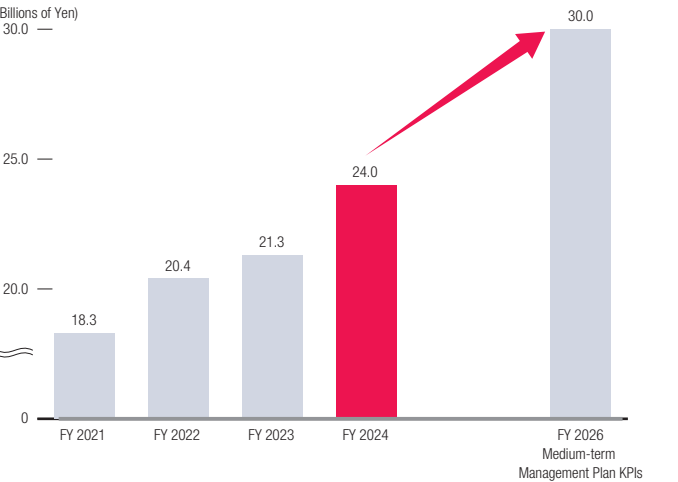
Outlook for FY 2024

For FY 2024, we expect net income attributable to owners of parent to reach ¥24.0 billion, a year-on-year increase of ¥2.7 billion. This would mark the fifth consecutive year-on-year increase in net income.

We will continue to expand our asset business and fee business, through which we solve various local challenges. We will also accelerate strategic investments for the future, such as human capital investments and innovation-related investments.

FY 2024 is a period in which the effects of our past initiatives will begin to materialize steadily. The strategic asset accumulation that began in the second half of FY 2023 will start contributing to earnings, mainly net interest income, while innovation-related investments will lead to the formulation and implementation of the Chugin DX Strategy to be introduced later. We will leverage the effects of such initiatives as we seek to achieve the KPIs for the current medium-term management plan.

Net Income attributable to owners of parent (Consolidated for the FG)



Consolidated financial results for the Chugin Financial Group

(Unit: Billions of Yen)			
	FY 2023 results	FY 2024 forecast	Change
Consolidated ordinary profit	31.1	34.5	3.4
Net Income attributable to owners of parent	21.3	24.0	2.7
<Reference: Non-consolidated for the Chugoku Bank>			
Core business gross profit	84.3	93.1	8.8
Expenses (△)	52.8	56.0	3.2
Core business net profit	31.4	37.0	5.6
Of which, credit cost (△)	8.5	9.6	1.1
Of which, profits and losses related to securities	4.8	4.2	△0.6
Ordinary profit	26.6	31.4	4.8
Net Income	18.4	22.2	3.8