

The 13th Medium Term Management Plan

Best Bank 2020

Final stage — 3 years of value co-creation
 From April 1, 2017 to March 31, 2020



Our vision

- This medium term management plan is for the final stage (three years) to accomplish our ultimate goal - to become the “best retail” banking group - by the target year of 2020 as set by the previous medium term management plan and to create the foundations for responding to environmental changes expected to occur over the medium to long term.
- We will bolster productivity and solidify customer confidence, and realize sustainable growth, by co-creating value (value co-creation) with our stakeholders, such as customers, shareholders, employees, and regional communities, etc.

We aim to become the **“best retail”** banking group that provides top-class customer satisfaction through advanced services, and to be highly regarded by our regional customers, both individuals and SMEs.

CS (Customer Satisfaction)

Ensure the “Customer first policy” and respond speedily to customers’ needs by providing advanced services and solutions.

ES (Employee Satisfaction)

Make a work environment where all employees can realize their potential with enthusiasm through diversity and work style reform.

SS (Social Satisfaction)

Drive regional development, by gathering the entire Chiba Bank Group as the leading bank in the area.

Key Issues

1 Co-creating customer value

- Providing products and services that offer more benefits to customers by resolving the management issues for corporate customers and the thorough enforcement of fiduciary duties
- Providing advanced services with high added value to respond to digitalization

2 Realizing work style reforms that allow all employees to shine

- Accelerating diversity to achieve an organization where all employees can shine regardless of gender and age
- Reviewing the way each employee works to develop a structure that allows them to specialize highly added value operation

3 Strengthening a sustainable management structure

- Further strengthening alliances with other banks such as the Chiba-Musashino Alliance and the TSUBASA Alliance
- Achieving low-cost operations through drastic reviews of business processes

Financial Results for the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, non-consolidated gross business profits increased ¥2.8 billion year on year to ¥152.2 billion. Real net business income increased by ¥4.5 billion as a result of ¥1.0 billion increase in net interest income, ¥5.1 billion improvement in gains (losses) related to bonds, and a significant cost reduction achieved by ¥1.7 billion decrease in expenses. Net credit costs increased by ¥10.5 billion as a result of defensive provisioning and a conservative increase in the allowance for loan losses. As a result, non-consolidated profit was ¥48.0 billion and profit attributable to owners of parent was ¥50.4 billion.

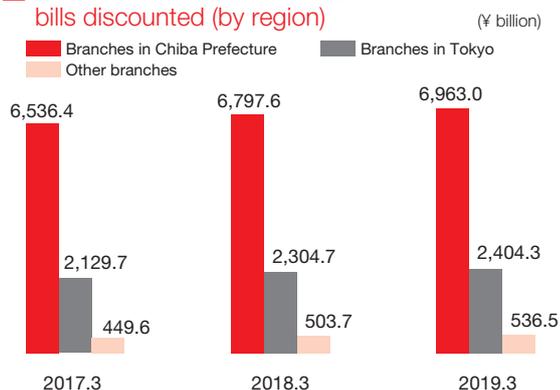
■ Increase in domestic loans and bills discounted

The balance of loans and bills discounted increased by ¥320.8 billion from the end of the previous fiscal year to ¥10,136.8 billion, making this the first time that the balance has exceeded the ¥10 trillion mark at the end of the fiscal year. A steady growth was maintained as SME loans increased 3.9%, housing loans increased 3.4%, and unsecured consumer loans increased 11.0%.

Looking at results by region, there was a well-balanced increase in both Chiba Prefecture and Tokyo.

* The balance of loans and bills discounted is also described on pages 11 and 30.

■ Balance of domestic loans and bills discounted (by region)



■ Summary of financial results

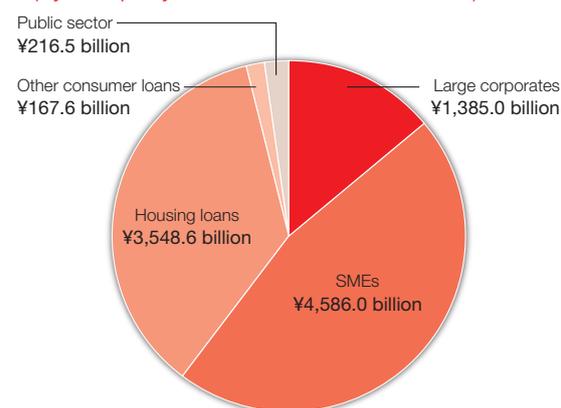
(¥ billion)

(Non-consolidated)	2018/3	2019/3	YoY
Gross business profits	149.4	152.2	2.8
Net interest income	121.5	122.6	1.0
Net fees and commissions income	23.7	22.4	(1.3)
Trading income	2.0	1.1	(0.8)
Profit from other business transactions	2.1	6.0	3.8
Gains (losses) related to bonds	(0.5)	4.5	5.1
Expenses (-)	82.8	81.1	(1.7)
Real net business income	66.5	71.1	4.5
Core net business income	67.1	66.5	(0.5)
Net transfer to general allowance for loan losses (-)	-	2.5	2.5
Net business income	66.5	68.5	2.0
Non-recurrent income and losses	4.0	(1.4)	(5.5)
Disposal of non-performing loans (-)	0.8	8.7	7.9
Gains (losses) related to stocks, etc.	1.6	1.8	0.2
Ordinary profit	70.6	67.0	(3.5)
Extraordinary income (loss)	(1.3)	(0.2)	1.1
Profit	49.6	48.0	(1.6)
Net credit costs (-)	0.8	11.3	10.5

(¥ billion)

(Consolidated)	2018/3	2019/3	YoY
Ordinary profit	78.4	72.4	(6.0)
Profit attributable to owners of parent	53.7	50.4	(3.3)

■ Balance of domestic loans and bills discounted (by company size, as of March 31, 2019)



Increase in solution-related fees from corporate customers

Net fees and commissions income decreased ¥1.3 billion year on year to ¥22.4 billion. Although investment trust fees and commissions decreased due in part to a weak market environment, solution-related fees from corporate customers were strong.

We will continue to provide a wide range of solutions based on evaluation of business and implement asset management proposals in light of our fiduciary duties in an effort to further strengthen profitability.

Controlling interest rate risks while diversifying investments

The balance of securities (excluding unrealized gains (losses)) was ¥1,933.7 billion. We aim to improve yields and diversify risks through diversified investments including Japanese government bonds, local government bonds, corporate bonds, investment trusts, US bonds, and foreign bonds issued by non-Japanese blue-chip companies. The average of duration of securities is 3.5 years for yen bonds and 1.4 years for foreign bonds, and we manage our portfolio in consideration of the risk balance for each product category while carefully controlling interest rate risk.

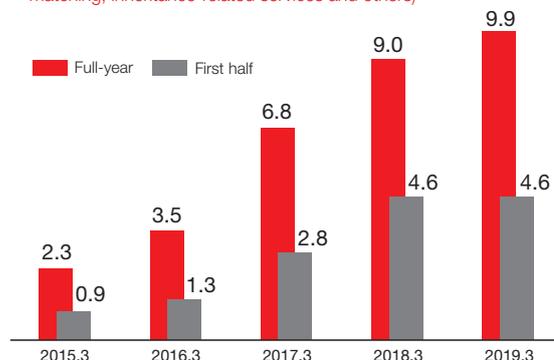
In addition, when investing in foreign currency denominated-assets, we take liquidity and funding costs into sufficient consideration as well as profitability.

Progress of cost reductions

Expenses decreased ¥1.7 billion year on year to ¥81.1 billion. Personnel expenses decreased by ¥1.0 billion due to reductions in overtime wages achieved through improvements in operating efficiency and the establishment of a retirement benefit trust, while non-personnel expenses also decreased through cost-cutting measures including a review of system renewal costs and administrative outsourcing expenses, and expenses fell below the plan as a result. OHR was 54.7%, which indicates that we maintained a high level of efficiency.

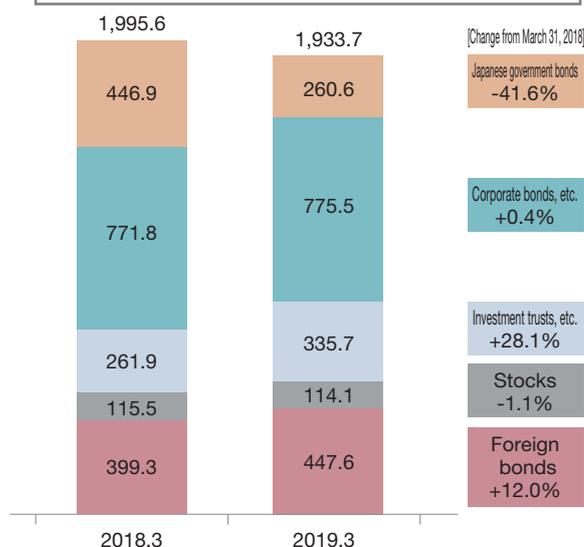
Solution-related fees from corporate customers (¥ billion)

(Private placement bonds, syndicated loans, etc., M&As, business matching, inheritance-related services and others)

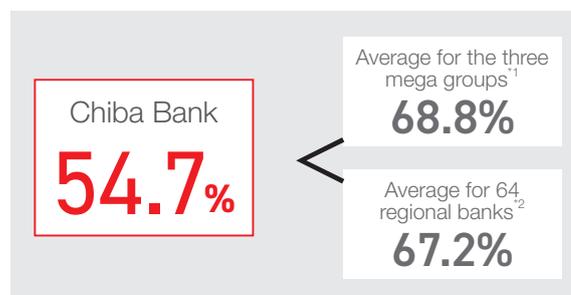


Balance of securities (excluding unrealized gains (losses)) (¥ billion)

Average duration of securities (including floating rate bonds)		
Yen bonds	2018.3	2019.3
Foreign bonds	1.6 years	1.4 years



OHR level comparison



*1 Expenses ÷ (consolidated gross business profits - gains (losses) related to bonds)
[Fiscal year ended March 2019]: Calculated by the Bank based on disclosed information

*2 Expenses ÷ (Non-consolidated gross business profits - gains (losses) related to bonds)
[Six months ended September 2018]: Disclosed by the Regional Banks Association of Japan

Projections for the Fiscal Year Ending March 31, 2020

For the fiscal year ending March 31, 2020, gross business profits are projected to increase ¥0.2 billion year on year to ¥152.5 billion. For interest on loans and discounts, the negative impact from the decline in yields will be compensated for by an increase in volume. We will also continue to increase net fees and commissions income with a focus on solution-related fees from corporate customers. In addition, because an increase in expenses as a result of a hike in the consumption tax rate and a decrease in net credit costs are expected, non-consolidated profit is projected to increase ¥0.1 billion year on year to ¥48.2 billion and profit attributable to owners of parent is projected to increase ¥0.5 billion year on year to ¥51.0 billion.

Profit attributable to owners of parent for the final fiscal year of the current medium term management plan was initially projected to be ¥60.0 billion based on an assumption of gradually increasing interest rates. However, in light of changes in the environment including a low interest rate over the near term and sluggish sales of investment trusts in the entire industry, profit attributable to owners of parent for the fiscal year ending March 31, 2020 is projected to be ¥51.0 billion.

In terms of net credit costs, although new costs for disposal of non-performing loans are projected to remain largely unchanged year on year at ¥10.0 billion, net credit costs are projected to decrease by ¥3.5 billion overall. We will continue strict credit control aimed at restricting net credit costs.

Working to further strengthen profitability

Although a challenging business environment is expected to continue as there still appears to be no exit from an easy monetary policy, we address the finishing year of the current medium term management plan and a preparation year for the next medium term management plan. As we look toward the next fiscal year and beyond, we will strengthen our consulting function including advisory services for corporate customers and fully develop cashless payment services in an effort to improve profitability.

Earnings projections

(¥ billion)			
(Non-consolidated)	2019/3	2020/3 (Projection)	YoY
Gross business profits	152.2	152.5	0.2
Net interest income	122.6	119.8	(2.8)
Net fees and commissions income	22.4	24.0	1.5
Trading income	1.1	2.8	1.6
Profit from other business transactions	6.0	5.9	(0.1)
Gains (losses) related to bonds	4.5	3.4	(1.1)
Expenses (-)	81.1	82.0	0.8
Real net business income	71.1	70.5	(0.6)
Core net business income	66.5	67.1	0.5
Net transfer to general allowance for loan losses (-)	2.5	0.5	(2.0)
Net business income	68.5	70.0	1.4
Non-recurrent income and losses	(1.4)	0.0	1.4
Disposal of non-performing loans (-)	8.7	7.3	(1.4)
Gains (losses) related to stocks, etc.	1.8	2.5	0.6
Ordinary profit	67.0	70.0	2.9
Extraordinary income (loss)	(0.2)	(2.8)	(2.5)
Profit	48.0	48.2	0.1
Net credit costs (-)	11.3	7.8	(3.5)

(¥ billion)			
(Consolidated)	2019/3	2020/3 (Projection)	YoY
Ordinary profit	72.4	76.0	3.5
Profit attributable to owners of parent	50.4	51.0	0.5

Net credit costs

(¥ billion)			
	2019/3	2020/3 (Projection)	YoY
Net credit costs (-)	11.3	7.8	(3.5)
Net transfer to general allowance for loan losses (-)	2.5	0.5	(2.0)
Disposal of non-performing loans (-)	8.7	7.3	(1.4)
Write-offs / Net transfer to specific allowance for loan losses, etc. (-)	10.2	8.9	(1.2)
New downgrades (-)	10.6	10.0	(0.6)
Decreases in collateral value, etc. (-)	0.4	0.4	(0.0)
Collections, etc.	0.9	1.4	0.5
Recoveries of written-off claims	1.4	1.6	0.1

(Note) To facilitate comparison, reversal of allowance for loan losses is indicated separately for net transfer to general allowance for loan losses and net transfer to specific allowance for loan losses.

Effective Use of Management Resources

Under our current medium term management plan, we are working to effectively use management resources to enhance profitability through improvements in productivity. We are building a structure capable of focusing on work with higher added value through fundamental operations reforms while controlling the total number of employees. We are also pursuing strategic investments that contribute to the strengthening of sales capabilities and improvements in operational efficiency. In addition, we strictly manage overall expense levels through efforts to reduce overtime work and various forms of sharing through alliances.

Personnel

In terms of personnel, we started the current medium term management plan with a total of 4,300 personnel (as of March 31, 2017) and we have controlled this number while reducing the existing work volumes through fundamental operations reforms (pages 39 and 40) without increasing personnel size and establishing a structure that enables

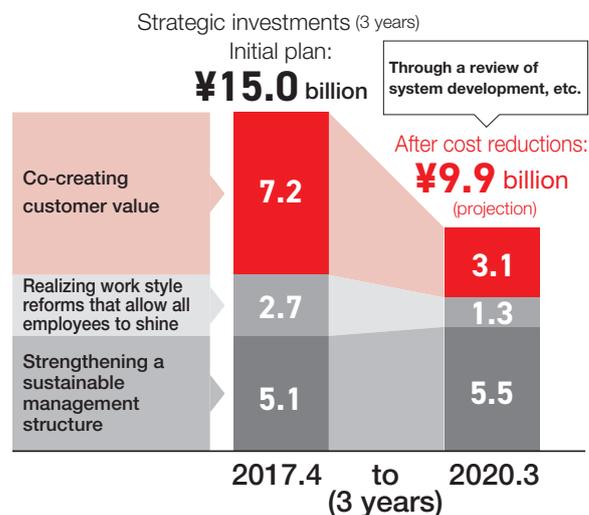
personnel to focus on work with higher added value.

When hiring personnel, we secure a stable number of new graduates and additionally strengthen mid-career recruitment with a focus on human resources with advanced specialist knowledge while also using senior staff and part-time staff.

Investments

In terms of investments, we make strategic investments in areas such as digital banking, the promotion of work style reforms, and the creation of systems for improvements in operational efficiency in relation to the three key issues of the current medium term management plan (page 19). Although the initial plan was to make strategic investments of ¥15.0 billion, we have reduced costs through means including a review of the contents of system development within a scope that will not have an impact on the effectiveness of measures, and we plan to invest ¥9.9 billion over a period of three years until March 31, 2020.

Strategic investment plan



Expenses

In terms of expenses, although an increase in depreciation can be expected as a result of our strategic investments, we strictly review overall expenses through efforts to reduce overtime work and various forms of sharing through alliances. Non-consolidated expenses for the fiscal year ending March 31, 2020 are projected to be ¥82.0 billion, which is below ¥83.5 billion projected in the current medium term management plan.

Capital Policy

Maintaining financial soundness and improving capital efficiency

Consolidated common equity Tier 1 capital ratio as of March 31, 2019 was 11.97%, which was sufficient to meet the Basel requirements.

We will continue to maintain the financial soundness required for the stable provision of funding to the region and work to improve capital efficiency and ROE through active returns to shareholders including acquisitions of treasury shares. In terms of cross-shareholdings, the ratio of the book value of stocks to Tier 1 capital has already decreased to 11% as of March 31, 2019. We manage the overall balance while appropriately verifying the validity of the rationale for holding each stock.

Active returns to shareholders

From the perspective of further improving capital efficiency and enhancing shareholder returns, we target a shareholder return ratio* of approximately 50% in the current medium term management plan. In the fiscal year ended March 31, 2019, the total return ratio was 56.8% as a result of paying a dividend of ¥16 per share and acquiring treasury shares worth ¥14.9 billion.

We will continue to aim for a shareholder return ratio of approximately 50% and

Results of and plan for shareholder returns

(¥)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3 (projection)
Dividend per share	12	Increase 13	Increase 14	Increase 15	15	Increase 16	16

(¥ billion)	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3 (projection)
Non-consolidated profit	43.2	45.8	52.5	48.6	49.6	48.0	48.2
Annual cash dividends	10.2	10.8	11.5	12.0	11.7	12.2	11.9
Payout ratio	23.6%	23.6%	21.9%	24.7%	23.7%	25.6%	24.7%

Acquisition of treasury shares	9.9	9.9	9.9	14.9	13.9	14.9	
Total shareholder return	20.2	20.8	21.5	27.0	25.7	27.2	
Shareholder return ratio	46.8%	45.4%	40.9%	55.5%	51.9%	56.8%	

* Shareholder return ratio = $\frac{\text{Total shareholder return (amount of dividend payout + amount of acquiring treasury shares, etc.)}}{\text{Non-consolidated profit}}$

Book value of stocks* and ratio to Tier 1 capital (consolidated)

* Acquisition cost of other securities with market value



consider flexible acquisition of treasury shares while endeavoring to achieve stable dividend growth as part of a capital policy that will satisfy shareholders.

We will strive to live up to the expectations of shareholders by steadily implementing various measures, increasing earnings, and providing steady returns to shareholders.

Shareholder return ratio in the current medium term management plan
Approximately 50%

Financial Services That Support the Growth of Customers and Regional Communities

Corporate Customers

The Chiba Bank leverages its financial intermediation function to provide a variety of solutions responding to needs of each company at various life stages from founding to business succession.

Common initiatives for all life stages of a company

- Initiatives for evaluation of business

Initiatives for the founding period

- Initiatives for developing businesses: venture founding support (The Himawari Venture Development Fund, the Chibagin Research & Development Grant Program, the Student Business Idea Contest, Regional Revitalization Loans, etc.)

Initiatives for the growth period

- Solution proposals (Advisory service, staffing service, etc.)
- Providing various means of finance (Short-term continuous loans, syndicated loans, loans with covenants, etc.)
- Foreign exchange transactions and overseas expansion support

Initiatives for the revitalization period

- Revitalization support (Management improvement guidance, collaboration with external organizations such as the SME Revitalization Support Committee, etc.)

Initiatives for the business succession period

- Business succession support (Management succession support service, business succession fund, M&A support, etc.)

Individual Customers

The Chiba Bank provides financial services that meet the diverse needs of customers throughout their lives.

Initiatives for asset building

- Holding various seminars
- Proposals for long-term investments and diversified investments (Installment Nippon Individual Savings Account (NISA), installment investment trusts)
- Strengthening proposal capability (Utilizing “Investment Trust Index”, etc.)
- Collaboration with Chibagin Securities

Initiatives for life plan support

- Housing purchase support (Housing loans with group credit life insurance covering 11 lifestyle diseases, premium housing loans, etc.)
- Responding to diverse needs (Unsecured consumer loans for various purposes)

Initiatives for asset succession and asset management

- Asset succession support (Testamentary trust, will preparation support service, inheritance sorting service, etc.)
- Asset management support (Whole life insurance, Lombard Odier Trust, etc.)
- Support for dementia, etc. (Family trust support service, guardianship support trust)

Initiatives to support secure living

- Sale of protection-type insurances (Healthcare and cancer insurance, nursing care insurance, etc.)
- Expansion of *Hoken No Madoguchi@Chibagin*

Initiatives for digitization

- Collaboration with FinTech companies
- Providing digital passbooks
- Providing Chiba Bank App
- Response to cashless payments

Regional Communities

The Chiba Bank promotes initiatives for regional revitalization, according to the characteristics and issues of regions centered on Chiba Prefecture.

Approach to regional revitalization

- Coordination with local governments
- Initiatives aimed at community revitalization (Donations of sight-seeing rental bicycles, operation of an agricultural corporation, utilization of old Japanese style houses, etc.)

Initiatives for environmental protection

- Contributing to environmental conservation through our core business (Renewable energy related loans, etc.)
- Forest development activities (Chibagin Forest)
- Initiatives to address climate change (Energy saving measures, etc.)

Initiatives for community contribution

- Community contribution through improvement of school environments and sports promotion
- Initiatives to improve financial literacy
- Support for social welfare activities



Co-creating Value with Stakeholders

Common value	
Shareholders	Improvement of corporate value in the medium to long term
Customers	Demonstration of our financial intermediation function and advanced financial services
Employees	Rewarding workplace where employees can demonstrate their full potential
Regional Communities	Regional revitalization and coexistence with the natural environment



Realizing “Sustainable Management”
(Balancing economic value and social value)

Framework for Growth of the Chiba Bank

Non-financial capital	Priority initiatives
<ul style="list-style-type: none"> Operating area and customer base Development and utilization of diverse human resources Group management structure 	<ul style="list-style-type: none"> Strategic alliances Operational reforms Improvement of customer satisfaction
Management base	
<ul style="list-style-type: none"> Corporate governance Compliance 	<ul style="list-style-type: none"> Risk management Internal audits

Businesses for Corporate Customers

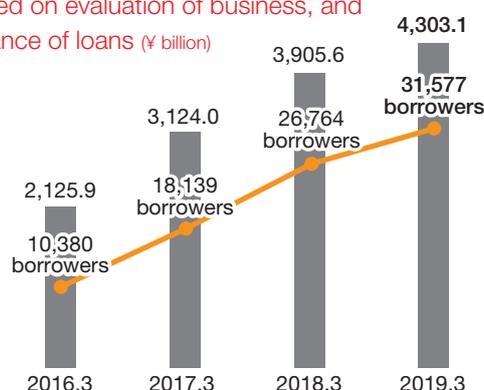
We, as a regional financial institution, exercise an intermediation function by closely engaging with customers involved in the regional economy, and proposing valuable solution to resolve management issues based on a deep understanding of their businesses. In November 2018, the Bank launched a “advisory service”, which supports the formulation of a customer’s facility plan and medium term management plan, in order to further strengthen proposal activities. Furthermore, in April 2019, Chibagin Career Service launched a “staffing service” to address issues including customers’ labor shortages. We are ready to provide high value-added solutions.

Initiatives for Evaluation of Business

The Bank is committed to implementing activities mainly by supporting corporate customers based on evaluation of their businesses. As a result of providing a wide range of solutions, including proposals for optimal financing schemes that meet customers’ needs, the number of customers who have loans from us based on the evaluation of business exceeds 30,000, placing Chiba Bank at the top level of regional banks.

We are steadily increasing loans to SMEs as a result of evaluation of business and various solution proposals.

■ Number of borrowers whose loans are based on evaluation of business, and balance of loans (¥ billion)



Solution Proposals

Advisory service

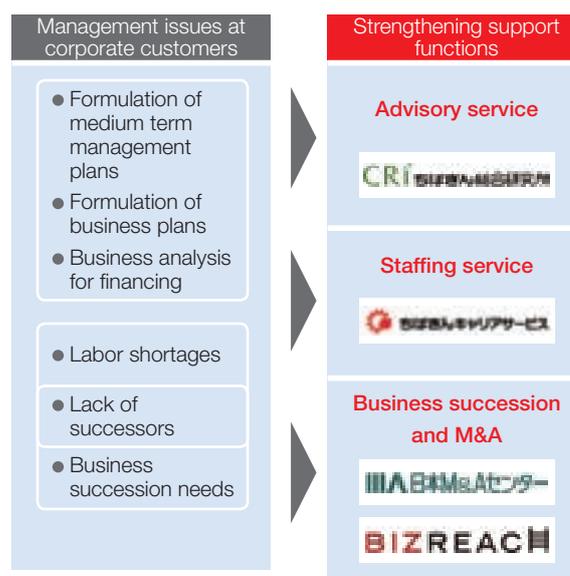
In November 2018, the Bank launched a “advisory service” that offers consulting services including support for formulating facility plans and medium term management plans, in collaboration with Chibagin Research Institute and external expert companies.

By sharing management issues with our corporate customers through this service, we can propose diverse solutions including finance, staffing, and business succession.

Staffing service

In April 2019, in order to respond to our corporate customers’ issues including labor shortages, Chibagin Career Service launched a “staffing service.” We will meet various recruiting needs, including executive personnel and successors responsible for management, as well as specialist engineers, etc., and contribute to resolving issues at our corporate customers who are suffering from labor shortages.

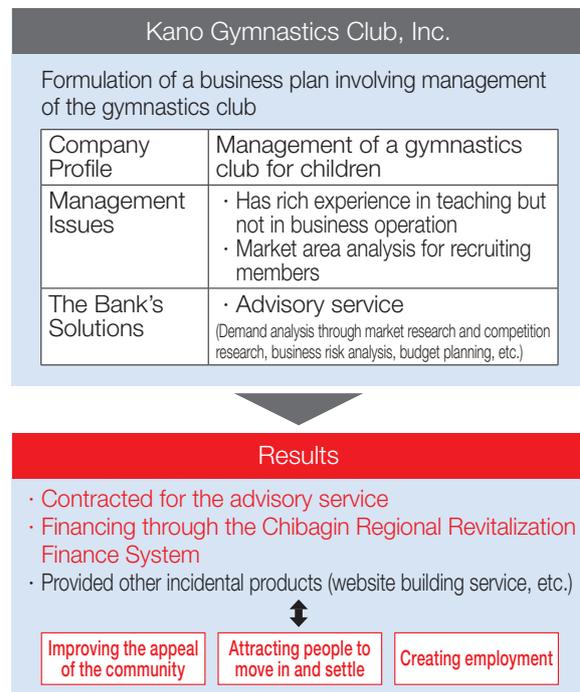
■ Strengthening support functions for resolving management issues



Solution proposal case

Kano Gymnastics Club, Inc. (dealing with Shisui Branch) is an example of a business founded using the “advisory service” and the “Chibagin Regional Revitalization Finance Program.” The company was planning to open a gymnastics club for children, with the goal of improving children’s health and basic athletic skills. After signing a contract with the company for the advisory service, we assisted it in preparing business plans based on market research for the planned site and demand forecasts, and also offering financing based on those plans.

This business is expected to make the community more appealing to families with children, attracting people to move to the community or stay there, and is also expected to have ripple effects such as increasing local employment.



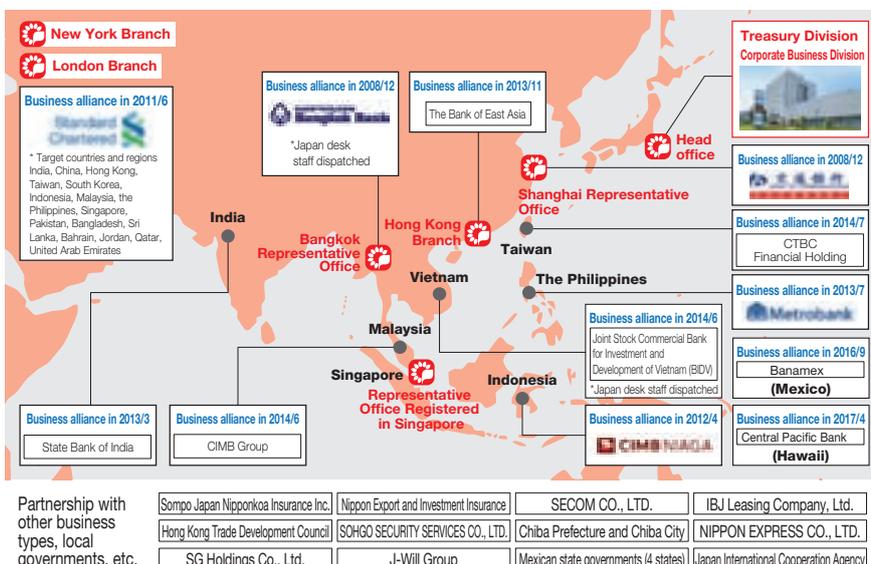
Foreign Exchange Transactions and Overseas Expansion Support

In addition to branches in New York, Hong Kong, and London, the Bank has representative offices in Shanghai, Singapore, and Bangkok. We have also partnered with local financial institutions to support customers as they expand their businesses overseas, such as by supporting foreign trade transactions, providing the latest information on overseas markets, and holding business meetings with the aim of developing sales channels. In August 2018,

the Bank began sharing its Representative Office Registered in Singapore with the Musashino Bank, making it possible for us to serve Musashino Bank customers more smoothly.

These activities have steadily increased the balance of loans to Japanese companies at our overseas branches. In December 2018, we composed the TSUBASA Alliance’s first foreign currency denominated syndicated loan.

Overseas network and support services



Overseas expansion support

- Providing information on overseas investment environments
- Support for overseas sales channel development
- Securing financing at overseas expansion locations

Foreign trade transaction support

- Sending funds overseas and receiving funds from overseas at the Chiba Bank counters
- Opening import letters of credit, import usance, notices of export letters of credit, collection and purchase of export bills and checks
- Tariff payment guarantees, bid guarantees, contract fulfillment guarantees, etc.
- Foreign exchange risk hedging (foreign exchange contracts, etc.)

Introduction

Summary

Growth Strategy for “Sustainable Management”

Addressing Social Issues to Achieve “Sustainable Management”

Management Base to Support “Sustainable Management”

Financial and Corporate Data

Growth Strategy for “Sustainable Management” Businesses for Individual Customers

The Bank provides a wide variety of financial products and services including deposits, investment trusts, insurance, and loans in response to the life plans and diverse needs of individual customers.

In asset management proposals, we are improving the skills of personnel and developing various tools to strengthen our consulting function in order to support customers’ stable asset formation based on our policy regarding customer-oriented business operations, and are expanding sales channels.

Initiatives for Asset Building

Initiatives related to customer-oriented business operations

We hold various seminars (380 seminars held in FY2018 by the Bank and Chibagin Securities) in order to provide customers with a broad range of information based on our Policy Regarding Customer-oriented Business Operations (Fiduciary Duties), a policy formulated in June 2017 (pages 43 and 44).

In addition, we encourage the trend of “from savings to asset building” by proposing the optimal products based on customer needs, such as long-term and diversified investments. Using our specialized staff, we aim to meet the diverse needs of customers while satisfying a broader range of customers through products that welcome small investment amounts, such as installment investment trusts and installment NISAs.

Furthermore, we are working to improve our consulting function to support stable asset building by customers. We are strengthening investment trust proposal capabilities by increasing the rate of face-to-face meetings with customers through the use of activity management records that analyze the status of activities by sales representatives, and offering portfolio rebalancing proposals and stimulating needs for inheritance measures through the use of the Investment Trust Index.

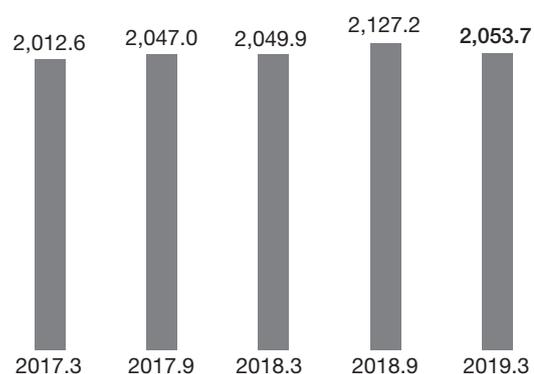
In terms of sales channels, in February 2019 we opened the Funabashi Branch of Chibagin Securities as its 15th branch in Chiba Prefecture. Chibagin Securities is working to strategically expand its business structure through efforts including an increase in the Bank’s employees seconded to Chibagin Securities, and the two companies are working together to provide a broad range of asset management products to customers.

We aim to deliver investment success stories to customers and build up the Group total balance of financial products through these efforts.

Asset building seminar



Group total balance of financial products (¥ billion)



Initiatives to Support Secure Living

In order to support customers’ secure living, we provide annuity insurance and single premium whole life insurance, as well as protection-type insurance in preparation for unexpected events in the future, including medical and cancer insurance and nursing care insurance.

Hoken No Madoguchi@Chibagin has been steadily increasing the number of insurance policies, and in April 2019 we installed new stores in Kashiwa City and Narashino City,

bringing the number of stores to four. There has been a population influx in these regions mainly consisting of child-raising households thanks to residential development, and high needs for protection-based insurance can be anticipated. In addition, the “Life Design System,” an insurance product proposal tool, is being expanded to all stores, and we are strengthening proposal sales of protection-type insurance.

Initiatives for Life Plan Support

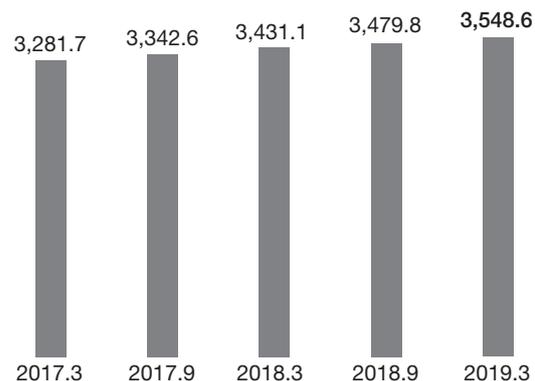
House acquisition support (housing loans)

Chiba Prefecture is highly convenient for commuting to central Tokyo and continues to experience of influx of child-raising households, and for this reason, housing loan demand is expected to remain strong.

Advance screening through an app and the Internet is conducted in an aim to achieve a balance between improvements in customer convenience and in operational efficiency, and there are also plans to introduce digital contracts in the future.

In addition, we are working to differentiate our housing loan products from those of other banks with products that include housing loans with group credit life insurance covering 11 lifestyle diseases and premium housing loans that can provide a maximum of ¥300 million in financing, and are steadily increasing the balance of housing loans.

■ Balance of housing loans (¥ billion)

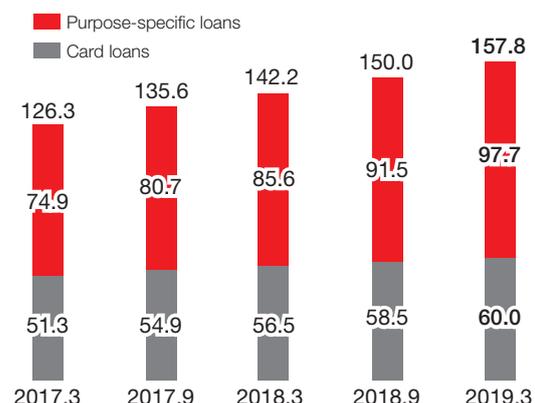


Responding to diverse needs (unsecured consumer loans)

Unsecured consumer loans have maintained a high growth rate thanks to the strong performance of purpose-specific loans including auto loans and education loans.

In order to further increase our loan balance, we are working to improve convenience and gain a wide range of customers through the reinforcement of non-face-to-face channels such as the introduction of a system that handles all processes from application to contract signing over the Internet. In card loans, we are working to further broaden the base of users while thoroughly implementing control of ongoing credit by assessing the income situation of existing contract holders in order to prevent their borrowing from multiple lenders.

■ Balance of unsecured consumer loans (¥ billion)



Inheritance-Related Services and Trust Business

Since being the first regional bank to enter the inheritance-related services and trust business in 2006, the Bank has been offering one-stop services in response to the diverse needs of wealthy individuals, mainly landlords and entrepreneurs.

Needs for asset management, asset succession, and consulting on business succession have grown rapidly with the advance of population aging, and we are working to enhance products and services and improve solution proposal capabilities.

Inheritance-Related Services

The number of contracts for inheritance-related services has steadily increased, as customers appreciate our services that enable them to complete important formalities regarding their personal and family assets fully within the Bank, and to seek advice with less hesitancy.

Asset succession support

Customers have become increasingly interested in will writing with the revision of the Civil Code, and large numbers of customers have participated in inheritance and will seminars held at branches.

In January 2019, we expanded our inheritance sorting service and started newly offering a will execution service. This service is in response to the relaxation of writing requirements for a will by holograph document under a revision of the provisions concerning inheritance in the Civil Code (inheritance law). With this service, the Bank acts as a will executor to conduct the inheritance procedures with financial institutions and name changing procedures for real estate, insurance, etc.

We will respond to inheritance and asset succession needs going forward and actively support the needs of a broad range of customers.

Business succession support

Demographics in Japan are characterized by the advance of population aging along with a decrease in the working-age population, and SMEs are facing the problem of aging representatives and the lack of successors.

The Bank informs and provides proposals to managers that face such succession problems on special measures under the business succession taxation scheme. We also make proposals that match the needs of a wide range of customers, including the donation of treasury shares and the incorporation of income properties through our management succession support service, and provide total support from the formulation to execution of management succession plans.

Supporting smooth asset succession for wealthy individuals including landlords and entrepreneurs

Inheritance-related services

- Testamentary trust
- Will preparation support service
- Inheritance sorting service
- Management succession support service
- Family trust support service

Trust business

- Land trust
- Public interest trust
- Specified gift trust
- Guardianship support trust
- Alternative testamentary trust

Number of contracts and profit for inheritance-related services (¥ million)



Provision of services to alliance banks

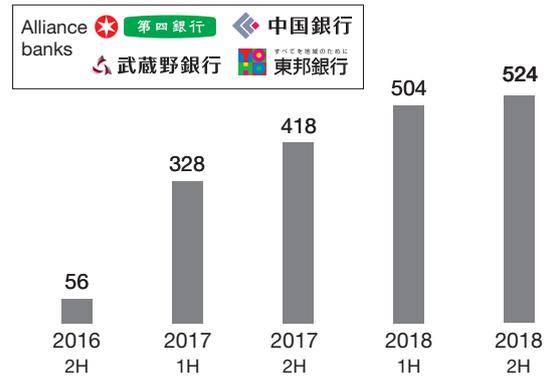
Other regional banks have shown a strong interest in our initiatives in inheritance-related services, and the Bank has already collaborated with Daishi Bank, Chugoku Bank, Musashino Bank, and Toho Bank through an agency method and an outsourcing method and supported the operations of these banks.

Tie-up methods for inheritance-related services with alliance banks

	Daishi Bank since Oct. 2016	Musashino Bank since Apr. 2017	Chugoku Bank since Oct. 2016	Toho Bank since Jun. 2017
Tie-up method	(Agency method) Customer-facing operations, etc. are contracted out from Chiba Bank	(Outsourcing method) Chiba Bank is the subcontractor for administrative operations such as clerical work		
Benefits for alliance banks	Able to directly respond to customer inquiries	Able to enter the market without needing to have an administrative division		
Benefits for Chiba Bank	Use of accumulated operational know-how and access to new business opportunities and increased profitability			

* Outsourcing method is used for applications from April 2019 for Musashino Bank.

Number of applications at alliance banks (cases)



Asset Management Support

We gain an understanding of the total assets of customers through testamentary trust services, and the effective use and maintenance of that leads to transactions involving asset management in general. We take advantage of tax-exempt frameworks for insurance, use Lombard Odier Trust for the preservation of individual assets, and provide support for the effective use of real estate.

In addition, we provide follow-up of heirs for which our inheritance sorting service has been completed and serve as the first adviser for the management of inherited assets and sale of real estate.

Support for Dementia, etc.

Family trust support service

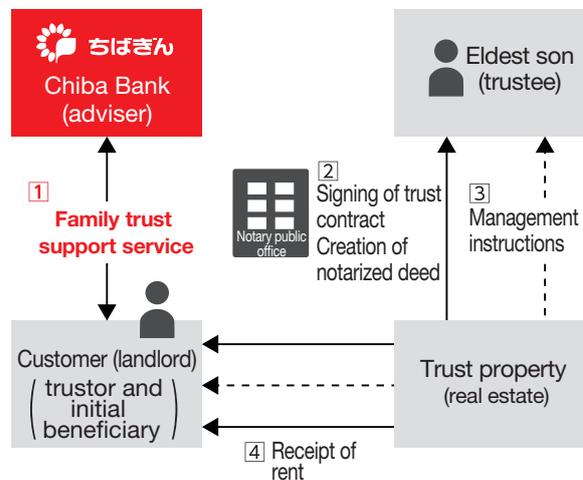
With the advance of population aging and the sudden increase in the late elderly, there is a need to support transactions with elderly people, in preparation for dementia, etc.

The Bank offers a family trust support service using a civil trust scheme to support customers and provide smooth asset succession services as a countermeasure for dementia.

Guardianship support trust

The guardianship support trust is a system in which the guardian only manages the money required for daily life and other money besides this is managed in a trust by the Bank in order to protect the assets of the ward. Because instructions from the court are required to withdraw money from the trust, this prevents misappropriation by the guardian and keeps the assets safe.

Family trust support service scheme



In response to the rapid digitalization of society, the Bank is building an API platform and provides a variety of financial products and services in collaboration with various external businesses. In addition, we use the alliance framework to hold a FinTech business contest. Through these efforts, we aim to provide new services that will lead to improved convenience for customers and reform of existing channels.

Collaboration with FinTech Companies

The TSUBASA FinTech Platform (API platform), which started providing services in April 2018, is an openAPI platform that was jointly developed by the participating banks in the TSUBASA Alliance and T&I Innovation Center*1. It is a platform that allows various FinTech companies and others to connect safely and quickly, and the platform has made it possible for more customers to use various FinTech services.

Leveraging the alliance and collaboration with external businesses, the Bank will provide progressive services with flexibility and speed to effectively accommodate diversifying customer needs and the digitalization of society in general, while also reducing costs.

*1 T&I Innovation Center was established jointly by the participating banks in the TSUBASA Alliance (Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, and North Pacific Bank) and IBM Japan and is engaged in surveys, research, and development related to FinTech.

Services provided through API platform

Automatic savings app [finbee]	Service that makes it fun to save based on rules such as change and the number of steps. (Provided by NestEgg, Inc.)
Automatic household accounts keeping and asset management service [Money Forward ME]	Service for the automatic creation of a household account book and centralized asset management of multiple accounts in coordination with bank accounts and credit cards. (Provided by Money Forward, Inc.)
Cloud service for businesses [Money Forward Cloud Accounting and Tax Return]	Service that makes it possible to use deposit balance and withdrawal and deposit statement information in journal data in coordination with a bank account, etc. (Provided by Money Forward, Inc.)
Automatic household accounts keeping service [Zaim]	Service for the automatic creation of a household account book and centralized asset management of multiple accounts in coordination with bank accounts and credit cards. (Provided by Zaim Inc.)

Providing the Digital Passbook (Passbook App)

The digital passbook (passbook app) we started providing in February 2019 improves convenience for customers by making it possible to confirm their balance and withdrawal and deposit statement at any time in real time, and it has also helped us reduce passbook issuance costs. We are working to expand use of the app by not issuing passbooks in principle when a new account is opened and encouraging existing account holders to switch over to the app through campaigns (36,000 downloads as of June 30, 2019).

Image of the digital passbook (passbook app)



Jointly developed by the Bank and North Pacific Bank using the TSUBASA FinTech Platform

Benefits

- Enhancement of non-face-to-face channels
- Cost reductions (passbook issuance costs, etc.)
- More compact ATMs in the future

Providing the Chiba Bank App

The Chiba Bank app, which was first provided in June 2016, is equipped with features that make it possible to search for the nearest branch or ATM and to easily check the account balance (238,000 downloads as of June 30, 2019). Going forward, we will work to improve convenience for customers by adding convenient features uniquely possible for smartphones.

■ Image of the Chiba Bank app



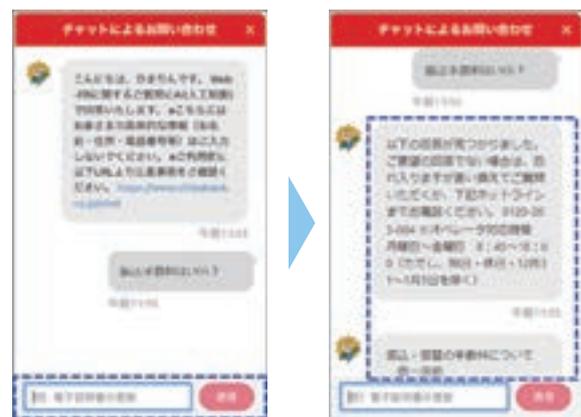
Start of Chatbot Service

In May 2019, we introduced a system in which a chatbot^{*2} equipped with AI (artificial intelligence) provides automatic responses to inquiries from customers regarding corporate internet banking.

This service makes it possible for AI to provide an immediate response to customers using corporate internet banking 24 hours a day, 365 days a year. We will expand the service to other operations as necessary going forward.

*2 Chatbot: Word coined by combining “chat” and “bot (robot)”

■ Image of Chatbot



Response to Cashless Payments

The cashless payment market is being pushed by the government, and it can be expected to continue to expand in the future.

For this reason, the TSUBASA Cashless Payment Platform that can be used by a wide range of financial institutions including the participating banks in the TSUBASA Alliance has been established, and we will launch the TSUBASA-Chiba Bank Cashless Services for

Merchants in October 2019. In addition, there is a plan to issue the TSUBASA-Chiba Bank Visa Debit Card around the first half of FY2020. We will leverage our advantages that include a strong customer base, dense networks, and brand strength in the region to contribute to the resolution of management issues for customers and the revitalization of the regional economy through the promotion of cashless payments.

Holding of the Second FinTech Business Contest

In October 2018, the participating banks in the TSUBASA Alliance and T&I Innovation Center jointly held the second FinTech business contest for the purpose of uncovering new businesses going beyond the framework of banking.

In this contest, 123 ideas were submitted from 104 companies across Japan, and the top award was selected in March 2019 from the six companies that remained after the final examination. Going forward, we will consider collaboration aimed at the realization of the ideas and plans from the companies.

Approach to Regional Revitalization

We, as the top bank in the region, proactively participate in regional revitalization initiatives.

We have concluded a collaboration agreement with local governments in Chiba Prefecture and contributed to regional revitalization measures, and these efforts were certified for the second consecutive year by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan of the Cabinet Secretariat Office as a “unique example of a financial institution, etc. providing funding for regional revitalization.” In addition, we are engaged in initiatives in accordance with the characteristics of the region that include the development of local tourism through donations of bicycles for rental and tours and reuse of old Japanese style houses that are historic resources of the region, as well as the operation of an agricultural corporation aimed at resolving the challenges for regional agriculture.

Coordination with Local Governments

We have participated in the implementation organizations for 49 local governments among Chiba Prefecture and the 54 municipalities in the prefecture, in the formulation of their respective regional comprehensive strategies. We also have concluded a coordination agreement aimed at regional economy revitalization with 21 local governments.

When implementing specific projects related to regional revitalization, our group as a whole makes proposals that will lead to regional revitalization while particularly focusing on regions that have experienced a rapid population decline and coordinating with local governments in the prefecture.

■ Coordination agreement concluded with local governments for regional revitalization (As of June 30, 2019)

Chiba City, Kimitsu City, Minamiboso City, Tateyama City, Kamogawa City, Kyonan Town, Katsuura City, Choshi City, Asahi City, Futtsu City, Kashiwa City, Shiroy City, Sosa City, Isumi City, Onjuku Town, Mobarra City, Ichikawa City, Nagareyama City, Togane City, Ichihara City, Otaki Town

21 municipalities

Initiatives Aimed at Regional Revitalization

In March 2019, Choshi City’s project of “rebranding disused public facilities as Sports Towns - Choshi Sports Town” we supported was certified by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan of the Cabinet Secretariat Office as a “unique example of a financial institution, etc. providing funding for regional revitalization” and received a commendation from the Minister of State for Regional Revitalization. The Bank has been awarded for these initiatives for two consecutive years.

■ Unique examples that contribute to regional revitalization

FY2017 Integrated support by our group for reuse the former Chonan Elementary School in coordination with a prefecture project

FY2018 Rebranding disused public facilities as Sports Towns - Choshi Sports Town -

<Case of Choshi Sports Town>

This is a case of our support for community revitalization in Choshi City. The former Choshi Nishi High School was reused as a sports training camp facility, “Choshi Sports Town,” and that became the core of sports tourism for the city. The Chibagin Research Institute conducted marketing research, and the Chiba Wide-Area Regional Revitalization Fund, partially funded by Chibagin Capital, invested in this project. These initiatives produced benefits including an increase of visitors, the creation of employment, and a

■ Choshi Sports Town



reduction in the fiscal burden.

Furthermore, as a result of sharing these initiatives with the Chiba-Musashino Alliance, Musashino Bank made a project proposal to reuse vacant public facilities in Ogano Town and has signed a comprehensive coordination agreement with the town to start providing support.

Donations of bicycles for rental and tours

This initiative was launched from October 2015 for the purpose of achieving regional revitalization through promotion of tourism in Chiba Prefecture and wide-range cooperation between local governments. A cumulative total of 295 bicycles have been donated over a period of five years since FY2015.

Operation of an agricultural corporation

In March 2018, the Bank established an agricultural corporation, Fresh Farm Chiba Co., Ltd., with 15 local companies and other organizations. During FY2018, nearly two hectares of rice paddies in Ichihara City were leased, and approximately 10 tons (175 bales) of Koshihikari rice was harvested. In FY2019, we have started farming on approximately 4 hectares of rice paddies, which is double the previous year.

We are pursuing new models of sustainable agriculture with joint investors in order to resolve issues faced by the agricultural community such as a lack of people to carry on farming and an increase in abandoned farmland.

Reuse of old Japanese style houses

We have strengthened support for projects using Kominka (old Japanese style houses) that are historic resources through efforts including the formation of a specialized staff team and the establishment of the Chibagin Kominka Project Support Financing Program.

In Otaki Town, the Symposium on Community Tourism Development Using Kominka in Otaki Town was held in May 2017. After that, we supported the establishment of a destination management company (DMC) through a public-private joint investment in August 2018. The DMC is engaged in activities including community-wide promotions, the development of tourism contents, and the management of tourism-related facilities.

Receivers of donated bicycles for rental

FY2015 Tateyama City, Kamogawa City, Minamiboso City, and Kyonan Town (4 municipalities)

FY2016 Choshi City, Narita City, Sakura City, Katori City, Shisui Town, Kozaki Town, and Tohnosho Town (7 municipalities)

FY2017 Katsuura City, Sanmu City, Isumi city, Oamishirasato City, Kujukuri Town, Yokoshibahikari Town, Ichinomiya Town, Chosei Village, Shirako Town, Otaki Town, and Onjuku Town (11 municipalities)

FY2018 Togane City, Asahi City, Sosa City, Tako Town, and Mutsuzawa Town (5 municipalities)

FY2019 Futtsu City, Sakae Town, and Shibayama Town (3 municipalities)

Operation of the agricultural corporation



Reuse of an old Japanese style house



Strategic Alliances

We aim to provide high-quality products and services to regional customers through various forms of alliances, as the best option for regional financial institutions in that allow them to cooperate with each other while maintaining roots in their respective regions. We believe that such alliances will produce even more results than integration with one bank, and lead to increased profit for us, and by extension, an improvement in corporate value.

Overview of Alliances

The TSUBASA Alliance is the largest regional bank alliance with participating banks that have total assets of over ¥65 trillion, and this scale, which is second to only mega banks, is leveraged to provide more advanced financial services.

In the Chiba-Musashino Alliance with Musashino Bank, the two banks, both of which are based in the Tokyo Metropolitan area, work together under the policy of strengthening cooperation in the Tokyo Metropolitan market that has high growth potential.

Furthermore, the Chiba-Yokohama Partnership was entered into in July 2019 as cooperation focused on sales departments with Bank of Yokohama that also has a base in the Tokyo Metropolitan area.

The purpose of these cooperation is to speedily execute initiatives that help raise profit and service levels for local customers as a regional financial institution. While constantly considering what we can do to make this possible, we intend to further strengthen the frameworks for regional bank alliances that are differentiated from management integration.

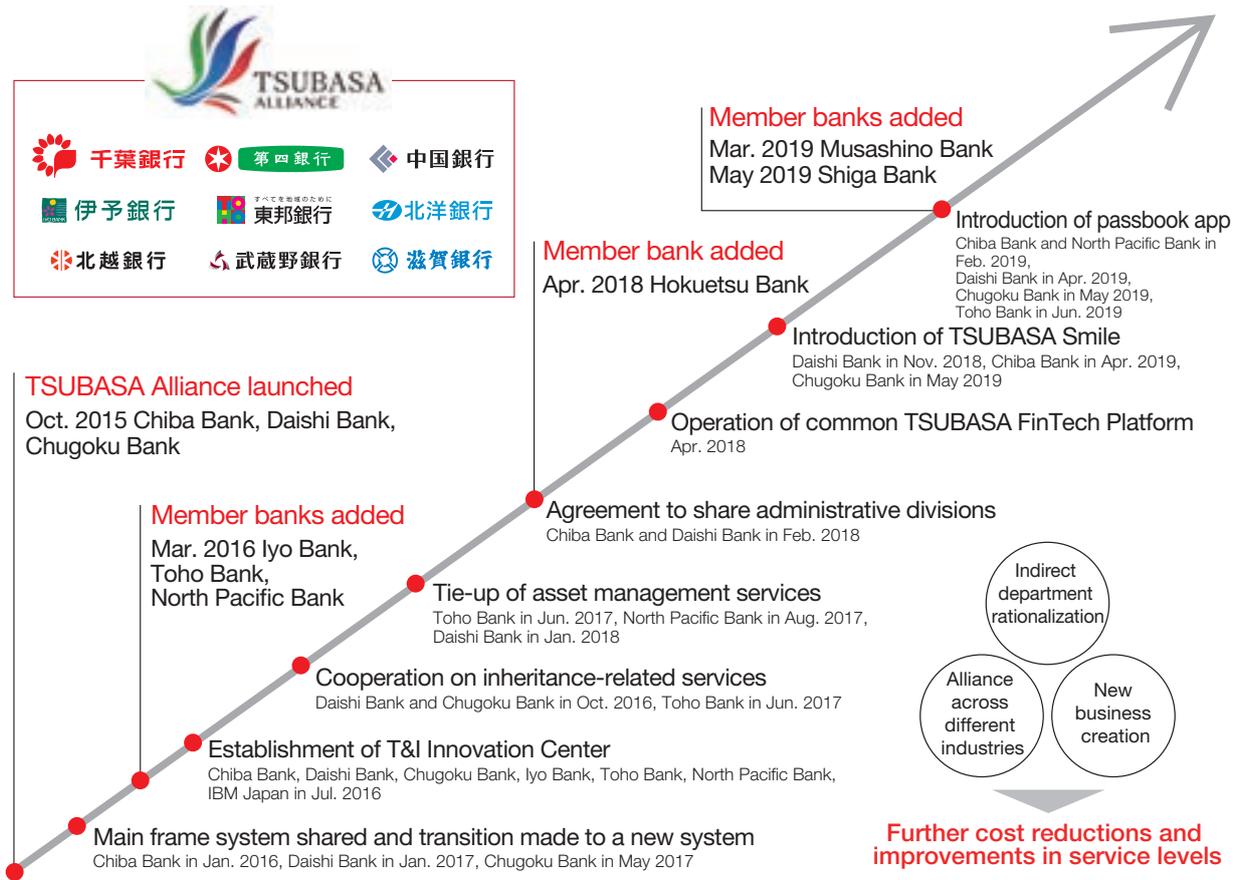
TSUBASA Alliance

The TSUBASA Alliance has the participation of nine prominent regional financial institutions that occupy large shares of their respective operating areas (Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, North Pacific Bank, Hokuetsu Bank, Musashino Bank, and Shiga Bank). While the TSUBASA Alliance started with system sharing, the scope of the alliance is being broadly expanded to include the development of an API platform with T&I Innovation Center, cooperation in inheritance-related services and syndicated loan arrangements, and joint administration with Daishi Bank.

In terms of the main frame system, the integration project of Daishi Bank and Hokuetsu Bank aimed at January 2021 and the sharing project of North Pacific Bank aiming for operation in FY2022 are underway. In terms of the sharing of subsystems, we are working to provide advanced services while reducing the investment burden through efforts such as the new counter reception system TSUBASA Smile that uses tablets developed by Chiba Bank, Daishi Bank, and Chugoku Bank and the joint development of a digital passbook (passbook app) using the API platform.



The benefits of the alliance that primarily consist of reduced costs through system sharing have expanded since the alliance was started. The scale of the alliance will be leveraged for further development going forward as we also consider the aggregation of indirect departments as a measure to improve productivity that is a common issue for all participating banks.



Introduction

Summary

Growth Strategy for "Sustainable Management"

Addressing Social Issues to Achieve "Sustainable Management"

Management Base to Support "Sustainable Management"

Financial and Corporate Data

Chiba-Musashino Alliance

In March 2016, Chiba Bank concluded a comprehensive alliance agreement (Chiba-Musashino Alliance) with Musashino Bank, which is based in Saitama Prefecture, and we are working swiftly to prioritize the enactment of measures from which tangible benefits can be expected.

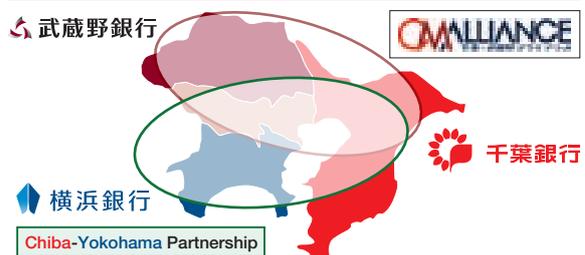
Since the start of the alliance, steady progress has been made in the principal measures achieved up until now including joint sales mainly in the Tokyo area, inheritance-related services, and the opening of Chibagin Securities branches in Saitama Prefecture. During 2018, joint sites were successively opened in Hamamatsucho and Singapore, and there is a plan to open Ikebukuro Branch as a joint branch in October 2019.

Up until now, many measures have been achieved at a faster pace than initial plans. We believe that this is the result of lively discussions at the Alliance Promotion Committee to be held on a quarterly basis under the strong leadership of top management from both banks and the thorough implementation of close coordination at subcommittees and sales locations. We will consider taking this alliance further, including the sharing of services, and pursue synergies for both banks based in the Tokyo Metropolitan area as we aim to enhance the topline by continuing to increase our market share in markets with high growth potential.

Chiba-Yokohama Partnership

The Chiba-Yokohama Partnership aims to provide higher added value services through the mutual use and sharing of the know-how and regional information of both banks as a cooperation for customers. We will speedily implement collaborative measures including business succession and inheritance-related services centered on sales departments.

Alliance/partnership centered on the Tokyo Metropolitan area that takes advantage of the customer base of each bank

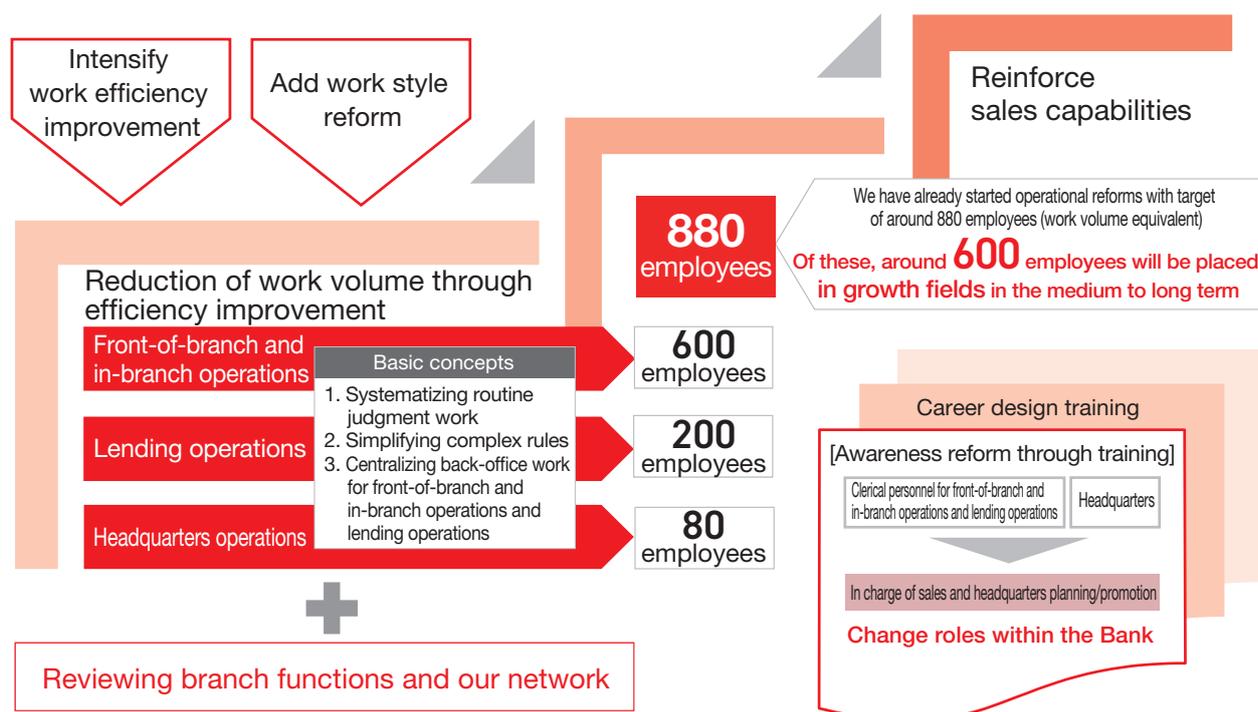


Operational Reforms

In accordance with diversifying customer needs and the spread of digital technology throughout society, it is imperative to strategically allocate personnel in high-value-added businesses in order to steadily achieve results and improve customer satisfaction.

We aim to increase the efficiency of every operation through measures including proactive IT-related investments, and to maintain and improve its competitiveness without increasing the total headcount by reassigning personnel to growth fields and emphasizing productivity in our approach to work.

Overview of Operational Reforms



The Bank has developed a policy of reinforcing its sales capabilities through the processes of reducing the volume of work for its 880 employees by improving efficiency in front-of-branch and in-branch operations, lending operations, and headquarters operations, and reassigning approximately 600 of these employees to growth fields including sales and headquarters, and we are

sequentially implementing these processes. In addition, by reducing the volume of work, we are building a system that enables business operations with fewer staff.

Because the roles and skills required of our staff will change significantly depending on their placement, we are promoting smooth career changes by conducting “career design training” and other measures.

Efficiency Improvement in Front-of-Branch and In-Branch Operations

As a result of our many years’ efforts to improve efficiency in operations, our branches have transitioned from being places that simply provide “clerical procedures” to places that offer consulting

on a broad range of financial matters. We are revising our front-of-branch and in-branch operations, based on the pillars of simplification, headquarters centralization, and systematization.

Simplification

We are making fundamental revisions to operations that have become more complex and inefficient, by soliciting ideas for operational reforms from branches. Measures taken are strictly evaluated from the perspective of staff in our branches who are the actual users, helping to make further improvements.

Headquarters centralization

In addition to centralizing large-volume routine clerical work in the conventional operation, we consolidate small-volume high-variety clerical work at each branch in the newly established “Support Office.” Through these measures, we create a system that allows branches to operate with a small number of staff.

Systematization

The Bank has developed “TSUBASA Smile,” a new counter reception system. As it is equipped with a navigation function and automatically makes routine judgments, even part time workers can handle complicated procedures easily.

For example, TSUBASA Smile has a mechanism to complete the new account opening procedure, which normally requires complicated processing, by simply pushing buttons on a screen while talking face-to-face with the customer. Input errors are controlled by the system, so that even inexperienced staff can handle the process smoothly.

Efficiency Improvement in Lending Operations

In our lending operations so far, sales activities, screening, and loan execution were each conducted on separate systems. Some operations were not systematized and performed inefficiently on paper or using Excel spreadsheets. In light of these circumstances, we will integrate operations in a new loan support system for carrying out the series of operations, starting in 2020. Previously, personnel in charge of clerical work for executing loans were placed in each branch, but in the future we will reduce clerical work at each branch by establishing two loan clerical work centers in Chiba Prefecture and concentrating work there.

Outline of TSUBASA Smile



Based on the “SmileBranch” system by Nihon Unisys, Chiba Bank, Daishi Bank, and Chugoku Bank have jointly developed a new counter reception system.

Press buttons according to guidance	More speedy processing of clerical work
Input information just once to apply for different products	More efficient cross-selling
Record information as electronic data	Paperless

Efficiency improvement in lending operations

Development of a new loan support system	Start full-scale operation (planned for FY2020)
Establishment of clerical work centers	Opened the Soga Center (October 2018) Open the Kashiwa Center (planned for October 2019)
Expansion of headquarters centralization	Introduced in 16 core branches (as of July 2019) Expand to all branches (planned for FY2020)

Initiatives to Improve Customer Satisfaction

We are making efforts to improve customer satisfaction by improving staff’s assisting skills and actively building branches that support senior and disabled customers to ensure that all customers can visit its branches with peace of mind.

Establishment of the CS Action Agenda

In order to further improve customer satisfaction (CS), we have established the CS Action Agenda for all employees. Based on this agenda, we will reaffirm our intent to always meet the high expectations of our customers and continue to provide services that impress customers with our heartfelt hospitality.

Initiatives to Improve CS Mindset

Among initiatives conducted by our staff or divisions, offices, and branches for which “praises” are given by customers, we give “CS AWARD” to outstanding initiatives. In addition, we recognize lobby assistants who have both particularly high CS awareness and assisting skills as “Excellent Lobby Assistant.” Through these programs, we are working to improve the CS mindset of the Bank as a whole.

CS Action Agenda

- **Thank customers**
Always treat customers with an attitude of gratitude and greet them with bright and heartfelt service.
- **Meet customers’ expectations**
Sense the needs of each individual customer and meet their expectations.
- **Make a great impression on customers**
Provide services that exceed customers’ expectations and make a great impression on them.

- **Excellent lobby assistant recognition badge**



Initiatives to Improve Assisting Skills

We strive to improve staff’s assisting skills to ensure that all customers including senior and disabled customers can visit our branches with peace of mind. Specifically, we conduct education and training so that staff can smoothly assist customers who use wheel chairs and customers with visual disabilities.



Training Staff as Service Assistants and Dementia Supporters

We encourage staff to receive training for service assistants, who have skills to assist senior and disabled customers, or dementia supporters, who support customers with dementia and their family members.

Certified personnel (as of March 31, 2019)

Service assistant: 389 employees

Dementia supporter: 4,426 employees

Cooperation with the Senior Citizen Support Network

We participate in the “Senior Citizen Support Network,” in which local governments in Chiba Prefecture collaborate with business operators that are deeply involved in the community so that the community as a whole can watch over and support its senior citizens. When our staff notice something out of the ordinary with senior customers in a branch or in the vicinity, they promptly contact the local government to ensure that appropriate support is given.



Providing Wheelchairs for Assistance at All Branches in Japan and Installing AEDs (Automatic External Defibrillators)

We provide wheelchairs for assistance at all branches in Japan, with the exception of currency exchange branches. Customers who used these wheelchairs commented that they were able to move smoothly around the branch.

We have also installed AEDs (automatic external defibrillators) in all branches in Japan, with the exception of currency exchange branches.



Initiatives to Prevent Financial Crimes Including Wire Transfer Fraud

We are cooperating with the Chiba Prefectural Police Headquarters to prevent wire transfer fraud by conducting questionnaires compiled by the prefectural police that ask senior customers about their reason for payment when they wish to withdraw a large amount of money at a bank counter. If fraud is suspected, staff makes reports to family members and the police. This has significantly reduced the damages suffered by customers we attended to at the bank counters.

We are also working to prevent “refund scams,” in which customers are told that they will receive a refund and convinced to deposit cash to an account through an ATM, and “card fraud,” in which customers are tricked into giving up their ATM card, which is then used to fraudulently withdraw money from an ATM. To prevent these scams and fraud, we have introduced measures that

■ Letter of thanks from the Chiba Prefectural Police Headquarters



limit the amount to ¥200,000 depending on the transaction status at an ATM when customers aged 70 and older make transfers or withdrawals via an ATM.

Policy on Fiduciary Duties

Under its “customer first policy,” we aim to be the “best retail” banking group that provides top-class satisfaction, and to be highly regarded by our regional customers by co-creating customer value.

As part of these efforts, we formulated and announced the Policy on Fiduciary Duties to strengthen customer-oriented business operations in asset management-related services.

Based on this policy, group companies* will strengthen customer-oriented initiatives while regularly disclosing the status of these initiatives and reviewing them in an aim for achieving better business operations.

Our vision is to satisfy even more customers through such efforts.

*The policy applies to the Bank, Chibagin Securities, and Chibagin Asset Management

The policies of the group and the Bank are as follows.

Pursue the Best Interests of Customers

We keep a high level of expertise and high professional ethics and conduct business in a sincere and fair manner to achieve the best interests of customers. In addition, we work to instill customer-oriented business as part of corporate culture for the group.

<Policy of the Bank>

- We put top priority on the interest of customers and propose optimal products and services that meet the needs of customers through consulting and follow-ups.
- We develop human resources with advanced specialized knowledge through means such as employee training, study sessions, and encouragement to acquire certifications so that we can propose optimal products and services that meet the needs of customers.
- The headquarters monitor to check whether we are making proposals and selling products in a customer-oriented manner as well as whether we are not attaching too much weight to specific products such as provided by group asset management companies.

Appropriate Management of Conflicts of Interest

We accurately assess transactions within the group that could result in conflicts of interest and manage such transactions appropriately so that the interests of customers are not damaged.

<Policy of the Bank>

- We identify and classify transactions within the group that could result in conflicts of interest and the headquarters will monitor such transactions to manage them appropriately so that the interests of customers are not damaged.

Clarification of Fees, etc.

We fully explain details of fees and other costs borne by customers, including the details of the service for which such fees, etc. are paid, so that customers can have a sufficient understanding.

<Policy of the Bank>

- We use tools including prospectuses, product brochures, and tablet devices to fully explain details of fees and other costs borne by customers so that even customers who have no experience in investment and elderly customers can have a sufficient understanding.

Provision of Important Information in an Easy-to-understand Manner

We provide sufficient information on products and services so that customers can understand details, and provide careful explanations on important information related to the sales and recommendation of products and services in an easy-to-understand manner.

<Policy of the Bank>

- When proposing products or services to customers, we provide information through conversation with customers in a clear, plain, and sincere manner that is not misleading, taking into consideration factors such as the knowledge and experience of each customer and the complexity of each product.
- For important information, including fees, basic profits (returns), losses and other risks, and terms and conditions of transactions, we provide detailed explanations in an easy-to-understand manner by using tools such as prospectuses and product brochures, as well as simulations and diagrams using tablet devices.
- We provide careful explanations in an easy-to-understand manner on the reasons why the products or services proposed are deemed to be appropriate for the customer. In addition, we provide necessary information on fees and product characteristics, etc. to help customers compare them with other products and services.
- We conduct timely and easy-to-understand follow-ups in light of factors including market trends and the investment status of each customer.
- We hold seminars, etc. on finance and investment and provide a wide variety of information to customers in a timely manner in an effort to help customers improve their financial literacy.

Provision of Services Suitable for Customers

We gain a sufficient understanding of the state of each customer’s assets, trading experience, knowledge, purpose of the transaction, and needs through consulting, etc. to develop and provide products and services that are suitable for customers.

<Policy of the Bank>

- We develop a broad product lineup so that customers can select appropriate products in accordance with their investment purposes and risk tolerance, etc.
- We receive proposals on many products from a wide variety of asset management companies and insurance companies, etc. and select the products that contribute to the interest of customers after sufficiently and minutely examining the characteristics and risks of such products.
- We ask customers about the state of their assets and liabilities, their trading experience and knowledge, the purposes of their transactions, and their needs before we propose optimal products and services.
- Particularly for customers who have no experience in investment and elderly customers, we carefully consider whether a proposed product or service is appropriate.
- We also work together with Chibagin Securities as necessary to use the group’s collective strength to satisfy the needs of customers.
- We actively gather customer feedback through questionnaires with customers, and use the results to improve sales systems and the product lineup.

Frameworks, etc. for Appropriately Motivating Employees

We develop frameworks for appropriate motivation and a governance system, including performance evaluations and employee training, to promote customer-oriented business.

<Policy of the Bank>

- We develop performance evaluation methods and employee training systems to provide appropriate motivation to employees with a view to promoting customer-oriented business.

Status of initiatives in FY2018 under the policy regarding “customer-oriented” business operations (fiduciary duties) is available on our website (Japanese only).

URL https://www.chibabank.co.jp/company/info/fd/pdf/2018_01.pdf

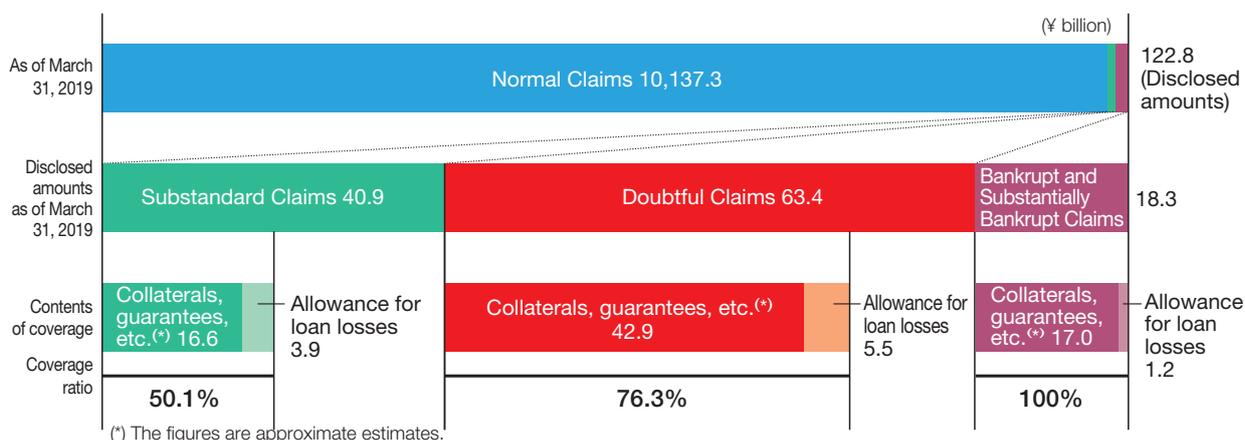
The Bank constantly strives to maintain and improve the soundness of its assets by using measures such as proper handling of non-performing loans, prevention of occurrences of non-performing loans, and support for borrowers’ business improvement. Non-performing loans are loans and other claims held by a financial institution for which the collection of principal and interest are in doubt because of borrowers’ bankruptcy or poor business performance. Interest income from loans, etc. is the primary source of income for a bank. Consequently, difficulties in the collection of loans may have a material impact on the bank’s financial condition. For this reason, we are upgrading and enhancing credit screening and risk management systems.

Measures for Maintaining Asset Soundness

As of March 31, 2019, disclosed claims under the Financial Reconstruction Law were ¥122.8 billion and the non-performing loan ratio was 1.19%. The headquarters and branches of the Bank will continue to work

together, and in coordination with the SMEs Revitalization Support Committee and other external organizations, to extend support for customers’ business improvement.

Amounts of assets assessed under Article 7 of the Financial Reconstruction Law and coverage status



Self-assessment and Debtor Classification

Self-assessment of assets is the process whereby financial institutions individually review and analyze assets and classify them on the basis of asset value impairment and the risk of default. Loans and other assets are classified into five categories according to debtor creditworthiness: Normal Debtors,

Debtors Requiring Caution, Potentially Bankrupt Debtors, Effectively Bankrupt Debtors, and Bankrupt Debtors. In the Debtors Requiring Caution category, borrowers for whom loan repayment terms have been eased are classified as Substandard Debtors.

Debtor classification

Normal Debtors	Debtors whose business situation is good and whose financial position gives no cause for concern
Debtors Requiring Caution	Debtors who are viewed with concern because of stagnant or unstable business performance, including losses
Potentially Bankrupt Debtors	Debtors who are not currently bankrupt but are seen as being at serious risk of bankruptcy
Effectively Bankrupt Debtors	Debtors who are bankrupt in real terms, even though legal and formal bankruptcy proceedings have not been implemented
Bankrupt Debtors	Debtors who have become bankrupt under various circumstances, including bankruptcy procedures, corporate liquidation, corporate rehabilitation, and civil rehabilitation

Disposal of Non-performing Assets

The Bank has taken appropriate measures to dispose of non-performing assets by implementing write-offs and providing allowances at the end of each quarter on the basis of the results of a rigorous self-assessment of assets. The allowance for loan losses from Bankrupt Assets and Effectively Bankrupt Assets makes up the full amount of the claims not covered by collateral. The allowance for loan losses from Potentially Bankrupt Assets and Substandard Assets is equal to the amount of expected losses

*1 DCF method: Method in which, for loans for which cash flows from the recovery of loan principle and the receipt of interest can be reasonably estimated, the allowances for loan losses are calculated as the difference between the book values of the loans and the cash flows discounted at the original contractual interest rates.

calculated on the past loan loss ratio, as a rule. With respect to major debtors, the Bank calculates the allowance for loan losses using the discounted cash flow (DCF) method¹ for Potentially Bankrupt Assets and Substandard Assets. The coverage ratio, calculated as the allowance for loan losses added to collateral and guarantees, stands at 71.0%, indicating a high level of security on the basis of claims disclosed under the Financial Reconstruction Law and limited cause for concern about the occurrence of future losses.

Disclosure of Non-performing Assets

Under banking regulations, disclosure of non-performing assets includes reporting of Risk-Monitored Loans as defined in the Banking Law (hereinafter Risk-Monitored Loans) and disclosed claims under the Financial Reconstruction Law.

Disclosure of Risk-Monitored Loans includes only the amount of such loans, while disclosed claims under the Financial Reconstruction Law include customers' liabilities for acceptances and guarantees other than loans, accrued interest, foreign exchange, and other assets, with the exception of Substandard Claims.

Risk-monitored Loans

In the classification of Risk-Monitored Loans, Loans to Bankrupt Borrowers correspond to Bankrupt Assets under self-assessment, Delinquent Loans correspond to Effectively Bankrupt Assets and Potentially Bankrupt Assets under self-assessment, and Loans Past Due Three Months or More and Restructured Loans correspond to loans delinquent three months or more and loans for which repayment terms have been eased, respectively, in Assets Requiring Caution under self-assessment.

■ Risk-monitored loans

	(¥ billion)			
	As of March 31, 2018		As of March 31, 2019	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Loans to Bankrupt Borrowers	1.3	1.2	1.4	1.2
Delinquent Loans	84.9	82.7	80.2	78.5
Loans Past Due 3 Months or More	1.1	1.1	0.6	0.6
Restructured Loans	39.3	39.3	40.3	40.3
Total	126.7	124.4	122.6	120.8

Disclosed Claims under the Financial Reconstruction Law

With regard to disclosure of claims under the Financial Reconstruction Law, the Bank discloses Bankrupt Assets and Effectively Bankrupt Assets under self-assessment as Bankrupt and Substantially Bankrupt Claims, Potentially Bankrupt Assets under self-assessment as Doubtful Claims, and loans delinquent three months or more and loans for which repayment terms have been eased in Assets Requiring Caution under self-assessment as Substandard Claims.

■ Disclosed claims under the Financial Reconstruction Law (non-consolidated)

	(¥ billion)	
	As of March 31, 2018	As of March 31, 2019
Bankrupt and Substantially Bankrupt Claims ²	17.0	18.3
Doubtful Claims ³	69.4	63.4
Substandard Claims ⁴	40.4	40.9
Total	127.0	122.8
Normal Claims	9,803.7	10,137.3

² Bankrupt and Substantially Bankrupt Claims: Claims on debtors who have become bankrupt under various circumstances, including bankruptcy procedures, corporate liquidation, and rehabilitation, and on debtors who have substantially become bankrupt

³ Doubtful Claims: Claims on debtors who have not gone bankrupt, but whose financial position and business performance has so deteriorated that there is a high likelihood that the loan principle cannot be recovered or interests based on the contract cannot be received

⁴ Substandard Claims: Loans delinquent three months or more and loans for which repayment terms have been eased, besides Bankrupt and Substantially Bankrupt Claims and Doubtful Claims