

Materiality in “Sustainable Management”

We at the Chiba Bank Group are working to achieve “Sustainable Management” aimed at balancing social value and economic value in the long term, based on the Chiba Bank Group Sustainability Policy.

We, as a unified group, will proactively promote initiatives that contribute to solving social issues through its business activities, and support the sustainable growth of the region based on five materiality issues identified in the Chiba Bank Group Declaration on SDGs.

Chiba Bank Group Sustainability Policy

We aim to realize sustainable regional communities through our core businesses such as demonstrating the financial intermediation function. Additionally, we engage in honest and fair corporate activities, as well as activities to solve various issues facing the region, including climate change and other environmental problems, as part of sustainable management with the aim of balancing economic value and social value.

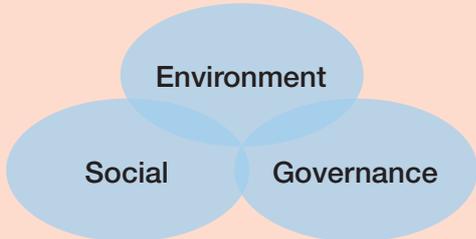
Each executive and employee of our group is actively working with awareness of their involvement in these activities. Through information disclosure, we will foster a better relationship of trust with our stakeholders and create a “new future for regional communities.”

Concept of “Sustainable Management”

**Sustainable Management =
Long-term Aim + Social Value (Solving Social Issues) + Economic Value**



■ ESG (Environment, Social, Governance)



ESG is the name of the belief that the three perspectives of environment (E), social (S), and governance (G) are all necessary to achieve the sustainable growth of a company.

■ SDGs (Sustainable Development Goals)



SDGs are a set of 17 sustainable development goals adopted by the United Nations member states, which aim to achieve the goals by 2030.

As Chiba Prefecture, the main business area of the Bank, is facing changes in the environment such as difficulty in business succession due to a lack of successors, the arrival of a super-aged society, the advance of digitization, changes in personal lifestyles, and the increasing intensity of natural disasters due to climate change, as well as various societal issues arising from these changes, we need to be prepared for the prospect of a declining population over the medium to long term.

With elements of materiality in the five fields of “regional economy and community,” “aging population,” “financial services,” “diversity” and “environmental protection,” as set forth in the Chiba Bank Group Declaration on SDGs, enacted in May 2019, having been incorporated into the medium term management plan, we are working on specific activities to solve local problems.

Chiba Bank Group Declaration on SDGs		Main Initiatives	Related Pages
Theme	Materiality		
Regional Economy and Community	Contribute to the vitalization of regional economy and communities	<ul style="list-style-type: none"> ● Business succession support (M&As, etc.) (pages 27 and 28) ● Advisory services for business operators (page 27) ● Introduction of human resources such as executive personnel, specialist engineers, etc. (pages 27 and 36) ● Initiatives to develop industries (venture founding support, industry-academia collaboration, etc.) (pages 49 and 50) ● Support for regional revitalization and disaster recovery (pages 29 and 30) ● Attracting companies (Narita Airport area, etc.) (page 13) ● Services offered by the entire group (page 14) ● Support for tourism-related business, promotion of transactions (pages 29 and 30) 	
Aging Population	Support safe and secure lives for the elderly	<ul style="list-style-type: none"> ● Asset succession support (testamentary trust, inheritance sorting service, etc.) ... (page 26) ● Support for dementia (family trust support service, guardianship support trust) ... (pages 26 and 61) ● Support for healthcare and nursing business, promotion of transactions (pages 35 and 50) ● Initiatives to prevent financial crimes including wire transfer fraud (page 60) ● Monitoring of elderly and other persons who may need care, and installation of wheelchairs and AEDs (page 62) 	
Financial Services	Provide financial services for a better life	<ul style="list-style-type: none"> ● Expansion of financial services using the internet and smartphones (page 33) ● Expansion of high-quality financial services (consulting services, etc.) ... (pages 25, 26, 31 and 32) ● Proposal of insurance products by utilizing the Life Design System (pages 25 and 31) ● Optimization of branch network by area (page 31) ● Providing the TSUBASA-Chiba Bank Cashless Services for Merchants (page 33) ● Responding to financial needs at the time of housing purchase and other life events (reverse mortgages, etc.)..... (page 25) 	
Diversity	Promote diversity and work style reforms	<ul style="list-style-type: none"> ● Improving motivation for the active participation of women and long-term career building support (page 40) ● Utilization of diverse human resources by expanding their roles at work (increasing mid-career recruitment, Elderly Partner System, hiring of people with disabilities, etc.) (pages 38 and 39) ● Promotion of flexible work styles (pages 39 and 42) 	
Environmental Protection	Contribute to the protection of a sustainable environment	<ul style="list-style-type: none"> ● Contribution to environmental protection through the main business (promoting initiatives for renewable energy business, etc.) (page 48) ● Forest development activities (Chibagin Forest) (page 47) ● Initiatives against climate change (endorsement of TCFD recommendations) ... (pages 45, 46 and 47) ● Preparedness for natural disasters (BCP) (page 67) ● Support for environmental business, promotion of transactions (page 48) 	

Response to Climate Change

Chiba Prefecture, our main business area, was greatly damaged by typhoons that struck the Boso Peninsula one after the other in September and October 2019. Global warming is given as one of the causes of the huge typhoons, and the damage caused by the typhoons is considered to be the result of climate change risk. In light of this, in December of last year, the Bank made clear its endorsement of the TCFD (Task Force on Climate-related Financial Disclosure) recommendations and will begin appropriately disclosing climate change-related financial information.

Governance

Matters relating to the identification, assessment and management of climate change opportunities and risks are discussed by the ESG Promotion Committee, chaired by the President and held semiannually.

In addition, important climate change-related initiatives are then reported to the Board of Directors.

Strategy

The Chiba Bank Group Sustainability Policy has been established to promote environmental initiatives including climate change throughout the entire Chiba Bank Group. In addition, the Chiba Bank Group Declaration on SDGs stipulates that environmental protection that includes measures against climate change is a priority issue to be dealt with.

● Opportunities and risks that climate change brings to our operations

We are carrying out qualitative scenario analysis on the opportunities and risks that climate change has on our operations using two scenarios for future climate change: a “2°C scenario” (a scenario in which global warming does not progress with the temperature increase stopping at the present level) and a “4°C scenario” (a scenario in which global warming progresses even further with temperatures increasing significantly). (Please see page 46, “Scenario analysis.”)

The carbon-related asset credit exposure^{*1} accounts for approximately 1.1% of total credit exposure. We will continue to analyze carbon-related assets as stranded assets.

In addition, we have established a loan policy to clarify the Bank’s approach to credit in specific sectors where lending efforts are expected to have a large impact on society and the environment, including climate change. (Please see page 47.)

^{*1} Carbon-related asset credit exposure

Credit exposure for the energy and utility sectors is based on the definitions recommended in the TCFD recommendations.

The totals for loans, acceptance of payment, foreign exchange, private placement bonds, etc. are as of March 31, 2020. Note, however, this excludes water supply businesses and renewable energy power generation businesses.

Risk Management

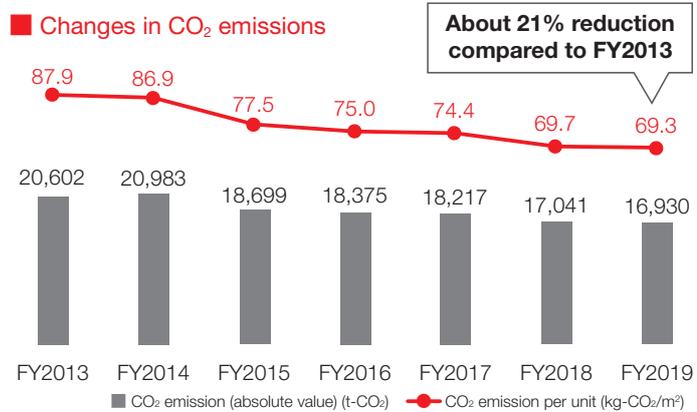
We manage climate change risks out of recognition that climate change could have significant financial consequences in the future.

Specifically, we will take various measures as necessary to manage credit risk caused by the impact of climate change on the business activities of our business partners and changes in business conditions, and operational risk caused by damage to branches.

Indicators and Goals

We have set “reducing CO₂ emissions^{*2} by 2030 by 26% compared to FY2013” as our goal for reducing CO₂ emissions. CO₂ emissions per unit area in FY2019 were reduced by approximately 21% compared to FY2013.

^{*2} CO₂ emissions (absolute value) are calculated by adding Chiba Bank’s SCOPE1 and SCOPE2 CO₂ emissions, given in our regular report under the Act on the Rational Use of Energy, to the CO₂ emissions of group companies as measured using the same standard.



Scenario analysis

2°C scenario ^{*3}			
Opportunities	Loans, products and services	<ul style="list-style-type: none"> Increased demand for funds due to capital investment, etc. for carbon reduction and decarbonization of business partners Increased opportunity to offer financial products and services related to environmental protection 	
	Business cost	<ul style="list-style-type: none"> Reduction of our business costs through conservation of resources and energy and utilization of renewable energy 	
Risks	Transitional risks	<ul style="list-style-type: none"> Increasingly stronger policies and regulations related to climate change would have a major impact on the business activities of our business partners and damage the value of our loan assets While the replacement of existing products and services is progressing due to technological innovations related to climate change, the business activities of our business partners could be significantly affected, and the value of our loan assets may be damaged 	
	Physical risks	Acute	<ul style="list-style-type: none"> Collateral assets of corporate customers and sales offices of the Bank could be damaged depending on the storm tracks of typhoons and the extent of heavy rainfall
		Chronic	<ul style="list-style-type: none"> No major impact will occur if there is no significant rise in sea level or changes in the natural environment
4°C scenario ^{*4}			
Opportunities	Loans, products and services	<ul style="list-style-type: none"> Increased demand for funds due to infrastructure investment, etc. for disaster countermeasures 	
	Business cost	<ul style="list-style-type: none"> Reduction of our business costs through conservation of resources and energy and utilization of renewable energy 	
Risks	Transitional risks	<ul style="list-style-type: none"> Increased reputational risk related to investments and loans in the fossil fuel sector such as coal-fired power generation While the replacement of existing products and services accompanying climate change is progressing, the business activities of our business partners could be significantly affected, and the value of our loan assets may be damaged 	
	Physical risks	Acute	<ul style="list-style-type: none"> The value of the loan assets of the Bank could be impaired due to obstacles to business continuity of business partners and a decrease in the asset value of collateral assets due to large-scale storm and flood damage Large-scale storm and flood damage could cause corresponding damage to our sales offices Business continuity could be hampered by damage to our sales offices and employees
		Chronic	<ul style="list-style-type: none"> Our business partners could suffer a big impact, such as downsizing of places of business, and the value of our loan assets could be damaged due to a remarkable increase in sea level Downsizing of sales offices of the Bank due to a remarkable increase in sea level

(Note) All time axes are short-term (about 5 years), medium-term (about 10 years), or long-term (about 30 years)

^{*3} 2°C scenario: Refer to the ETP 2DS scenario by the International Energy Agency (IEA).

^{*4} 4°C scenario: Refer to the RCP8.5 scenario by the Intergovernmental Panel on Climate Change (IPCC).

Environmental Protection

The Chiba Bank Group has deemed “contribute to the protection of a sustainable environment” as one of the materialities listed in the Chiba Bank Group Declaration on SDGs. CO₂ (carbon dioxide) emissions, which are closely related to our lives, have a significant impact on global warming, and plastic waste that has flowed into the sea has a large impact on the marine ecosystem. As to the reduction of CO₂ and marine plastic waste, we assist our customers’ efforts toward commercialization, while the Chiba Bank Group itself is also actively engaged in these efforts.

Initiatives for Environmental Protection

Production of original reusable bags

In June 2020, we jointly produced original reusable bags along with other banks participating in the TSUBASA Alliance. We are aiming to reduce marine plastic waste and foster a sense of environmental protection in the region by distributing reusable bags to our customers.

This initiative is part of the “Plastics Smart” campaign of the Ministry of the Environment.



◀ Reusable bag

“Plastics Smart” Campaign*



*This campaign supports the efforts that individuals and companies can take in their respective positions to solve the problem of plastic waste in the oceans.

Forest development activities (Chibagin Forest)

The Bank conducts “Chibagin Forest” forest development activities with the purpose of regenerating coastal barrier forests, which are being lost to damage from pine weevils and tsunamis. In May 2018, about 200 volunteers from the Bank, including executives, employees, and former employees of the Bank, planted trees in the fifth Chibagin Forest in the Hasunuma district of Sammu City. We will continue tree-cultivating activities such as regularly cutting the underbrush, as we do in the other Chibagin Forests.

Endorsement of TCFD recommendations

With the impact of climate change becoming more apparent on a global scale and the risk of natural disasters increasing, in December 2019, we endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure), which calls on companies for the proper disclosure of information about the impact of climate change on their financial performance. We will strengthen our measures against global warming and climate change, and continue to disclose information on an ongoing basis.

■ About our policies on loans to specific sectors

To solve environmental and social issues, including climate change measures to address global warming, we have established the following loan policies to clarify the Bank’s approach to credit in specific sectors where lending efforts are expected to have a large impact on society and the environment.

- In principle, we will not extend credit to newly established coal-fired thermal power plants.
(However, we may carefully consider our response, taking into account factors such as overall power generation efficiency and performance, based on international guidelines as an exception in cases where support from the Japanese government or other parties can be confirmed.)
- We prohibit credit to companies that manufacture cluster munitions, regardless of the use of the funds.
- Credit decisions for palm oil plantation development and deforestation operations are made after careful consideration of the status of the acquisition of international certifications, environmental considerations, and any problems with the local community.

(For details, see our website (Japanese only): <https://www.chibabank.co.jp/company/sustainability/policies/>)



Contribution to Environmental Protection Through the Sale of Financial Products

Sale of Green Bonds, etc.

A total of four times since September 2017, the Chiba Bank Group has jointly sold “Green Bonds” and “Sustainable Development Bonds” issued by the World Bank (International Bank for Reconstruction and Development) along with securities companies under some financial institutions participating in the TSUBASA Alliance. We are contributing to environmental protection through the sale of “Green Bonds,” intended to procure funds for businesses that have the effect of improving the environment, and “Sustainable Development Bonds,” which provide for a broader use of funds, including the environment.

Assistance to Customers Working on Environmental Issues

Renewable energy related loans

The Bank is financing a number of renewable energy-related projects from solar energy, to biomass and wind power generation.

We are also actively financing our customers’ business activities, such as reducing plastic waste and recycling resources as we continue to provide ongoing support for initiatives that contribute to environmental protection.

Renewable energy related loan balance

(as of March 31, 2020)

Solar power generation	¥113.8 billion
Biomass power generation	¥6.8 billion
Wind power generation	¥7.6 billion
Hydroelectric power generation	¥0.1 billion
Total	¥128.5 billion

Examples of supporting environmentally friendly business activities of customers

Reduction of plastic by using paper straws

Miyakoshi Printing Machinery, Co., Ltd. (headquartered in Narashino City) has developed the first paper straw manufacturing machine in Japan in anticipation of demand to switch from plastic straws to paper straws in order to eliminate plastic. The company, which manufactures and sells printing machines, is working to expand the market for eco-friendly products by utilizing its own manufacturing technology and providing flexible customization to meet the diverse needs of its users.

The Bank continues to support this project as an effective way to reduce plastic waste and CO₂ emissions.



Domestic recycling of PET bottles

In response to international trends toward recycling of plastic waste and the increasing use of recycled PET bottles by domestic beverage manufacturers, the general waste disposal company Glass Resourcing Co., Ltd. (headquartered in Choshi City) has invested in large-scale equipment to build a new PET bottle sorting and processing plant with the aim of increasing the recycling rate of PET bottles in Japan.

The Bank evaluated the environmental benefit of the planned facility, one of the largest in Japan, and worked on co-financing with other banks.



Support for Industrial Development and Technological Innovation

As one of the materialities in the Chiba Bank Group Declaration on SDGs, the Chiba Bank Group deems “contribute to the vitalization of regional economy and communities” and is providing grants for the local development of industry and foundation for technological innovation. Grants cover a wide range of activities such as research and development through industry-academic collaboration, holding business idea contests to encourage students to become entrepreneurs, covering business activity expenses for FinTech companies, as well as developing venture companies and human resources for SMEs by making donations to public interest foundations.

Initiatives to Develop Industries

Supporting research and development and the commercialization of business ideas through industry-academia collaboration

The “Chibagin Research & Development Grant Program” provides a partial subsidy for research and development of a new project conducted by a company in collaboration with Chiba University, Chiba Institute of Technology, or Kisarazu College of the National Institute of Technology.

With this program, we support the growth of companies by matching the research results of universities and technical colleges with the new technology and product development needs of SMEs.

History of grants and awards (total)	
Chibagin Research & Development Grant Program	42 cases, ¥43 million
Chibagin Student Business Idea Contest	31 cases
FinTech Business Contest	12 cases, ¥5 million
Himawari Venture Development Fund	Subsidies 210 cases, ¥643 million
	Rent assistance 114 cases, ¥62 million

Supporting the commercialization of student business ideas

The Chibagin Student Business Idea Contest gives out awards with an aim to improving the entrepreneurship of students who will be the future leaders of the regional economy. Awardees who wish to start their own businesses are supported through individual consultations and introduction to various support measures.

Supporting the commercialization of FinTech business ideas

The FinTech business contest is organized by the T&I Innovation Center in collaboration with banks participating in the TSUBASA Alliance. We are currently looking into collaboration with companies that have won the award with the aim of using FinTech to solve a variety of regional issues.

Supporting venture companies

The purpose of the Himawari Venture Development Fund is to contribute to the sound development and revitalization of Chiba Prefecture’s economy by supporting venture companies in Chiba Prefecture, which will in turn contribute to the improvement of the lives of the citizens in the prefecture.

Donations from the Bank and its supporting members have helped subsidize venture businesses and provide rent assistance to a total of more than 300 companies to date.



Initiatives for Developing Human Resources That Support Industry

Supporting the development of human resources for SMEs

The Chibagin Mirai Foundation subsidizes expenses for dispatching students to countries in Asia and other regions that are experiencing remarkable growth, with the aim of developing the human resources who will bear the future of Chiba Prefecture’s economy. To date, human resources from more than 100 SMEs have been dispatched overseas for the purpose of training local industrialists with a broad international perspective.

Chibagin Mirai Foundation Overseas Dispatch Business	Total number of dispatched workers: 107 Subsidized ¥25 million for dispatch expenses
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— Introduction to Businesses Receiving Assistance —

■ Social implementation of “Emergency Medical Information System Smart119”

This case study is a grant made to fund “Emergency Medical Information System Smart119,” developed by Smart119 inc. (headquartered in Chuo-ku, Chiba City), as an industry-academic collaboration project with Chiba University. This system allows reports from patients (residents) to the fire control dispatch center and conversations with emergency services to be automatically voice input to tablets and other devices to enable rapid information sharing with medical institutions. Furthermore, the inclusion of an AI-based pre-hospital diagnosis function using emergency clinical data is expected to significantly speed up and improve the efficiency of emergency medical care, and eliminate the trouble of being sent from one place to another, allowing patients to receive the correct emergency care more quickly, as well as finding a receiving medical facility more quickly.

In addition to the company receiving a grant from the Himawari Venture Development Fund and investment by Chibagin Capital Co., Ltd. of the group, the Bank also provided a grant through the Chibagin Research & Development Grant Program.



■ Establishing technology for mass cultivation of chlorella containing a variety of useful traits

This case study is a grant to a university-based venture company, Algal Bio Co., Ltd. (headquartered in Kashiwa City), for its technology for mass cultivation of microalgae rich in specific useful traits. Using ion beam irradiation technology, the company has made it possible to cultivate large quantities of chlorella with high levels of specific useful traits (various nutrients, oils such as omega-3 fatty acids, etc.) as well as a wide variety of colors. Chlorella is attracting attention from many industries, such as food, cosmetics and chemicals, as a comprehensive nutritional food and as a coloring agent. One of the features of this company’s technology is that it allows these useful ingredients to be provided from a natural source rather than from a chemical source as in the past.

In addition to the company receiving a grant from the Himawari Venture Development Fund, the Bank supports the commercialization of the business through new financing transactions, with Chibagin Capital of the group making the investment.



Communication with Stakeholders

Based on the Chiba Bank Group Sustainability Policy, we at Chiba Bank Group offer opportunities to effectively communicate with stakeholders including shareholders, customers, employees, and regional communities, and listen to their opinions, not only to improve management, but to provide them with information on Chiba Bank Group’s activities as well.

Communication with Shareholders

● Enhancing disclosure for shareholders and investors

We are working to improve disclosure through general meetings of shareholders, financial results briefings, and IR meetings for individual investors.

We will continue to take various opportunities in the future to actively disseminate information and listen to the opinions and requests of our shareholders and investors in order to improve management.

■ Meetings for Shareholders in FY2019

113th Annual General Meeting of Shareholders
Attended by 170 shareholders

Financial results briefings for analysts and institutional investors
Held twice and attended by 366 people

IR meetings for individual investors
Held twice and attended by 74 investors

Meetings with foreign investors
Visited Europe and North America

Communication with Customers

● Applying customer feedback to management

Through “Customer Feedback Cards” placed in branches, a dedicated toll-free number, and our website, we receive comments and requests from customers and use them to improve our services. This kind of customer feedback is also utilized to improve management through our regularly held meetings of the Quality Improvement Committee.

● Applying customer feedback through questionnaires to our medium term management plan

In formulating this medium term management plan, we gave a survey (collection rate of 20%) to about 8,000 individual and corporate customers to obtain frank opinions on their image and evaluation of Chiba Bank and their evaluation of our staff. This information was then reflected in the medium term management plan.

● Hosting the Himawari Regular Lecture

The group’s Chibagin Research Institute invites many members to regular lectures held in each region every year, where we give customers the opportunity to let us hear their opinions directly with our executives, group company presidents, and branch general managers from each region in attendance.



Communication with Employees

● Applying feedback from front-line operations to management by holding opinion exchange meetings between branch staff and executives

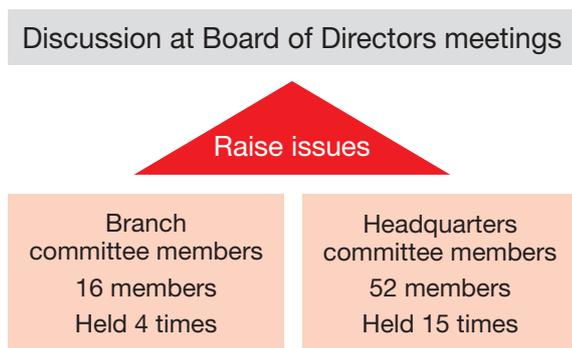
At the opinion exchange meeting with executives held once per year at each work place, management and employees exchange opinions on management policies and issues and use the opinions collected from the field to improve various measures.

In addition, since 1990, we have been conducting morale surveys to understand trends in awareness throughout the workplace and reflect them in personnel measures.

● Reflecting the voices of young employees in the formulation of medium term management

In the process of formulating the most recent medium term management plan, we appointed 16 young employees from our branch offices and group companies as well as 52 mid-level and young employees from the headquarters to be members of the team formulating the medium term management plan. Issues extracted through discussions by each working group (19 in total), including the Domestic Sales Strategy Working Group, were then reflected in the management plan.

■ Medium term management plan formulation process



■ Meeting attended by members of the team formulating the medium term management plan



Communication with Regional Communities

● Actively involved in local social contribution activities

The V-Net Club, an organization that consists of executives, employees, and former employees of the Bank, works to improve communication with the local community through volunteer activities in the region.

(Total number of participants in FY2019: 6,245)

In order to support the activities of local welfare organizations, the Bank grants subsidies to welfare organizations including NPOs every year through the Chibagin Heartful Welfare Fund, a public charitable trust.

(Total assistance: 119 cases, ¥68 million)

■ Chibagin Heartful Welfare Fund Grant Ceremony

