

## Message from the President



**Tsutomu Yonemoto**  
President  
Group Chief Executive Officer (CEO)

### “A world with interest rates” accelerates our growth

The business environment in which banks operate is changing rapidly as digitalization progresses and climate change issues become more pressing, while commodity prices soar and labor shortages worsen. Moreover, now that the monetary easing policy has ended after persisting for many years, with the advent of “a world with interest rates”, which signals a turning point for the Chiba Bank Group. We have been steadily improving our earnings in an exceptionally challenging environment of “negative interest rate”. To diversify earnings, we offered various services in addition to earning interest income from loans. For example, in the corporate business, we offered consulting services to tackle diverse management issues, such as digital transformation (DX) and green transformation (GX), in addition to supporting the core business, business restructuring, and advisory services related to M&A and business succession. In the retail business, we expanded the choice of products and services we offer, ranging from sales of financial products, such as investment trusts and insurance products, and inheritance-related services, to credit/debit card

issuance, franchise locations, and most recently, non-financial services offered in partnership with a regional trading company.

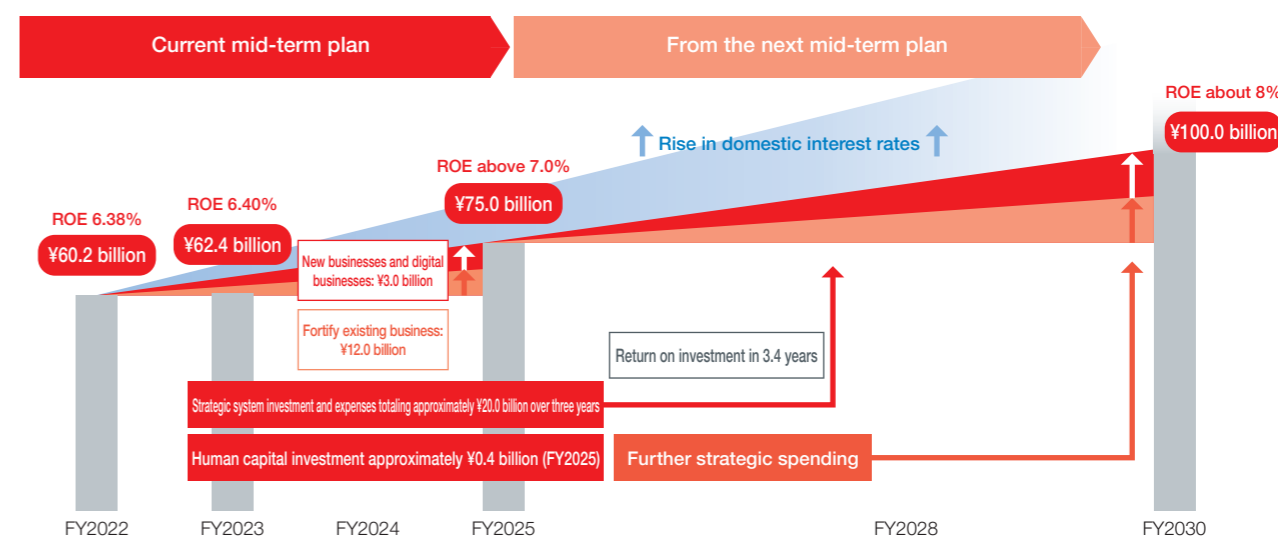
Moreover, we have built a lean management structure by focusing relentlessly on productivity. Initiatives in this regard include improving operational efficiency through DX, thorough reviewing and elimination of poorly performing operations, and reviewing the branch network in each area.

In a challenging business environment, we have maintained high profitability thanks to these initiatives. Recognizing that rising interest rates are a tailwind for us, I am convinced that the Bank Group is poised for the next round of growth, signaling a further advance in our ongoing development.

Through further evolution of the Bank Group’s manifold strengths and implementation of aggressive management strategies to “fortify existing business” and “take on challenges in new business areas”, I am confident that we can achieve not only the quantitative targets of the Mid-term Plan, but also “consolidated ROE of 8%” and “profit attributable to owners of the parent of 100 billion yen” for the fiscal year ending March 31, 2031 (FY2030).

## Next Round of Growth for the Chiba Bank Group’s Further Advancement

Continuing Growth: Plan for profit attributable to owners of parent



### KPIs

	(Reference)	(Initial Year)	(Final Year)	Goals for FY2030
	FY2022 Results	FY2023 Results	FY2025 Targets	
Consolidated ROE (shareholders’ equity basis)	6.38%	6.40%	Above 7%	About 8%
Profit attributable to owners of parent	¥60.2 billion	¥62.4 billion	¥75.0 billion	¥100.0 billion
Consolidated net business income	¥81.8 billion	¥91.7 billion	¥120.0 billion	
Consolidated Tier 1 common equity capital ratio* (Before the application of Basel III full implementation)	10.57%	11.87%	10.5% to 11.5%	
Consolidated OHR	47.37%	48.76%	About 45%	

\*Basel III finalization basis (excluding unrealized gains/losses on securities)

## Further enhancing the Bank Group's strengths

### Operating Base

I believe the Bank Group's defining strengths are in three areas: "the operating base", "the financial base", and "alliances". Regarding our first strength, the operating base, we have built a stable business by achieving an extremely high lending share of approximately 40% in Chiba Prefecture, which with its population of 6.26 million and gross prefectural product of 20 trillion yen is a sizable economy, and by capturing the demand for funds and other resources that this economy creates. Furthermore, approximately 40% of the companies in Chiba Prefecture use the Chiba Bank as their main bank and around 11 trillion yen of some 15 trillion yen in domestic deposits with the Bank are sticky retail deposits, which I believe gives the Bank a significant advantage in "a world with interest rates".

Going forward, we intend to extend this advantage by offering a superior customer experience by applying DX and reinforcing our

stable funding base. In addition, to differentiate us from other banks, we will build a formidable branch network attuned to the characteristics of each areas. Whereas other banks operating in Chiba Prefecture have reduced the numbers of comprehensive branches that handle loans for corporate customers, the Bank has a policy of maintaining branches of this type and has increased its share of such branches to approximately 60%. For regional revitalization, we have expanded the area sales office system, which allows us to offer more sophisticated services by sharing know-how while improving efficiency through the use of lightweight branches. Following Tateyama and Togane, we established "the Mobarra Area Sales Office" in April 2024.

Beyond Chiba Prefecture, we established "the Shinjuku West Corporate Banking Office" in June 2024 and expanded our sales territory to include all of Tokyo and neighboring prefectures. We will continue to aggressively open new branches in the Tokyo metropolitan area, where significant growth is expected.

### Financial Base

The second strength is our financial base. Through business development leveraging our strong sales capabilities as well as the pursuit of top-line improvement and cost reduction by promoting DX, we have been maintaining a low overhead ratio (OHR). The OHR was 48.76% for the fiscal year ended March 31, 2024 (FY2023), which is low compared to other banks. We intend to further increase productivity, aiming for an OHR of around 45% in the final year of the Mid-term Plan and in the lower 40% range by FY2030. With regard to credit costs, we have a strict risk management system and vigorously use "Solution Review Meetings", where the headquarters credit department and sales departments collaborate and discuss ways of supporting customers. As a result, we have maintained a low non-performing loan ratio of 0.92%.

The Bank's Tier 1 common equity capital adequacy ratio on a Basel III finalization basis (excluding unrealized gains/losses on securities) is 11.87%, based on a calculation using the consolidated balance sheet for FY2023. We will continue to strategically utilize capital and aggressively invest in further growth, expand human resources, and enhance shareholder returns.

is to meticulously attend to each retail customer and corporate customer. This means proposing the optimal services to each customer, serving as a "comprehensive money consultant" for retail customers and as an "assistant to management" for corporate customers. Moreover, we will transition to a much more sophisticated business model by enhancing our ability to offer hybrid responses leveraging our strengths. This will involve combining the convenience of the digital channel with the specialized responsiveness of the face-to-face channel.

In the retail business, our focus is on increasing the number of "Chibagin app" users and other digital customers. The number of registered the app users had already exceeded 1 million by May 2024, accounting for approximately 30% of the 3 million active accounts. Analyzing the associated in-app digital transactions will enable us to enhance customer resolution and make proposals tailored to each customer. It is our earnest desire that customers will gradually increase the frequency of their transactions with the Bank as they evolve from "customers who have accounts with Bank" to "users of the Bank's products and services," and then to "cross-use customers who use multiple products of the Bank." Our aim is to encourage them to become fans of the Bank. For the Bank, the expansion of transactions will lead to higher gross profit per customer and lower costs per transaction. We aim to build a win-win relationship that will both increase customer loyalty and achieve growth of the Bank.

In the corporate business, similar to the case of the retail business, what is most important is to facilitate customers' use of "Chibagin Business Portal", a digital channel. By precisely addressing not only emerging needs, but also latent ones, we want corporate "customers who use the Bank only for deposit transactions" to become "users of the Bank's products and services" and "loan customers." We want to encourage our corporate customers, including their employees, to use the Bank as their main bank.

The issues confronting enterprises are growing in number and complexity with every passing year. As executives grapple with such issues as DX/GX, labor shortages, and business succession, we will offer increasingly sophisticated consulting services and appropriate support tailored to changes in the current interest rate environment. Our aim is to exceed customer expectations by providing meticulous support aligned with customer needs.

### Alliances

The third strength is "alliances", namely, the TSUBASA Alliance, the Chiba-Musashino Alliance, and the Chiba-Yokohama Partnership. We are strengthening initiatives to deepen our three alliances while also collaborating with Sony Bank in various fields centering on digitalization.

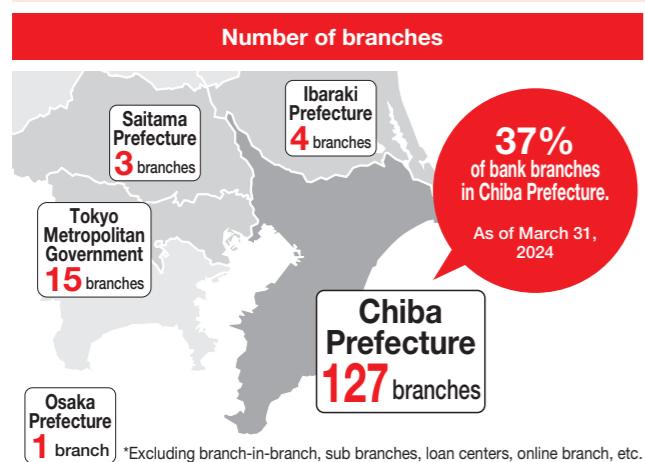
In March 2024, the TSUBASA/JUUDANKAI Joint Research Group was established to achieve greater efficiency in the operation of systems and the execution of business processes. With task forces established in the three areas of systems, business efficiency, and cyber security, joint research is progressing.

As the alliance strategy contributes significantly to the low OHR, which is one of the Bank's strengths, we are endeavoring to reinforce these initiatives.

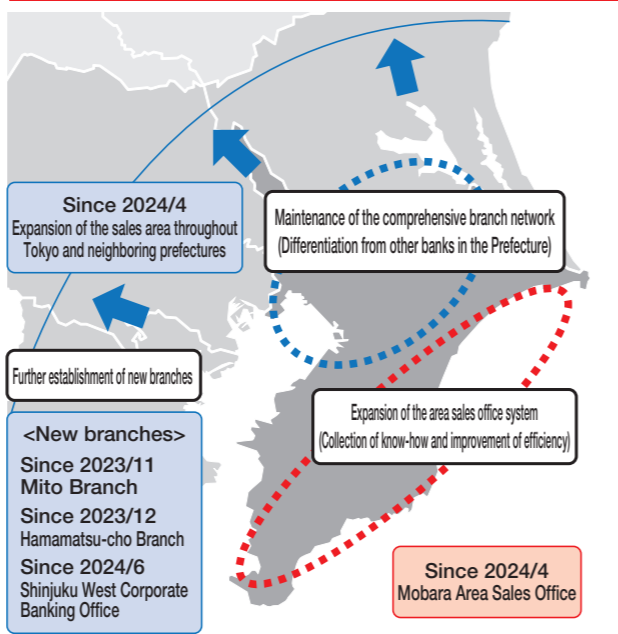
### Fortifying existing business

To achieve the "evolution of the customer-focused business model," as envisaged in the Mid-term Plan, I believe the most important thing

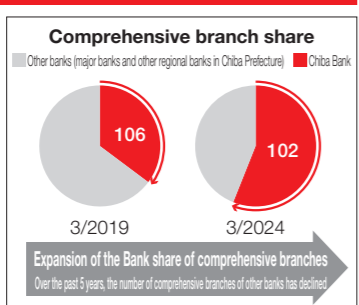
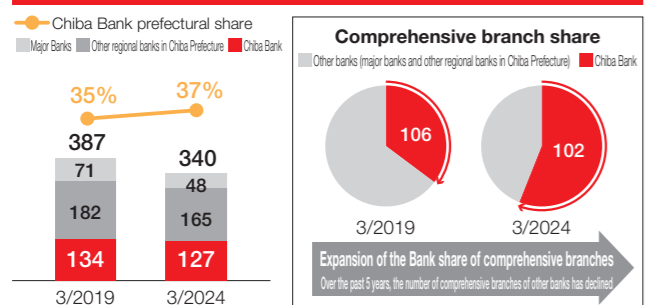
### Domestic Branch Network Strategy



### Strengthen sales in the Tokyo metropolitan area



### Share of branches in Chiba Prefecture



**Achieving both top-line improvement and low OHR through a full and efficient network**

Message from the President

Taking on challenges in new business

We are stepping up our initiatives in new businesses that will be growth drivers for the Group. Chibagin Market Co., Ltd., which promotes business as a regional trading company, strengthened its initiatives for “the Chibagin Housing Concierge” housing-related services, in addition to the crowdfunding business for local products, etc., which has been making progress. On Ad Co., Ltd., a provider of remote financial consulting services, is strengthening services for corporate customers. In the real estate fund business, the Bank is upgrading its solution function by expanding the scope of the business to include logistics facilities and hotels, in addition to office and residential buildings. Regarding the advertising business, we have been offering advertising services at all our branches and offices since October 2023. The positive responses from customers are exceeding our expectations and the number of contracts for advertising services is growing rapidly. In the energy sector, Himawari Green Energy Co., Ltd. acquired Kimitsu Power Plant in April 2024, in addition to Asahi Power Plant that began operation in December 2023. Approximately 35% of the Group’s annual electricity consumption is met by these two plants. Besides, the Group is also emphasizing loans related to renewable energy, such as solar power and biomass, as well as project finance. The generating capacity of renewable energy projects in Chiba Prefecture for which the Group has extended loans is sufficient to power approximately 550,000 households or around 20% of the 2.8 million households in the



▲ Kimitsu Power Plant

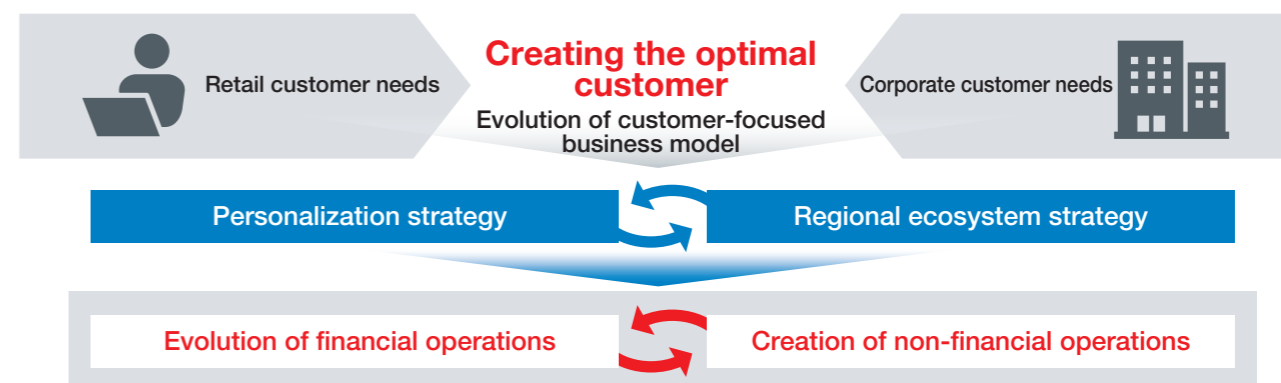
prefecture, and thus is a substantial contribution to Chiba Prefecture in its efforts to achieve carbon neutrality. Under the “GX for the whole region” slogan, we will continue to promote GX throughout the region in close cooperation with local governments.

In addition, we are considering use of the metaverse for business development in the housing-related field. In the future, we would like to offer comprehensive support to customers in virtual space, covering every phase from consideration of purchase of a residence to handling of residential loan processes. Unconstrained by traditional concepts, we will continue to vigorously take on challenges in various fields as we chart a growth strategy maximizing the Group’s potential.

DX supporting transformation

For the Group’s sustainable growth, using DX as a means of transformation, it will be essential to not only provide attractive products and

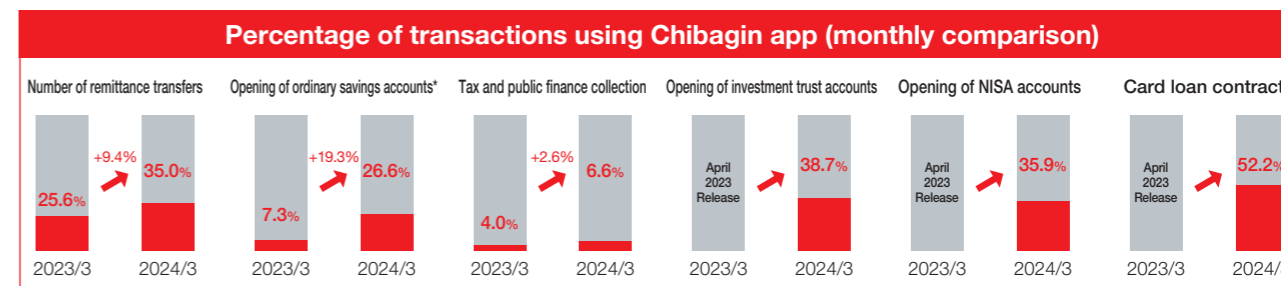
DX Strategy



Transforming Customer Experience Through DX

Realized changes

The number of registered users of the app increased to over 1 million, compared to approximately 3 million active accounts. (operating account penetration rate: 33%) \*Only open ordinary savings accounts is web accounts opening



services, but also to continue to offer a customer experience that resonates with customers. By harnessing the power of digital channels, such as “the Chibagin app” and “the Chibagin Business Portal”, we will provide various products and services, in both financial and non-financial fields, to all retail and corporate customers so as to deliver an outstanding customer experience.

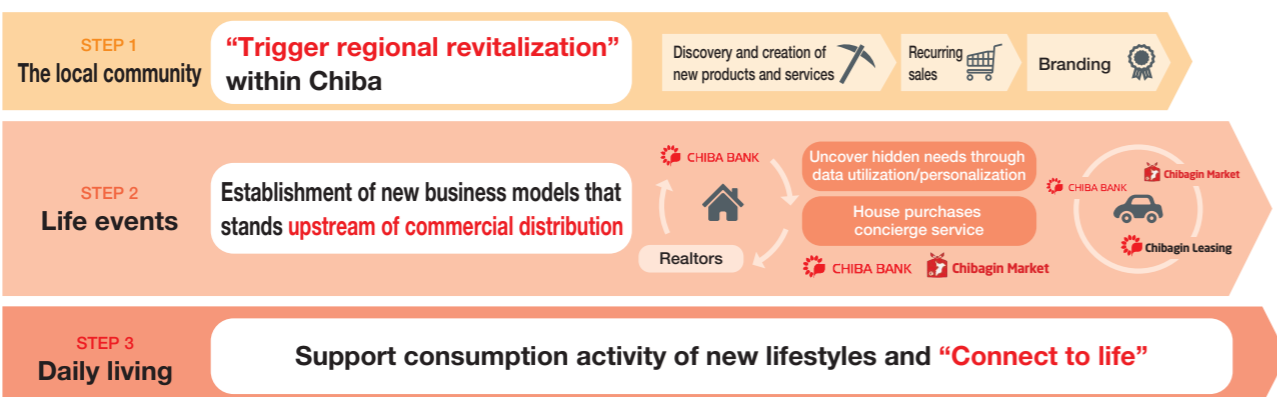
Promotion of DX is having a major impact as evidenced by significant changes in customer transactions that are already apparent. Reflecting big increases in the number of app users, in addition to remittance transfers and opening of ordinary savings accounts, approximately 30% to 40% of transactions, such as opening of investment trust accounts, opening of NISA accounts, and card loan contracts, are already conducted via the app. It is noteworthy that the penetration of the app has led to an approximately 30% increase in the number of remittance transfers compared with three years ago and total transfer fees have increased by more than 20%, boosting profitability. Naturally, the cost borne by the

Bank is significantly lower in the case of handling via the app than by tellers at branches and offices, contributing greatly to productivity.

Furthermore, analysis of transaction data gathered through digital channels and use of Artificial Intelligence will enable us to focus on proposing products and services aligned with the needs of each customer. In January 2024, the Bank agreed to a joint business plan with Google Cloud Japan, LLC to address these matters and we are strengthening sophisticated digital marketing initiatives. We will also aim to enrich the customer experience through timely interventions so customers feel that “Just when I am interested in something, I receive a proposal from Chiba Bank or a notification on the app about it” and “Chiba Bank understands me well.”

Currently, approximately 60% of residents in Chiba Prefecture have accounts with the Bank. I believe the Group’s DX initiatives are helping resolve regional issues and enriching lifestyles throughout the region. We will further strengthen our initiatives under the slogan “DX for the whole region.”

Chibagin Market Business road map



Message from the President

Human capital supporting transformation

Successful implementation of sophisticated strategies hinges on our ability to maximize the capabilities of all Group employees and create high-performance workplaces where they are highly motivated to fulfill their responsibilities. To reward individual employees for their hard work and deepen their engagement, we are continuously increasing salaries, including starting salaries. Under the current Mid-term Plan, in order to enhance the expertise of our employees, we are accelerating “investment in people” to strengthen human resources development. The number of employees to be trained through temporary transfer to external organizations and trainee programs is 280, double the number of the previous plan.

Moreover, we have enhanced the attractiveness of the personnel system by establishing new professional courses and a transfer system from Group companies. To foster an environment where talented people are highly motivated regardless of age, we have drastically revised the personnel system for employees over 55 years old, improving compensation and expanding opportunities for promotion. In addition, we began unified Group recruiting for new graduates and mid-career hires whereby the Bank handles all the recruitment processes for itself and other Group companies. We also took steps to optimize deployment of the Group’s resources by promoting personnel exchanges among Group companies.

Furthermore, we are strengthening initiatives to directly capture the “voice of employees” through engagement surveys, various questionnaire surveys, and an internal hotline system. We are strengthening diversity and inclusion initiatives to foster a workplace environment where

employees can continue to work enthusiastically while deriving satisfaction from their work.

Thus, with regard to investment in human resources, which are the Group’s most important management resource, we will continue to spare no effort in developing a framework that ensures all employees achieve personal development and in creating organizations whose members can recognize they are fulfilling their potential.

Enhance corporate value through implementation of the business improvement plan

In June 2023, the Bank and Chibagin Securities were issued with administrative actions by the Kanto Local Finance Bureau pursuant to the Financial Instruments and Exchange Act. Subsequently, over a period of approximately two months, we thoroughly analyzed the true causes, examined improvement measures, and formulated a business improvement plan. The problems were attributable to three major causes, namely, “the operational management system”, “the internal control systems”, and “the business management system”. We implemented 57 improvement measures corresponding to these issues, and completed them by the end of March 2024, except for certain measures involving system development.

Based on the conviction that ensuring thorough penetration of the Purpose and Vision throughout the organization is the key to achieving improvement with respect to all these issues, we have established the Purpose and Vision Penetration Project Team to strengthen cross-organizational initiatives, while reflecting the expertise of external advisors. In addition, to realize the Purpose and Vision, we have

established the “Three Pledges.” (Whenever making a proposal to a customer or making a business decision, we always stop and consider, “Will this proposal or decision lead to the realization of the customer’s wish, a solution to the customer’s problem, or the realization of a prosperous lifestyle for the customer?”) To disseminate the Three Pledges among all officers and employees of the Group, we are proactively implementing measures to raise awareness, such as morning chants and workshops at each workplace.

The positive impact of these initiatives on the Bank’s business is already becoming apparent. First, as a result of the introduction of the App Investment Trust, the ratio of non-face-to-face sales of investment trusts has increased from approximately 20% to 50%, as we shift to an operational management system that allows more time for meticulous explanations to customers and confirmation of their needs. In addition, we abolished profit targets for retail departments in the performance award system and revised the evaluation system to emphasize efforts in pursuit of customers’ best interests and to conduct interviews with customers. Indeed, the number of customer interviews has doubled, with such contacts gradually leading to sales. The change in how business is being done is apparent.

I have long believed that what is most important for achieving significant growth in the retail business is to equip sales representatives, who are mainly engaged in the sale of financial products to retail customers, with more versatile skills enabling them to respond to a wide range of customer needs. Triggered by the initiatives of the business improvement plan, we reviewed the role of retail sales representatives and positioned them as “comprehensive retail consultants” handling all types of products for retail customers. I view this positively as a move that has enabled us to achieve transformation ahead of schedule.

Going forward, in view of the importance of steadily implementing the PDCA cycle for the measures we are working on, I believe it is essential to promote both objective external surveys and internal verification so as to directly capture the voice of employees.

With regard to external surveys, we conduct fixed-point observations of the CX index<sup>\*1</sup> to measure customer loyalty, monthly NPS<sup>®\*2</sup>



questionnaire surveys to measure customer satisfaction concerning transactions with the Bank for all retail customers who had face-to-face transactions of financial products, and interviews with customers by headquarters staff. Through these surveys we are striving to analyze the issues. Our initiatives for internal verification include an engagement survey, a compliance questionnaire survey, and the internal hotline system. In addition, officers, including me, meet with employees to directly solicit their opinions. Although we have a way to go in disseminating the Purpose and Vision, we have received plenty of positive feedback from our employees. We feel our initiatives are resulting in solid progress toward enhanced engagement.

I believe steady implementation of these initiatives will accelerate the Group’s growth while significantly enhancing corporate value. Striving to regain the trust of our customers and all other stakeholders, we will continue making concerted Group-wide efforts to achieve improvements and prevent recurrence so that we can be “a bank the region can be proud of” for our customers as well as for our employees, and indeed for everyone in the region.

We will continue to do our utmost to achieve results exceeding everyone’s expectations as we aim to become a Bank Group that continues to grow in order to create a local community better suited to bringing the hope of each person that interacts with the Bank, including our customers, shareholders, and employees, to life.

We sincerely appreciate your ongoing support.

\*1 CX index is based on CXMM<sup>®</sup> of Nomura Research Institute, Ltd. CXMM<sup>®</sup> is a registered trademark of Nomura Research Institute, Ltd.

<https://www.nri.com/en/service/solution/fis/cxmm>

\*2 NPS<sup>®</sup> is a registered trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

Human Resources Strategy



Key measures

Career development

Job satisfaction

Diverse organization

Unified group management

Human resources portfolio

## Initiatives for Business Improvement and Recurrence Prevention in Response to Administrative Actions

On June 23, 2023, the Bank was the subject of administrative actions (Business Improvement Order) for situations where a problem related to investor protection is recognized by the Kanto Local Finance Bureau, pursuant to Article 51, Paragraph 2 of the Financial Instruments and Exchange Act, regarding the financial instruments intermediary business related to the solicitation and sales of structured bonds. Also, in accordance with Article 51 of the Financial Instruments and Exchange Act, Chibagin Securities was the subject of administrative actions (Business Improvement Order) from the Kanto Local Finance Bureau regarding business operations that violated the suitability principle for solicitation of sales of structured bonds.

Recognizing these to be matters of the utmost gravity, following thorough root cause analysis, on July 24, 2023, the Bank and Chibagin Securities submitted to the Kanto Local Finance Bureau their respective business improvement reports including recurrence prevention measures. In addition, having clarified management responsibility, we imposed disciplinary action on those involved.

We have subsequently continued to report quarterly on the progress of our initiatives for business improvement and recurrence prevention based on the business improvement reports.

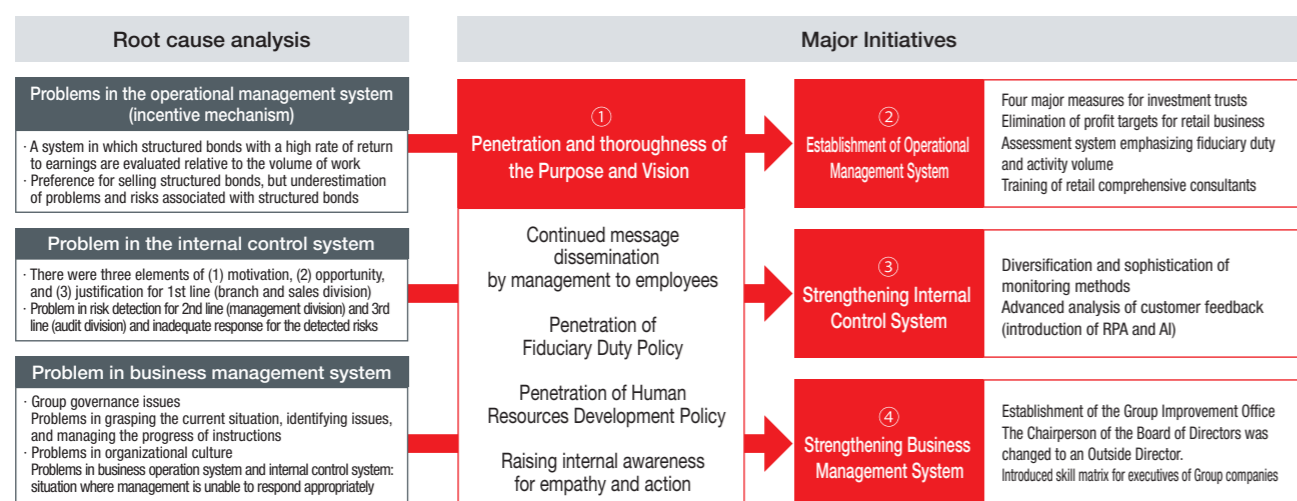
### Root cause analysis and formulation of a business improvement plan

Following confirmation of the facts and root cause analysis by the Investigation and Improvement Planning Committee and discussions at several meetings of the Board of Directors and the Nomination, Remuneration and Corporate Advisory Committee, the Bank recognizes that the root causes of the matters subject to the administrative actions were issues concerning operational management, internal control, and business management systems and has formulated respective improvement and recurrence prevention measures.

Moreover, considering that ensuring thorough penetration of the Purpose and Vision throughout the organization is the key to achieving improvement with respect to all these issues, the Purpose and Vision Penetration Project Team is spearheading cross-organizational initiatives, while reflecting the expertise of external advisors.



▲ Process for formulation of the business improvement plan



▲ Overview of the business improvement plan based on root cause analysis

### Progress of initiatives for business improvement and recurrence prevention

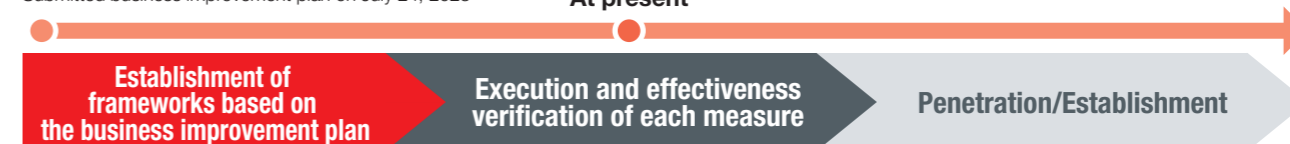
Regarding the progress of the initiatives, we implemented various measures based on the business improvement plan, including review of the organizational structure and assessment system and planning of training and study sessions. Of the total of 57 measures, implementation of major measures was completed by the end of March 2024, except for certain measures involving system development. In addition, we have conducted verification of the effectiveness of these measures through various internal and external surveys and questionnaires, such as an engagement survey and NPS® questionnaire surveys, in an effort to enhance effectiveness through a Plan-Do-Check-Act (PDCA) cycle.

The progress of the initiatives is disclosed on our website in conjunction with quarterly reports to the Kanto Local Finance Bureau. \* NPS® is a registered trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

Progress of the initiatives as of March 31, 2024:  
[https://www.chibabank.co.jp/english/pdf/topic/2024/topic20240415\\_01.pdf](https://www.chibabank.co.jp/english/pdf/topic/2024/topic20240415_01.pdf)

Submitted business improvement plan on July 24, 2023

At present



▲ Roadmap for business improvement and recurrence prevention

#### List of Major Measures

① Penetration and thoroughness of the Purpose and Vision	Implementation timing	Implementation <sup>*1</sup>	Addition <sup>*2</sup>
Displaying the Purpose and Vision on internal PCs and business cards	September 2023	●	
Reviewed Fiduciary Duty Policy, established Fiduciary Duty Handbook	October 2023	●	
Established Three Pledges	October 2023	●	●
Monthly Fiduciary Duty Study Meeting involving all employees	October 2023	●	
Career support based on human resource development policies at personnel interviews	October 2023	●	●
Discussion by project team (two subcommittees under the project team)	December 2023	●	●
On the 23rd of every month, distributed video messages by Directors	December 2023	●	
Start of Fiduciary Duty Hearing	December 2023	●	●
Senior management and compliance training	December 2023	●	
Implemented Fiduciary Duty Special Award	2H of FY2023	●	●
Linking performance reviews to human resource development policies	April 2024	●	●
② Establishment of operational management system	Implementation timing	Implementation <sup>*1</sup>	Addition <sup>*2</sup>
Implemented the four major measures concerning investment-type financial instruments	April 2023	●	
Specialist training in retail comprehensive consulting	April 2023	●	
Training and video distribution for Fiduciary Duty, behavioral change to focus on activity volume	September 2023	●	●
Elimination of the Bank's profit targets for the retail departments	October 2023	●	
Eliminated return-of-profit incentives completely from Chibagin Securities' transactions based on the Bank referral	October 2023	●	
③ Strengthening internal control system	Implementation timing	Implementation <sup>*1</sup>	Addition <sup>*2</sup>
Conducted engagement survey	September 2023	●	
Opened Chotto line to Group companies	September 2023	●	
Newly established practical training for newly appointed internal administration supervisors	October 2023	●	
Introduced conformity verification tools	March 2024	●	
Introduced 360-degree evaluation to Group companies <sup>*3</sup>	August 2024		
Introduced 2nd line system (establishment of the Customer Support Monitoring Office)	October 2023	●	
Customer interviews by headquarters staff about sales of financial products	December 2023	●	●
Advanced analysis of customer feedback <sup>*3</sup> (introduction of RPA and AI)	September 2024		
Diversification and sophistication of monitoring methods <sup>*3</sup> (Phone recording system, voice and video recording of visits)	September 2024		
President is in charge of the Audit Department and deeply involved in PDCA.	October 2023	●	
Introduced culture audits	March 2024	●	
Strengthening Group cooperation in auditing departments through participation of the Bank's Audit Department in the meetings of Chibagin Securities' Audit Department	September 2023	●	
④ Strengthening business management system	Implementation timing	Implementation <sup>*1</sup>	Addition <sup>*2</sup>
Dispatch of Directors and general managers from the Bank to Chibagin Securities	April 2023	●	
Establishment of the Group Improvement Office	October 2023	●	
Implemented customer satisfaction surveys at all Group companies	November 2023	●	●
The Chairperson of the Board of Directors was changed to an Outside Director.	April 2024	●	
One on one meetings between the President and Group company presidents	September 2023	●	
Opinion exchange meetings between the Bank's Directors and Group companies	September 2023	●	
Introduced skill matrix for executives of Group companies	April 2024	●	

\*1 Implementation completed or ongoing (out of a total of 57 measures, major measures are listed.)

\*2 Additional measures after submission of the business improvement plan

\*3 Measures scheduled for implementation (highlighted)

## Initiatives for Business Improvement and Recurrence Prevention in response to Administrative Actions

### Major initiatives for business improvement and recurrence prevention

#### Penetration of the Purpose and Vision and establishment of the Three Pledges

When formulating the business improvement plan, the Bank emphasized that the Purpose and Vision should serve as the axis of action and judgment for the Bank's officers and employees.

Now, the Purpose and Vision are at the heart of all the Bank's policies and guidelines, including the Fiduciary Duty Policy and the Human Resources Development Policy.

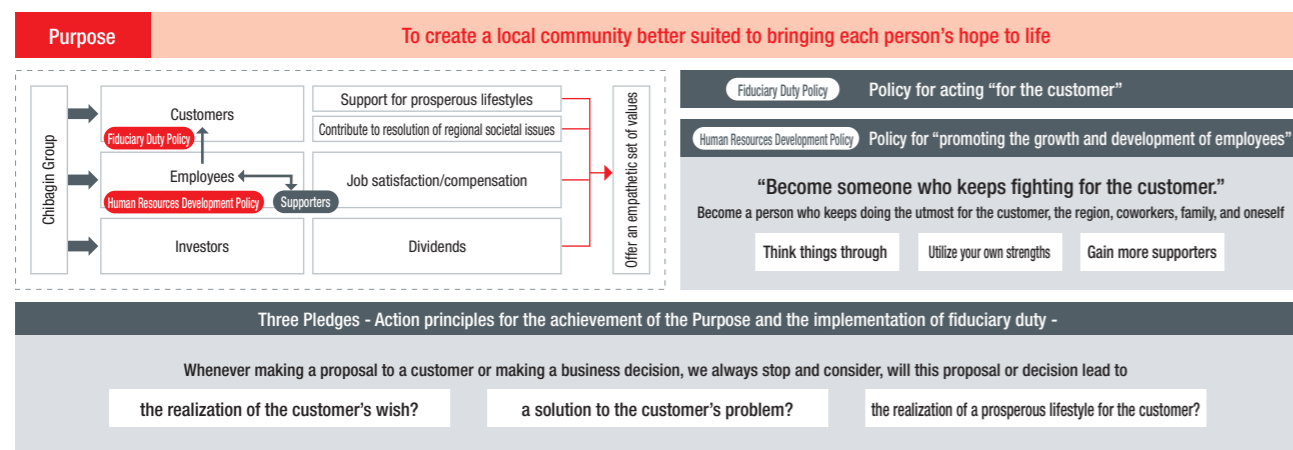
In order to enhance recognition internally and externally, the Purpose and Vision are displayed on business cards of officers and employees, the news release form, etc. In addition, we established the Three Pledges.

The Three Pledges are: Whenever making a proposal to a customer or making a business decision, we always stop and consider, "Will this proposal or decision lead to the realization of the customer's wish, a solution to the customer's problem, or the realization of a prosperous lifestyle for the customer?" We have created a card on which the Three Pledges are printed so that officers and employees always carry it with them together with the Fiduciary Duty Handbook, which outlines the mindset for customer-oriented business operations (fiduciary duty).

By positioning the Three Pledges as the action principles for achievement of the Purpose and the fulfillment of fiduciary duty, we aim to cultivate a sound organizational culture.



▲ Purpose indicated on a business card



▲ Conceptual diagram of the Purpose, the Vision, and the Three Pledges

#### Initiative to ensure administrative actions never fade away - Establishment of "Fiduciary Duty Day" -

To ensure the administrative actions (Business Improvement Order) imposed by the Kanto Local Finance Bureau on June 23, 2023 never fade away, we have designated the 23rd of every month "Fiduciary Duty Day." Fiduciary Duty Day is an opportunity for all officers and employees to remember the gravity of the administrative actions and our pledge that there will be no recurrence. For example, they receive video messages from the president and other members of the management team on Fiduciary Duty Day.

Moreover, we have increased opportunities for dialogue between officers and employees. Interactive communication is leading to enhancement of employee engagement.



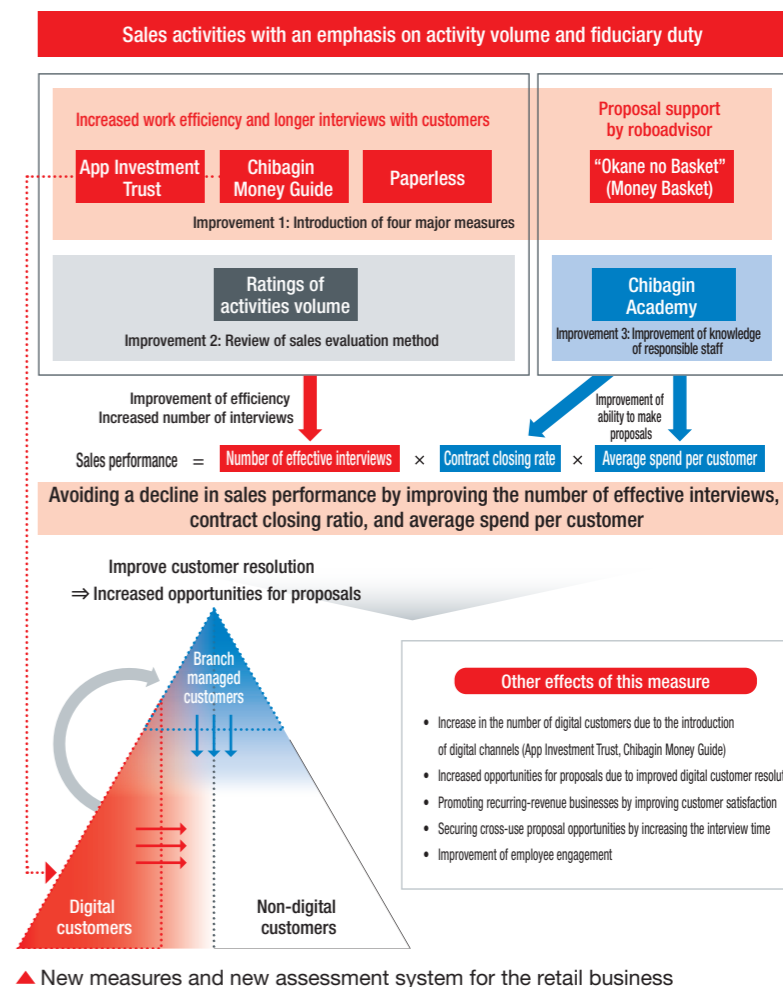
Following the Business Improvement Order, we accord priority to customers

#### Strengthening comprehensive proposal capabilities in the retail business

From April 2023 onward, we introduced four measures for sales of investment trusts: Okane no Basket (Money Basket), a new proposal tool; App Investment Trust, a non-face-to-face channel; paperless investment trust procedures; and Chibagin Money Guide, a web portal. In addition, we abolished profit targets for retail departments of the Bank's branches in October and revised the personnel assessment system to emphasize fiduciary duty, activity volume, etc.

The number of effective interviews with customers by sales representatives is approximately twice that before the revision of the assessment system. Making proposals using Okane no Basket, the average spend per customer has increased and thus the positive impact is apparent.

The Bank completely suspended sales of structured bonds, which were the direct cause of the administrative actions and, in principle, suspended referral of its customers to Chibagin Securities.



▲ New measures and new assessment system for the retail business

#### Re-establishing the monitoring system

In order to strengthen functions of the second line (administrative departments), which oversees operations of branches and offices, in October 2023 the Customer Support Monitoring Office was established in the Compliance and Risk Management Division and the workforce of this division was increased.

Moreover, we conduct NPS® questionnaire surveys every month for retail customers who had face-to-face transactions of financial products to measure customer loyalty (degree of likelihood that customers will recommend the Bank's products and services to their family members and friends).

Furthermore, we are promoting development of new infrastructure for effective performance of the second line functions. A tool for gathering and analyzing customer feedback and a recording system using smartphones for business purposes are scheduled for introduction in the first half of FY2024.

\* NPS® is a registered trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

#### Strengthening governance

Effective from April 2024, the Chairperson of the Board of Directors was changed to an Outside Director for supervision of corporate management from an objective standpoint independent from those who execute business. Moreover, the Group Improvement Office, which directly reports to the President, implemented 360-degree evaluations of headquarters organizational units, in which sales branches evaluate headquarters.

Furthermore, since FY2023 the Bank has been handling all the recruitment processes for itself and other Group companies. Other initiatives include holding of meetings between executives of the Bank and employees of Group companies to exchange opinions and personnel exchanges among Group companies.

# Message from the CSO/CDTO

## Aiming to be a banking group that truly serves its customers and the regions



### Mutsumi Awaji

Director and Senior Executive Officer  
(Representative Director)  
Group Chief Strategy Officer (CSO)  
Group Chief Digital Transformation Officer (CDTO)

### Even further acceleration of DX strategy

It has been two years since I assumed the Group Chief Digital Transformation Officer (CDTO) in April 2022. In that time, the Digital Innovation Division has evolved into the Digital Strategy Division, and we have built a structure for the integrated implementation of all relevant operations, from improving the convenience of direct channels to the planning and development of products and services and their promotion to customers. In addition to enhancing the functions of the Chibagin app and Chibagin Business Portal and improved operational efficiency, we have taken on challenges in new areas such as the Metaverse and the advertising business. With the number of registered users of the Chibagin app now exceeding 1 million, non-face-to-face channels are becoming important for more and more transactions, including opening new accounts and applying for investment trusts. Our customers seem to be quite happy with these channels, and we will continue to accelerate our DX strategy even further.

### Creating the optimal customer

The diagram on the opposite page shows our overall DX strategy. The promotion of this strategy will involve generating a virtuous cycle of “increase in transactions” and “redeployment of personnel to growth areas,” through the expansion of the channels that connect us to customers, including digital, face-to-face, and remote channels, as well as promoting data-based one-to-one marketing.

The important thing is to continue “creating the optimal customer.” This means increasing the number of customer contact points, analyzing data obtained from those contact points, making appropriate proposals when customers want them, and receiving compensation with smooth procedures, including follow-up inquiries.

We will strengthen both non-face-to-face channels, which allow customers to communicate with us regardless of time and place, and face-to-face channels, which allow customers to consult with us in person.

### Diverse DX personnel and their development

From my experience as Group CHRO, I am strongly aware of the strength of an organization that attracts diverse personnel and the importance of human resources development.

Here at the Digital Strategy Division, many mid-career hires, as well as employees returning from external trainee programs and employees assigned voluntarily through open recruitment, are working toward their mission of “creating the optimal customer.” This is a field of advanced diversity, with women playing leading roles in projects such as development of the Chibagin app, new businesses launched in the last year including the advertising business, and data marketing.

Thanks to efforts to broaden the DX personnel base, we now have approximately 1,700 DX base personnel, and we have recently embarked on the development of personnel who are able to use AI. Alongside this expansion of the DX personnel base, we will also take on the challenge of advancing employees’ skills. It is the powerful team strengths of our diverse human resources that underpin the evolution of DX, and we will continue to enhance those strengths.

### Challenge of “DX for the whole region”

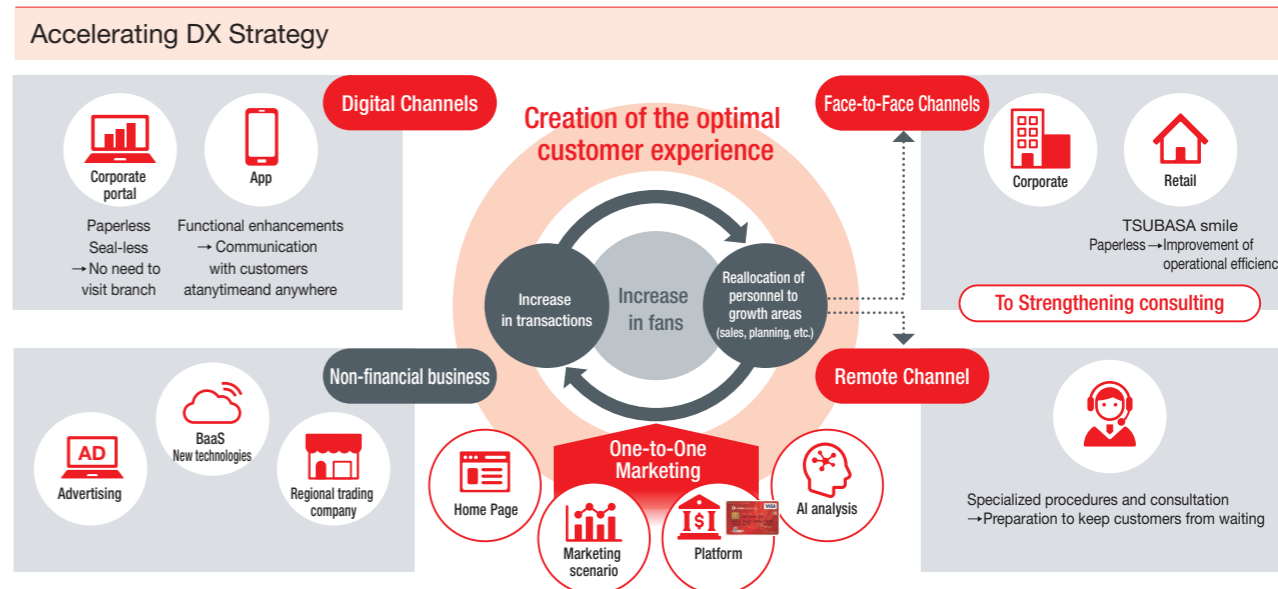
Regarding face-to-face channels, we are strengthening our customer consulting functions through the development and redeployment of personnel. On the other hand, we use our remote channels, which are halfway between our digital and in-person channels and are used to provide customers with more specialized consultations about inheritance procedures remotely. In this way,

we have established a system that enables customers to undertake the necessary procedures with peace of mind without having to wait.

Our aim is to eventually reach 1.5 million registered users of the Chibagin app. This figure represents about half of the active accounts of retail customers and is equivalent to one-fourth of the population of Chiba Prefecture.

While we are working to enhance the functions of the Chibagin app, my sense is that we still have a long way to go before our customers will truly appreciate it as being “convenient” and “useful”. Simply adding more and more functions will not necessarily mean that we are providing customers with truly valuable services. With the addition of an engagement function in the first half of FY2024, I believe that we have reached a phase in which we can start working on functions that will allow us to have “dialogue” with customers. The information we deliver to customers will give those customers new insights, which will in turn prompt them to take new actions. Through the ongoing repetition of this cycle, we will pursue deeper transactions with customers.

In addition, we will actively work to provide services to support our business partners’ own digitalization efforts and help local governments to promote cashless and paperless operations. We will also take on the challenge of promoting DX across the entire community, including customers (“DX for the whole region”). Our goal is to increase the number of “fans of Chiba Bank” by further accelerating the DX strategy in both digital and in-person channels, improving the convenience and stability of non-face-to-face (digital) channels, and giving customers trust and peace of mind through our consulting proposals via in-person channels.



## Outside Directors Discussion Meeting

**To become a banking group that continues to grow with the region, with our Purpose and Vision as the focal point of management**



Outside directors, Yuko Tashima, Yasuko Takayama, and Takahide Kiuchi, alongside newly appointed Outside director, Ryoji Yoshizawa, held a discussion meeting to reflect on the first year of the Mid-term Plan and to exchange opinions on the business improvement plan and medium- to long-term corporate value enhancement.

### Could you please reflect on FY2023, the first year of the Mid-term Plan?

**Takayama** In FY2023, the Bank proceeded with its initiatives for the first year of the Mid-Term Plan and initiatives based on the business improvement plan pertaining to the administrative actions. My assessment is that the management team is executing the business improvement plan with strong conviction and an unflagging resolve to regenerate the company.

The Mid-Term Plan overlapped with the business improvement plan, and there are three points where initiatives made more progress than I initially expected. The first point is the thorough efforts undertaken to achieve the understanding, penetration, and practice of the Purpose and Vision. The second point, involving

“enhancing the quality of existing business,” one of the basic policies of the Mid-Term Plan, is that the Bank is being thoroughly implemented especially in the retail business, a stance of offering value that supports the lifestyles of individual customers and the pursuit of customers’ best interests. The third point is that group governance has been strengthened. In addition to the reinforcement of internal management systems, I was pleased to see deep, wide-ranging initiatives being undertaken to achieve collaboration between the Bank and the Group companies, as well as the independence of the Group companies. My view is that these initiatives have laid the foundations for future sustainable growth.

**Kiuchi** I commend the fact that the Purpose and Vision have penetrated throughout the Group in such a short time and that they have

taken root as guidelines from which Bank and Group company employees can reflect on all their actions. Going forward, I look forward to even stronger cross-Group collaboration and to the provision of services of even higher quality to customers.

After the Bank was issued with the Business Improvement Order, adverse winds against the investment trusts and personal annuities business, a reexamination of incentive systems, and other factors probably caused some bewilderment on the ground in business operations, but business performance remained strong. When the plan was formulated, I felt that the net profit target of 75.0 billion yen for the final year of the plan would be challenging, but it is now firmly in sight. Shareholder returns have also been raised to a level that is comparable with other banks, and my assessment is that the Bank is being looked favorably on by the share market as well.

**Tashima** I felt the same way as you both. When I have accompanied the Audit & Supervisory Board Member on their on-site audits to the branches, I have seen that efforts to achieve the penetration of the Purpose and Vision have started with activities such as

displaying posters inside the branches and reciting them in unison. As time has gone by, Bank and Group company employees have started to consider what they should do themselves, and they are implementing initiatives such as in-house presentations at the branches. These kinds of actions have given me a sense of the progress being made with the penetration of the Purpose and Vision.

In circumstances where priority needed to be given to the business improvement plan in response to the administrative actions, the executive side combined that plan with the initiatives under the Mid-Term Plan and produced results. I was greatly impressed by that, and I look forward to seeing outcomes that exceed the plan in its second and third years as well.

### What is your evaluation of the Bank’s non-financial business initiatives?

**Kiuchi** In the Bank’s growth strategy, expanding the non-financial business based on the expertise and assets that it has cultivated to date in financial services is extremely important



## Outside Directors Discussion Meeting

for building sturdy businesses that can withstand changes in the external environment and for the sustainable enhancement of corporate value. In terms of the realization of the Purpose, the expansion of non-financial business is also necessary to solve the various problems faced by the region and bring about prosperous lifestyles for individuals. I hope that the Bank will leverage its strengths and proactively take on the challenge of new businesses that will contribute to the regional economy.

My particular focus has been on Chibagin Market and Himawari Green Energy. As planned, Chibagin Market turned its first profit in FY2023, the third year since its establishment. It started with Step 1, a crowdfunding site and an e-commerce site offering regional products, and it has now moved on to Step 2, a house purchase concierge service. Its future plans for Step 3 include developments in the area of “connections with people’s daily lives,” including health and nursing care, education, and food retailing. I look forward to its contributions to the realization of customers’ prosperous lifestyles.

Himawari Green Energy has as its purpose the strong promotion of decarbonization in the local community, achieved by the Bank Group independently conducting energy generation operations that utilize renewable energy. With the launch of the Asahi Power Plant in December 2023 and other moves, it will be able to provide clean energy through power generation with renewable energy.



**The Bank was issued with administrative actions in June 2023. What approaches were taken to make improvements and prevent a recurrence?**

**Takayama** When the business improvement plan was in the formulation stage, in Board of Directors and other forums, I called strongly for the entire Group to change its awareness of customers’ voices and to become more sensitive to them. I also recommended the establishment of a mechanism for the centralized management of the collection, analysis, improvement, and follow-up of customer feedback and the strengthening of organizational frameworks and systems to execute that mechanism.

In the execution of the business improvement plan, I have been closely monitoring the relationships between Group companies and the Bank.

In the strengthening of Group companies’ governance, I have focused on communication between Bank employees and the employees of Group companies, and I have mentioned any concerns at Board of Directors.

One strength of the Bank is its extreme swiftness in making and executing decisions. However, it does need to take care regarding points such as whether any risks have been overlooked, whether communication of information from the lower levels to the top is being obstructed, whether negative information from on the ground is reaching the management team promptly, and whether inter-organizational containment functions are functioning appropriately. I plan to keep checking these kinds of points in Board of Directors.



**Kiuchi** It is also important that employees of the Bank and Group companies are sincerely remorseful and make as much effort as possible to prevent the same thing from happening again. Unless they take fundamental, substantive actions, and not just superficial responses, they will never be able to completely prevent a recurrence. Analysis of the true causes revealed a tendency for sectionalism within the organization, a lack of openness, and problems with Group governance. I hope that these efforts to analyze the true causes will continue.

On the other hand, if Bank and Group company employees become excessively apologetic, business will stagnate, which will be to the further detriment of stakeholders. I hope that they will use that remorse as a springboard to challenge themselves proactively to achieve growth.

**Tashima** Regarding the high rate of complaints from customers compared with the number of active accounts, even though information came from the self-regulatory bodies, there was no proper recognition of how serious the situation was, and the situation was not being properly reported up to the management team. This was truly disappointing.

In the formulation of efforts to prevent recurrence, an investigative committee, whose members also included external attorneys, conducted an investigation and devised appropriate measures. In that process, the Outside Directors also received briefings and were given opportunities to express their opinions, and those opinions have been reflected in the business improvement plan.

After the formulation of the business improvement plan, Group companies also engaged seriously in improvement measures, and the entire Group has united to implement



the plan steadily. Also, since the administrative actions were issued, we, Outside Directors, have been attending more meetings than previously.

The additional meetings we are attending are primarily those related to Group companies, such as the Group Supervision Committee and the Group Promotion Committee. The Bank Group also regularly reports on progress of the business improvement plan to the authorities after a resolution by the Board of Directors.

In day-to-day business activities, it is important to gather and analyze customer feedback and check whether there are any problems or other matters that require action. Development of frameworks for analyzing and checking customer feedback using systems is underway. I plan to watch over the progress of these measures, while checking the situation on the ground, including continuing my visits to the branches.

**Ms. Takayama, you were recently appointed Chair of the Board of Directors. What are your thoughts on the strengthening of governance?**

**Takayama** Mr. Yoshizawa’s appointment as a new Outside Director in June 2024 has further increased the diversity of the Board’s membership. I hope to enhance the quality of debate and bring more energy to discussions, with a view to improving the effectiveness of the Directors and enhancing medium- to long-term corporate value.

I recognize that, to achieve this, appropriate agenda setting is an important role of the Chair.

Given the organizational design as a company with an audit & supervisory board, there tends to be a large number of proposals on the agenda

## Outside Directors Discussion Meeting

of our meetings. By organizing those proposals into those related to strategy and those related to governance and risk and clarifying them from offensive and defensive perspectives, we have brought some balance to the pacing of deliberations. Improving the quality of the content of reports is also key, so I intend to ask that reports focus on the substantive issues and true causes from a macro perspective, and to move discussions forward based on such reports.

I also recognize that the supervision of management from an objective viewpoint is a role expected of me as an Outside Director entrusted with the position of Chair. I hope to move discussions forward while monitoring the Bank Group's initiatives from a bird's-eye perspective, always remaining conscious of whether strategies are appropriate given social and financial trends in Japan and overseas, whether those strategies deviate from customers' values and their expectations of the Group, how shareholders view the Group, and whether we are fulfilling our accountability toward shareholders.

### What are your feelings about the penetration of the new Human Resources Development Policy and the changes in organizational culture?

**Tashima** About a year has passed since the new Human Resources Development Policy was established, and there are signs of changes in the organizational culture. However, I do believe that more time is needed for the policy to take firm root. Under the Purpose and Vision, it is important for each and every Bank and Group company employee to think about what they can and should do for customers and the local community, and about their vision for what they themselves want to become. I believe that taking advantage of the Chibagin Academy to learn, acquiring areas of specialization, and contributing to society are the right directions.

I also hope to listen to real opinions on the ground and to keep checking how the Human Resources Development Policy and various initiatives are being received and what further needs there are.

### Mr. Yoshizawa, you have recently been newly appointed as Outside Director. What kind of role do you hope to fulfill?

**Yoshizawa** I hope to take advantage of the knowledge and insights that I have cultivated to date to contribute to the medium- to long-term advancement of the Bank and the enhancement of corporate value. I have experience working for a regional bank, a foreign-capital bank, and a foreign rating agency, so I have observed the banking industry from both inside and outside. In my analysis and evaluation of the banks of the world, I have deepened my understanding of the strengths and distinctive characteristics of Japanese banks.

In dialogues with various stakeholders, they express a wide variety of thoughts and opinions, but they all share a common ultimate goal of the enhancement of medium- to long-term corporate value. I hope to communicate properly with stakeholders to clarify what kind of pathways there are to reach our common goals and what kind of gaps there are between the Bank's thoughts and those of its stakeholders, and to make recommendations for the enhancement of corporate value.

### Could you tell us your expectations of the Bank Group for the enhancement of medium- to long-term corporate value?

**Takayama** My view is that corporate value is the sum of trust in the Bank Group accumulated through its past and present business activities and social activities, and expectations for the future. With the recent issuing of the Business Improvement Order, I believe that the entire Group has recognized anew the importance of trust.

To further elevate that trust, based on the deep ties with regional customers that have been cultivated over many years, I would like to see the Bank Group focus its efforts more than ever on sustainable growth alongside the community. Further, in the promotion of new business initiatives, I hope that the Bank Group will actively extend new ties of trust with stakeholders beyond regional and sectoral boundaries.

**Kiuchi** The strengthening of Group governance and intra-Group collaboration is key. Progress has been made in unifying the Group through various mechanisms, including personnel

systems, risk management, and auditing, but the next challenge will be unification on the awareness front. The Purpose and Vision have penetrated considerably within the Bank, but there is still some way to go when viewed across the entire Group.

Further, to promote unification in terms of operations, it will be important to venture boldly into non-financial services to offer solutions that will help solve various issues faced by the region and deliver services of a higher quality.

In addition to strengthening collaboration between the Bank and the Group companies, I look forward to seeing the individual Group companies, which operate a variety of businesses, including securities, leasing, regional trading companies, energy generation businesses, and advertising, to carve out new businesses with their own identity and ingenuity. Expanding the profits of the Group as a whole with a good balance of Group unification and initiatives by individual Group companies will, I believe, lead to the realization of the Purpose.

**Tashima** I would like to see the continued steady promotion and advancement of the measures in the Mid-Term Plan, including new businesses in non-financial sectors. My hopes are that the Group will help solve customers' and

society's issues in its base of Chiba Prefecture and surrounding regions and contribute to the realization of a sustainable society. I also hope that it will demonstrate leadership in alliances with other banks and work hard for the advancement of regional banks as a whole.

**Yoshizawa** According to Ministry of Economy, Trade and Industry statistics, the growth in capital investment within Japan by medium-sized companies in the past ten years has been approximately double that of large enterprises. Regional financial institutions are being called on to provide large amounts of credit and services of high quality to meet the needs of those mid-tier companies. I consider the TSUBASA Alliance and collaborations with other banks as one solution to meeting such needs, and Chiba Bank is in a unique position in this regard. Research of financial institutions globally that have enhanced their corporate value shows that a common feature of such institutions is that they respond to the issues of their region of business and that they have their own unique qualities. I hope that the Bank will accurately identify the needs of the local community and its customers and promote and expand businesses that take advantage of the Bank's potential to realize further growth.



# Message from the CRO

## Strengthen the internal control systems and reform the organizational culture to restore confidence in the Bank



### Masayasu Ono

Director and Managing Executive Officer  
Group Chief Risk Officer (CRO)  
General Manager in charge of Corporate Management

### Strengthen the internal control systems with a sense of speed

Following the issuance of administrative actions (Business Improvement Order) in June 2023, the Bank and Chibagin Securities are currently implementing Group-wide measures to improve operations and prevent a recurrence based on the business improvement plan.

We recognize the root causes of the problems were issues concerning “operational management system”, “internal control system”, and “business management system”. As the Group CRO, I consider the insufficiency of our “internal control system” and our second-line capabilities for detecting and responding to risks to be a matter of the utmost gravity.

Following the formulation of the business improvement plan, in a move that clarified my responsibilities, I was appointed “the General Manager in charge of Corporate Management”. We are strengthening risk responsiveness by consolidating second-line functions in the Compliance and Risk Management Division for which I am responsible, increasing the workforce, and establishing “the Customer Support Monitoring Office”.

Moreover, to strengthen risk detection capabilities, we are preparing to introduce a system for collecting customer complaints, requests, opinions, and other feedback and for sophisticated analysis of this customer feedback while also introducing a recording system to establish highly transparent product explanation and sales processes. In addition, the Compliance and Risk Management Division periodically conducts questionnaire surveys and interviews of

customers and Group employees. We are putting in place systems to promptly detect problems and make improvements with a sense of speed.

### Reform and inculcation of the organizational culture

The background to the administrative actions (Business Improvement Order) was the Group’s predisposition toward prioritizing the pursuit of profit. Alongside strengthening of the internal control system, reform of the organizational culture, in which this predisposition was accepted, is another key initiative for improvement and recurrence prevention.

In order to respond to customers’ increasingly complex and sophisticated needs, the Group has continuously endeavored to develop high-value-added products and services that transcend the boundaries of finance and non-finance, thereby enhancing its capabilities to maximize its usefulness for customers. Achieving high performance by being useful to customers is the high road to business success. As a matter of course, our starting point is “to be useful to customers”. Unfortunately, however, we have somehow misunderstood the order of things, and our starting point has always been “to improve business performance. I accept that this failure occurred and lament the fact.

We will receive appropriate compensation for our services and satisfaction of customers, and by improving our business performance and increasing the strength of the Group, we will increase our stock price and dividends so that we can receive stable investments, maintain stable employment, and expand our range of

services and growth through investments in new businesses and DX. By repeating this process, we will stay close to the community and contribute firmly to the sustainable growth of the region.

In order to return to the basics of what it means to be a regional financial institution, we have sent a message to all Group employees to share the joy and satisfaction we feel when we receive words of encouragement from customers, for example “I am glad I consulted you. thank you.”, as an important Group-wide value.

### Purpose, Vision, and Three Pledges

We are committed to creating social value and accomplishing the Group’s Purpose, namely, “to create a local community better suited to bringing each person’s hope to life,” while offering practical value to achieve the Group’s Vision, “an Engagement Bank Group that works closely with the community.” We are inculcating the Three Pledges that are the action principles for

achievement of the Purpose and fulfillment of fiduciary duty to ensure that all Group officers and employees are always aware of these pledges. Through dialogue with Group employees conducted by all officers, our all-encompassing collaborative endeavor to restore trust within the framework of the Purpose, the Vision, and the Three Pledges is gaining momentum.

Whenever I receive words of encouragement or criticism from customers, I recall my maxim: “Know what is sufficient.” Remember, the point is not to constantly overextend yourself, it is not about you. The important thing is to proceed modestly and diligently, aware of the circumstances, and deriving satisfaction from the gratitude one earns. Exercise self-discipline while continuously endeavoring to remedy any insufficiency.

Ensuring that all our actions are informed by this attitude, we will steadily implement initiatives for improvement and recurrence prevention step by step, while doing our utmost to meet the expectations and earn the trust of our customers in the region.

