

The 13th Medium Term Management Plan

Best Bank 2020

Final Stage - 3 years of value co-creation

2017.4.1 ▶ 2020.3.31

Chiba Bank IR Day

April 2017

THE CHIBA BANK, LTD.

Summary of the New Medium Term Management Plan

- Review of the Previous Medium Term Management Plan
- Economic Environment
- Summary of the New Medium Term Management Plan
- Our Vision
- Numerical Targets

Strategies in the “Final Stage - 3 years of value co-creation”

Co-creating customer value

- Conducting comprehensive evaluation of a customer’s business and contributing to regional revitalization
- Strengthening fiduciary duties
- Providing integrated personal financial services matching the diverse needs of customers
- Creating new services responding to digitalization
- Upgrading the retail base in the Metropolitan area
- Strengthening international business responding to customers’ globalization

Realizing work style reform for all employees

- Developing a highly professional workforce
- Accelerating diversity
- Promoting work style reform

Strengthening a sustainable management structure

- Further promoting the strategic alliances
- Strengthening the group management structure
- Effective allocation of management resources
- Positive and active action on ESG issues
- Capital policy

Summary of the New Medium Term Management Plan



● Economic recession after the Lehman shock

● Great East Japan Earthquake

● Progress of Abenomics

Pursued business vigorously

Review of the previous medium term management plan “Best Bank 2020 – 3 years of value creation”

Subject I

Creating new corporate value

- Measures for evaluation of customers’ business potential and regional revitalization (specialized staff for corporate sales, established a committee and division for regional revitalization)
- Effective sales team (specialized staff for housing loans and financial products sales)
- New profitable businesses (unsecured consumer loans, inheritance-related business)
- Upgraded operating base (new branches in Strategic Operating Area, Bangkok Rep. office)
- Strategic alliances (“Chiba-Musashino Alliance” and “TSUBASA Alliance”)

Subject II

Further improving staff training

- Sophisticated staff training (visualized skills, positively adopted external talent)
- Promotion of diversity (started an in-house child care center, increased number of women in management positions)

Subject III

Building a sustainable management structure

- Cooperation on the mainframe system
- Review of operating processes in branches (started a new branch model, new screening tools, cooperation on back office work with other banks)
- Group integrated management (started investment trust management business at Chibagin Asset Management, intermediation of lease transactions, relocated nine subsidiaries to the Chibagin Makuhari Bldg.)

Progress of major developments



Narita City
(The National Strategic
Special Zone)

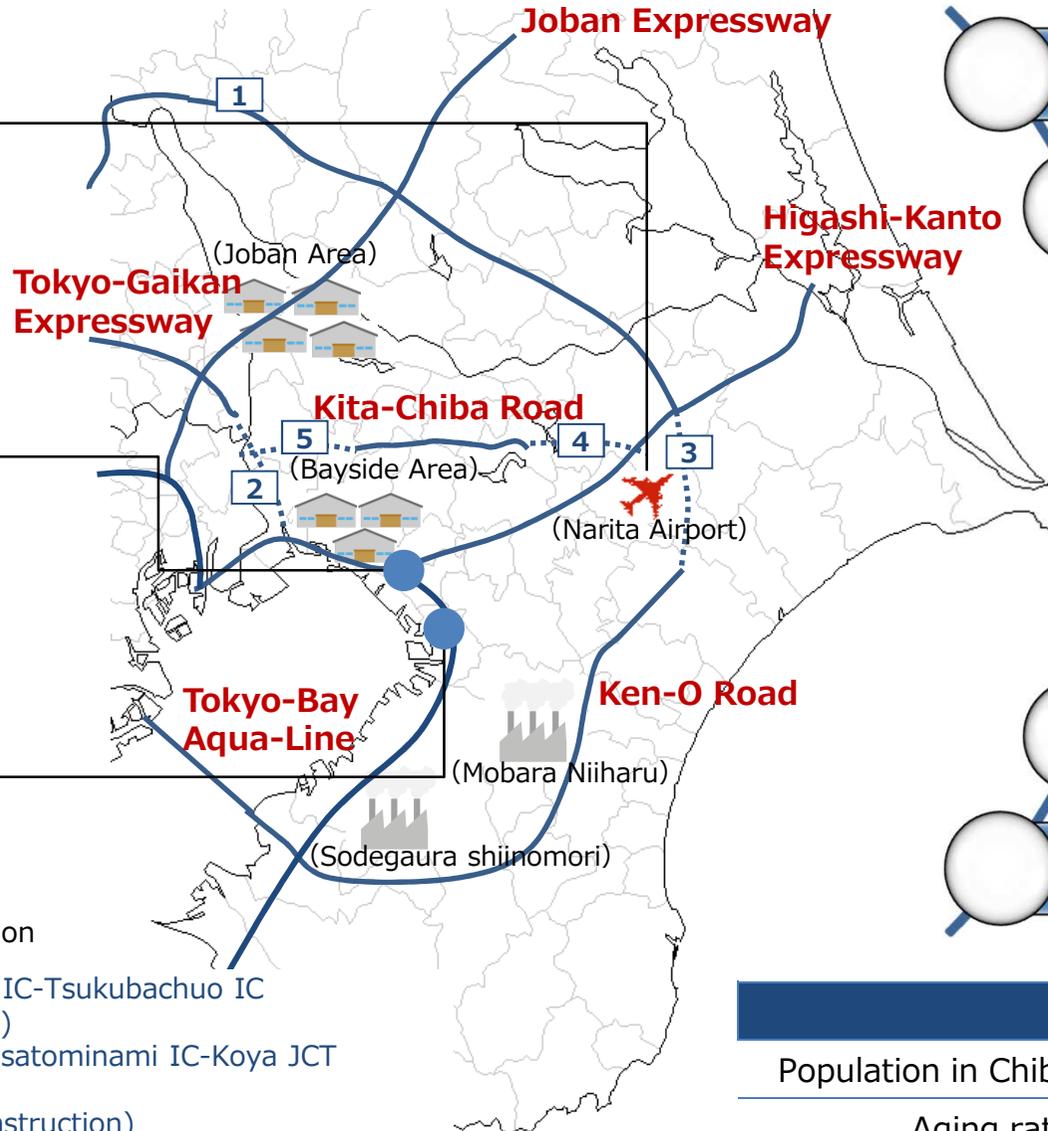


Tokyo Olympic and
Paralympic Games
in 2020

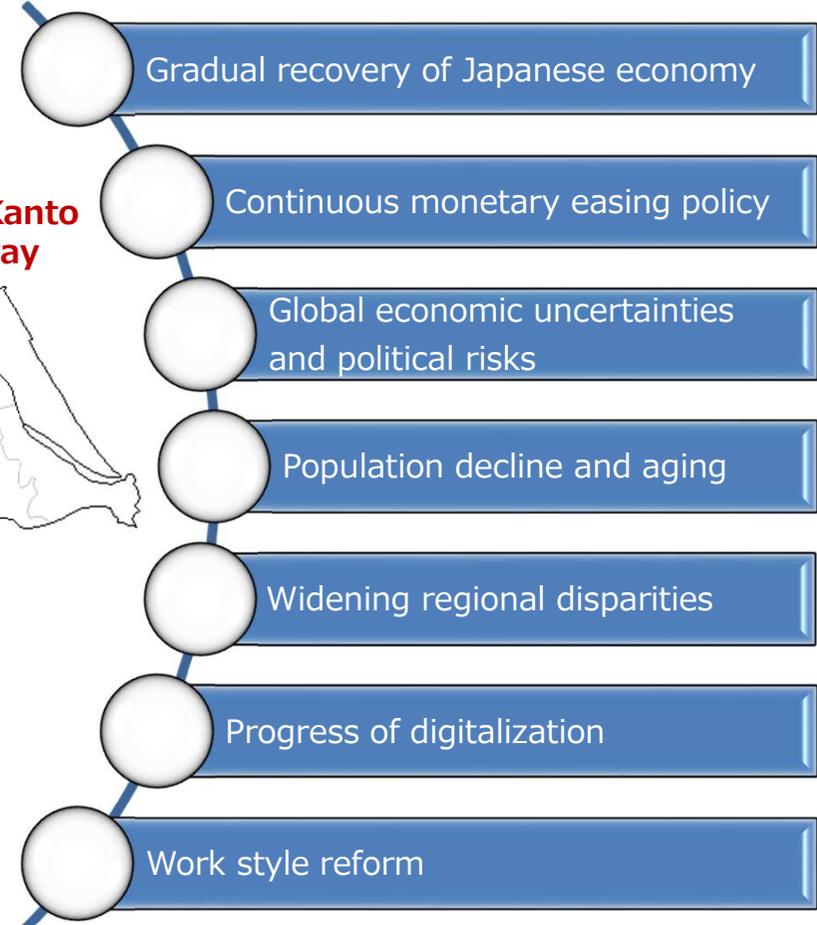


Redevelopment of
East Gate of Chiba Station

1. Ken-O Rd. Sakaikoga IC-Tsukubachuo IC
(opened in Feb. 2017)
2. Tokyo-Gaikan Exp. Misatominami IC-Koya JCT
(planned for FY2017)
3. Ken-O Rd. (under construction)
- 4, 5. Kita-Chiba Rd. (under construction)



Changes in external environment



※estimated by Chibagin Research Institute

	2015	2020*	2025*
Population in Chiba (Thou.)	6,222	6,227	6,149
Aging rate	25.9%	29.3%	30.8%



Subjects of the new medium term management plan "Best Bank 2020 – 3 years of value co-creation"

Subject I

Co-creating customer value

- Conducting comprehensive evaluation of a customer's business and contributing to regional revitalization
- Strengthening fiduciary duties
- Providing integrated personal financial services matching the diverse needs of customers
- Creating new services responding to digitalization
- Upgrading the retail base in the Metropolitan area
- Strengthening international business responding to customers' globalization
- Advancing activities for customer satisfaction

Subject II

Realizing work style reform for all employees

- Developing a highly professional workforce
- Accelerating diversity
- Promoting work style reform

Subject III

Strengthening a sustainable management structure

- Further promoting the strategic alliances (Chiba-Musashino Alliance, TSUBASA Alliance)
- Strengthening the group management structure
- Progressing business efficiency
- Strengthening investment capabilities and profitability
- Strengthening the risk management structure
- Ensuring thorough compliance and protection of customers
- Positive and active action on ESG issues

<Our Vision> “Retail Best Banking” Group

~We will provide top-class satisfaction through advanced services and be highly regarded by our regional customers, both individuals and SMEs~

【CS】Customer Satisfaction

Respond speedily to customers' needs

【ES】Employee Satisfaction

Make a work environment where all employees can realize their potential

【SS】Social Satisfaction

Drive regional development, concentrating our group's capabilities

<Action guideline to realize “Retail Best Banking” Group>

1. “Customer first policy”

We will grow with customers and local communities, providing valuable services for our customers and ensuring our “Customer first policy”, taking the view that in this era only a few outstanding financial institutions will be selected.

2. “Professionalism” and “Team work”

We will pursue customer orientation as financial service professionals, and provide services exceeding customers' expectations, with mutual respect and trust as team members sharing a common goal.

3. “Challenge” and “Innovation”

We will create innovation, breaking former common sense and stereotype views and challenging new fields, and regard changes as opportunities for growth against a background of major trend changes such as the progress of digitalization.

Aim to achieve ¥60 billion in profit attributable to owners of parent, enhancing the top-line

	Items (¥Bil.)	2017/3 [Projections released in Nov. 2016]	2020/3 [Targets]
	Gross business profits	147.5	166.3
	Net interest income	120.7	127.3
	Expenses (▲)	83.5	83.5
	Real net business income	64.0	82.8
	Core net business income	62.5	80.2
	Net credit costs (▲)	▲2.3	6.5
	Ordinary profit	70.5	80.0
	Profit	49.0	56.0
<KPI>	Profit attributable to owners of parent	52.5	60.0
	Consolidated ROE^{※1}	In 6% range^{※2}	In 7% range
	Consolidated CET1 capital ratio	12.52%^{※3}	In 12% range
	Balance of loans	9,201.7^{※3}	10,500.0
	Balance of deposits	11,309.6^{※3}	12,500.0
	Group total balance of financial products	2,021.4^{※3}	2,500.0
<Numerical targets>	Balance of SME loans	4,026.8^{※3}	4,900.0
	Number of new corporate loan customers	4,731^{※4}	5,000
	Net fees and commissions income	20.0	30.0
	Balance of housing loans	3,226.3^{※3}	3,600.0
	Balance of unsecured consumer loans	121.0^{※3}	170.0

※1 Consolidated ROE = Profit attributable to owners of parent ÷ Total shareholders' equity (Capital stock + Capital surplus + Retained earnings - Treasury shares)

※2 Based on projections released in Nov. 2016

※3 As of 2016/12

※4 For 2016/3

Strategies in the “Final Stage - 3 years of value co-creation”

The 13th Medium Term Management Plan
Best Bank 2020

Final Stage - 3 years of co-creation

Strategies in the “Final Stage - 3 years of value co-creation”

Conduct comprehensive evaluation of a customer's business and contribute to regional revitalization.

Regional Revitalization Committee

Evaluation of Customers' Business Potential

Our activities

- Lending based on evaluation of a customer's business
- Solutions responding to customers' life stages
- Expand operations with customers, supporting as a main bank

Exercise financial intermediation function

- Strengthen customers' management and growth potential
- Improve customers' business productivity through drastic reforms
- Change from lending based on collateral and guarantees

Support customers' main businesses

Selection and summary of 22 items out of 57 benchmarks, closely related to main subjects and measures

Number of customers (as of 2016/3)

■ Lending based on evaluation of their business	10,380
■ Support their main business (improve their corporate value)	2,949
■ Support as a main bank / percentage of the total	24,230 / 55.0%

Regional Revitalization

Activities based on "Revitalize Chiba Pref." strategic plan

Community development

Attract companies

Public facilities

Settled population

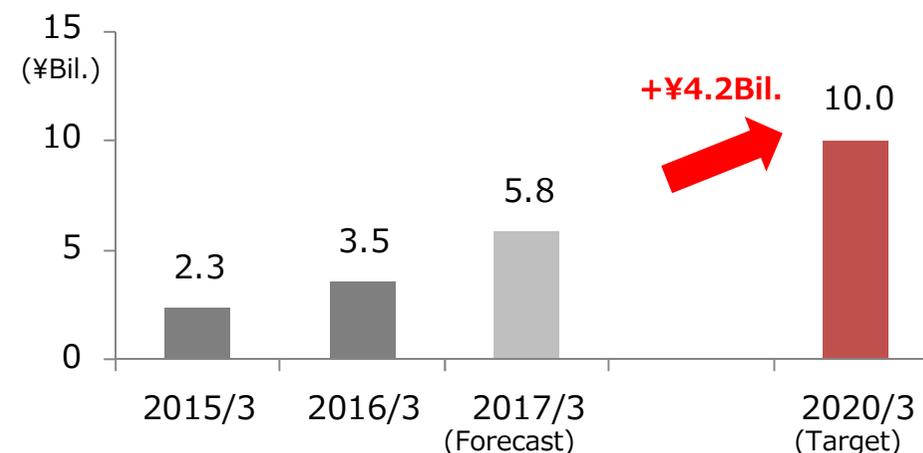
Against aging population

Promote CCRC

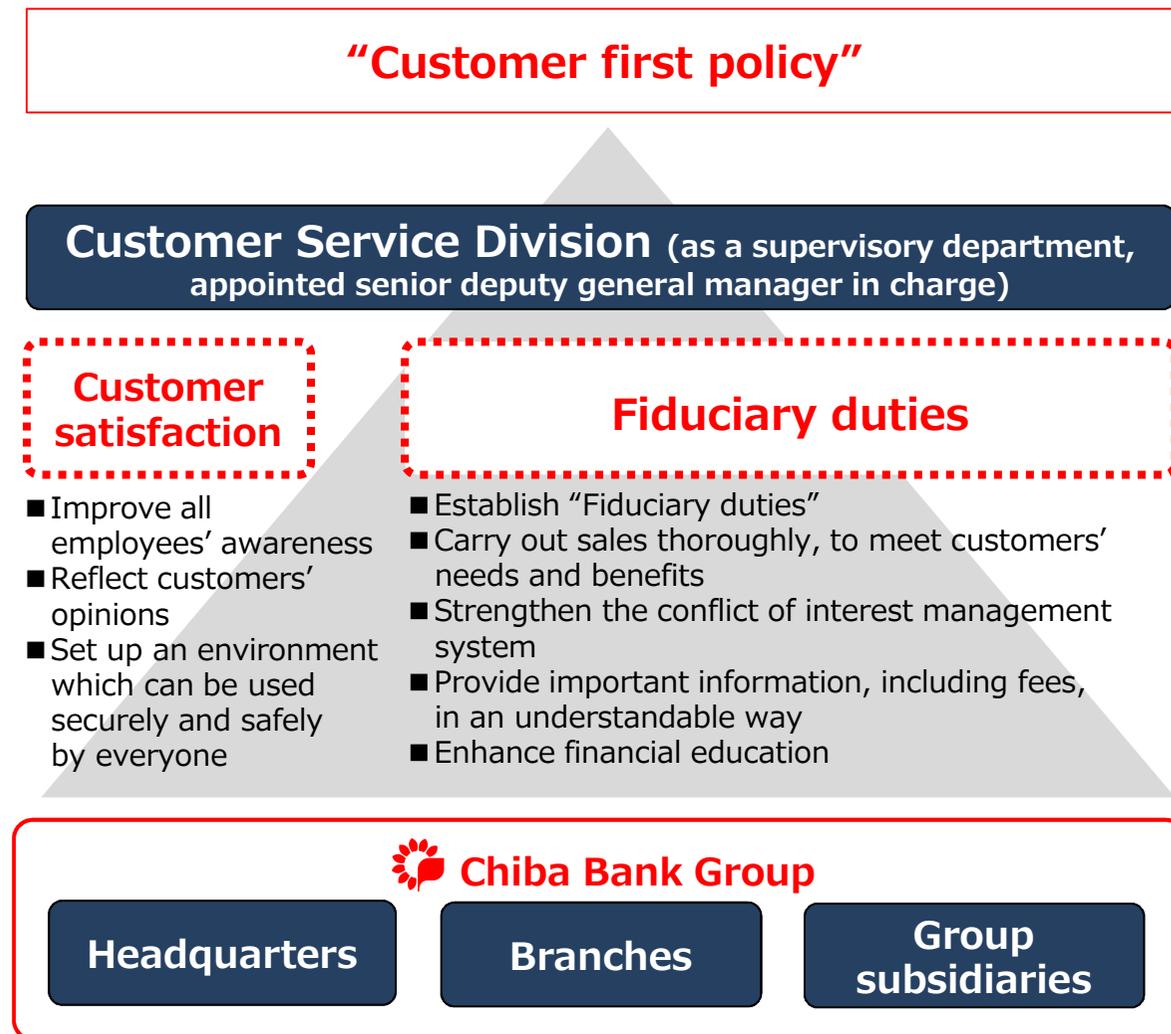
Agriculture and fishing

Sightseeing

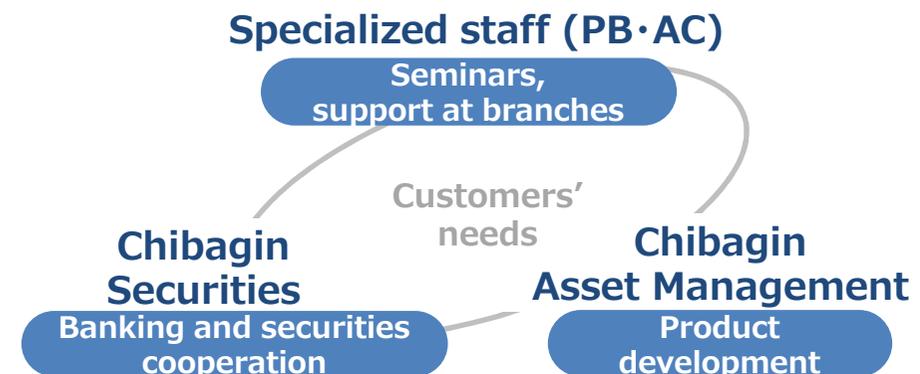
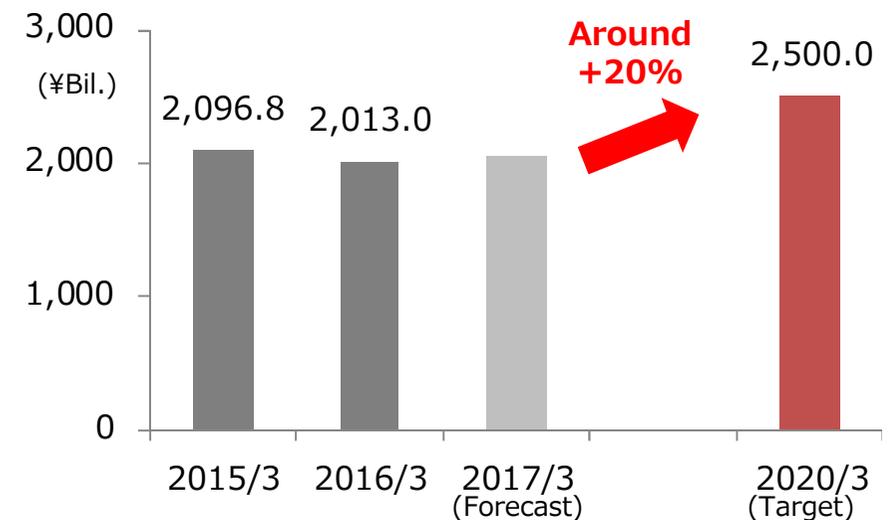
Solution-related fees from corporate customers



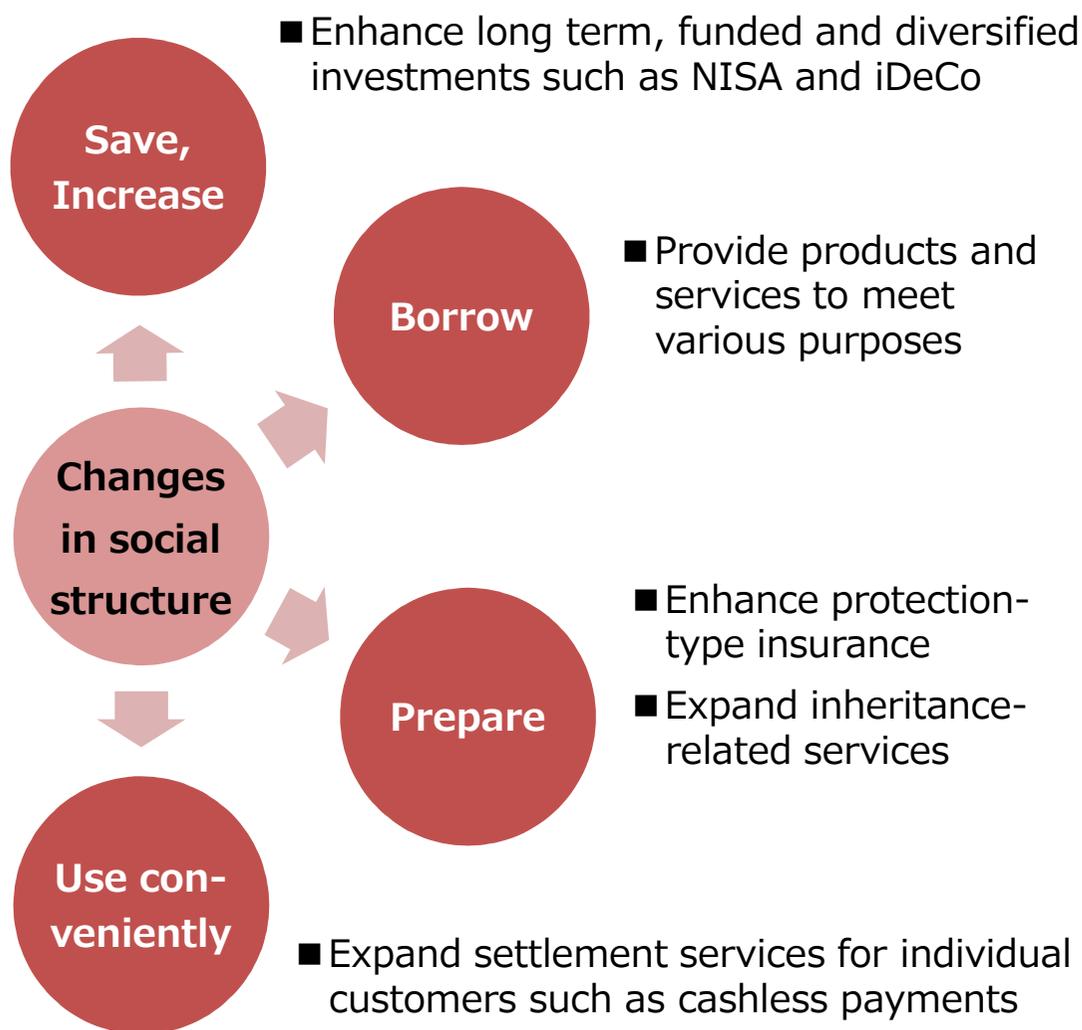
Improve customer satisfaction and strengthen fiduciary duties.



Group total balance of financial products



Provide integrated personal financial services matching the diverse needs of customers adapting to changes in the social structure.



Protection-type insurance

Measures for enhancement

Developing needs	Cooperation with outside companies
Sales organization	Increase specialized staff

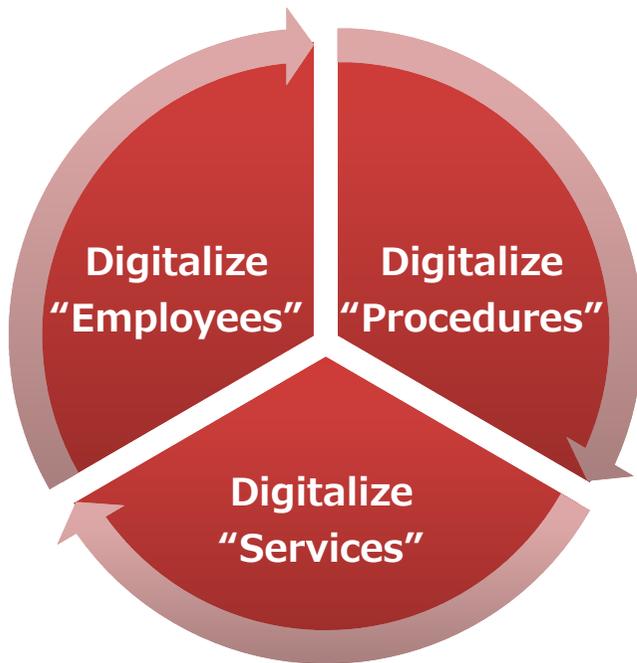
Inheritance-related services

Application	Understand asset conditions and the view towards assets Prepare will support service
Drawing will	Understand the family and changes in assets Testamentary Trust
Execute	Concentrate deposits in our bank and build relationships with the next generation
Completion	Continue transactions and develop new business opportunities

Expand business through alliances with other banks, and expand products to meet the aging society.

Co-creating customer value (4) - Creating new services responding to digitalization

Create advanced and high value-added services using FinTech in response to society-wide digitalization.



Changes of customers' needs responding to digitalization

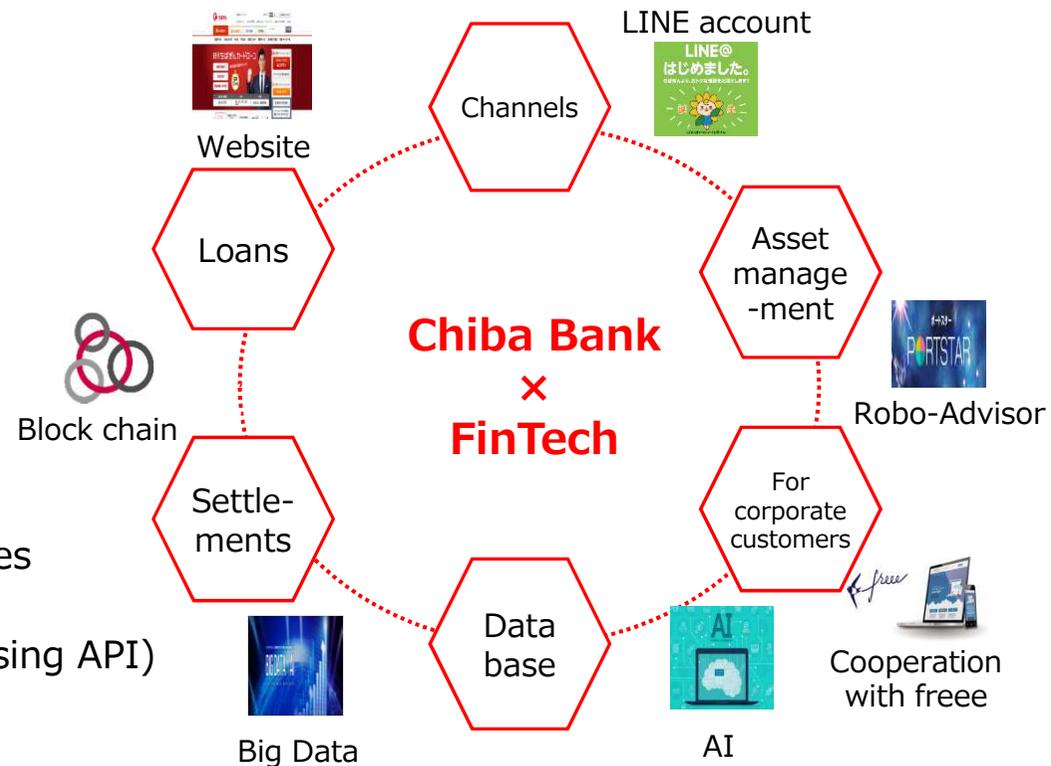
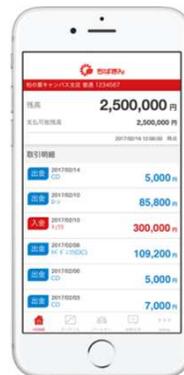
Urge to "Digital Banking"

A new branch model



Chiba Bank App

- Search our branches
- Push notification
- Account inquiry (using API)



Build an API platform
T&I Innovation Center, Co. Ltd.

Co-creating customer value (5) - Upgrading the retail base in the Metropolitan area

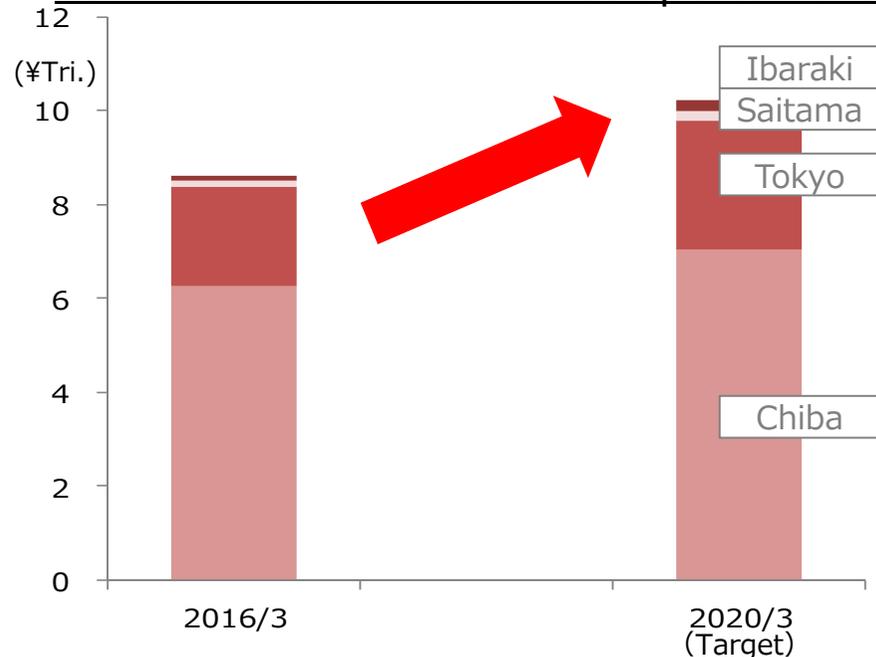
Increase loans and upgrade the operating base, opening new offices in growing areas with high market potential.

Number of corporate loan customers by areas

(As of 2016/3, based on credit balance)

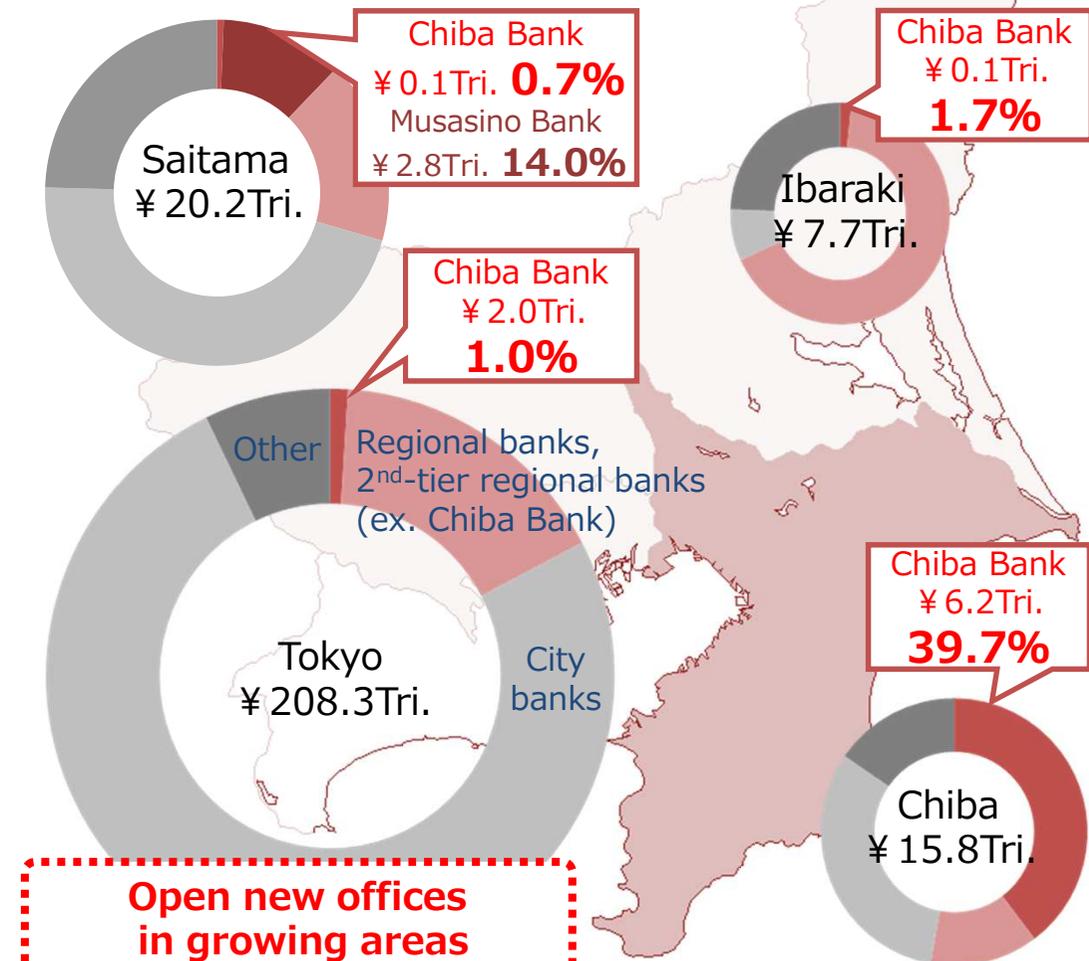
	Chiba	Tokyo	Ibaraki	Saitama
Number of corporate loan customers	37,984	3,588	988	774
	43,334			

Balance of loans in the Metropolitan area

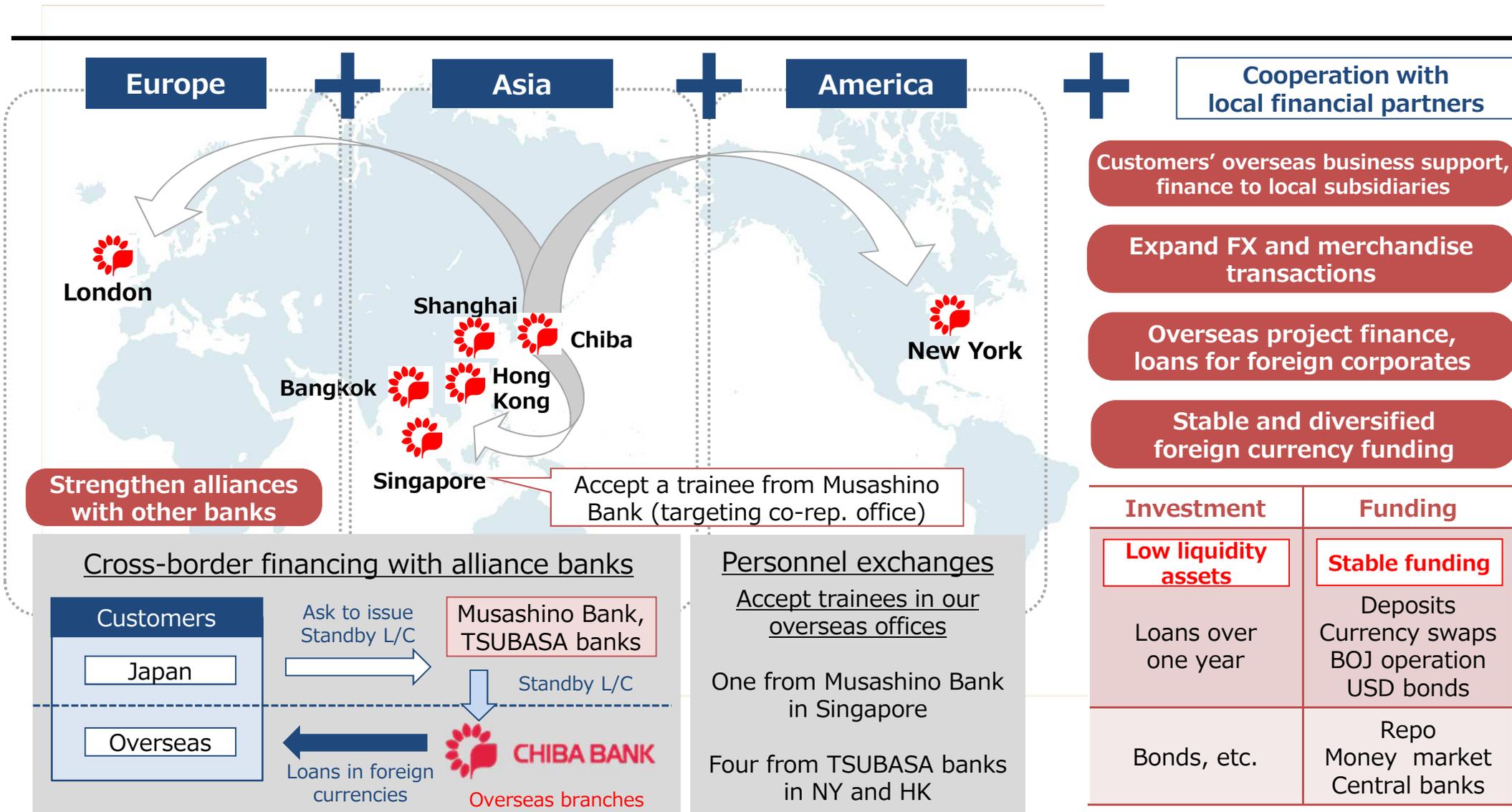


Loan shares and market sizes

(As of 2016/3, by KINYU JOURNAL)



Support customers' business with the greatest overseas network as a regional bank.

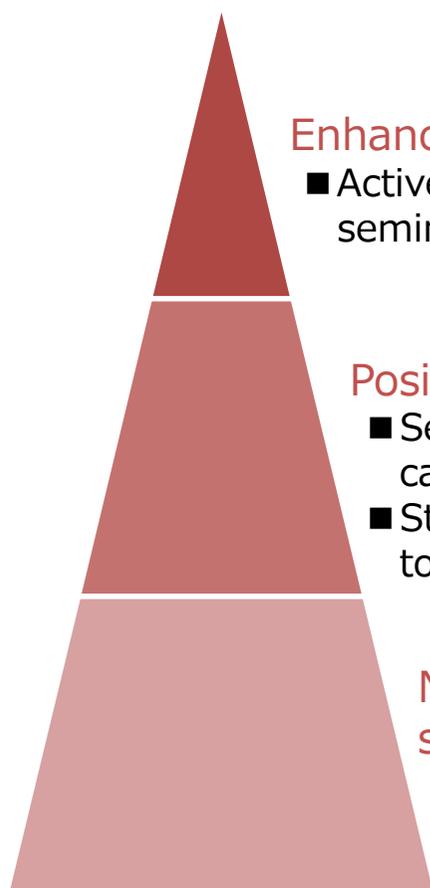


Realizing work style reform for all employees (1)

- Developing a highly professional workforce
- Accelerating diversity

Develop a highly professional workforce to achieve high results with customer orientation, and realize work style reform for all employees, accelerating diversity.

Develop a highly professional workforce



Enhance management skills

- Active use of internal and external seminars

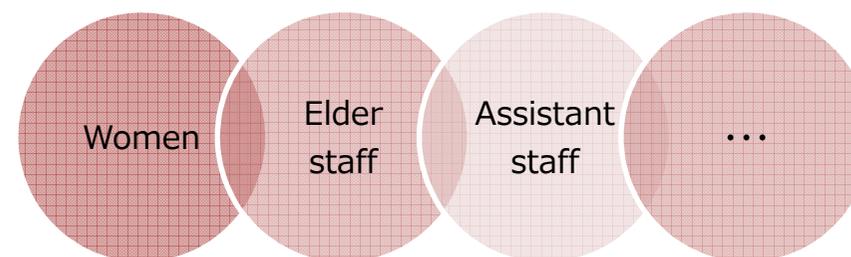
Positively adopt external talent

- Set up evaluation system and career path with specialization
- Strategic staffing in subsidiaries to expand earning power

Nurture the young into a skilled workforce earlier

- Visualize skills and behavioral characteristics

Promote further diversity

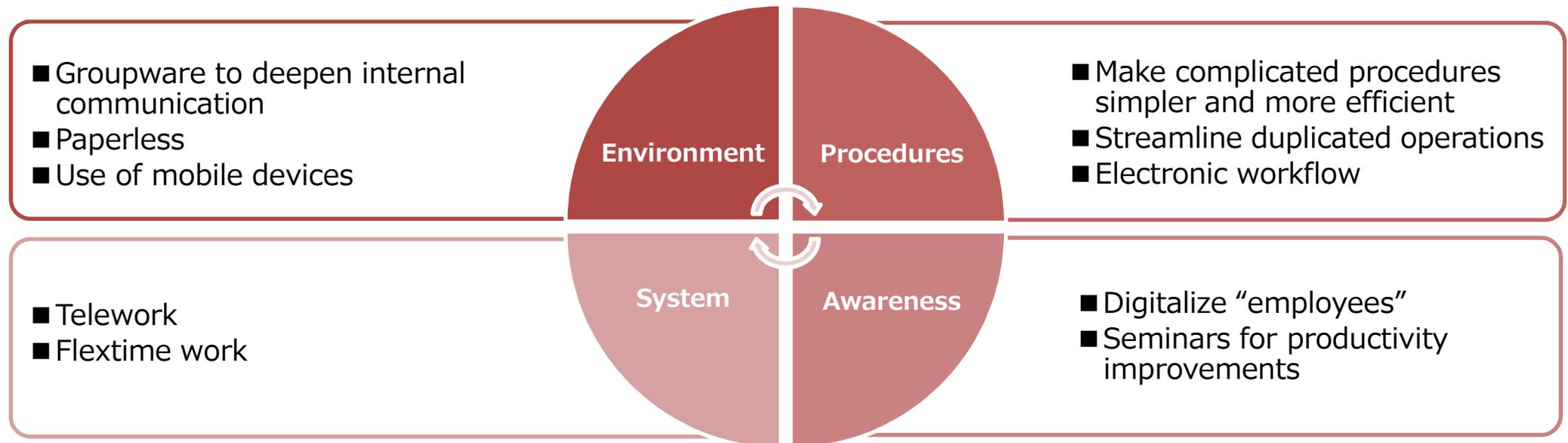


- Evaluation system to bring out the motivation of staff who have experience and skills
- Help work-life balance with child care and family care

Women in management positions

	As of 2008/3	As of 2016/7	Target for 2020
Management position	2.0% 17 persons	9.0% 92 persons	20%
Leader position	9.4% 98 persons	28.0% 233 persons	30%

Establish a structure for specializing in higher value-added work, reviewing work methods across the organization.



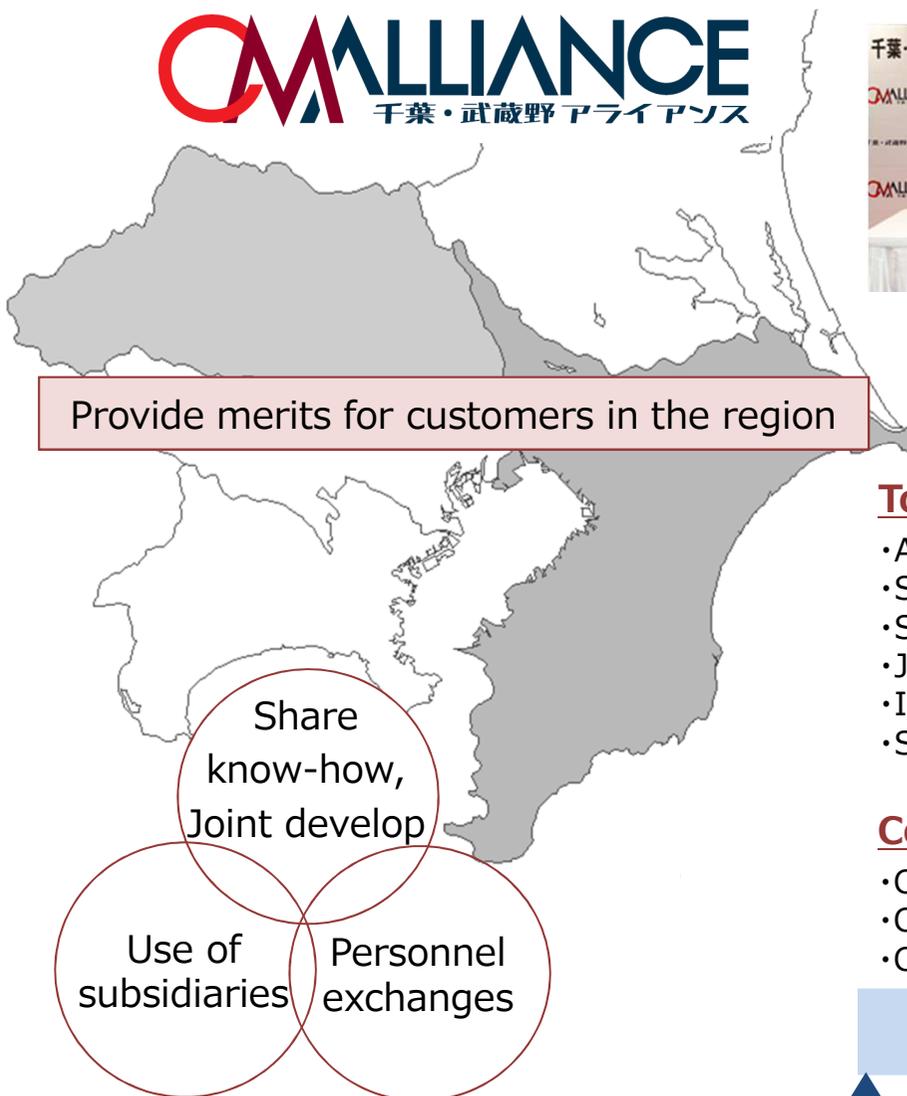
“Excellent company for health management – White 500” certified by METI and NIPPON KENKO KAIGI
Won the “Incentive award” as a “Friendly working and high productivity company” by MHLW

Flexible and diversified work style

Reduce overtime work

Highly productive work style

Further increase in top-line and cost reduction, promoting the Chiba-Musashino Alliance.



Established a common strategic structure for the Chiba-Musashino Alliance



Chiba-Musashino Alliance, Co., Ltd.

Top-line increase

- Asset management (set up an exclusive fund)
- Syndicated loans, introduce each other's customers
- Share know-how such as credit review tools
- Joint international business
- Inheritance-related services
- Securities business

Cost reduction

- Cost cutting on ATMs and rent, etc.
- Cooperation on IT systems
- Cooperation on back office work

**Synergy by both banks
¥ 10.0Bil.**



Further upgrade the strategic alliances, centering on the Alliance Management Office.

TSUBASA Alliance



New

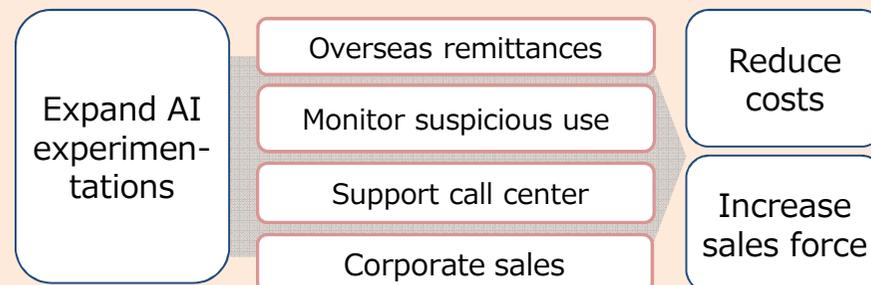
Alliance Management Office (six persons),
Corporate Planning Division

Overall operations of the strategic alliances,
including coordination of activities, etc.

IT, FinTech

- AI (IBM Watson)
- FinTech business contest
- New settlement services using biometrics

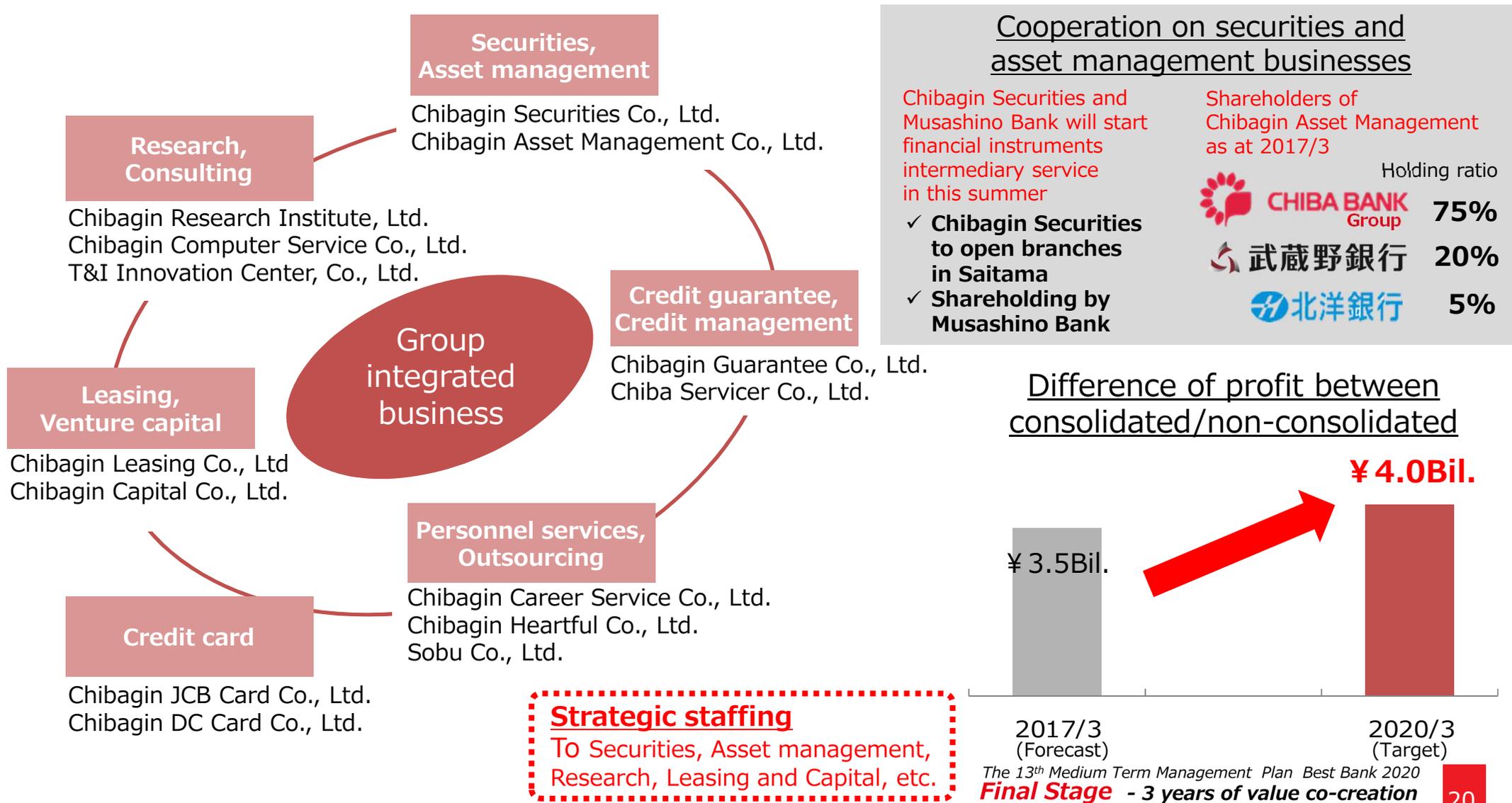
Name	T&I Innovation Center, Co., Ltd.	
Holding ratio	Chiba Bank	40%
	Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, North Pacific Bank and IBM Japan	10% each



Traditional businesses

- Cooperation on IT systems
- Emergency backup
- International businesses, accept overseas trainees
- Inheritance-related services
- Asset management business

Expand total operations with group subsidiaries, strengthening earning opportunities and cooperation.



Realize effective allocation of management resources, drastic review of work processes.

Personnel

Reallocate to branches, group subsidiaries and planning and sales promoting headquarters

250 persons

Shift

【Branches】 **170 persons**

- Centralize operations
- Progress business efficiency using IT
- Streamline duplicated branches

【Headquarters】 **80 persons**

- Make business more efficient by using outside consulting

Costs

Total costs for 2020/3 **¥83.5Bil.**

【Personnel】 **¥42.2Bil.**

- Reduce overtime work through work style reform

【Non-personnel】 **¥35.0Bil.**

- Streamline branch functions and cooperate with other banks

Investments

Total investments **¥30.0Bil.**

Of which strategic investments **¥15.0Bil.**

【Co-creating customer value】 **¥7.2Bil.**

- A new branch model to increase sales force
- Create new services using FinTech
- Open new branches

【Realizing work style reform for all employees】
¥2.7Bil.

- Accelerating diversity
- Promoting work style reform

【Strengthening a sustainable management structure】
¥5.1Bil.

- Cooperate on back office work with other banks
- Rationalize operations by centralizing and systemizing
- Integrate operating systems
- Speed up screening of loans

Of which IT investments **¥12.0Bil.**

Positive and active action on ESG issues, more sophisticated corporate governance and providing solutions for problems in the region.

Chiba Bank Group CSR concept

We are actively promoting corporate social responsibility for sustainable regional growth.

Progress in customer satisfaction, compliance

Strengthen financial intermediation functions (main business)

Contribute to the local community (social contribution activities)

Improve the development of HR

Projects to support reusing old Japanese style houses

Specialized staff

Information

Financial support

Support for starting up, using external organizations and subsidies

Cooperation with local government

Functions through headquarters

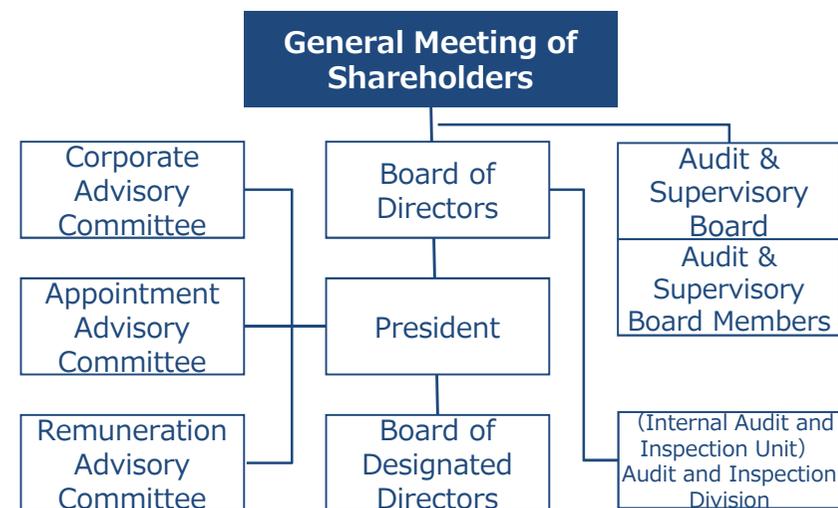
Match needs for buying and selling real estate and leasing properties, introduce to related operators

Business assets for community development and sightseeing



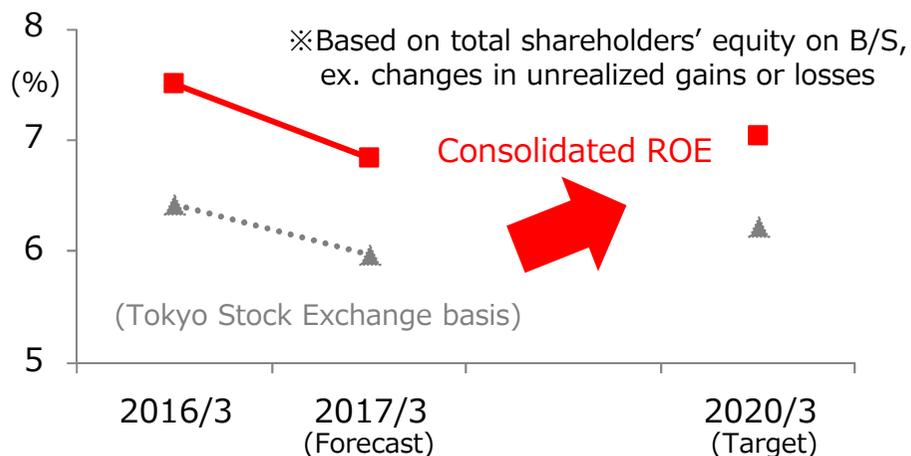
Passing on the next generation and revitalizing the region

Corporate Governance

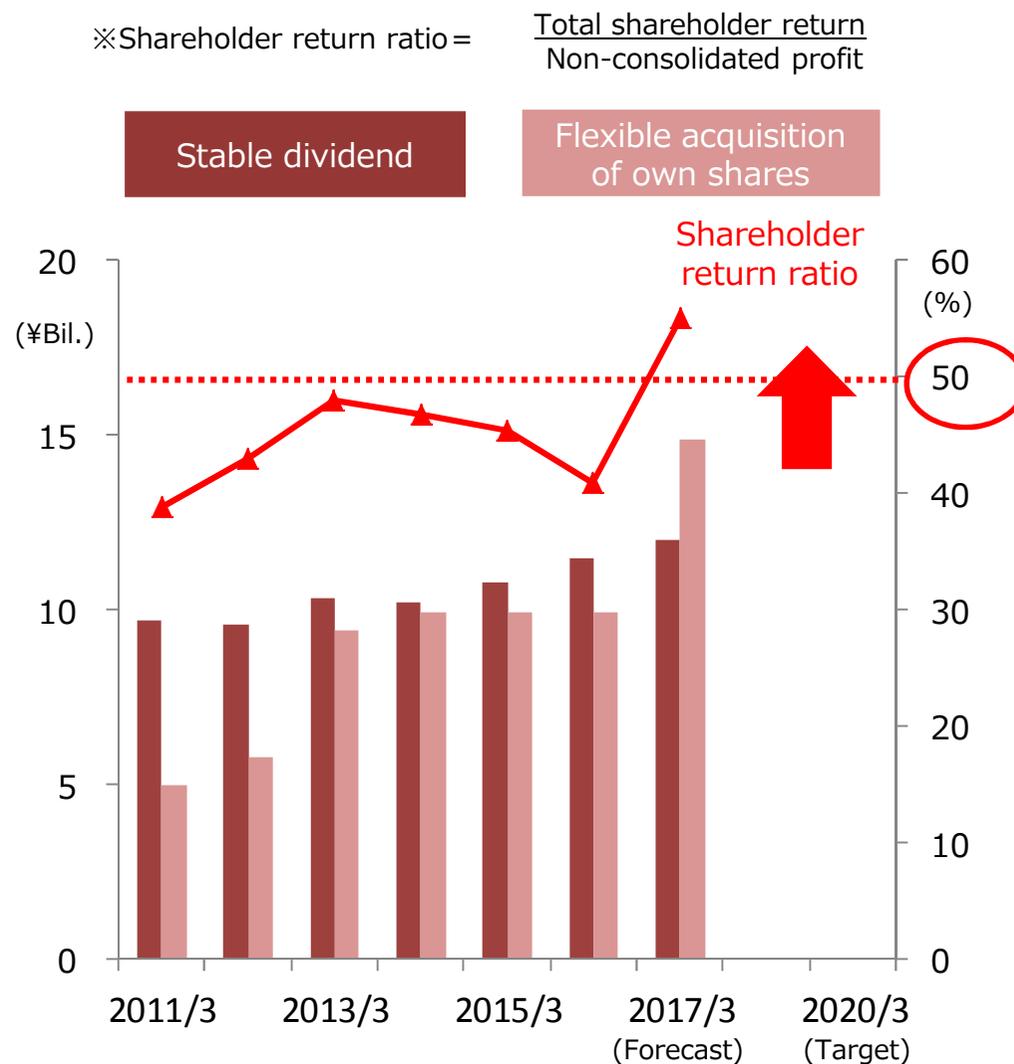


- Appropriate involvement, advice and monitoring by outside directors
- Sophisticated corporate governance through effectiveness evaluations of Board of Directors
- Set up a system to reflect stakeholders' opinions regarding management strategies
- Reduce strategic shareholdings

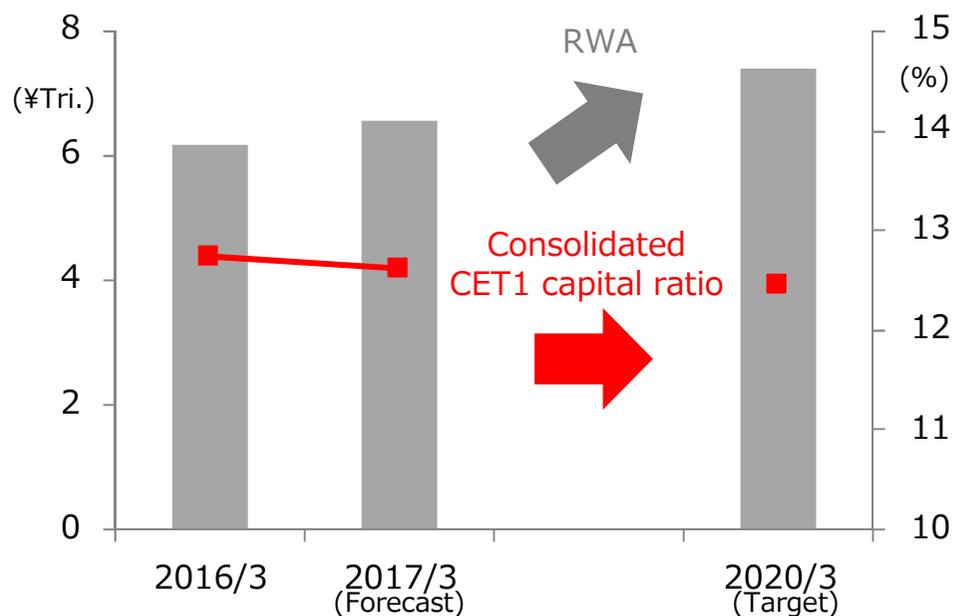
Consolidated ROE* in range of 7%



Shareholder return ratio* around 50%



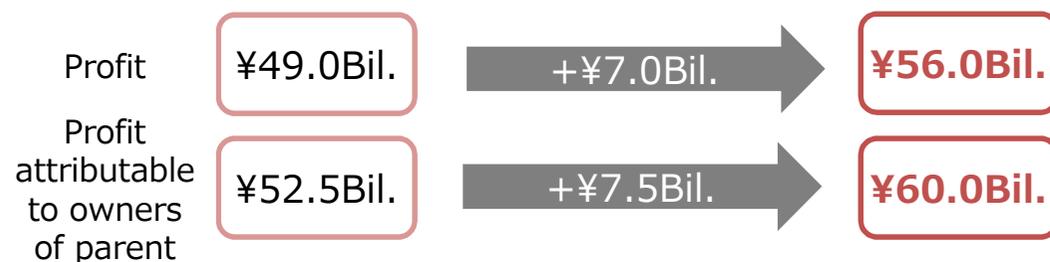
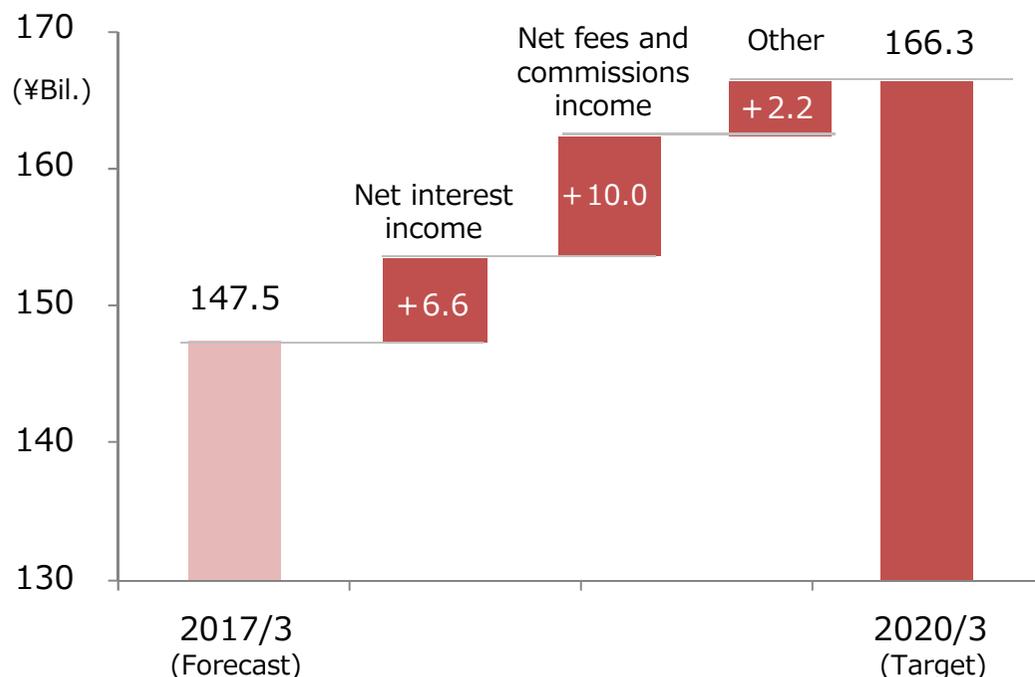
Consolidated CET1 capital ratio in range of 12%



Reference

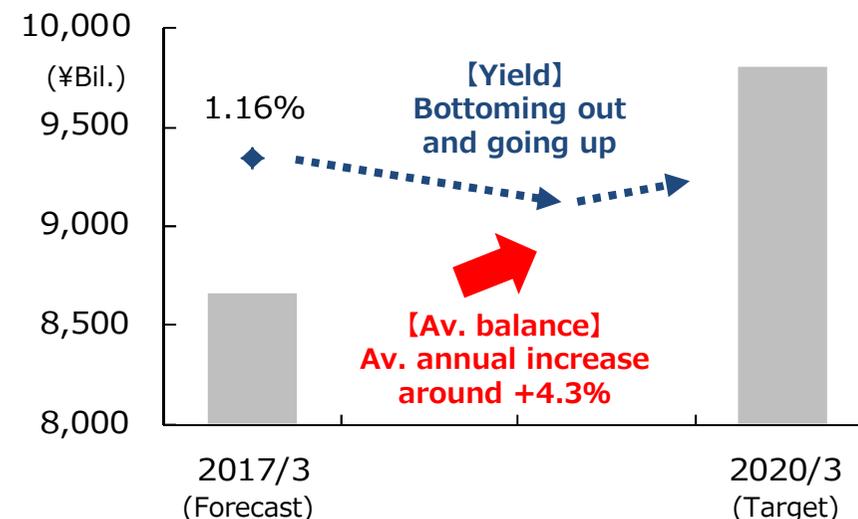
Breakdown of changes in gross business profits, Plan of average balance and yield of domestic loans and deposits

Breakdown of changes in gross business profits

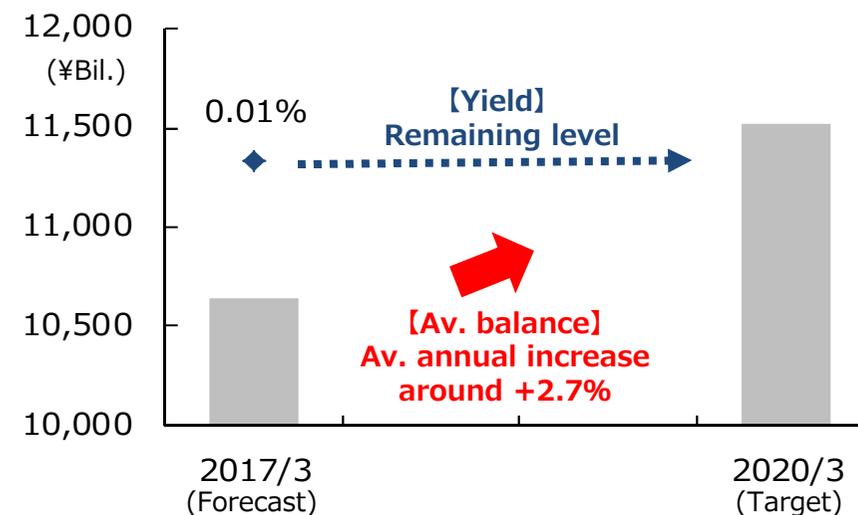


Aim to achieve ¥60.0Bil. in net income attributable to owners of parent for 2020/3 (an increase of ¥7.5Bil. from projection for 2017/3), mainly by increasing net fees and commissions income

Average balance and yield of domestic loans

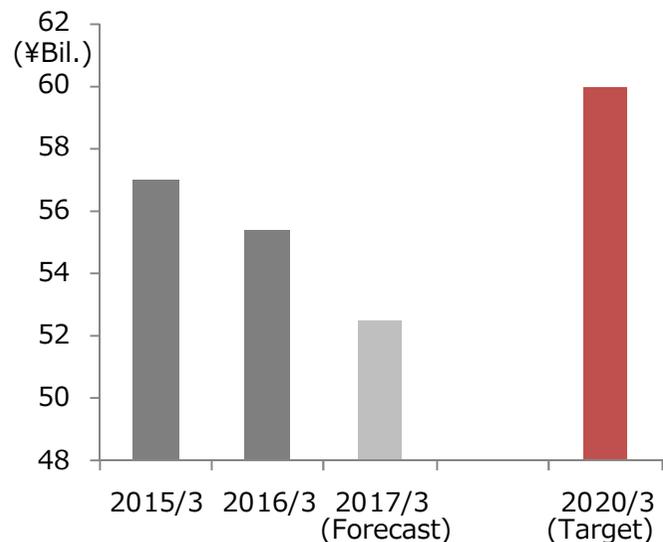


Average balance and yield of domestic deposits

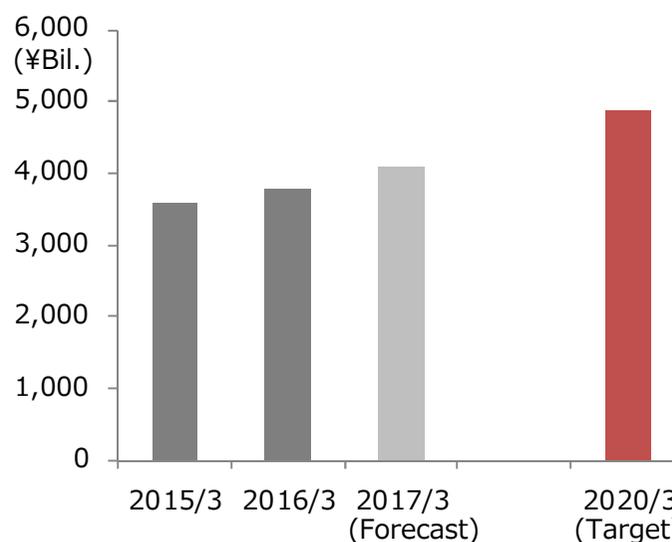


Numerical Targets

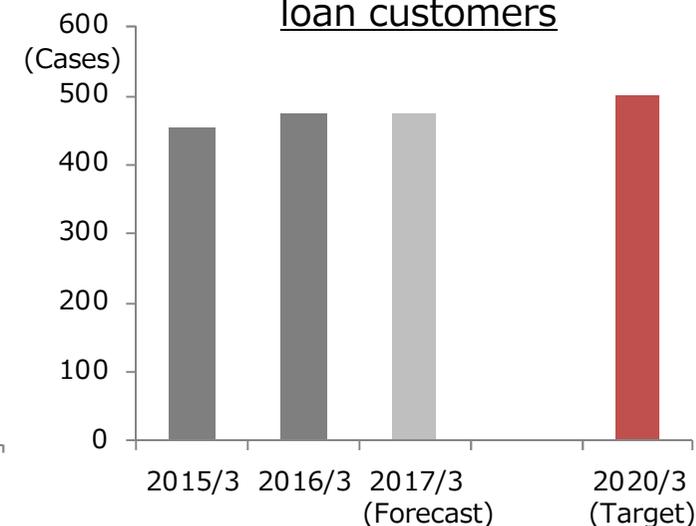
Profit attributable to owners of parent



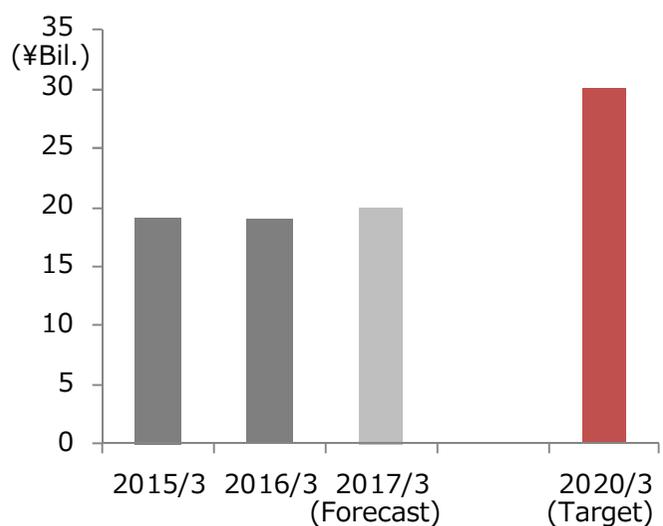
Balance of SME loans



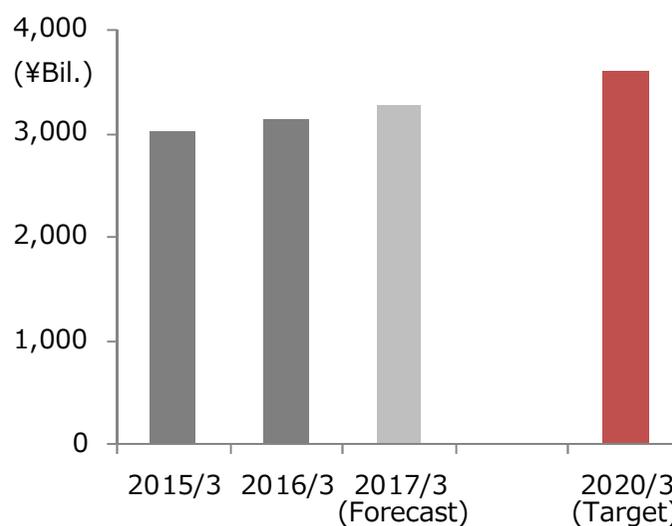
Number of new corporate loan customers



Net fees and commissions income



Balance of housing loans



Balance of unsecured consumer loans

