Business Operational Reforms and Digitalization
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Business Operational Reforms
Key measures from the medium-term management plan

<Already Achieved>

Co-creating customer value

- Evaluation of businesses and that contribute to regional revitalization
  - Start offering Chiba Sports bond
- Provision of comprehensive financial services for individual customers
  - Promoting new accounts with approach to funded investment trusts and NISAs
- New services to support digitalization
  - Introduction of digital passbooks and entirely web-based investment trust schemes
- Expansion of retail base in Tokyo metropolitan area
  - Opening of Ebisu Branch and Hamamatsucho Corporate Banking Office
  - Steady increase in balance of loans

Medium term management plan target for balance of loans: interim progress 57.7% (Increase target of ¥1,190Bil. → Actual figure of ¥690Bil.)

Realizing work style reforms that allow all employees to shine

- Diversity
  - Opened Himawari Nursery School Chiba
  - Held a Diversity Forum
- Workplace reform
  - Increase in electronic workflow

Strngthening a sustainable management structure

- Strategic alliance
  - Supported establishing Musashino bank’s Singapore rep-office
- Integrated Group management
  - Creation of Group Chief Officer positions

Change of environment

- Shortages of labor and business succession needs against the backdrop of aging population
- Social development in digitalization and popularization of cashless transactions
- Continued increase in population in Tokyo metropolitan area
- Government-led promotion of workplace reform
- Difficult business environment for regional banks (lower interest rate and concerns about worsening corporate performance)

Part 1

Evaluation of businesses and that contribute to regional revitalization
  - Consulting functions

Part 2

New services to support digitalization
  - Collaboration with partners in different sectors

Workplace reform
  - Implementation of front-of-branch reform (tablet devices etc.)

Strategic alliance
  - Opening of Ikebukuro branch

Balance of Loans

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance of Loans (¥Tril.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/3</td>
<td>7</td>
</tr>
<tr>
<td>2017/3</td>
<td>8</td>
</tr>
<tr>
<td>2018/3</td>
<td>9</td>
</tr>
<tr>
<td>2018/12</td>
<td>10.1</td>
</tr>
<tr>
<td>2020/3</td>
<td>10.5 (Target)</td>
</tr>
</tbody>
</table>
Overview of business operations reforms

Intensify work efficiency enhancement
Add work style reform

Reduction of work volumes through efficiency improvement

Front-of-branch and in-branch operations
Lending operations
Headquarters operations

[Fundamental concepts]
1. Simplification of complex rules, etc.
2. Systematization of regular decisions and operations
3. Concentration of loan-related and internal back office operations

Review of branch functions and networks

880 employees
600 employees
200 employees
80 employees

Reinforce sales capabilities
Work reform already started with target of around 880 employees (work volume equivalent)
Around 600 employees can be reassigned to growth segments in medium to long term

Career design training
[Awareness-raising through training]
Loan-related and internal back office operations
Headquarters
Sales and divisional planning/promotions
Smooth career change
Front-of-branch and in-branch operations - future of bank counters

Future change of environment surrounding bank counters

<table>
<thead>
<tr>
<th>Society</th>
<th>Customers</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Popularization of cashless payments (Decline in % of cash transactions)</td>
<td>Almost everyone will have a mobile device and fully utilize the internet Hold a My Number card Utilize cashless payments</td>
<td>Biometric authentication becomes common Almost all transactions can be handled on a mobile device Electronic passbooks, promissory notes and checks</td>
</tr>
<tr>
<td>Payment of taxes and public dues go cashless Public sectors go paperless</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Role of bank counters change from "administrative processing" to "consulting"

Forecast the future change of environment and conduct a fundamental review of operational processes
Framework for improving efficiency of front-of-branch and in-branch operations

- Centralized management of each and every operational reform idea from on-site to incorporate it into the initiatives
- Improvement measures from the Headquarters to be assessed from the operational perspective

- Simplification
- Centralization at Headquarters
- Systematization

- Introduction of TSUBASA Smile
- Easy operation without experience

- Fundamental centralization at headquarters including low-volume multi-type operations
- Customers are generally handled at headquarters
TSUBASA Smile

Joint development of a new counter reception system by Chiba Bank, Daishi Bank and Chugoku Bank based on “Smile Branch” by Nihon Unisys

Introduced at some branches from April 2019
Roll-out to all branches (scheduled for FY2020)

<Transactions within scope>
9 types of transactions are trialed
- New ordinary deposit account
- Cash card issuance
- Various notifications

Sequentially expanding the transaction types

- Button operations following the guide
- Faster administrative processing
- A single input can handle application for various products
- Effective cross-selling
- Record as electronic data
- Paperless
Improving efficiency of lending operations

Illustration of improved efficiency of lending operations

<Current>

Sales promotion

Collateral valuation

Interest rate decision

Case assessment

Inconsistent records and systems...

Ratings

Loans

Performed at each branch

<new systems>

Centralized control of various processes in lending operations

Centralized, efficient system!

Sales promotion

Ratings

Collateral valuation

Case assessment

Interest rate decision

Loans

Centralized at headquarters
Joint operations with alliance banks

Sharing administrative operations with Daishi Bank

Main frame system cooperation
Chiba Bank (January 2016~), Daishi Bank (January 2017 ~)

Sharing administrative operations
(agree in February 2018)
✓ Administration establishment, changes and abolition
✓ Inquiries from branches
✓ Training
✓ Service center centralization, etc.

Expansion of operations covered and to other banks

Evaluation of FATF handling etc.
✓ Complete compliance with obligations under the laws and regulations
✓ Advanced mechanism in place as required by the guidelines

Advanced monitoring with utilization of IT systems

Branches
- Branch terminals

Risk Management Division
- Accounting system
- Anti-Money laundering system

Compliance Division
(Risk assessment)
- Anti-Money laundering system

Considering joint projects with TSUBASA banks for utilization of IT systems

Number of key strokes required for domestic transfer initiation operations

Chiba Bank
Daishi Bank
Reassigning personnel

<Current>

<table>
<thead>
<tr>
<th>Sales</th>
<th>Loan-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Current  &gt;</td>
<td></td>
</tr>
</tbody>
</table>

Teller  

Internal

<Improved Work Efficiency>

✓ Simplification of complex rules, etc.
✓ Systematization of regular decisions and operations
✓ Concentration of back office loan-related operations and internal operations

Capacity creation

Reassignment

Administrative work reduction / Centralization / Branch network review

Corporate sales / Asset management / New branches

Branch

Headquarters

Others

Staff reassignment (medium-term plan)

Approx. 350 actual up to 2019/3

Approx. 150

Strengthen mid-career hiring

Group company sales, etc.

<Improved Work Efficiency>

Reassignment

2018/3  2019/3  2020/3

Capacity creation

Reassignment

2018/3  2019/3  2020/3

<Current>

<Ideal structure>

Career change support

Career design training

- Promote understanding of operations reforms and awareness changes

Reform of career path system (general / area career track)

- Eliminate restrictions on operations due to career path

<Improved Work Efficiency>

Loan processing center

Support office

(Improved Work Efficiency)

- Simplification of complex rules, etc.
- Systematization of regular decisions and operations
- Concentration of back office loan-related operations and internal operations

(Number of persons)

-200 -150 -100 -50 0 50 100 150
Improving the efficiency of branch networks

**Issues**
- Establish new sales bases in growth areas
- Review branch network based on market potential

**Purpose / effect**
- Reinforce sales capabilities/increase profit
- Improve customer convenience
- Enhance efficiency and productivity/Reassign personnel

**Initiatives**
- Open new branches / upgrade branches
- Relocate, rebuild, renovate
- Review of branch functions/Consolidation

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Results in 2H_FY2018</th>
<th>Under consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced efficiency</td>
<td>12 branches</td>
<td>17 branches</td>
</tr>
<tr>
<td>(introduction of lunch</td>
<td></td>
<td></td>
</tr>
<tr>
<td>breaks, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidation</td>
<td>3 branches</td>
<td>8 branches</td>
</tr>
<tr>
<td>Revise functions</td>
<td>-</td>
<td>8 branches</td>
</tr>
</tbody>
</table>

New

Joint branch with Musashino Bank (Ikebukuro Branch)

First ever joint branch with an alliance bank

- Staff reduction and effective utilization of floor space
- Strengthen alliances cooperation
- Improve customer convenience (Roll-out to existing branches in the future)

Minimum cost burden, enhanced efficiency of operating the base

Collaboration to increase market share in Tokyo metropolitan area
Digitalization of Services
The 13th Medium Term Management Plan
Best Bank 2020
Final Stage - 3 years of value co-creation

TSUBASA FinTech Platform

Putting various transactions on the TSUBASA API Platform in stages and increase the range of service that can be finalized without face-to-face interactions.
Digital passbooks

- Reinforcement of non-face-to-face channels
- Cost reduction (cost of issuing passbooks etc.)
- More compact ATMs in the future

Joint development by Chiba Bank and Hokuyo Bank, utilized TSUBASA FinTech Platform

Introduced in February 2019
**Digital banking roadmap**

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commence of operation for TSUBASA FinTech Platform</td>
<td>Provision of processes that could only be done in branches in the past, implemented in stages</td>
<td>Provision of banking transactions that anyone can operate, implemented in stages</td>
</tr>
</tbody>
</table>

**Commenced operation in April 2018**

**Chiba Bank ID**

**Collaboration with Money Forward**

**Collaboration with finbee** (Automatic savings)

**Provider unique digital customer experience. Non-face-to-face service at the face-to-face level**

**Digital passbooks**

**Biometric authentication**

**Money transfers**

**Investment trusts, foreign currency deposits and loans**

**Immediate access to the information they want to view**

**Easy consultations via the internet**

**Easy processing from the smartphone**

**No need for passbooks or seals**

**Various notifications services**

**AI consultations**

**Low value payments**

**Achieve one-to-one**

**Address change**

**Card reissue**

**My Number registration**

**Money transfers**

**Investment trusts, foreign currency deposits and loans**

**Customer experience targets**
Collaboration with external partners

**Second Fintech Business Contest**

- **Name**: TSUBASA Alliance Finovation Challenge 2018-2019
- **Organizer**: T&I Innovation Center Co., Ltd.
- **Co-organizers**: Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, Toho Bank, Hokuyo Bank, Hokuetsu Bank (Special sponsors) Musashino Bank, Shiga Bank
- **Period**: Applications begin: from mid-October
  Review period: December – January
  (review of documents and presentations)
  Final presentation tournament: March
- **Themes**: New services that use FinTech platform
- **Assessment criteria**: User-friendliness, feasibility and innovation point of view, etc.

**Winner**: bspr Inc.

Overview of ideas: Popularization and expansion of "Comprehensive Dementia Prevention Service" that utilizes the network of regional financial institutions

**Collaboration with venture businesses**

- **Staff matching**
- **Enhanced operational efficiency through introduction of apps for construction companies**
- **Consulting for medical institutions**

**Digitalization of Chiba Bank business**

**Digitalization for customers**

**Enhanced solution offerings for our customers**

**Strengthening the drive force for digital-related initiatives**

- **New Digital Planning Office, Business Planning Division**
  (Reorganized FinTech Business Promotion Office, Corporate Planning Division)

  Comprehensive coverage of projects including digital banking, FinTech, EB/IB, payment transactions, inter-sectorial collaborations, etc.
The 13th Medium Term Management Plan
Best Bank 2020
Final Stage - 3 years of value co-creation

Sustainability

ESG efforts

- Clarifying our initiatives from the ESG perspective, and handling various lending policies and international frameworks

New

Sustainability Manager

Assigned to Corporate Planning Division to strengthen our ESG efforts
Promoting projects and initiatives for sustainability management

New

Integrated Reports

Preparing integrated reports in accordance with various guidance
Active involvement in disclosure of non-financial information

New

Information provision activities including non-financial information

Strengthening our governance through engagement with institutional investors

Further active engagement in ESG efforts
Aiming for our sustainable growth through development of local economy

Selected as FY2018 "Nadeshiko Brand"

“Significant cases" for financial institutions contributing to regional revitalization

Sports town branding through utilization of vacant public facilities
- Choshi Sports Town -

- Supporting the local government in town revitalization, reusing a disused school as a sports camp facility
- The facility will be positioned at the core of the local government sports tourism
- Investments and loans from the Group and branding have resulted in increased population, employment creation and reduction in burdens on public finance, and these have been highly regarded.
Please contact IR as listed below if you have any opinions, impressions or queries on this material.

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