

## April 11, 2022 – Chiba Bank IR Day Main Questions and Answers

### [DX Strategy]

Q. There is a ¥7,500 difference in revenue per person between digital and non-digital customers, and please tell us some specifics the background behind this.

A. Customers' profitability varies widely depending on the products they use, including mortgages, consumer loans, investment trusts, credit and debit cards. Analysis of app penetration for each product reveals that while the penetration rate for all active accounts is around 17%, the penetration rate for mortgages borrowers is around 32% and for card loan borrowers is around 25%. This high rate of app penetration among customers using highly profitable products is the background to the difference in profitability.

Q. Please tell us the results and issues that have been identified in the DX Human Resources Strategy initiatives.

A. One achievement was that the goal of 1,000 DX-based personnel was achieved ahead of schedule. Our employees recognize the importance of DX in financial services, confirming that there is a tremendous increase in interest in DX across the bank as a whole. We also feel that the successful integration of external human resources hired in mid-career and the human resources being trained internally is also fruitful.

On the other hand, the issue is the establishment of a development system for specialist human resources. Training programs, etc. are prepared, but it is necessary to conduct trials and verification of effects from now. Efforts to support customers' DX also need to be further strengthened in the future for providing ICT consulting and product explanations of apps and portal to customers. For the personnel of branches, a training system separate from the specialized department of the head office is being considered.

Q. It is planned that transactions in the opening of investment trust accounts and app loans will begin in February 2023. Can I think that the profitability of digital customers will increase significantly when these starts? Also, are there analyses that calculate not only customer acquisition costs, but also real net business income, taking into account the expenses of the head office, digitally and non-digitally?

A. We expect app loans to become a driver of the expansion of unsecured loans in the prefecture. We believe it will generate a reasonable amount of net interest income and will be a tool to increase the profitability of digital customers. In addition, it is extremely difficult to calculate net business income taking expenses into account, and while it is not measured at this time, we intend to grasp it quantitatively in the future.

Q. Regarding the contact rate of 22% by returning lists to the branches, is it thought that the contact rate can be further raised in the future? Are you seeing an upward trend in transactions and revenues for the customers you are able to contact?

A. Only about nine months have passed since the start of lists return, and the number of lists delivered is still limited. The contact rate is increasing through the distribution of lists, and we think that it will be increased depending on ideas and wisdom in the future as well.

Q. Are cross-selling via apps seen other than transfer?

A. Currently, the services for which revenues are recorded directly from apps are "remittance" and "bar code receiving agent services for taxes and public money," which was launched in November last year. Regarding receiving agent services for taxes and public money, we are considering implementing a major apps campaign to coincide with the car tax collection in May. Cross-selling is expected to gradually increase due to

lifestyle-related services that will begin in the future. With regard to mortgages, automobile loans, education loans, and credit and debit cards, we are aiming to increase cross-selling while standing upstream in the commercial distribution and making personalized proposals.

Q. What strengths will be leveraged in the advertising business? Please tell us about future profit opportunities and timing.

A. At present, a push notification from the Chiba Bank official LINE is being carried out on a trial basis for customers passing near Chiba-Ekimae Branch. If any corporate customers are interested in it, we would be willing to offer this for them. We are exploring ways to expand its advertising business on a large scale, such as using statistical data and collaborating with advertising companies. We believe that there are significant business opportunities, and we intend to grow this business significantly as one of our new businesses.

Q. Please tell us in detail what services will be offered for BaaS's business.

A. For example, we are considering providing services to corporate customers of developer with customer base in Chiba Prefecture. We will incorporate our financial services and lifestyle-related services platforms into the functions offered by each corporation and provide offer them to their respective customers. In addition to developer customers, various deployments, such as universities and workplace, can be considered. Currently, we are discussing in specific terms while talking with businesses. With regard to customers base they are holding, as corporate customers are thinking about how to approach them in order to invigorate transactions in the future, we believe that there are business opportunities.

Q. Please tell us about the definition and figures for the value of potential in sales personnel.

A. It is currently under consideration, but is based on the bank's own skill check sheet, which is utilized for understanding the skills of individual employees. We are thinking of adding experiential and working factors to this. On this basis, we are considering adding factors to improve operational efficiency to determine the value of potential.

Q. It is thought that the use of bank accounts is shifting from traditional banks to digital banks. Is the number of accounts and ratio, used as a main bank declining at Chiba Bank? Does the promotion of apps contribute to attracting business, such as increasing the usage rate of services?

A. As we lowered our transfer fees in November last year, it closely monitored the impact. However, the impact of the increase in the number of transfers exceeded the impact, and as a result, the overall transfer fees also increased. We think that we are able to meet the needs of our customers by providing all financial services in the hands, as evidenced by the fact that customers who had not made transfers at our bank until now, but started using transfers at our bank on the occasion of the application, accounted for 44% of app transfers. We believe that moving to lifestyle-related services, which lie ahead of the providing financial services, will be a major differentiating factor. By being upstream in the purchasing process, we can create opportunities for customers who have not used our products to date. Regarding Chibagin Market, the company is now in Step1 phase of "regional products." By expanding this phase to "lifestyle-related services," such as cars, housing, nursing care, healthcare, and educational services, the company is confident that it will be able to steadily increase its engagement with customers.

In addition, the gross profit of 0.8 million customers, who account for 70% of the gross profit of individual customers, is increasing, and we believe that the promotion of apps is also contributing to this.

**[Sustainability]**

Q. It is expected that CO2 emissions of the listed company loan portfolio will be partially disclosed. How are schedules, coverage, and disclosure methods considered at this time?

Are emissions in sectors of high importance analogized or are emissions data obtained?

A. SCOPE3 discussion has just begun, and only a small portion of the calculation has been made within our bank. The Chiba Bank Group does not have any issues in calculating SCOPE1, which is the part directly emitted by the Group, and SCOPE2, which is the part indirectly emitted by the Group. However, we recognize that it is extremely difficult to calculate SCOPE3 Category 15. There are still only a few large domestic companies that have published their own SCOPE1 and 2, so we start by totaling the theoretically calculated results. We would like to confirm the calculation logic for the emissions that large companies are calculating on their own, and for downstream companies, we would like to propose a measurement method by educating each company about the importance of this measurement. We partner with a specialized measurement company to calculate emissions now, but in the future, we would like to accumulate this know-how and bring it in-house.

Q. Regarding the amount of emissions in the investment and loan portfolio, which industries are relatively large at the Chiba Bank, and does it anticipate that the transition strategy will need to be urgently implemented?

A. In Chiba Prefecture, there is Keiyo Industrial Area, where industries that emit greenhouse gases such as coal, petroleum, other chemicals, and steel are concentrated. Large companies will follow the policies of the government, etc., and we would like to follow up closely with them. Many of these downstream companies are our main customers, and we believe that our task is to support their efforts to fulfill their social responsibilities.

Q. Are consulting services for decarbonization possible only with the current resources of the Chiba Bank Group? Please tell us if you have a vision for the areas in which you are partnering with outside companies, such as whether you will be producing these in-house in the future, and what aspects you think are lacking.

A. Although the corporate sector has conducted considerable research, we recognize that it is still insufficient. For this reason, we would like to proceed with initiatives on a case-by-case basis with the help of partners and consultants. The Bank will provide comprehensive advisory services as the entrance, we will respond to individual consultations for the time being in collaboration with various partners. We hope to accumulate know-how, eventually turn it into in-house production, and quickly put in place a system that will enable the entire the Bank Group to receive it.

Q. Please provide specific examples of how you are working with borrowers that are subject to transition risk.

A. Chiba Prefecture is a region with various industrial clusters including coal and steel. In this context, large corporations each have their own plans, but we believe that it is our bank to support the second and third subcontractors under these companies, and we would like to proceed with the movement toward decarbonization, its measurement, and measures toward carbon neutrality one by one. With regard to disclosing information based on TCFD's recommendations, we plan to add the steel sector to the sector to be analyzed for the risk of transition. Regarding steel, we will work with it while studying measures to reduce emissions, such as the hydrogen-reduced steelmaking method. About chemical sector, on the other hand, we feel that the breadth of its products is so broad that it is difficult to analyze this sector. First, this fiscal year will be the steel sector, and from next year onwards, we will continue to analyze a broader range of sectors. At the same time, we believe it is important for customers to understand the need for transition.

We believe that this is an issue that the Bank, as a financial institution that faces them in close proximity on a daily basis, will discuss on a daily basis.

Q. In which sectors believe the hurdle is high in measuring transition risk?

A. The chemical sector is considered one of the most difficult areas due to the breadth of its products. If chemicals can be resolved to some extent, the majority will be developed in the case of Keiyo Industrial Area. In addition, the cement industry, for example, is a sector that is difficult to analyze.

Q. Regarding the measurement of SCOPE 3, what do you think is the ratio between those who can provide disclosed values and those who Chiba Bank needs to get into?

A. Many enterprises in Keiyo Industrial Area have built parent-subsidiary relationships with large enterprises, and we believe that there are a reasonable number of enterprises that can provide disclosed values. We estimate that only 30-40% can provide disclosed values, and for the remaining 60%, we need to discuss the measurement and disclosure of greenhouse gas emissions together with our customers. In addition to helping customers understand these needs, it is also useful to incentivize customers to offer preferential interest rates based on the achievement of KPIs set by offering SDGs related products. It is also crucial that not only banks but also the region as a whole enhance momentum through the use of the Chiba SDGs Promotion Network.

Q. What is the profitability of sustainable finance? Please also tell us your outlook on whether it will contribute not only as a transfer from existing loans, but also as a balance increase.

A. The rate is more or less the same as that of existing loans. Many customers not only expect lower yields on sustainability-linked loans when KPIs are achieved, but also

decide on initiatives in anticipation of external announcement effects.

Analyzing SDGs Friends Loans, more than a year since service was launched, around 800 of the approximately 5,000 borrowers who have made loans by March have started new loan transactions using this product as an opportunity, which can be said to be leading to the acquisition of new borrowers. In addition, there are a total of around 850 billion outstanding loans to customers who have made SDGs Friends Loans, including loans not related to SDGs, but when compared to September 2020, prior to the start of handling SDGs Friends Loans, the total outstanding balance increased by around 160 billion, indicating that they are contributing not only as transfers but also as a net balance increase.

### [Outside Directors Discussion Meeting]

#### Director Tashima "DE&I"

I assume that the reason I was asked to become an outside director at the time of my appointment in 2015 was that at that time, I was a member of the Financial System Council and the Labor Policy Council, which was helpful in advancing management from the customer's perspective and DE&I. In 1986, the Bank produced the first female general manager of branch in the banking industry and is an advanced company in the financial industry. Promoting diversity is considered a management strategy for sustainable growth. We are actively promoting initiatives such as supporting the balance between work and family, supporting women's continued work, promotion support, work style reforms, creating an organization to promote women's active participation, and eliminating the uncertainty bias and the awareness of gender roles. These activities have also been highly evaluated by external parties. By driving the regional banks with the alliance banks, we are also actively spreading DE&I to other banks and playing a leading role, and I think it can be extremely highly evaluated. We intend to continue these efforts even stronger in the future.

#### Director Takayama "Governance"

In the seven years since 2015, when I became an outside director of the Bank, I think there has been a shift from formality to substance in many companies in terms of governance, but at the same time, we feel that our board, which is at the heart of corporate governance, has changed in substance.

The first is the change in the composition ratio of outside directors. At the time of my appointment, the Board of Directors, which was held in a large room with a solemn atmosphere, has now become a compact and easy-to-discuss atmosphere. Discussions have been revitalized, with outside directors proactively asking questions and internal

executives expressing their opinions in response.

The second change is part of the quality of the discussion. At the time of my appointment, the Board of Designated Directors was mainly concerned with detailed, individualized proposals unique to financial institutions, and the important proposals discussed by the Board of Designated Directors were approved by the Board of Directors. Today, the committee devotes more time to monitoring medium- and long-term strategies and the allocation of management resources such as people, goods, and money. At the same time, the board is now operating in a way that allows for a greater separation between agenda items that require deeper discussion and other agenda items.

The third change is the enhancement of discussion and information exchange outside the board. For topics that do not fall within the framework of the Board of Directors, or which should be discussed freely or over time, separate frameworks are established in the form of off-site meetings, such as the Board of Directors Information Exchange Meeting. Corporate governance is an extremely broad issues, and there are the other challenges. However, even looking only at the points I have just mentioned, I recognize that we are making considerable efforts to strengthen governance.

#### Director Kiuchi "Response to Changes in the Financial Environment"

I took office in June two years ago and the impression of being reliable is strongest for the Bank. Specifically, the Bank is strong on the defensive, with a low expense ratio and sufficient equity capital. On the other hand, the Bank is also strong on the offensive, and I believe that its alliance strategy and digital strategy are two of its pillars. I think this balance between defensive and offensive is very good, and that this is why we have a relatively high reputation in the stock market.

Currently, the financial environment is undergoing major changes, and it is necessary both to firmly control risks and to proactively utilize them as profit

opportunities. In the U.S., interest rates are expected to rise at a pace not seen in recent years, and there are risks that cannot be considered during the conventional U.S. monetary tightening phase, and the situation may change significantly even during the current fiscal year. Domestically, too, we believe there will probably be an increase in interest rates. At the same time as being risky, we need to consider this as a profit opportunity and work on it from both perspectives. The next medium-term management plan, which begins in fiscal year 2023, is closely related to this change in the financial environment. The Bank of Japan's regime will change next spring, and the termination of negative interest rates could be considered. However, I believe that Japan's low interest rate environment itself will not change even if the negative interest rate environment changes. I do not anticipate a significant improvement in net interest income. Without expecting these policy changes, we need to steadily expand non-financial services based on our strategy of increasing fee income and digitization.

Q. Please tell us about the current situation, what issues are facing governance, and what direction should be taken in the future.

A. (Director Takayama) The first is in the process of strengthening the integrated business management system in the field of group governance by adopting a group chief officer system at present. Some group companies are non-financial companies, and it is expected that we will continue to expand including new businesses. In the case of business-related companies, there are many risks that are unique to the industry and business, so they must adopt a system that is different from the risks of the financial perspective. We believe it is important to strengthen a series of mechanisms for identifying, selecting, evaluating, responding to, and monitoring all risks, including those of group companies.

Second, while we recognize the introduction of restricted stock awards in executive compensation plans as a significant improvement, how to incorporate the

elements of ESG evaluation into compensation is also a challenge.

The third point is the medium-to long-term story, but it is desirable to consider the ideal institutional design in the future as well. While the Bank is a company with Audit & Supervisory Board, it is not uncommon for regional banks to have a company with audit & supervisory committee. I am keenly aware of the merits of having experience at other companies. Personally, if the Bank maintains Audit & Supervisory Board, I think it may be possible to increase the number of outside directors a little more.

Q. Please tell us what kind of discussion has been made regarding the change of president last year from quantitative and qualitative perspectives.

A. (Director Takayama) The appointment of President has been examined after a sufficient period of time, and the Nomination, Compensation, and Corporate Advisory Committee is recognized to have played an extremely large role. First, there is a discussion of the personnel requirements required of the president's successor, and the personnel requirements are determined based on the points of decision-making ability, a sense of balance, and the power to drive people and the organization. At the same time, based on third-party evaluations of external specialist organizations, the Bank listed up a few potential candidates. On that basis, the Bank have asked the personnel to experience various tasks, monitor them firmly, and determine their suitability. Ultimately, the President submitted a proposal to the Nomination, Compensation, and Corporate Advisory Committee discussed the results up to the present time and proposed the proposal to the Board of Directors. The selection process is considered to have been well secured and reasonable.

Q. From the market's point of view, it seems to be a consensus that the Chiba Bank are the top banks of regional banks, but even so, the PBR is only 0.4 units. Please tell us,

strategically, whether there are breakthroughs that enhance the valuation of these stock markets.

A. (Director Kiuchi) I became a director of the Bank two years ago, and I feel that the Board of Directors has been discussing matters more enthusiastically than originally imagined, and that there is a sense of speed. As it responds to the new challenges, what it was discussing last month is already realizing this month, so I evaluate it as much more flexible and creative than the image of the bank that it had originally envisioned. Even for the Bank, which has gone to such a great effort, the valuation of the stock price is relatively good, but not good on the whole. As long as we remain in the banking sector, it is extremely difficult for us to raise our assessment significantly, and I feel again that banking is difficult. Although interest rates have been rising recently, the future potential of a business model that relies solely on net interest income is not high, I think that this is temporary. Therefore, it is important to expand services in the non-financial portion. It is necessary for regional financial institutions to expand their businesses while competing with other types of businesses by maximizing their credibility from the region, which is their strength, and their depth of information on enterprises. It is important not only to provide financial services related to life events, but also to pick up the various needs of daily life, provide services and solutions for them, and receive high compensation for them. The Bank believes that expanding non-financial services with the Chibagin app as the core and developing it into a super app, will ultimately be a point at which it can obtain a different dimension of evaluation from the current situation in the stock market.

Q. I recognize that DE&I of the Chiba Bank has already been highly evaluated, but we would like to know of any specific examples where DE&I has been utilized in management decisions. Also, what do you think is necessary to take it a step further as a role model?

A. (Director Tashima) First of all, there is a good example of a woman's supervisor gaining trust by providing detailed guidance to her subordinates, thereby motivating her subordinates. In terms of relationships with customers, they have gained trust through a sales stance that is closely aligned with customers, which has led to long-term business transactions.

Regarding DE&I, we have a very high reputation, and while there is no subordination compared to other companies, it is a reality that there are the same concerns as other companies. The existence of uncertainty bias within the organization has kept a strong sense of gender division of roles. It is necessary to continue to make efforts in the future, although it is taking measures such as providing mentors, conducting training, and conducting training for male supervisors in order to eliminate them. As for female employees, we do not have an abundance of female employees who can be promoted to executive positions in the future. We need to develop more and more female employees who are enthusiastic about their work, want to be pillars of support for the Bank, and have the desire to be promoted to executive positions. I hope that we can encourage more female employees to take an active role in the company by arousing their enthusiasm or by increasing the number of excellent female bankers hired from outside the company through mid-career recruitment.

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