

## April 24, 2024 – IR Day Main Questions and Answers

### [Business Improvement Order]

Q. Are there any analyses of the reasons why the risk detection and response capabilities of administration departments on the 2nd line and audit departments on the 3rd line became inadequate?

A. (Yonemoto, President) On the 2nd line, the customer-oriented business operation was not sufficiently penetrated as administration departments. In addition, the response of the related departments was dispersed, and the true cause analysis was not conducted. The 3rd line should have grasped the current status of the financial instrument intermediary business based on the complaint information that had been continuously collected, but it was only a formal verification. In response to these problems, various measures have been taken, including a change in the organizational structure and the introduction of new tools for collecting and analyzing customer feedback. The most important approach is to foster 1st line risk ownership, and working to strengthen awareness and functionality, focusing on the Purpose.

Q. What is the evaluation of Outside Directors on these measures and initiatives?

A. (Yonemoto, President) Regarding true cause analysis and efforts for improvement, we have received evaluations that the organization will become even better than before. On the other hand, there are opinions that the analysis of true causes is never finished and that it is important to continue working on it in order to prevent recurrence, and evaluation that the discussion and delving into corporate and organizational culture were a bit weak, and that there is room for improvement in the measures taken for reform. It is also noted that there is still a lack of clear indicators to measure the progress and results of the penetration of the Purpose and Vision.

Q. Please tell us details of the discussion at the Appointment, Remuneration and Corporate Advisory Committee after the Business Improvement Order.

A. (Yonemoto, President) The Business Improvement Plan was prepared with the many opinions from Outside Directors regarding the problems, improvement measures, and responsibilities identified by the Investigation and Improvement Planning Committee. I would like to refrain from responding at this time to the details of the discussion.

Q. Whether there are concrete examples of reviewing sales practices for financial products other than structured bonds in reforming of the latest internal management system and business management system.

A. (Yonemoto, President) Regarding recording at the time of financial products sales, it is planned to roll out to all branches by September, and is considering recording contracts other than financial products sales as well, to increase transparency.

Q. Was there a lack of sensitivity on management regarding this issue? Also, how effective are the various measures?

A. (Yonemoto, President) I think management has been a lack of sensitivity. We should reflect on the fact that we viewed this as a problem of complaints about Chibagin Securities, since it had suspended the sale of exchange-linked bonds. The measures were thoroughly discussed about 50 times from the planning stage. In addition, external opinions are also being heard on the Purpose and Vision Permeate Project Team, and the effects are also being verified through questionnaires.

Q. I recognize that the Group has a corporate culture in which Chibagin Securities, the

subsidiary, are the most difficult to speak up to Chiba Bank, the parent company. How do you deal with the hierarchical relationship as an organization?

A. (Yonemoto, President) We believe that one of the reasons for this is the failure to listen to the voices of employees, and created various mechanisms, such as engagement surveys, Unsigned and signed compliance questionnaires, and interviews. The concept of human resources has also changed dramatically, and from this fiscal year, the Group has decided to hire employees as a whole and established a system for transferring employees to banks. In addition, the Group has held meetings for exchanging opinions between group company employees and bank directors.

(Takayama, Outside Director) The relationship between the parent company and the subsidiary is recognized as a problem that is likely to occur in any company. In this context, it is currently working on various measures such as personnel exchanges. Outside Directors also accompany Audit & Supervisory Board Member on site cisitsto listen to the opinions of group companies and branches. Although it may take some time, I believe that the current measures will eventually dissolve the walls and channels of the hierarchy.

Q. Has a system been established to enable Outside Directors to gather information on stakeholders as quickly as possible?

A. (Tashima, Outside Director) With this case as an occasion, a system has been established in which information can be gathered actively by participating in and listening to various discussions of various committees, etc. In addition, opportunities to directly listen to opinions on the front line, including those of branches, have increased.

Q. In light of this case, are you considering changing the design of the company's organization or shifting to a company with a nominating committee?

A. (Yonemoto, President) Regardless of this matter, we have been discussing institutional

design for some time. In conducting various discussions including the advantages and disadvantages of becoming a holding company, the current system is considered to be the best. In April of last year, the Group Strategy Division was newly established to ensure that the entire Group has effective internal controls and that the same level of management as that of the holding company is being promoted.

(Tashima, Outside Director) The examination of institutional design cannot be said to solve all problems by changes such as becoming holding. Each corporate group has its own characteristics, and we believe that the ideal approach is to constantly examine what is best for the Group based on these characteristics, and we have not analyzed this case as being caused by a problem with the institutional design.

#### **[Retail Business]**

Q. Regarding comprehensive consultants for individual, I assume that the Bank had been aiming to do so, but had only been engaged in financial products. What exactly is the critical difference between the past and the future?

A. (Yonemoto, President) Two reasons why the retail business remained limited to financial products sales as a result. The first is that the resolution of customers was low. By increasing the number of digital customers, analyzing the collected information at headquarters, and sharing it with branches, and making proposals to customers to whom sales branches approach face-to-face and customers to whom headquarters approaches non-face-to-face through digital marketing, sales staff can uncover the latent needs of each individual and make proposals that meet those needs. The second point is human resource development. 50 employees will be trained during the mid-term plan through an individual development program aimed at acquiring skills in all fields for retail business. In addition, a system has been established to certify comprehensive advisors for individual with cross-skill proficiency, and on-the-job training is being promoted.

Q. From the viewpoint of profitability, are there any thoughts to reduce the allocation of human resources to the retail business or to entrust securities companies with the financial products sales, as some regional banks have done?

A. (Yonemoto, President) It is important to promote sales activities as a comprehensive consultant, responding to every individual's needs, not only for financial products sales. By leveraging our digital capabilities to increase the number of customers who use our products and to increase gross profit per customers, we believe that the retail business achieves sustainable growth.

Q. For the retail business, please tell us the results and progress of the four major measures for investment trusts on page 18.

A. (Yonemoto, President) All measures are making steady progress. The percentage of Okane No Basket (Money Basket) used in over-the-counter sales is around 70%, and the unit sales price increased from around ¥3 million before the introduction to around ¥5 million as a result of the portfolio proposal. About 90% of transactions in the investment trust sales are paperless. Regarding investment trust app, the usage rate is approximately 40%, including the opening of investment trust accounts, NISA accounts, and purchases. The page view of the Chibagin Money Guide is much higher than originally planned. However, we believe there are areas that could be improved, such as the entrance conduit, and we are conducting a survey and working on improvements.

Q. What is the impact of the elimination of incentives from the retail business? In addition, please tell us about the medium-to long-term profit impact and negative aspects of the Business Improvement Plan.

A. (Yonemoto, President) After the elimination of earning targets and change the evaluation system to emphasize Fiduciary Duty and activity in October, sales amount for financial products has gradually increased, and from January to March of this year, sales amount

was almost at the same level as before. The current gradual increase in financial products sales gives us the impression that there is a reasonable possibility that downside risk will not materialize.

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