

April 4, 2025 – IR Day Main Questions and Answers

Note : Responses from bank participants, except where noted

The First Part : Operating Base

[Management]

Q. With regard to growth strategies, what are your current thoughts on proactive capital management?

A. We consider the improvement of ROE as the most important matter, and we are fully aware that the most important way is to combine growth strategies with capital management. Considering that the current cost of capital is roughly 8%, even if we achieve ROE target for the final year of the mid-term plan, the equity spread will still be negative, so we are managing by segment thoroughly. We always consider corporate, mortgages, and unsecured loans from an ROE perspective, and other segments that do not use capital from the perspective of whether they contribute to lowering the OHR. Therefore, when we invest in new businesses, we always focus on the ROE. We are thinking in terms of during the next mid-term plan period, to see whether the business will definitely contribute to ROE and whether the business can aim for 10% instead of 8%.

Q. From the perspective of expanding the operating base that contributes to the growth strategy, I would like to know where your bank believes it needs to allocate its management resource in the future.

A. In terms of regional approach, we consider into three areas: Chiba Prefecture, which is Chiba Bank's business area and mother market; areas outside the prefecture, and areas throughout Japan where TSUBASA is active. In Chiba Prefecture, it is crucial to increase all market shares in the mother market and provide convenient and useful products to

our customers, we believe that the top priority in the distribution of management resources to this area is the regional ecosystem. In areas outside the prefecture, deposits amount to approximately 1 trillion yen and loans to approximately 4 trillion yen. Lending is growing at about 6% to 8% per year, compared to around 3% within the prefecture, with lending rates about the same as in-prefecture lending. We are expanding while managing credit by understanding the deposit and withdrawal data from other banks and allocating management resources as we expand our base of operations. In nationwide expansion centered on TSUBASA, we are allocating management resources mainly for system investment to advance as a platformer, including mainframes, subsystems, APIs, apps, portals, cashless systems, and regional trading companies.

In terms of corporate and retail business, the number of corporate advisory, M&A and business successions consultations has increased, thanks to the success of our store strategy in the corporate business. Therefore, we are in the process of redirecting personnel to corporate sales. Regarding retail business, we are replacing this with comprehensive personal consulting and are investing in human capital to provide a one-stop service when we are consulted by clients. Over the past two years, the gross business profit of the retail business as a whole has increased by over 3 billion yen.

Additionally, approximately 60% of Chiba Prefecture residents have an account with Chiba Bank, and over 40% have an active account. Therefore, we are investing in DX for the entire region and advancing our thinking with the belief that Chiba Bank's shift to DX and AI will lead to the evolution of the prefecture, referring to this as "Region-wide DX." We have already seen the result that the per-unit transaction cost goes down as we move forward with apps through the shift to DX. The primary goal is of course to

increase productivity. This will surely affect OHR, which is one of our greatest strengths.

[Acquiring Deposits]

Q. Please tell us what you consider to be Chiba Bank's strengths and challenges in acquiring yen deposits compared to other banks.

A. In the mother market, Chiba Prefecture, deposits are about 15 trillion yen and loans are about 8 trillion yen, resulting in a deposit surplus of about 7 trillion yen. In addition, the share of lending by city banks is only 10% in the Prefecture, which indicates that regional banks operate in a relatively stable business environment compared to Tokyo, Kanagawa, and Saitama. The environment for acquiring deposits is similarly stable.

The first of our strengths is the number of accounts. Specifically, 60% of Chiba residents have an account with the Bank, and more than 40% have an active account with the Bank. Second, that we have consistently worked to improve the hybrid customer experience of in-person and digital. The number of registered users of the Chiba Bank app is now 1.20 million, and about 80% of these customers are actually using the app. The app has been developed in-house since the start and we have been comparing specs with other bank apps. As a result, our app has been so well received in the app store, and 30% to 40% are shifting to digital transactions. Third, we have a substantial number of product users. The number of credit and debit card holders has just exceeded 1 million. There are 1.2 million users of the app, 0.40 million users of mortgages and other loans, soon to be 1 trillion yen in will trust assets grasped, and about 0.20 million users of investment trusts and insurance. The number of users of such products is quite high. Naturally, settlements are made and various transactions occur in that context, so deposits will be acquired in line with this. Fourth and finally, we are conducting a thorough analysis of the current situation. The PDCA cycle is being implemented by analyzing trends in new account holders and the number and amount of transfers to and from other banks while utilizing the results in implementing measures. We believe it is

important to make sure that the regional ecosystem is well built, comparing specs with online banks.

Q. I would like to ask you about your future strategy for acquiring deposits and what direction you are taking in terms of how you plan to spend costs, for example, in terms of deposit pass-through rate and how you launch campaigns.

A. We feel that deposits have become a significant source of business and an important factor in improving profitability in a rising interest rate environment. What we need to consider in this context is to increase deposits while expanding our operating base, customer base, and client base without offering high interest rates. We believe that the most important thing is to build a regional ecosystem as a framework that allows us to offer this product service that is useful, convenient, and attractive, and we will spend money on it. We have been working to increase the number of app users to 1.5 million by the end of this mid-term plan, and we are considering a campaign to collect time deposits through the application.

[Capital Policy]

Q. I would like to ask you, to the extent you do not mind, about the background to the recently announced decision to acquire the shares of The Chiba Kogyo Bank, Ltd. and the outlook for the future.

A. In January of this year, we received an invitation from the Ariake Master Fund to participate in the process of selling in the form of an auction, and began to examine. We have come to the decision based on the continuity of the regional financial system which is currently functioning well under the three-bank structure, and the sustainability of services to our customers. We plan to continue discussions with Chiba Kogyo Bank to strengthen our relationship.

Q. I would like to discuss the cooperation with Chiba Kogyo Bank. In deepening the relationship, are there any non-financial or cultural differences with your bank? I would also like to ask what kind of synergies you expect from a financial perspective.

A. While we have been operating in the same area, we do not see much difference in culture. We believe that there are areas where we can reasonably collaborate, such as regional ecosystems and non-competitive areas such as AML, but dialogue and discussions are planned for the future.

The Second Part : DX/AI

[EDGE Technology] Note: Answer from Shimada, President of EDGE Technology

Q. EDGE Technology has become a wholly owned subsidiary of Chiba Bank—has there been any change, positive or negative, for the employees of EDGE Technology, or for the engineers under its wing?

A. Although a certain number of employees left the Company because we did go through significant changes as a company, I actually feel that the current atmosphere within the Company is really energized, and it is in a very good situation right now. I think our current employees feel very secure and are conducting business with confidence, grounded in a stable foundation. As for our freelance engineers, we haven't seen any negative changes whatsoever—on the contrary, if anything, things have only gotten better from their perspective.

Q. I would like to know about a independent outlook for EDGE Technology's future profits.

A. We've been focusing heavily on reducing SG&A expenses and working to become more profit-oriented. That effort is actually starting to pay off, and our operating profit has been improving. We would like to expand the business foundation and we're placing the most emphasis on collaboration with IBM, which we're pursuing through the TSUBASA Alliance.

Q. With regard to AI personnel, if there aren't sufficient resources allocated to support them, it becomes difficult to make use of their capabilities or to embed them properly within the organization. How would you evaluate Chiba Bank's current situation in that regard from the perspective of EDGE Technology?

A. Their efforts are very proactive and committed and they're leading the pack in terms of digital utilization, compared to other regional banks. We've already accepted people from the bank to EDGE Technology as a personnel exchange, we hope to further promote the integration of our respective cultures by returning the trained personnel to the bank.

[AI Utilization]

Q. Regarding the overall picture of AI utilization, I'd like to know the status of efforts and scale of investment in comparison to other banks.

A. The first area is using data to drive marketing. We have already been operating a Needs Rank Model based on machine learning, and we've actually just completed our cloud infrastructure for data analysis this past March in order to regularly updated and refined. In tandem with that, we're now developing a separate cloud-based platform for running our AI models. That's expected to be completed by around the fall. The second area is to use AI for operational efficiency. We believe that the use of generative AI models is extremely valuable, we've already categorized more than 30 use cases in terms of their relative priority, which will be implemented sequentially in the future. The third area is the use of AI in customer-facing solutions. With these three areas, our goal is to elevate the overall DX strategy—that's what we think as the "overall picture". Fundamentally, the main policy direction is to leverage AI for the purpose of creating better customer experiences. Although it's really hard to say definitively on the scale of future investment since the pace of technological advancement is so fast, we believe that because we've built the ability to develop in-house, we believe we can deliver

significant impact without having to rely on massive investment.

[App]

Q. I would like to know what competitive advantages the app has over megabanks or online banks in terms of its functionality.

A. There aren't many major differences in financial functionality between our app and those of other banks, and we think that our app's UI/UX and ease of use are reflected directly in our app store ratings. We respond to every comment in the app store, and if there's negative feedback, we can quickly explain our improvement plans, thanks to our in-house development team. The feature that we're working to build one-to-one engagement through the Money Reports, which visualizes individual users' data, is somewhat differentiated from the other banks. As for the engine behind that engagement functionality, it's provided by a company based in Singapore called Moneythor, and we developed our own infrastructure to operate the system and implemented it in the app with our in-house planning and development team and our subsidiary. From start to release, the entire implementation took about eight months, and we see this kind of development framework as a strength. We want to continue developing apps that support customer lifestyles that always keeping customer engagement at the center of our efforts.

[Cooperation with Other Banks]

Q. I would like to know about the progress of the virtual counter transaction with Sony Bank, including your assessment of the plan.

A. Sony's the "Mado" telepresence system is currently enabling unmanned counter operations at our Hamamatsucho and Mito branches. Going forward, we're thinking of using these unmanned counters in key branches across the prefecture, in rural branches, and in our upcoming Tokyo branches to avoid missing out on business opportunities at the counter. We've created highly entertainment-oriented NFTs together with a Sony

Group company, and we're planning to distribute them. Through this partnership with Sony Bank, we'll be sure to continue providing new and fun values in the future.

Q. Regarding the shared administrative center concept, with the handling of personal information, etc., is it feasible to process the information anywhere in the country beyond the boundaries of the bank?

A. While using the internet and cloud technology will make it possible to be no longer restricted by distance or location, we believe that there are areas that need to be clearly separated by bank, while others don't necessarily have to be. Currently, there's ongoing discussion about how we can physically separate environments within the cloud and organize the workflow. We believe it is feasible. That's why we're continuing to move forward with those discussions. We are moving forward with this concept because we expect to gain benefits such as reduced operational costs and easier workforce allocation.

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