



# CHIBA BANK

## The Chiba Bank, Ltd.

Small Meeting

### Event Summary

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<b>[Company Name]</b>	The Chiba Bank, Ltd.	
<b>[Event Type]</b>	Analyst Meeting	
<b>[Date]</b>	September 28, 2021	
<b>[Time]</b>	15:30 – 16:27 (Total: 57 minutes, Presentation: 23 minutes, Q&A: 34 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Participants]</b>	16	
<b>[Number of Speakers]</b>	5	
	Tadayoshi Shinozaki	Director and Senior Executive Officer, Group CSO, Group CDTO
	Nobukazu Odaka	Executive Officer, General Manager of Corporate Planning Division
	Hideki Shibata	General Manager of Digital Innovation Division
	Shigeru Saito	General Manager of Corporate Business Division
	Hiroki Matsumoto	General Manager of Business Succession Consulting Division

**Odaka:** Hello, This is Odaka from Corporate Planning Division of The Chiba Bank. Thank you for taking time out of your busy schedules to participate in today's Small Meeting.

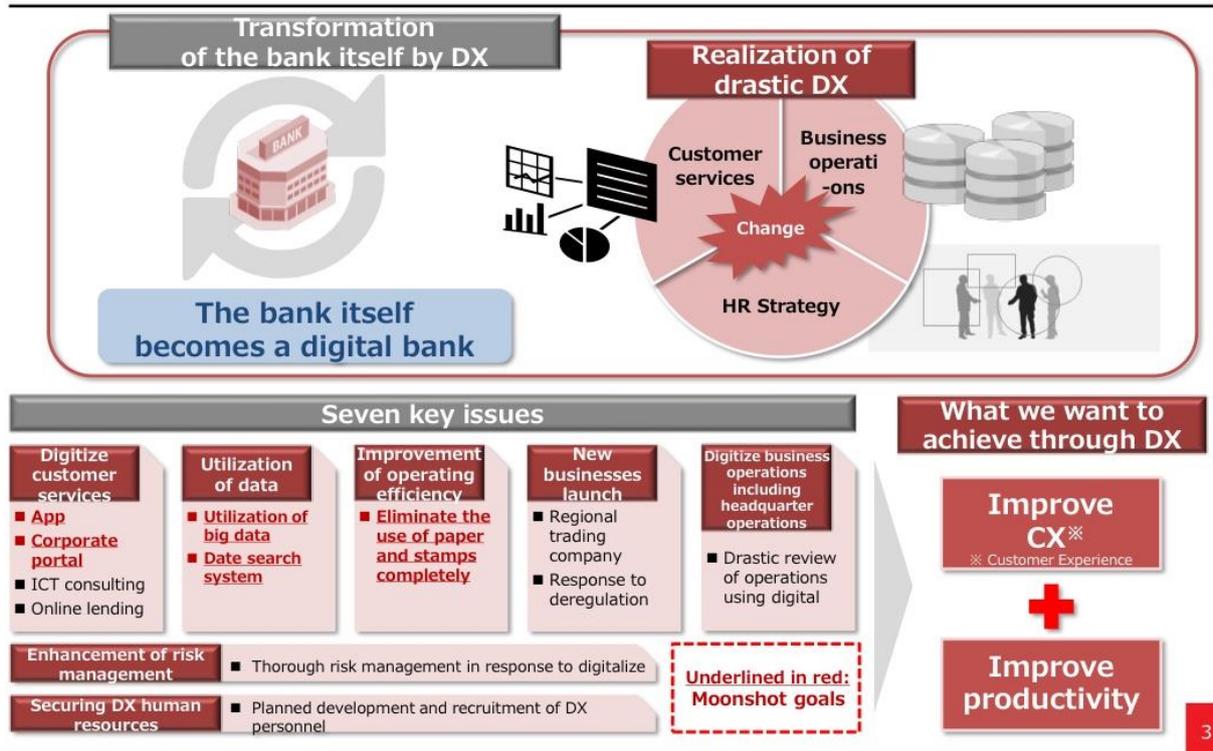
The General Managers in charge of the DX strategy and corporate solutions will provide presentations for a total of around 20 minutes, followed by a question and answer session. The entire meeting is scheduled for a maximum of 60 minutes.

First of all, Shibata, General Manager of Digital Innovation Division, will explain the DX strategy.

The 14th Medium Term Management Plan  
NEXT STEP 2023  
~ connect and go beyond, for the future ~

## DX Strategy under the Current Medium Term Management Plan

Added "Change of Human Resources Strategy" to the axis of DX promotion in order to transform the bank itself



**Shibata:** Hello, everyone. This is Hideki Shibata from Digital Innovation Division. Thank you very much for taking time to join us today.

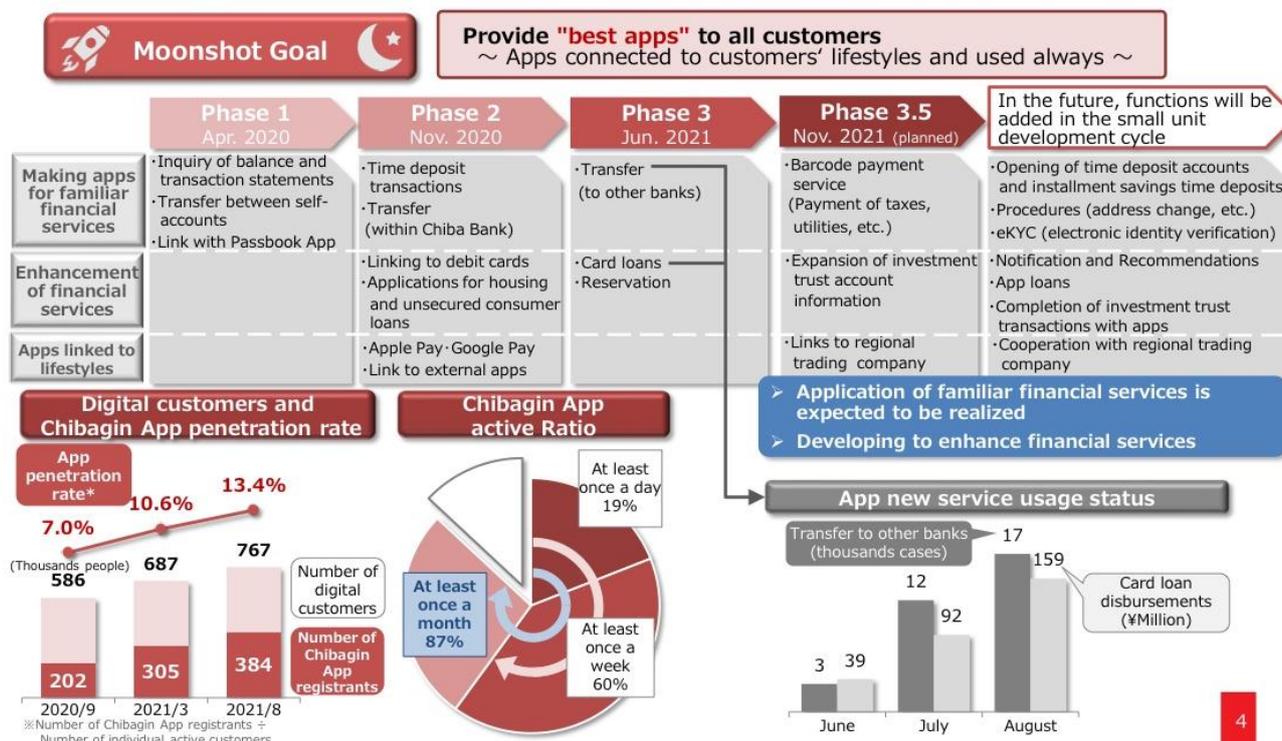
I would like to talk about the Bank's digital strategy. Please see page 3.

First, this is an overall picture of the DX strategy under the current Medium Term Management Plan.

In order to achieve a drastic realization of DX, we plan to transform our customer services, business operations, and human resource strategy. With these 3 pillars, we aim to transform the Bank itself. As shown in the table below, we have set 7 key issues to be addressed specifically, and the Digital Innovation division will take the lead in implementing a comprehensive set of measures across the entire Group to improve customer experience, or CX, and increase productivity.

In this presentation, I would like to explain the measures we are focusing on in this important issue, the current status and future of our Moonshot Goals, the development of DX personnel, and the direction we are aiming to take in the future.

Steady upgrading for "apps linked to lifestyles"



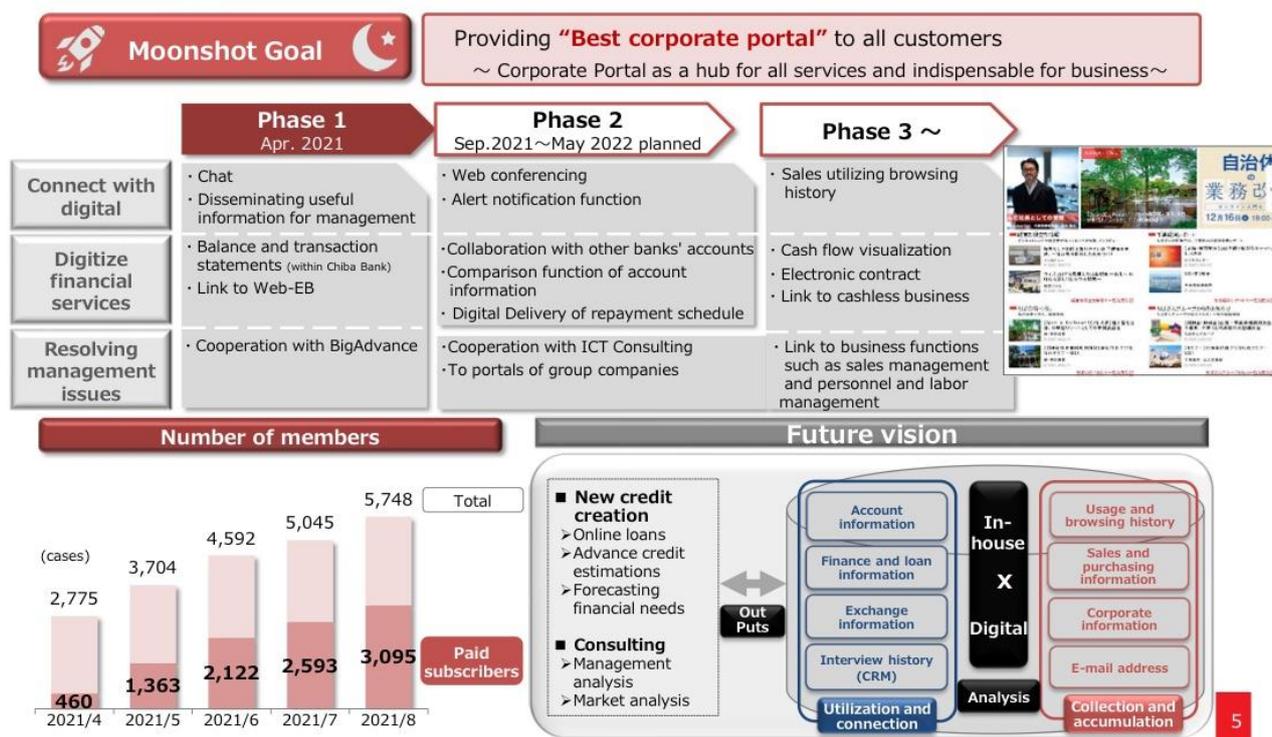
Please see page 4. First is the Chibagin App.

With the goal of providing the best apps to all of our customers, we are working to enhance the functionality and increase the penetration rate. The number of account registrations for the Chibagin App has been steadily increasing since its upgrade in April last year, reaching 384,000 as of the end of August this year, which account for 40% of the target of 1 million accounts by March 2023. In addition, the penetration rate, which is the ratio of app registrants to active individual accounts, was 13%, showing an increase of more than 3% in a half year.

In June, we implemented Phase 3, which includes money transfers to other banks, repayment of card loans, and an appointment function for customers to visit branches. The number of transfers to other banks via the app was 17,000 per month, and the monthly amount of card loans executed steadily increased to JPY160 million. We also plan to add a barcode payment service for taxes, utility bills, and others, and links to the regional trading company in November.

In the future, we will accelerate the addition of functions in a development cycle in small units. We will add functions for opening new accounts and procedures for changing account information, aiming to realize the best app in Japan that allows users to complete financial services almost the same as those offered at branches, but by only using their handsets.

Launched corporate portal service and steadily increased subscribers



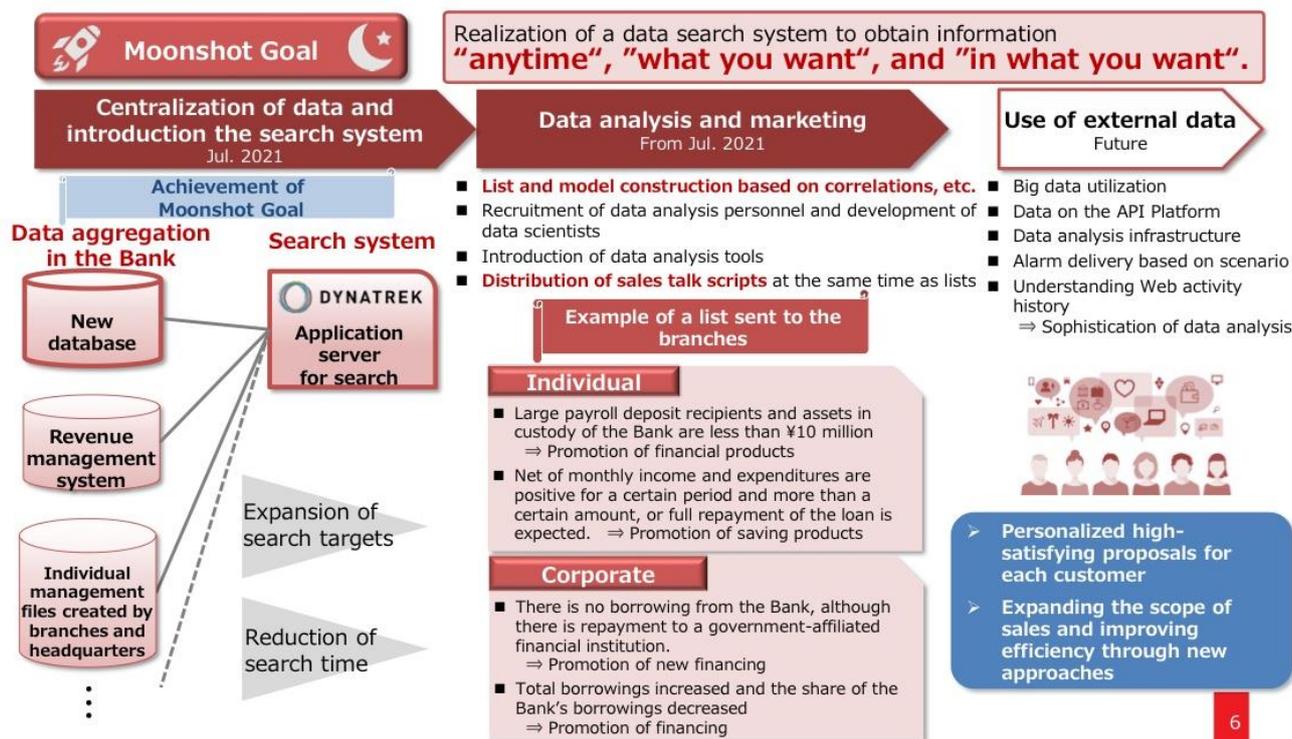
Please see page 5. Next is the Chibagin Business Portal.

With the goal of providing the best corporate portal, we launched the service in April this year. As of the end of August, the number of paying members of the Business Portal was 3,095 customers, and the total number including fee-free members was 5,748, showing a steady increase.

We are currently working on Phase 2, which includes a web conferencing function, a function to compare account information by linking the accounts with other banks, and digital delivery of loan repayment schedules. We plan to release Phase 2 in H1 of 2022. In the future, we will realize a comprehensive financial portal for corporations by linking the Business Portal with the electronic loan contract scheme that is being developed as part of the paperless and zero stamps policy that I will explain later.

We are also considering functions such as the use of account deposit/withdrawal data, online financing, and recommendations based on forecasts for financial needs, with the aim of creating the best corporate portal in Japan that is indispensable for business activities.

Completed the centralization of data and the development of a search system, and started the use of this system in branch sales



Please see page 6. Next is the data centralization.

In July this year, we released DYNATREK, a data search tool. This tool allows us to centrally search the various databases in our bank and quickly visualize them.

With this release, we have achieved a data retrieval system that allows us to get what we want, whenever we want it, and in the form we want, which was previously thought to take a considerable amount of time and cost. In August, we started to send lists of customer data to our branches in an unprecedented way.

In terms of human resources, we have recruited data analysts through mid-career hiring, and we are also developing personnel within the Bank. In the future, by actively using this tool, we would like to shift our focus to strengthening our database marketing functions in order to provide personalized proposals to our customers.

Automate operations and judgments, releases from job location constraints

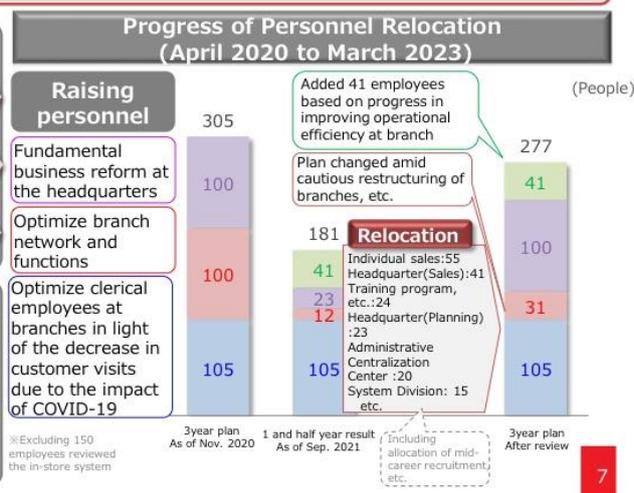


**Eliminate the use of paper and stamps completely** within the bank

By doing so

- > **Release staff from routine work and judgment**  
Routine work and judgment are performed automatically by using data ⇒ Eliminate errors
- > **Release staff from the location constraints**  
A series of jobs can be completed in remote locations as well.

Moonshot goal	Actual	Going forward
<b>Branch in-store</b>	<ul style="list-style-type: none"> <li>"TSUBASA Smile" makes reception operations paperless and stamp-less</li> </ul>	<ul style="list-style-type: none"> <li>Shift to a system of centralizing and collaborating clerical work by back-office operations paperless</li> </ul>
<b>Branch Sales representative</b>	<ul style="list-style-type: none"> <li>Web completion for unsecured loans</li> <li>Housing loans electronic contract</li> </ul>	<ul style="list-style-type: none"> <li>Web completion for housing loans</li> <li>Digitalization of corporate contract</li> </ul>
<b>Headquarter planning / management</b>	<ul style="list-style-type: none"> <li>Completely paperless and stamp-less in headquarter approval documents</li> <li>Headquarter⇒Customer digitalization of information documents</li> </ul>	<ul style="list-style-type: none"> <li>Branch ⇒ Headquarter paperless of applications, etc.</li> <li>Addition of subject documents in the same left</li> </ul>



Please see page 7. The last part of the Moonshot Goals is operational efficiency measures to reduce the use of paper and stamps to zero.

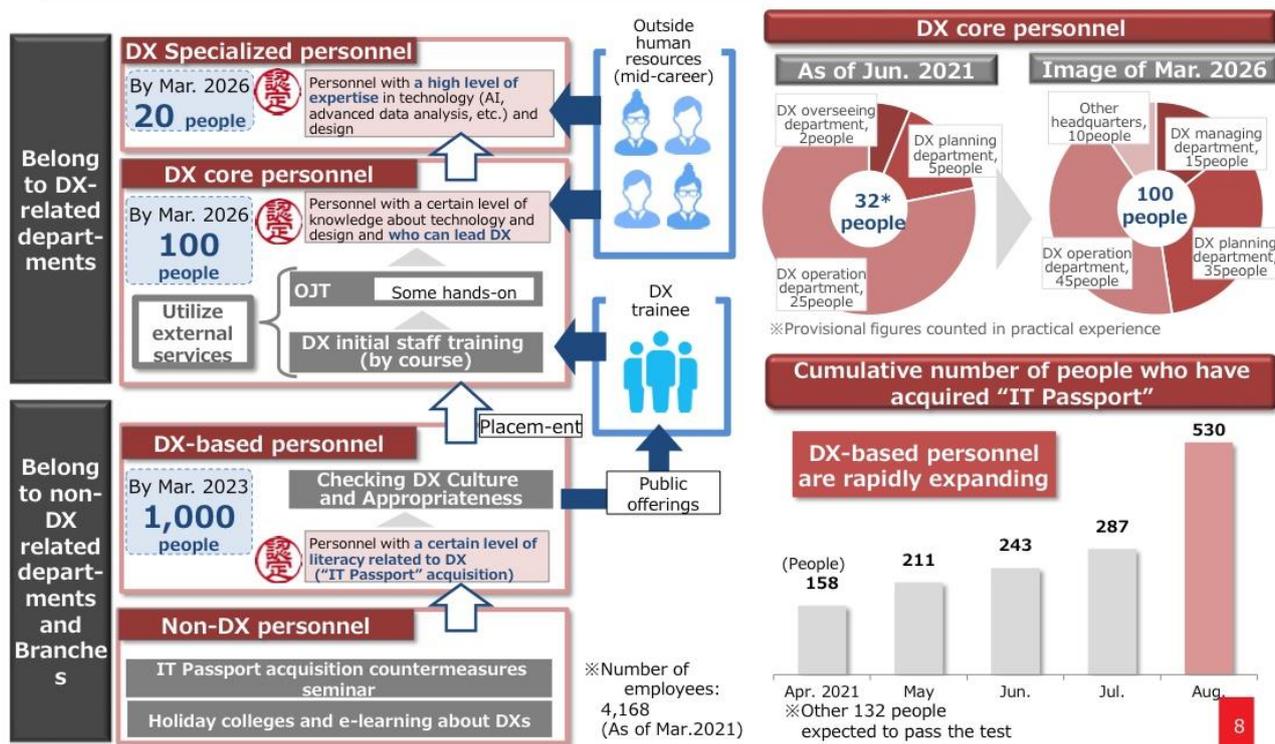
By reviewing various business processes, we are working to achieve our goal of totally eliminating the use of paper and stamps by June 2022.

For branch operations, we have introduced TSUBASA Smile in-store terminals, making operations at receptions free of paper and stamps. We are currently developing a basic paperless system for back office operations to eliminate paper and stamps. With the introduction of this basic system, we will be able to perform checking functions at remote locations, which will enable us to concentrate administrative work at the head office and, in the future, to consider the possibility of sharing the operation divisions among the alliance partner banks.

In addition, the head office has introduced an electronic workflow for all decision-making and application documents, already achieving zero paper and stamps.

Through various efficiency improvement measures, we aim to reduce our workload by 300,000 hours, or the equivalent of 150 people, during the current Medium Term Management Plan period. We have achieved a reduction of approximately 150,000 hours in the 18 months to September, and have also reallocated around 180 employees, mainly in the Sales and Planning divisions. By further streamlining our over-the-counter operations, we intend to increase the flexibility of our channel strategy and reallocate management resources appropriately to strengthen our top line results and improve our service capabilities.

Dividing DX human resources into three levels and establishing certification requirements for each category



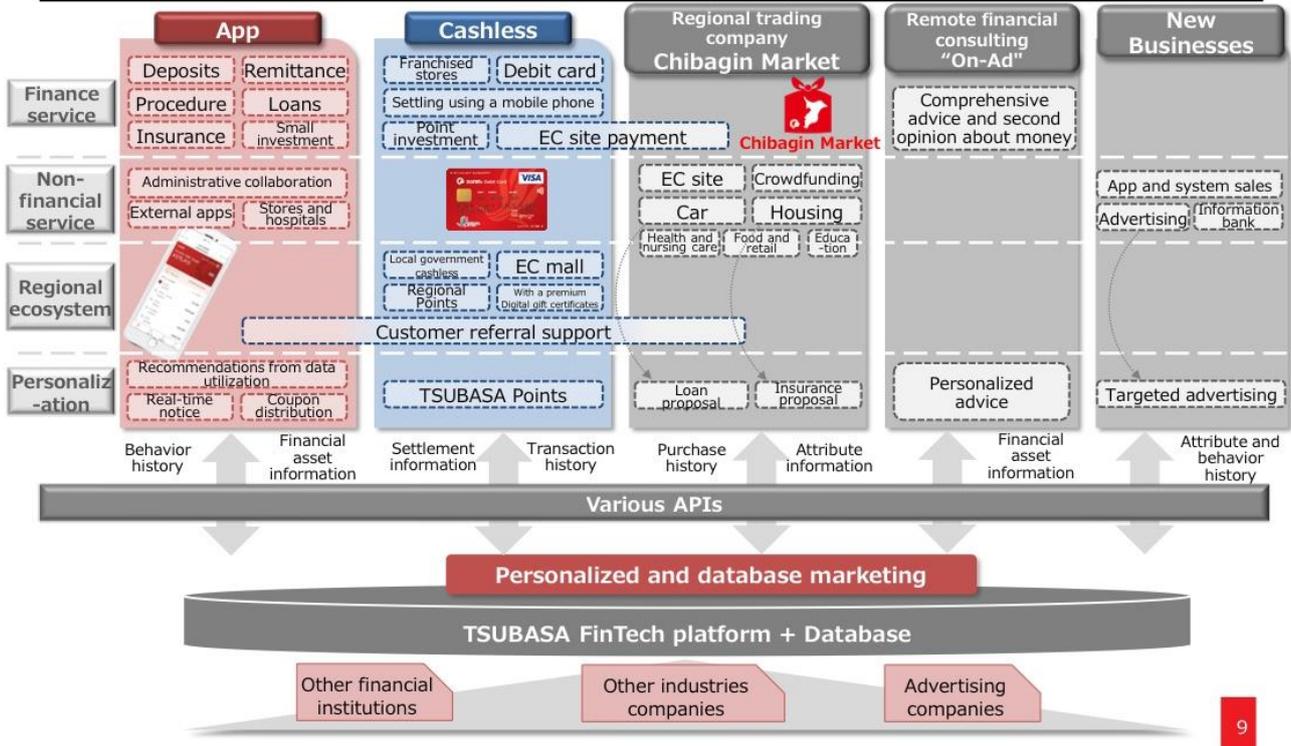
Please see page 8. Next is the development of DX human resources.

We will introduce a new DX certification system in October in order to systematically train personnel who will be responsible for promoting DX. We set the 3 grades of relevant human resources: DX-based personnel, DX core personnel, and DX Specialized personnel. The purpose of this system is to systematically develop and allocate human resources by certifying them to each grade based on a certain level of knowledge and work experience. For the time being, we aim to develop and certify 1,000 people as DX-based personnel by the end of FY2022.

The requirements for certification are obtaining the IT Passport, a national certification conducted by the Information-technology Promotion Agency, Japan, and taking the Bank's own program. As of August, 662 people have passed the IT Passport exam, including those who are scheduled to do so. As for DX core personnel, we have about 30 people who meet the requirements for certification. We aim to certify a total of 100 people by the end of FY2025, mainly DX trainees who will gain experience at external companies.

In terms of DX Specialized personnel, our immediate goal is to secure them through mid-career employment. In the future, we plan to develop DX core personnel, who will be fostered internally, into DX Specialized personnel, so that we will be able to provide sustainable human resource development.

Aiming to "always convenient" as the ultimate, construct a regional ecosystem that "exceeds" the bank's framework



Please see page 9.

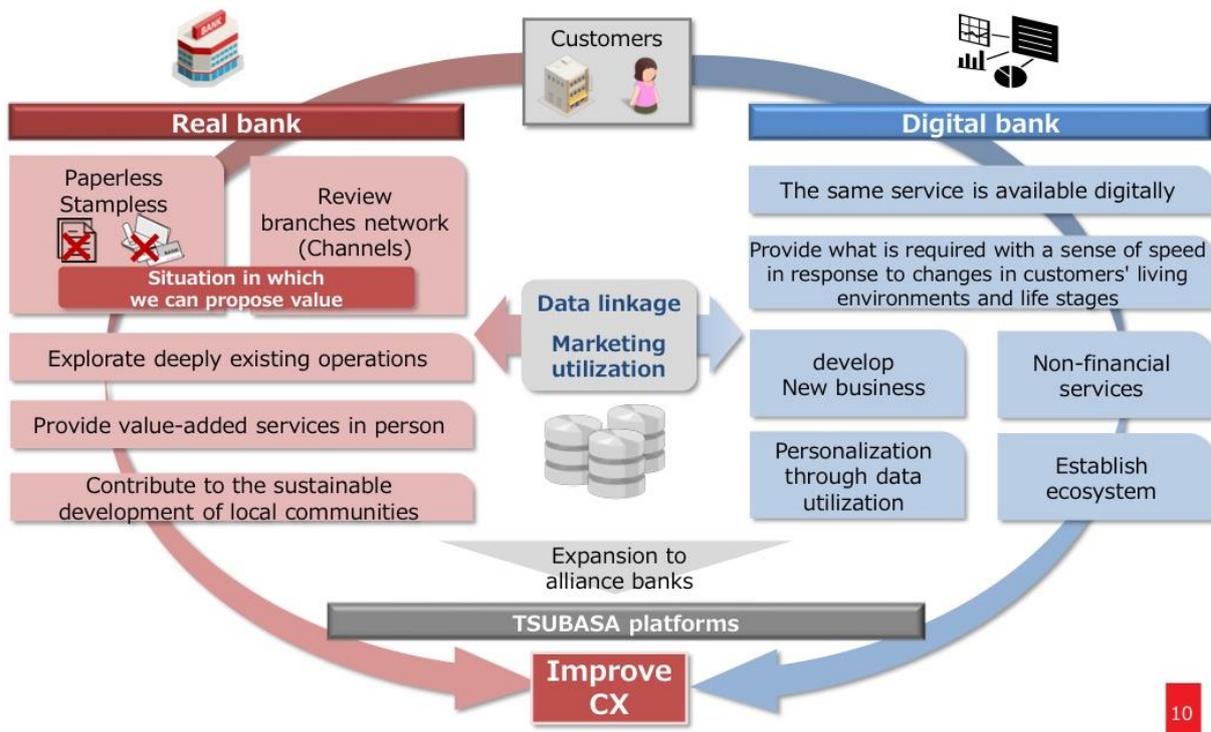
Finally, I would like to talk about Chiba Bank's vision of a digital bank, which is the direction we are aiming to take in the future.

By integrating a series of DX measures that we are currently promoting, we believe that the direction to enhance the functions of the digital bank is to provide personalized digital financial services to our existing customers, as well as to those who we have not been able to contact so far, conveniently at any time.

By using this digital bank function, we will provide new services, such as the regional trading company and remote financial consulting, as well as new attractions and added value beyond the Bank's framework through further new business initiatives. By doing so, we believe that it will be possible for us to build a regional ecosystem for an overall regional connection.

It is also necessary to implement various applications and databases on the TSUBASA FinTech platform in order to realize advanced digital banking functions and personalized marketing. We are also considering providing a financial platform for other financial institutions and external companies, allowing them to use these applications and databases.

Achieve "always close by" and "always convenient" at the same time and become the bank of choice



Please see page 10.

Through the digital bank functions I mentioned earlier, we are aiming to increase profits by raising the number of touch points and providing new value digitally. Meanwhile, in the real bank, we will leverage the flexibility in our channel strategy, to be achieved by implementing efficiency measures, such as zero paper and zero stamps. We will review our channel strategy, such as branches, and enhance the branch functions as places to make valuable proposals in financial services and places for the development and exchange for the regional economy. As a result, we aim to increase earnings by providing high value-added services.

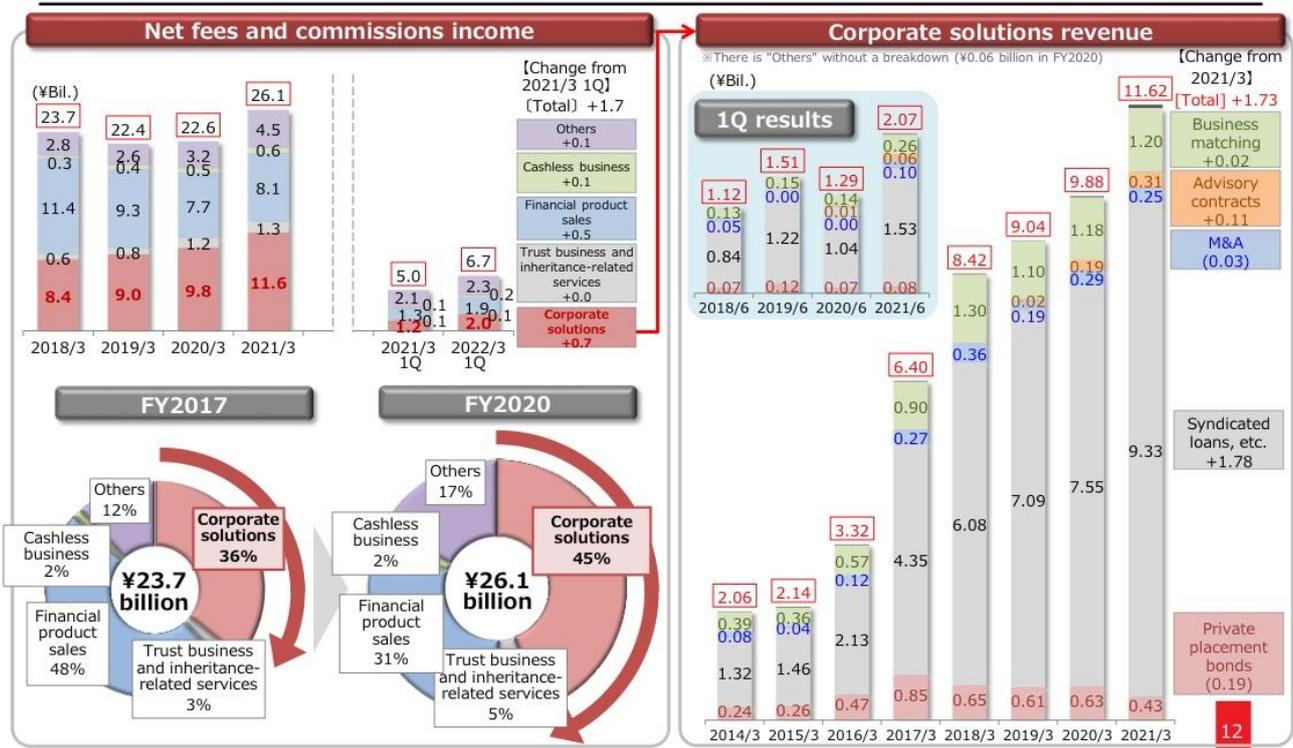
The Bank's basic concept of a digital bank is to use this synergy between the digital and real functions to increase profits by improving CX and to reduce expenses by improving productivity. This concept is based on the DX measures that we are currently promoting, and we hope to reach the goal by organically linking and integrating each measure.

We also hope to create new business opportunities by developing these technologies and expertise into our alliance partner banks as the TSUBASA financial platform.

That is all for the explanation about DX from me. Thank you for listening.

Next is the explanation of corporate solutions. Please see page 12.

Fees and commissions income in the corporate solutions hit a record high for the 10th consecutive fiscal year



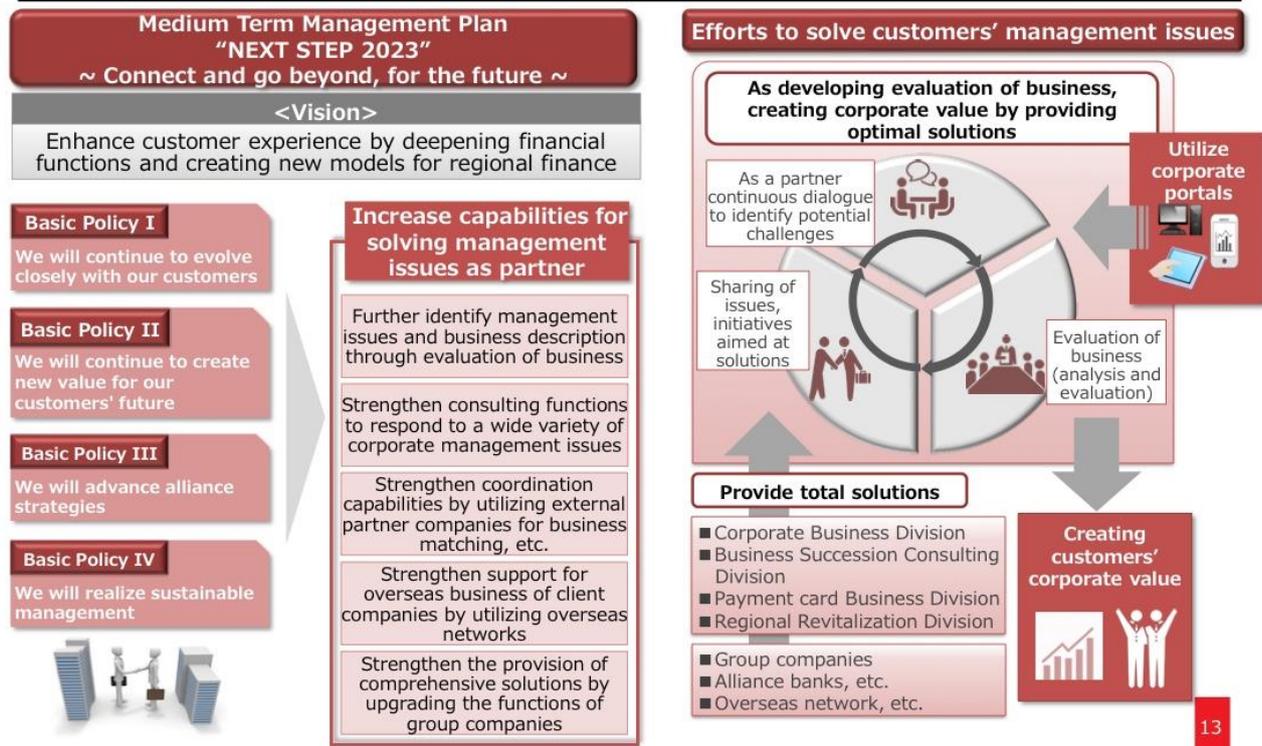
**Odaka:** I, Odaka, would like to explain the revenue trends of corporate solutions.

Net fees and commissions income from the corporate solutions business has been growing steadily, marking a record high for the 10th consecutive fiscal year. Its importance in the Bank’s earnings is increasing, accounting for about 50% of total net fees and commissions income.

In addition, the business has maintained a strong performance, posting a new record high in Q1 of the current fiscal year.

Next, Saito, General Manager of Corporate Business Division, will explain specific measures. Please see page 13.

Implementing initiatives to solve management issues as a partner of customers



**Saito:** I'm Shigeru Saito from Corporate Business Division. I would like to explain the corporate solutions business.

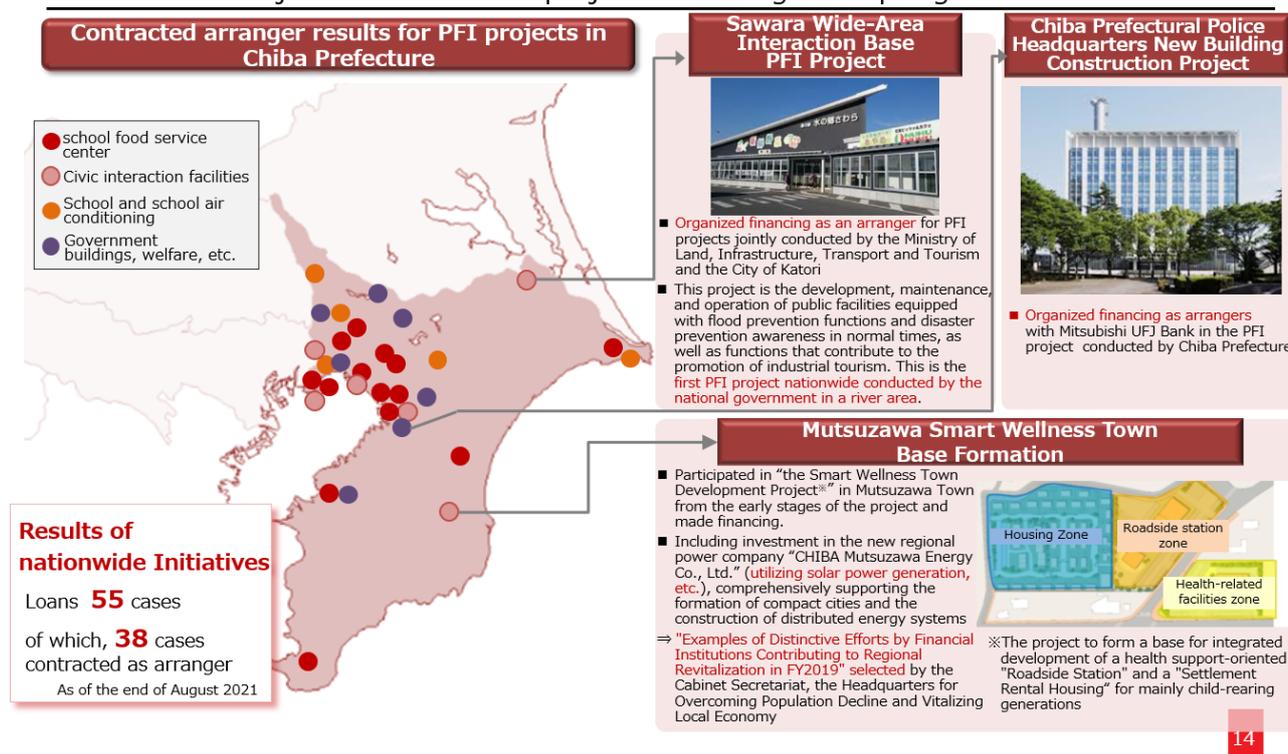
In the current Medium Term Management Plan, the key strategy for the corporate business is to strengthen our ability to solve management issues as a partner for customers. Through continuous dialogs as a partner for our customers, we identify various needs and management issues, and provide comprehensive solutions, such as financing, business matching, and M&A. We enhance our fees and commissions income through these activities.

The business environment surrounding the Bank's customers is constantly changing. At present, the major themes are decarbonization and business restructuring in light of the COVID-19 pandemic, and we believe that efforts to address these themes will be important for corporate solutions as well.

Today, as part of our efforts to help our customers decarbonize their operations, I would like to explain project finance, environmental finance, and advisory services for businesses that form the basis of our efforts to help our customers solve their management issues.

As for business succession, Matsumoto, General Manager of Business Succession Consulting Division, which was established in June, will give an explanation.

Project finance for PFI projects is among the top regional banks



Please see page 14. First, let me explain project finance for PFI projects.

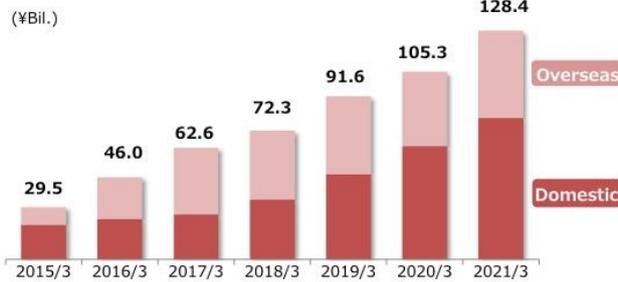
Since 2001, following the enactment of the Act on Promotion of Private Finance Initiative, we have been providing project finance for PFI projects, and our track record to date is one of the best among regional banks. Examples of specific initiatives are shown on the right.

The example in the lower right is a PFI project in Mutsuzawa Town, Chiba Prefecture, in which we were involved from the initial planning stage. In FY2019, the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan selected this project as a case of distinctive efforts by a financial institution that contributes to regional development.

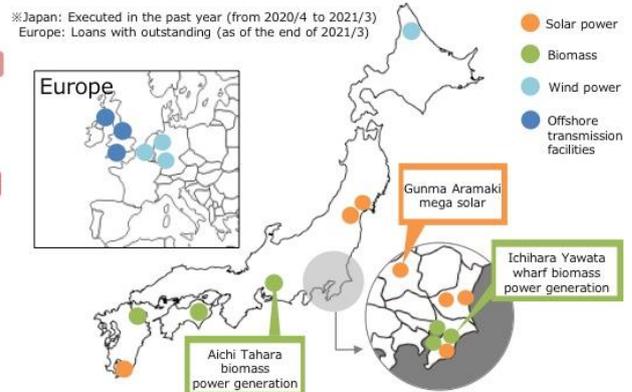
PFI is not only for the refurbishment of aging public facilities and to meet the needs for public facility complexes, but also for vitalizing local communities and solving regional issues, as in the case of Mutsuzawa, so we believe that the role required for regional financial institutions will become even greater. We have 5 projects in progress at the moment, and we will continue to actively implement them.

Proactive response to domestic and overseas project finance

Loans balance in project finance



Of which, renewable energy-related initiatives\*



Involvement results in project finance

<p><b>Energy-related projects</b></p> <p>Loans <b>38</b> cases of which, <b>14</b> cases contracted as arranger</p>	<p><b>Vessel finance projects</b></p> <p>Loans <b>7</b> cases of which, <b>3</b> cases contracted as arranger</p>
<p><b>Overseas infrastructure projects</b></p> <p>Loans <b>29</b> cases</p>	<p><b>Aircraft finance projects</b></p> <p>Loans <b>7</b> cases</p>

As of the end of March 2021



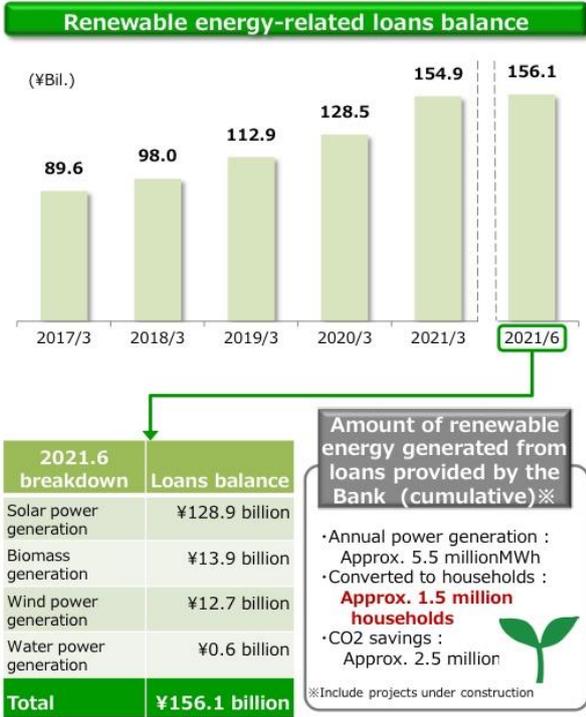
Please see page 15.

The Bank is actively involved in project finance in Japan and overseas by leveraging its extensive knowledge of PFI projects.

In addition to energy-related projects, such as solar, biomass, wind, and hydroelectric power generation, and ship financing, we are also involved in projects related to the reconstruction of aging apartment complexes in the prefecture. In overseas projects, we have the strength of being able to utilize the top-class overseas offices among Japanese regional banks, such as those in New York, London, and others.

We have 6 dedicated people specializing in domestic and overseas project finance in this division and will continue to promote initiatives for profitable domestic arrangements and overseas profiling.

Steady increase in environment-related loans



### Sustainability linked loan initiatives

**July 2021 SLL for Nomura Real Estate Holdings, Inc.**

- The first SLL initiative that utilizes the SLL framework in Japan
- ¥11.0 billion in total loans provided by banks participating in TSUBASA Alliance

**NOMURA REAL ESTATE HOLDINGS**

[ SLL framework established ]

- SPTs (Target) and criteria
- Incentive details and levels
- Reporting System

**CHIBA BANK**

Sustainability Coordinator (Formulation support)

**R&I**

格付投資情報センター  
Rating and Investment Information, Inc.

Second Opinion

9 banks participated

TSUBASA ALLIANCE

Financial institution A

Financial institution B

Financial institution C

Each financial institution loan contract

**By unifying SLL requirements, Make easy to link to loan contracts with each financial institution**

### Initiatives to support the introduction of in-house consumption-type renewable energy

**December 2019 Financing for the introduction of in-house-consumption solar power facilities at a local shopping center**

- Supporting the introduction of self-consumed solar power facilities through financing, which reduce CO2 by around 300 tons per year
- As a business operator in Chiba Prefecture, the first decision to issue the Ministry of the Environment's "Interest Subsidy Project for Promoting Regional ESG Loans※"

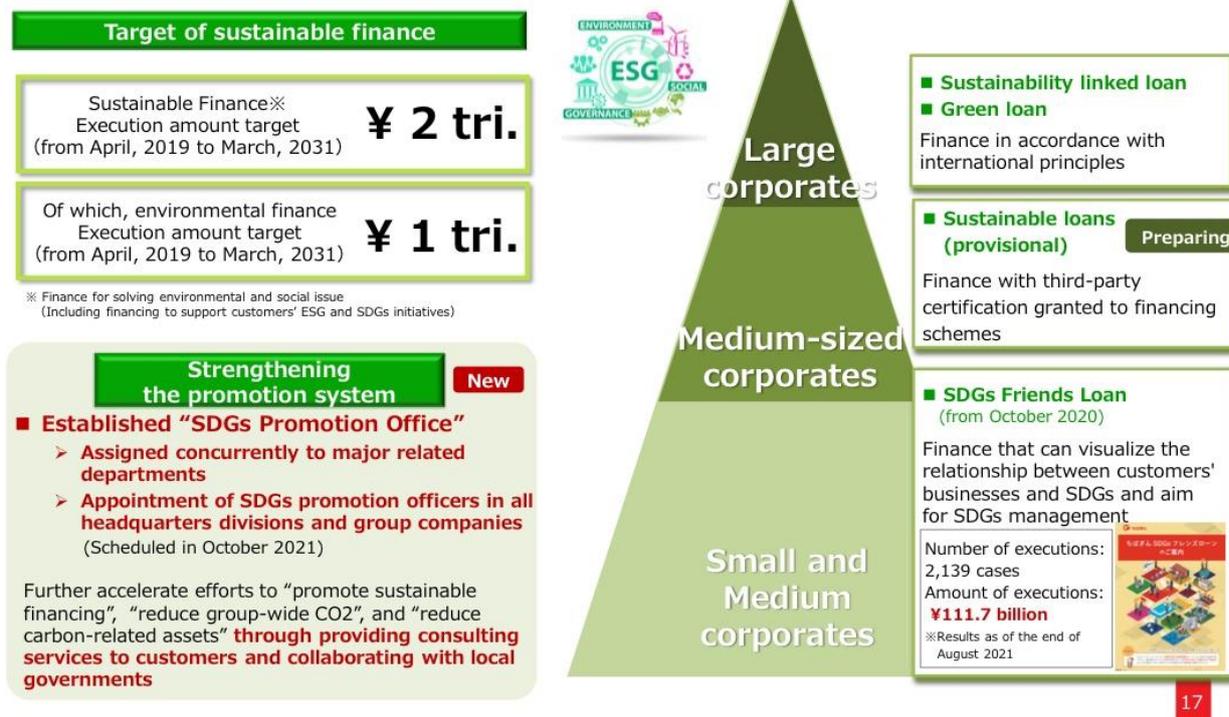
※ Established by the Ministry of the Environment to promote capital expenditures that contribute to reducing CO2 emissions as well as to popularize and expand ESG-related financing. Interest subsidy of up to 1% for up to 3 years for businesses that make capital investments for energy-saving and renewable energy businesses.

Please see page 16. We are actively working on environment-related loans not only in Chiba Prefecture, but also in a wide range of regions throughout Japan.

Of the loans related to renewable energy, about 80% are for solar power generation, of which 15% are project finance and the rest are corporate finance for individuals and business companies.

Corporate finance is an area in which the Bank has a strong advantage, as we have accumulated small-scale solar power projects by leveraging our expertise in project finance. In July, we designed the nation's first comprehensive sustainability-linked loan framework, and are working with other TSUBASA Alliance banks to support sustainability-linked loans.

Supporting customers' decarbonization through financing



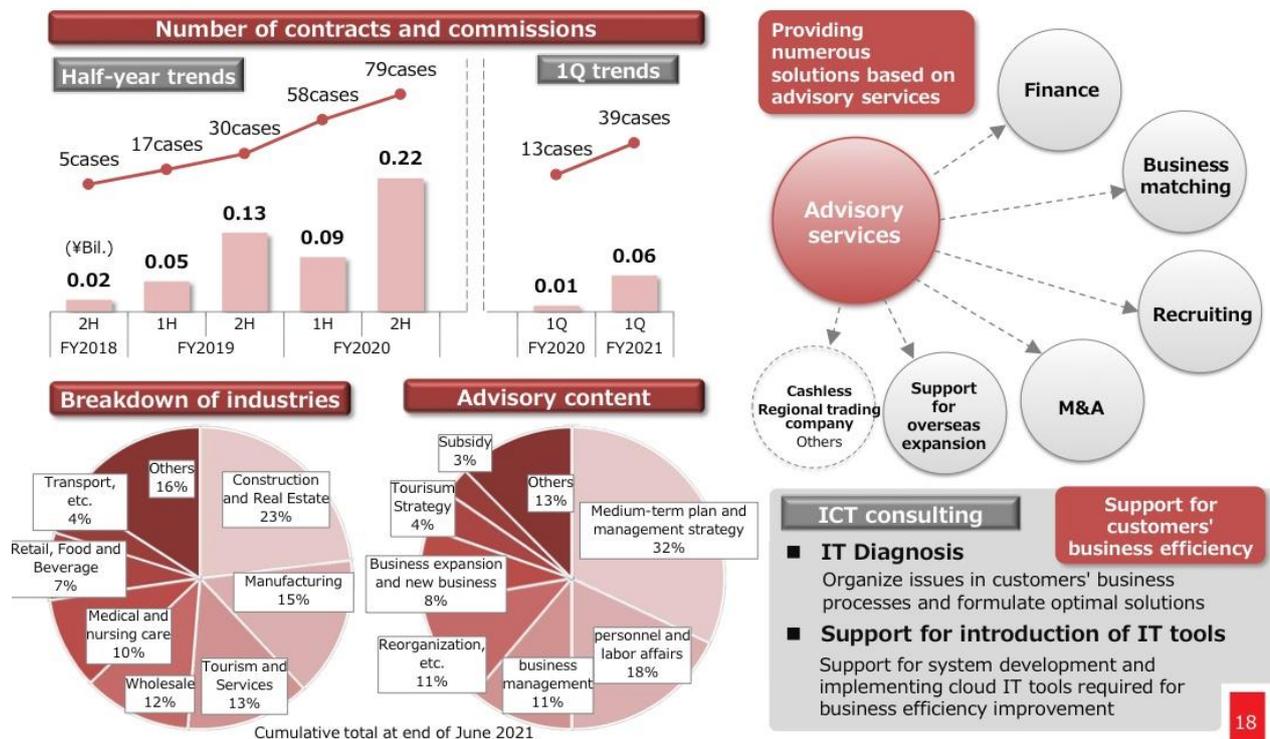
Please see page 17.

The Japanese government has declared that it aims to achieve a decarbonized society by 2050, and large corporations are accelerating their efforts to decarbonize their operations. So, medium-sized companies and small and medium enterprises that do business with these large corporations will also need to take action. We believe that finance is the most socially beneficial way for financial institutions to contribute to the realization of a decarbonized society.

By March 2031, the Bank aims to execute a total of JPY2 trillion in sustainable finance, of which JPY1 trillion will be executed in environmental finance. In order to achieve this goal, we will need to build up our project finance projects and further strengthen our corporate finance.

We are currently preparing an evaluation-type loan scheme for medium-sized companies and SMEs, in which they can set environment-related numerical targets, such as the size of reduction of CO2 emissions and the ratio of electricity generated from renewable energy sources. In the loan scheme, we will also provide borrowers with evaluation reports on the status of their achievements and efforts. We will also provide consulting services for environment-related planning, management system development, and implementation support to further increase our value in this field.

Discovering potential needs as a partner for customers



Please see page 18. Next, I would like to explain the advisory services for corporate customers.

In H2 of FY2018, we launched the advisory services for business operators that provide paid services such as business planning to help customers resolve their issues, and both the number of transactions and revenue have been increasing steadily.

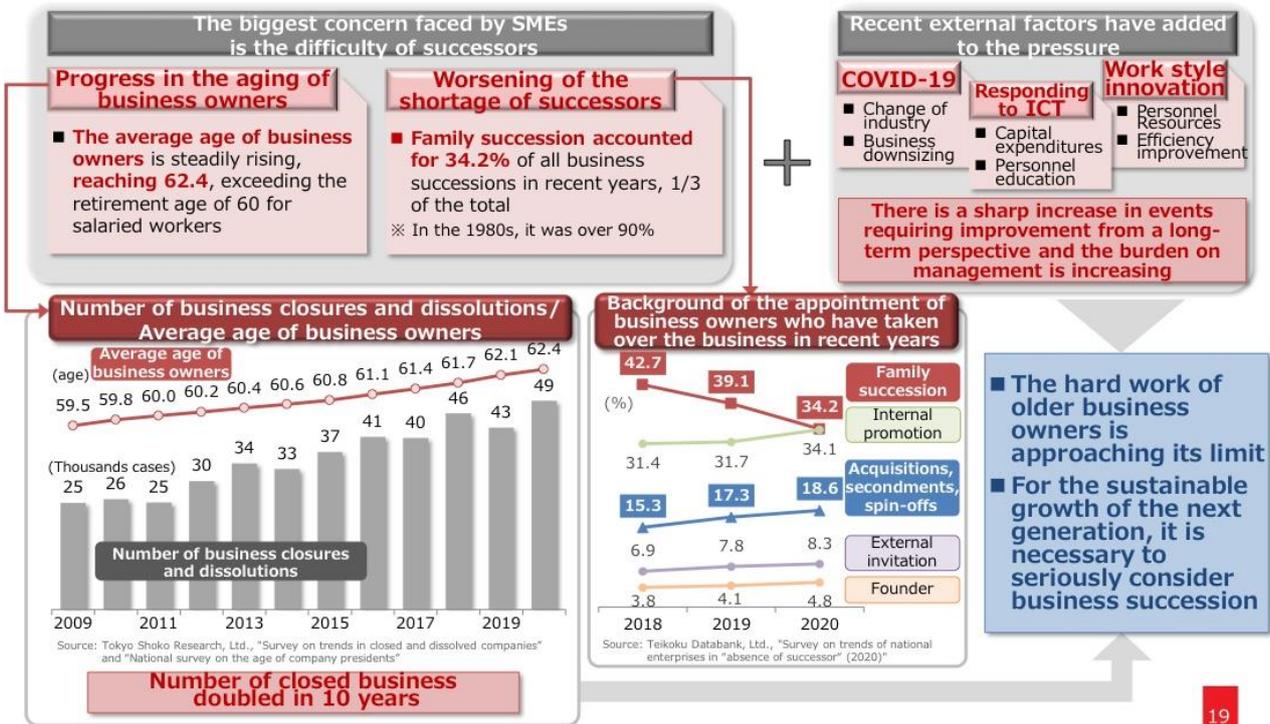
Through our advisory services, we are able to engage in dialogs with our customers regarding their businesses, so that we are able to uncover latent needs that are difficult to find, leading to subsequent financing and business matching. At present, we are expanding the scope of support we can provide, such as helping customers to apply for business restructuring subsidies to support drastic business restructuring in order to respond to changes toward the post-COVID-19 era or the situation under the COVID-19 pandemic, and ICT consulting to support the digitization of our customers' operations.

As a partner for our customers, we believe that the advisory services can uncover latent needs that our customers are not even aware of, which can lead to the provision of many solutions afterwards, so we plan to continue to handle a large number of projects.

That's all I have to say on the subject of corporate business.

Next, Matsumoto, General Manager of Business Succession Consulting Division, will give an explanation of business succession.

Demand for business succession is growing further



**Matsumoto:** This is Hiroki Matsumoto from Business Succession Consulting Division.

Please see page 19. The graph on the lower left is frequently seen data, which shows the average age of small- and medium-business owners. It rose every year, and by FY2020, it was 62.4 years old, which is beyond the age when a salaried employee would reach the end of his or her career.

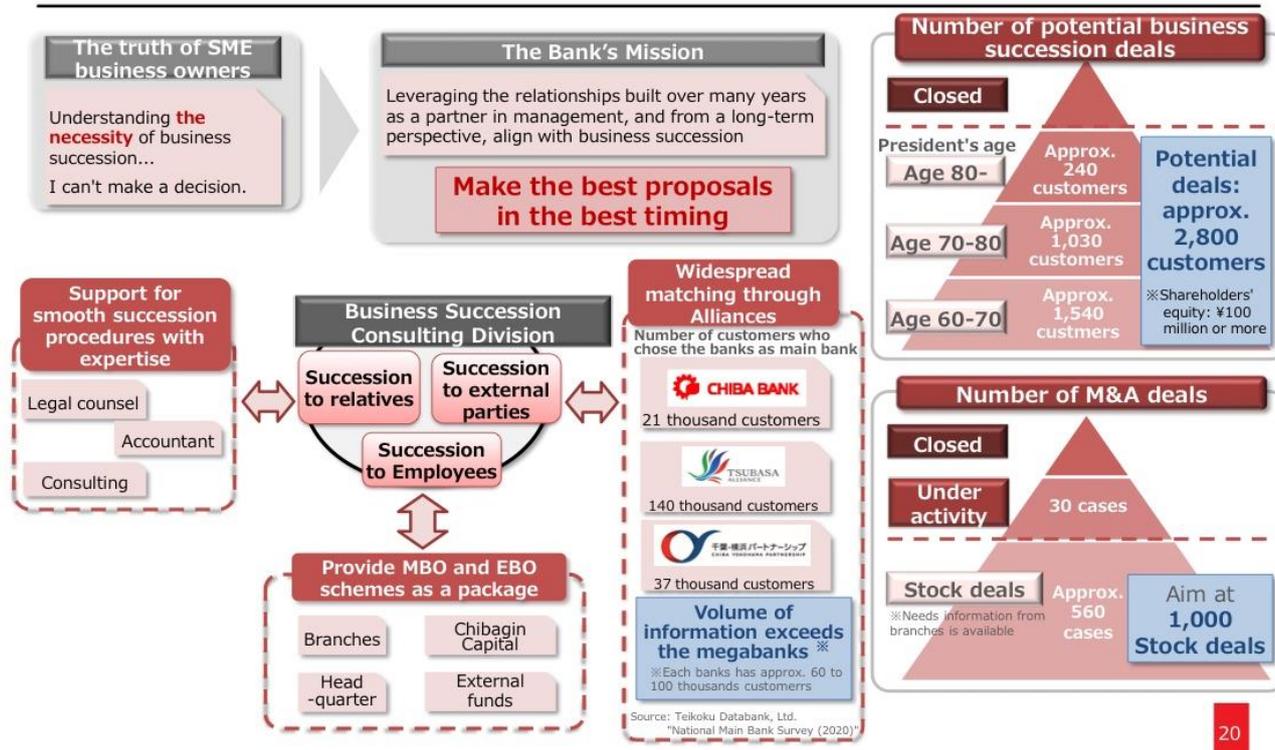
In addition, nearly 50% of our customers enterprises' managers are over 60 years old, and we believe that this data is consistent with our own perception. In addition, as shown in the middle graph below, only 34.2% of the companies that have undergone management succession in recent years have done so through family succession.

Surveys of business owners often show that about 60% of them plan to pass their businesses on to their relatives, but the reality is that it is not going so well. We believe that this has led to the doubling of the number of business closures in the last 10 years, as shown in the graph on the left.

In addition, as summarized in the upper right corner, the business environment for SMEs is becoming increasingly severe due to the serious impact of COVID-19, excessive investment in ICT, and response to the work style innovation.

Given the current situation, we believe that the time has come for us to seriously consider management succession to be one of the most important issues for the sustainable growth of the next generation.

One-stop support for family succession, employee succession, and third-party succession (M&A)



Please see page 20.

Even so, we believe that many SME owners are unsure of what to do, and most often, they are reluctant to take action. Both the Bank and customers have refrained from being frank with each other due to the financial transactions between them. However, regional banks, including our bank, have had long-term relationships with their customers as partners that allow them to talk honestly about matters like internal conditions, family affairs, and the life plans of the managers themselves.

Now is the time to make the most of these relationships and encourage SMEs to give up their management to pass it on to others by making the best proposals at the best time from a long-term perspective, rather than taking a product first approach, such as M&A.

As a concrete measure, we established the Business Succession Consulting Division in June this year as the central organization for this initiative. Until then, we had provided solutions for each of the 3 products listed below, but the Business Succession Consulting Division is now an organization that can provide one-stop solutions for all of them.

Beside the pyramid on the upper right of the presentation, we described the number of potential deals. We will have more than 2,800 potential customers if we estimate the number based on 60 years or older for the age of the president, and JPY100 million or more for shareholders' equity.

In addition, focusing on M&A deals, we have received information on potential needs for more than 500 M&A transactions through our branches. We would like to understand these needs and provide comprehensive solutions for each of them by leveraging the strengths of the Bank, especially by utilizing our alliance network, which is our strength, in the area of matching.

That's all I have to say on the subject of business succession.

That is all for the explanations from the Bank. Thank you very much for listening.