

September 2, 2022 - Small Meeting “Outside Directors Discussion Meeting” Main Questions and Answers

Q. What is the idea to bridge the information gaps between Inside Directors and Executive Officers, and Outside Directors?

A. [\[Director Takayama\]](#) It is natural that there is information gap between inside and outside officers. If the essential direction of strategy and perceptions of issues are shared, these gaps leads to new perceptions and ideas, and it is not necessarily disadvantageous. However, it is desirable to eliminate such gaps, and the most important thing to do so is to have the Board of Directors proposals explained in advance. At the meeting, we clear up any questions, request additional information, and inform the areas we would like to have explained in a focused manner at the Board of Directors. The Secretariat also explains the agenda items of Board of Designated Directors that are not discussed at the Board of Directors. In addition, we deepens understanding of the Bank by attending committee observers, exchanging information with Audit & Supervisory Board Members, holding meetings with officers and division managers, and attending financial results briefings.

Q. With jobs other than the Outside Director of Chiba Bank, how do you manage limited time? Are you able to be involved as your own business?

A. [\[Director Tashima\]](#) I am not in a situation where I have plenty of time, due in part to our core business and other side business, but I am provided with several times more information than other organizations, and I always keep the Bank in mind.

[\[Director Kiuchi\]](#) Outside Directors are expected to have an impact on management from a broader perspective, and all other concurrent duties contribute to the operations of the Bank. While I have limited time to allocate directly to the Bank business, I devote

more time than is calculated in simple hours because of my awareness of the Bank even in other concurrent duties, and I naturally considers fulfilling duties as my own business.

[\[Director Takayama\]](#) Although I am also hold other jobs, my stance of doing everything best remains unchanged. The more I know the Bank, the more pleased the bank will be valued highly, and the more regrettable the Bank will be to be valued severely. On the other hand, as the loyalty to the bank increases, my perspective becomes more stringent, and I am becoming deeply concerned with whether I can point out or make recommendations, and I am involved in my own business.

Q. Please tell us if there are any initiatives by the Board of Directors of Chiba Bank that you would like to introduce to other companies.

A. [\[Director Takayama\]](#) I have served on the boards of directors of six listed companies, each of which is working with ingenuity. Our Board of Directors has also evolved qualitatively year by year, and two of these efforts will be introduced. The first is a free discussion that began recently after the Board of Directors, where we discuss the direction of DX strategy and how to set themes for internal auditing, etc. The second is the Board of Directors' opinion exchange camp, which has been conducting for some time, and it is a good opportunity for Outside Directors to be involved in the formulation of the medium-term management plan. Because of the participation, Outside Directors also have a sense of responsibility, which is also effective in monitoring the progress of the medium-term management plan. Outside the Board of Directors, the Bank has earned a high reputation for promoting women's participation in the workplace, and its training for the development of women in managerial positions is extremely extensive.

Women's Outside Directors also cooperate in the training, and we evaluate it as an initiative that is not very seen in other companies.

[Director Kiuchi] Although I do not concurrently serve as a private outside director and cannot be simply compared, I am evaluated as engaging in open and constructive discussions. By talking freely at close in free discussions outside of board meetings and at camps, I can understand what kind of differences of opinion exist among Inside Directors and how they arrived at their proposals through discussions. In addition, the direct dialogue of Outside Directors with investors and analysts is an advanced initiative for a regional bank, and I believe this is an area where I can make recommendations to other companies.

Q. What changes have been seen with the addition of Director Kiuchi, economist, to the Board of Directors? Are there any points that can be evaluated or limitations?

A. [Director Tashima] The addition of Director Kiuchi deepened discussions on market relations. With low interest rates continuing over the long term and volatile exchange rates, deep knowledge and experience are needed in the management of securities. While many of our Inside Directors are well versed in this area, the checks will be effective from an external perspective, and I would like to rely on them.

[Director Takayama] We were able to bring in the person with the most expected knowledge on the skills matrix. From a major perspective with global financial markets, Japan, and the regional banks within them, I am able to listen to questions and opinions on the Bank roles and risks, and I attend the Board of Directors while learning.

[Director Kiuchi] It is important to balance the areas of expertise in the skill matrix and to utilize different experiences and areas of expertise in each. However, since not having experienced and not having expertise will also lead to a major discovery, we do not intend to contribute solely in the field of our expertise. I have knowledge of the overall

economic environment, monetary policy, digital, and climate change, and I would like to broaden the scope of my work at the Bank while creating a virtuous circle through my experience at concurrent duties.

Q. Do you feel that there are skills that are lacking on the Board of Directors? If there is a shortage, whether it is shared by the Board of Directors, and how is it seeking to supplement it?

A. [Director Takayama] Outside Directors do not fulfill our responsibilities solely through our expertise, and we are required to look at things from a broad perspective. It is a good ideal way to accumulate various experiences and have both the overlapping and the different backgrounds. Daring to mention skills that are lacking, one option would be to add those with a background in marketing, as non-financial areas are expected to be a growth area in the future.

Q. While there are few examples of female Inside Directors at regional banks, please tell us about the course in which Managing Executive Officer Awaji was appointed. What is the background behind her appointment to the important roles of CDTO and CHRO?

A. [Director Takayama] Prior to becoming an executive, Managing Executive Officer Awaji was a person who was expected to be an executive candidate in the future, and was also shared as one of the director candidates in the Corporate Advisory Committee. She has a strong willingness to change, objective, fair, and sense of balance. She is evaluated as having strong communication capabilities and the power to drive people and organizations while motivating subordinates. Digital is required to catch new information and take on challenges with a sense of speed. Human resources, on the other hand, is an area with a great deal of historical frustration, and change requires a new perspective, and CDTO and CHRO are qualified from those perspectives. In promoting

DX, the development of digital human resources is indispensable, and it is considered that there are also merits for concurrent duties.

Q. Please tell us if there are any examples of opposition from Outside Directors in the discussion of the new medium-term management plan.

A. [Director Kiuchi] Although the composition of the meeting did not result in a major conflict between Inside and Outside Directors, there was some discussion about how to think about our responsibilities as a regional financial institution. While it is an important philosophy for us to contribute to the region as a regional financial institution and grow together with the region, we are one of the top regional banks, and we are expanding the functionality of our apps, and we are approaching a position to receive our services from anywhere in the future. I think it would be better to have a strong sense of going out a little more from the territory Chiba. I also had an impression that there were a variety of discussions on how to consider the Banks' positioning in the future, although this was not a conflict, and that it might become an even more important theme in the future.

Q. An increasing number of regional banks which are establishing holding companies, but what sort of arrangements are being made at Chiba Bank regarding the conversion of the banks to holding companies? Also, how do you think as Outside Directors?

A. [Director Kiuchi] There is no specific plan to establish a holding company. While the conversion to a holding company can strengthen the integrated management of the Group, overlapping organizations and high costs are cited as disadvantages. With the current group chief officer system, management is sufficiently integrated. In addition, due to the small size of the group companies, the establishment of a holding company is unbalanced, and it is an efficient system in which the Bank leads and oversees the whole.

In the future, as the non-financial business expands, we may consider becoming a holding company, and research will continue.

Q. I feel that valuations in the stock market are inadequate. Are these discussions taking place at the board meetings and what are your thoughts on this?

A. [Director Kiuchi] In addition to its strengths in equity capital and low expense ratios, it has a variety of initiatives ahead of other banks, such as alliances, women's active participation, climate-change responses, DX, and cashless business. These initiatives have been commended to a reasonable extent by the stock market. However, due in part to the issue of valuation of the banking sector as a whole, it is not easy for PBR to exceed one-fold. I believe that only when we are no longer a bank will it cease to be a banking valuation. For this reason, it is important to expand non-financial businesses utilizing digital, and this will be a point that will be emphasized in the next medium-term management plan. The app is being used as an infrastructure for financial services, but it will enable access to non-financial services. By combining the creditworthiness of banks and their connoisseurship to know well the companies they do business with, we will provide services to individual customers by linking financial function platforms such as BaaS to non-financial institutions. Only when we can see ourselves as something other than an ordinary bank, will we be able to attract valuations that are different from those of a bank.

Q. What is the reason why the Chairman as CEO and the President as COO?

A. [Director Tashima] Although CEO is the Chairman and COO is the President, within the Bank, the Board of Directors as a whole manages the Bank collectively. The Office of Directors and Audit & Supervisory Board Members is a joint office. It sounds all of what is being discussed, and related people gather for discussion. Although there are different

roles, it is unique in that things are done by consensus as a whole. The Chairman and the President are essentially two-person CEO, COO operations and share them in the best way.

[[Director Takayama](#)] Even in joint operations, there is a rough division of responsibilities, with the President taking the offensive and the Chairman taking the defensive, such as risk management and governance, to ensure smooth operations.