

January 17, 2025 – CEO Small Meeting (Organized by Toyoki Sameshima, Analyst, SBI Securities) Main Questions and Answers

[Management]

Q. I think the banking industry has changed dramatically since 2000, but from the point of view of the president Yonemoto, how has Chiba Bank changed?

A. First, we have increased the "Strengths of Chiba Bank." Its operating base was able to increase deposits and loans as the region grew. OHR and NPL ratios fell below the level of 40% and 1%, respectively. As a result, CET1 has been stable. The number of TSUBASA Alliance member banks has been expanded to 10 banks. The alliance strategy was further deepened, including the alliance with Musashino and Yokohama. Second, to create differentiated products and services, the Bank has challenged a variety of new fields, including cashless, trusts, apps, buyout funds, metaverses, and NFTs. Third, we were able to use the business improvement order as a catalyst to change the organization and culture. I am conscious of the transformation to a bottom-up organization. I have said, "Let's become a strong organization that can think and act on its own" and "Headquarters should support sales branches" by eliminating earnings targets for individual departments and changing branch targets to voluntary ones. In the middle of the road, I feel that it is gradually changing.

Q. Given the three challenges facing Chiba Bank.

A. The first is retail business. Revenues from sales of financial products have leveled off as we have eliminated earnings targets and changed to action targets. Under these circumstances, the person in charge of liaison has been transformed into a general consultant for individuals. 86% of persons in charge of liaison for sales of financial products have experienced procedures for testamentary trusts and disposal of estate, and

although revenues from the sale of financial products have remained flat, gross business profit has increased by approximately 2.0 billion yen each year for the entire retail business, including trusts. Although the business as a whole is robust, we believe that one of the challenges is to change the way of doing business, the way of thinking, and the mindset of the person in charge.

The second is group-wide management. In response to the order to improve business operations, Chibagin Securities has been thorough after follow-up measures, and as a result, dividends from group companies have been only a little less than 5.0 billion yen. We believe that the group companies can grow further in the future and increase the difference between the consolidated and parent companies, and we are reviewing our strategy, mainly in the sales division, for the next mid-term plan.

The third is the regional ecosystem. In order to create a regional ecosystem that includes apps, cashless services, and regional trading companies, the Bank is considering combining TSUBASA points with individual loyalty programs and utilizing them for sending customers to local businesses and rewarding points. The ecosystem is considered to have a very high affinity with the local community, and the Bank is strengthening its efforts based on the concept of "Region-wide DX."

Q. What has changed or not changed as you stand at the top of Chiba Bank?

A. What has changed is that we are able to put what I have in my mind into practice as a business. While the Bank is working to introduce specific products and services and develop channels while envisioning the future, it has become possible to extract issues from the current situation, formulate hypotheses, and repeatedly verify the effects, and

to analyze the true cause of issues without fail and confirm them.

The point that remained unchanged is that the Bank continues to pursue digitization and a regional ecosystem. I think that the fact that the number of app registrants exceeded one million is the result of discussions by comparing the specifications of preceding banks. The results of development from scratch have been achieved, and the app store evaluation is the same as that of preceding banks. By developing a regional ecosystem in the non-financial sector, I think it will be possible to increase the number of fans.

<Enhancement of corporate value>

Q. What do you think is necessary to increase the P/E ratio of regional banks, and what do you want to appeal to investors?

A. I think it is important to lower the cost of capital and increase the profit growth rate. With regard to lower the cost of capital, we will increase the accuracy of performance forecasts, stabilize earnings, and respond to ESG, explaining the details to investors. With regard to profit growth rates, we will explain our growth strategy for sustainable growth, including capital allocation. We want to invest in businesses that are more profitable than the cost of capital. We also want to be able to explain the relationship between non-financial value and financial value of human capital investments.

Q. Last year's stock performance wasn't always good. What are you thinking about now for better performance?

A. Capital allocation and growth strategies will be described more specifically. I would like to provide quantitative explanations on non-financial matters and increase the frequency of dialogue.

[Capital Policy]

Q. The CET1 ratio is considered to be somewhat too thick considering future growth investment and acquisition of risk assets. While megabanks have been working hard to raise the P/B ratio, they appear to be lacking in effort. What do you think about that?

A. I'd like to do my best to achieve the targets we have discussed. Capital utilization is considering how to accumulate risk assets, invest in strategic systems, inorganic investments, and return through capital allocation. Recently, the Bank has begun examining the next mid-term plan, and is now reviewing the appropriate level, including capital allocation, top risk, and CET1 range.

Q. Do you use treasury stock for inorganic investment? Or are you considering cancellation?

A. I think it is necessary to consider it from the same viewpoint as investors while considering the capital discipline. Previously, the Bank had explained that it could be used for M&A, but there are no plans at this point. Therefore, the Bank intends to proceed with its consideration toward the next mid-term plan, including the cancellation.

[Banking Industry]

Q. What changes in competition in the banking industry might be expected in "a world with interest rates"?

A. "Stickiness of deposits" is particularly important. We are considering what contributes most to ROE, profit margin, and OHR based on our B/S. First, for loans to mid-sized corporations and SMEs, the input rates are the same in Chiba Prefecture and outside Chiba Prefecture. The loan growth rate is 3% in Chiba Prefecture and between 6% to 8% outside Chiba Prefecture, so we would like to steadily increase the growth rate. Securities investments more likely to be purchased as interest rates approach terminal rates. And it

is the deposits that change most. From the viewpoint of banks, it is conceivable that the profit margin will be higher when deposits are made with the Bank of Japan's current accounts as compared with trust fees due to the sale of investment trusts, as the policy interest rate will approach 1 % and the profit spread will be obtained. What is important here is to consider what is best from the customer's point of view. A different approach could be taken, for example, to increase funding by offering digital, low-cost time deposits at preferential interest rates and put them into operation.

Q. What are the opportunities for inorganic investment? Please tell me the criteria. Does the value of deposits accelerate the reorganization of regional banks?

A. What we want to grow through investment is the introduction of new products and services, and a high priority is given to those that can provide value that contributes to reforming our customer experience. The amount of deposits at the Bank increased in the range of 2% to 2.5% per annum, and transfers from other banks was overdeposited. Since deposits are purchases by banks, it is a strength to be able to purchase at low interest rates. Generally speaking, it is possible for a financial institution that cannot purchase at low interest rates to cooperate with a financial institution that can do so.

Q. Collection of deposits becomes more difficult for lower-tier businesses. Can industry-wide restructuring take place?

A. Although there are differences in size among types of financial institution, the affinity of the same type of financial institution is higher. There are also differences from regional banks in that credit unions and cooperatives have a backup system for central organizations.

[DX Strategy and Alliance Strategy]

Q. In terms of competitive superiority, DX personnel are considered to be not "digital (D)" personnel but "transformation (X)" personnel. How many X people are at the bank? Also, please tell us about their background and how they are fostered.

A. The DX personnel is based on approximately 1,700 DX-based personnel, approximately 100 DX Core personnel who are considered equivalent to X personnel above DX Core personnel, and approximately 20 DX Specialist personnel and pyramid-like personnel at the top. Career hiring is about 40% for DX specialists and about 20% for DX Core personnel. The framework of human resource development is the DX Trainee System, which began three years ago and nurtures 20 employees annually. Specifically, after having received three months of training within the Bank, he gained practical experience at an outside company for six months to one year, and returned to work immediately. In addition, using EDGE Technology's educational program "Job Colle", we conducted video training on "AI Introduction" for all bank employees. By designating 2025 as the first year of AI, the company hopes to become a company that is native to AI. The DX Human Resources Development Plan, which adds the elements of AI, has also been reviewed.

Q. Please describe the state of collaboration in the DX strategy of the TSUBASA Alliance.

A. The collaboration has been expanded to core system, subsystems, common API infrastructure, and administrative collaboration. The main frame system is scheduled to be renewed in 2029, and we want to make it a main frame that will enable us to enhance the sales activities of the front desk. The subsystem also solicits banks to collaborate each time the subsystem is renewed, which reduces the cost compared to the independent response. In the API platform, our apps are used by many banks in the alliance. In terms of scale, the TSUBASA Alliance's total number of active accounts is comparable to that

of megabanks. As for monetization of the API platform, it will be considered within a regional ecosystem that uses cashless platforms and regional trading companies.

In addition, the internal administrative work of banks has become much more efficient. With no seal impression, no paperless seal, and no cashless seal, the headquarters checks all inspection of the Bank. If the main frame system and the subsystem are combined, it is possible to standardize them. We're starting to see a world where the affairs of the member banks are common. We believe that we will be able to promote DX of both the front and back-end.

Q. Are there any other companies that are paying attention to the DX strategy?

A. For the ecosystem, see Pay Pay and Rakuten. It needs to be a useful and convenient app, and we refer to the preceding company.

Q. Pay Pay and Rakuten have banks, securities, and e-commerce. Can you fight it?

A. The Bank apps use less than 40% of its operating accounts, and MAU accounts for about 80%. In Chiba Prefecture, the number of cashless cardholders is 0.90 million customers, with 0.050 million franchisees and cashless transaction volume exceeding 800.0 billion yen, and 1 trillion yen has been seen. In addition, Chibagin Market, local trading company is crowdfunding, which sells five to ten new products a month, and collaborates with local governments and businesses. Royalty programs in these app, cashless, and regional trading company could be combined together. We believe that there are many customers who do business with the Bank in terms of "regional promotion," and we would like to increase the engagement of these groups and increase the number of fans.

Q. Can the synergy and potential of the TSUBASA alliance in the DX strategy be more actively promoted through information disclosure? I think it would be better to hold

information disclosure and IR events jointly.

A. We would like to consider investor relations events involving TSUBASA banks. I would also like to actively discuss information disclosure if there are opportunities to discuss it at small meetings, etc. The alliance strategy is attractive not only to TSUBASA but also to Musashino Bank, Yokohama Bank and Sony Bank.

[Pure investment shares and Cross-shareholdings]

Q. About the concept of pure investment shares. I think it's hard to justify holding risk-return portfolios like institutional investors and funds. Shouldn't it not be halved but zero?

A. Changes were made to pure investment shares for items that are outside the significance of cross-shareholdings. The Bank is negotiating because of some restrictions on the sale of some shares. The Bank's target is to halve the number of shares and the market value of the entire share. This is because the Bank will proceed while considering capital allocation, including the impact on its financial results, returns, and growth investment. We will aim to further reduce the amount.

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