

**November 16, 2020—Financial Results for the First Half of FY2020 ending March 31, 2021**  
**Main Questions and Answers**

- Q. How have you communicated the self-evaluation of the current financial results to the Bank's executives and employees? Also, how do you think of issues and risks based on financial results?
- A. The current fiscal year began in a challenging environment with social turmoil due to the pandemic of COVID-19. However, we have continued business by split work and have been sincerely supporting customers through loans, etc. As COVID-19 has somewhat converged and we have resumed active sales, we have responded to customer needs related to financial products sales and advisory services, etc. I communicated that financial results are the result of efforts by executives and employees even in COVID-19. The challenge is to respond to future environmental changes securely due to the impact of COVID-19.
- Q. How will you strengthen and accelerate the structural reform in the future based on the impact of COVID-19? Compared to the thinking before COVID-19, what changes have been made from the perspectives of channel strategies such as branch, working styles, the way organization should be and DX?
- A. Digital Strategy is a pillar of the medium term management plan before COVID-19 and it will be accelerated in consideration of the impact of COVID-19. The new headquarters office building is adopted a free address office system and equipped free spaces which staff in various departments can easily communicate in accelerate digitize. In addition, we set out the moonshot goals in the pandemic of COVID-19 and aim to provide "Best apps" and "Best corporate portal," and to create system that centralize information scattered across various departments to obtain the high valuable information "anytime," "what you want," and "in what you want". Due to the impact of COVID-19, the number of customer visiting branch is declining, so we will review the number of clerical staff in line with the current situation and allocate the staff that is made by reviewing to the sales representative. In terms of branch strategy, we have been reducing personnel and consolidating branch in mature regions up to the present time. In April, Tateyama Area Sales Office was newly established in Tateyama area and the area collaboration system was built. It enabling it to accommodate staff within the area and work on regional revitalization throughout the area. The Tateyama area achieved its first half of FY2020 target and got results in sales promotion, because each branch's general manager, such as the Shirahama branch, was set up to follow up their own customers while they were stationed at the Tateyama branch at the same time reducing the number of personnel. We would like to consider expanding it to other areas in the future. We undertake these initiatives to improve overall productivity. Following the impact of COVID-19, we will change the business model to become prominent bank in digital.
- Q. Please tell us about the possibility of applying the BOJ's special current account system and the timing of its achievement.
- A. We don't think applying the system by merger requirement at present. Regarding applying the system with OHR or cost reductions requirement, we work on actively toward applying the system and intend to further improve operational efficiency. If the medium term management plan is realized, we expect to meet the requirement and advance ahead of the schedule of the medium term management plan steady.
- Q. Is there any difference between the absolute amount of gross profit per digital customers and non-digital customers, while the composition ratio of digital and non-digital gross profit is disclosed?
- A. Digital customers include many of the Bank's core customers such as housing loan customers. The gross business profit per digital customers is 1.6 times more than that of non-digital customers and it is highly profitable. We will continue to create highly profitable digital customers who will be our base customers by expanding the functionality and convenience of the apps, etc.

Q. After the medium term management plan was announced, the environment changed dramatically due to the impact of COVID-19. Whether net interest income is expected to fluctuate strongly or weakly compared to the initial medium term management plan because of changes in balance and interest rates, etc.

A. As the large number of loans related to COVID-19 executed in the latter half of the first half of FY2020, the contribution to net interest income in yen currency is expected to increase further in the second half of FY2020. With regard to foreign currency, we suspect that the decline in net interest income will not continue because we normalize market operation in the second half of FY2020. Net interest income for the first half of FY2020 as a whole decreased by ¥1.4 billion compared with the corresponding period of previous fiscal year, but only for the second half of the fiscal year, it is expected to increase by ¥0.2 billion compared with the corresponding period of previous fiscal year. As of September, net interest income per day on loans in yen currency increased by ¥1.7 billion on an annualized basis compared with the corresponding period of previous fiscal year. Considering that the majority of loans related to COVID-19 are long-term loans, it is expected continuously to contribute to an increase in net interest income in yen currency. The amount of increase in net interest income in yen currency was expected to increase by ¥2.4 billion in three years at the start of the medium term management plan, but we think there is a good chance that it will increase further. Net interest income in foreign currency decreased in the first half of FY2020 not only due to the volume factor, but also we conducted cautions market operation on funding and longer-term funding with high interest rates increased because the market was unstable by the pandemic of COVID-19. From the beginning of the second half of FY2020, it has returned to normal not only investment but also funding, and we aim to increase by ¥1.9 billion in the three years that it had planned at the beginning of the medium term management plan. As a result, we think there is a good chance that net interest income in the final year of the medium term management plan will be stronger than the projection of an increase by ¥4.3 billion in the three years that were initially planned in the medium term management plan.

Q. Can I expect a total return ratio at the same level as the return in the past?

A. With the pandemic of COVID-19 continuing worldwide and the third wave concerning domestically, we are refraining from announcing the future returns policy. The Bank's policy of "return profits to shareholders by balancing growth-investments and a sound capital base" remains unchanged, but we would like to determine the future return policy while taking into account the progress in results and the accumulation of risk assets.

Q. If the share buyback is postponed in the current fiscal year, can you consider making more than expected the amount in a single fiscal year from the next fiscal year by turning the share buyback amount that it has postponed this fiscal year into the next fiscal year?

A. If we achieve V-shaped recovery at the financial results for the next fiscal year compared to the current fiscal year, there is a possibility that we will make the extra share buyback, while we will be look at the accumulation of capital and risk assets.

Q. What do you think the risk that net credit costs will be higher in the next fiscal year compared to the current fiscal year if the impact of COVID-19 continues?

A. Even if the impact of COVID-19 continues in the next fiscal year, net credit cost related to COVID-19 will be ¥8.3 billion and increase by only ¥3.4 billion from the ¥4.9 billion forecast in the current fiscal year. The amount of upside in net credit costs can be suppressed to a certain extent. The Financial System Report assumes that the credit cost ratio of domestic banks will remain high in the next fiscal year and next fiscal year. However, we believe the Bank doesn't correspond this scenario considering the business base and the composition of borrowers' industries.

Q. How do you think the risk of a "cliff in three years" while repayment and interest payments on loans with guarantee of the Associations begin three years later?

A. Three years later, the noninterest-free period expires, but we don't think that this will cause the customers' funding to suddenly deteriorate. Among customers who borrowed with guarantee of the Associations related to COVID-19, 85% of them are with an application amount of less than ¥50 million and many of them are in a condition where additional borrowing is possible. We believe that it is possible to continue to provide financial support in the future.

Q. Are COVID-19-related loans to corporations transferred to capital loans in the future?

A. Credit risk will increase if it transferred to capital loans, but consultation is limited at this point and the transfer to capital loans is not expected to proceed significantly. We establish the system to support customers who have suffered financial damage, but we do not think there are so many such customers.

Q. Are you considering a transition to a holding company?

A. We believe that there are not so many tax and regulatory advantages. Since there is a large difference in the scale of profits and other factors between the Bank itself and its subsidiaries, we think that it is more efficient to keep them as subsidiaries of the Bank itself and that it also has advantages in terms of governance. Instead of a holding company, TSUBASA Alliance Co., Ltd. was established by the equal investment by each TSUBASA alliance bank. In the company, AML-center was established as a business related to money laundering and preventing terrorist funding. Going forward, TSUBASA Alliance Co., Ltd. will continue to play a role of a platform to consolidate the businesses and functions common to each bank with the aim of further efficiency and sophisticated collaboration measures.

Q. How do you think the factors behind underperformance compared to the initial financial plan and how will it cover them in the future, while the plan was bullish? Net fees and commissions incomes continue to make a downturn in the future, while it has been declining substantially?

A. In the first half of FY2020, while net fees and commissions incomes decreased due to the impact of COVID-19 on financial products sales, net fees and commissions incomes related to corporate solution and loans were robust. As a result, consolidated ordinary profit progressed 97% of the original projection. In the full-year plan, although the breakdown of the fees plan was changed according to the progress in the financial results and the environment, the projection for consolidated ordinary profit has been remained at the initial plan of ¥48.5 billion. If the downturn in net interest income in foreign currency subsides, overall net interest income is expected to exceed the forecast due to an increase in COVID-19-related loans. Net fees and commissions incomes related to corporate solution can also be expected to improve as a result of concrete projects in the second half of FY2020 and the strong performance of syndicated loans with TSUBASA alliance, Chiba-Musashino alliance, and Chiba-Yokohama partnership. Taking these factors into account, we believe there is a reasonable possibility of achieving its full-year projection.

Q. What is the view of the BOJ's special current account system?

With respect to the level of OHR, we will continue to increase gross business profits and reduce expenses in order to meet the requirements of the BOJ. In the personnel plan, we will proceed with the reallocation to the profit division and strive to reduce OHR level by 4% in three years.

Q. In the cashless business, how much participation of TSUBASA alliance can be expected?

A. It is in discussions with each bank and several banks has been considering concretely. Visa Debit is named "TSUBASA Visa Debit Card" and we would like to encourage many banks to participate. TSUBASA cashless payment platform is also available to banks other than TSUBASA alliance. It will gradually expand, while TSUBASA alliance banks begin handling each time. We want you to look forward to it. There are some banks that have already dispatched trainees to the cashless business of the Bank, so in the future we will proceed toward realization.

Q. What is Chiba Bank's policy of overseas network while some other banks have closed their overseas offices. Will you expand your current network?

A. We have been continuing to support our customers even in the pandemic of COVID-19 and we will continue to do so in the future in our three branches in New York, London, and Hong Kong, as well as in our three representative offices in Shanghai, Singapore and Bangkok. We will consider opening new bases as necessary, as looking at the status of trade-related agreements and others.

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