Progress of the Medium Term Management Plan and Alliance Strategy



Progress of the Medium Term Management Plan

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Final SSIGNE 3- YEAR and SValue of creation

Progress of the Medium Term Management Plan

Hind SStage 3 veare afsvalue concreation

2014 4 management plan 2017 3

Best Bank 2020 Final Stage -3 years of value co-creation

2017.4

New medium term management plan

2020.3

A financial group with "advancement" "high productivity" and "unwavering trustworthiness."

Striving for sustainable growth with the region amidst an increasingly stringent environment

Creating the "Best Retail" banking group*

"Co-creating value" with a wide variety of stakeholders

*A financial group which provides top-class satisfaction through advanced services and is highly regarded by local customers, both individuals and SMFs.

Key issues involved in "Best Bank 2020 Final Stage - 3 years of value co-creation"

Co-creating customer value

- Further enhancement of initiatives that offer core business support for business partners based on evaluation of their businesses and that contribute to regional revitalization
- Extensive focus on "fiduciary duties" in the asset management business
- Creating advanced services with high added-value that utilize FinTech, etc. in response to the digitalization of society as a whole

Realizing work style reforms that allow all employees to shine

- Developing a **professional** workforce
- Promoting further diversity
- Review the way individual employees work to develop a structure that allows them to specialize in business with a high added-value

Strengthening a sustainable management structure

- Further strengthen alliances with other banks such as the "Chiba-Musashino Alliance" and the "TSUBASA Alliance"
- Achieve low-cost operations through drastic reviews of business processes
- Positive and pro-active response to **ESG** issues

Improved efficiency of business operations and digitalization

OTC and in-store efficiency improvements, introduction of teleworking





Redistribution of personnel to growth sectors/divisions

Initiatives to enhance business functions, promote growth sectors





Improving sales capacity

Improve sales capacity in strategic sales areas (23 wards in Tokyo) etc.



Strengthen cooperation with alliance channels such as securities and asset management, etc.



Focus on business operations with high added-value in order to realize the co-creation of value

Create a vibrant working environment for personnel with specialist skills

Build a structure where it is possible to operate with fewer members of staff

The concept of improved business efficiencies

1. Simplification

 Prepare rules and procedures in a simple manner

2. Systems Development

- Integrate and standardize systems and customer data
- Automate inquiries and key entry operations
- 3. Headquarter concentration
- Concentrate the business operations of sales stores in central headquarters

Key measures

- ✓ Improve efficiencies in financing/loan operations
- ✓ Improve internal (OTC, instore) efficiencies

Reform OTC operations	Reform in-store operations
① Self-service Operations	④ Non- administered cash transactions
② Interactive Operations	⑤ Concentration in central headquarters
③ RemoteOperations	⑥ Paperless transactions

✓ Integrate various systems, etc.

Quantitative/qualitative effects (Specific examples)

Increase problem solving capacity through collaboration with Daishi Bank

Reducing 200 employees' work volumes through the integration of financing systems

Reducing 160 employees' work volumes through the concentration in central headquarters

- > Reducing administrative costs
- Provide an environment and relocate personnel to allow us to focus on customer support

Relocation plan

880 employees

We have already started business reforms aimed at working something out for around 880 employees (through the conversion of work volumes)

Of this number, it is likely that around 600 employees can be relocated over the mediumto-long term.

Reduction in work volumes resulting from improved efficiencies in internal operations

600 employees

Reduction in work volumes resulting from improved efficiencies in financing operations

200 employees

Reduction in work volumes resulting from improved efficiencies in headquarter operations

80 employees

Enhancing sales capacity and increasing earnings

Career design training Reforming attitudes through training Internal and financing affairs Headquarters In charge of sales and headquarters planning and promotion Smooth career changes

[Key opinions from trainees]

- As the environment surrounding banks has changed,
 I feel that the <u>skills required of bankers</u> are changing.
- I can understand the need for career changes.
- It is inevitable that there will be a reduction in staff with IT developments.
- I am worried about the new business and sales targets.

(Trainees: over 500)

Final PStage 3 yearearsvoluecocreation

ESG Initiatives

Environmental (E)

Promotion of environmental finance

Governance (G)

- Improving the sophistication of corporate governance
- Enhancing risk management structure
- · Ensuring thorough compliance

Social (S)

- Promoting business assessment
- Promoting diversity
- Contributing to regional revitalization
- Promoting work style reform

ESG Promotion Committee

(Chair of the Committee) President

(Committee Members) Members of the Management Board; general managers of Corporate Planning Division; Public Relations Division; Human Resources Division; Diversity Management Division; Corporate Business Division; Regional Revitalization Division, etc.

(Secretariat) Corporate Planning Division

The ESG Promotion Committee develops the Bank's ideas

- Our initiatives
- Activities to the regional community

ESG Perspectives

By improving the disclosure of information we can enhance investors' understanding

Example 1 Diversity

Promote women in the workplace as a management strategy

Proportion by women	2006 End March	2017 As of July	FY2020 Target
Management positions (No. of persons)	2.0% (17)	11.4% (118)	20%
Leadership positions (No. of persons) *	9.4% (98)	29.9% (260)	30%

^{*}This includes staff in jobs with subordinates such as deputy branch managers, etc. and other staff in similar positions, and persons who, as those responsible for supervising business, have responsibility for organizational management.

First regional bank



MSCI 等 MSCI日本株 女性活躍指数 (WIN)

FY2017 - the "Nadeshiko Brand"

"MSCI Japan Empowering Women Index"



Ministry of Health, Labor and Welfare "Eruboshi" (top ranked)



Ministry of Health, Labor and Welfare "Platinum Kurumin"

Example 2 Regional revitalization

Agricultural issues

Increase in disused cultivated land

Absence of anyone to inherit farming households

Aging of agricultural employees

Resolutions

Establish an agricultural corporation "Fresh Farm Chiba Co., Ltd."

- Large-scale commercial farming through the consolidation of farm land
- More efficient farming using large agricultural machinery
 Development of corporate
- Development of corporate management in agriculture
- Development of sales channels for produce

(14.5% investment by the Chiba Bank Group)

- Local companies and residents
 - Local farm employees
 - Shareholders
- Local government
- OEstablishing a sustainable framework for agriculture
- Ocontributing to the development of local farming and revitalization of the regional economy
- An approach that both resolves social issues and increases our earnings

<Target indicators for 2020/3>

Profit Attributable to Owners of Parent ¥60Bil.

Consolidated ROE (shareholder equity base)
7% range

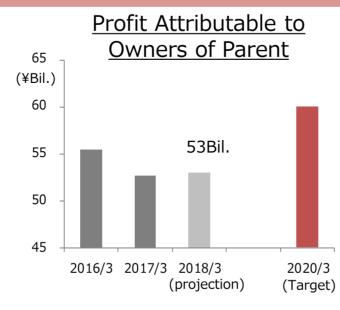
Consolidated CET1 capital ratio

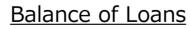
12% range

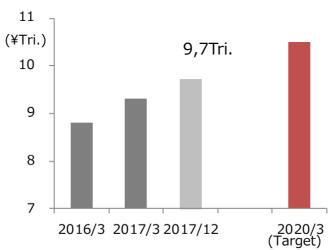
Balance of Loans **¥10.5Tri.**

Balance of Deposits **¥12.5Tri.**

Group Total Balance of Financial Products **¥2.5Tri.**

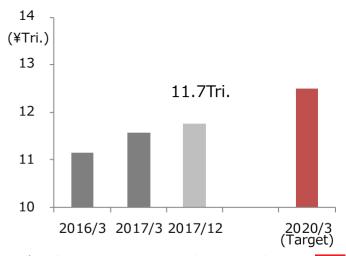






Consolidated CET1 capital ratio 12 11 12 11 2016/3 2017/3 2017/12 2020/3 (Target)

Balance of Deposits



Final SStage 3 yeareads value occreation

Alliance Strategy

Chiba-Musashino Alliance



Tokyo Metropolitan Area Collaborating in all sorts of ways to improve the level of products and services and share back office operations, etc.

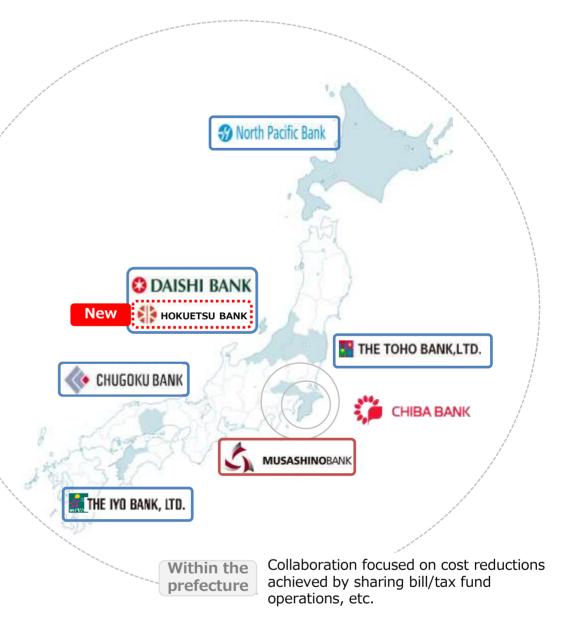
(End of March 2017)	f March 2017) Total for the 2 banks	
Total Assets	¥18.5Tri.	
Total loans	¥12.7Tri.	
Total deposits	¥15.5Tri.	
Market capitalization	¥737.6Bil.	

TSUBASA Alliance



Broader based areas Expanding from IT-focused collaboration to also include business operations

(end of March 2017)	Total for the 7 banks	
Total Assets	¥52.5Tri.	
Total loans	¥31.7Tri.	
Total deposits	¥42.9Tri.	
Market capitalization	¥1,690.2Bil.	





Establishment of the "Chiba-Musashino Alliance Co., Ltd."

– a joint investment by both banks



Year 1 / Year 2 (FY2016 • FY2017)

Sharing of know-how

Development of new initiatives

Establishment of a framework to promote the alliance

Year 3 (FY2018)

Raising the strategic importance of the alliance
Investigation into the sharing of subsystems and rules
Stable operation of collaborative initiatives

MUSASHINOBANK



Sales platform/brand in the Tokyo Metropolitan Area

Sharing of know-how
Leveraging of group companies
Personnel exchanges

Contributing to the local economy and providing services that are very customer-friendly

Increasing top-line earnings and reducing costs
Numerical results (for the two banks combined)
to exceed ¥10Bil. cumulatively over 5 years

Year 4/Year 5 (FY2019 • FY2020)

Broader collaboration

Recording the steady effects of the alliance in the accounts

Firm SStarge 3 yeareafsvoluecocreeation

Business Succession Fund

Chiba-Musashino Alliance
- Limited Investment Partnership No.1

(Total value: ¥3,000Mil.)

Project No. 1

Company Name	Mt. Fuji Springs Inc.
Key Business Profile	Water server and Mineral water business
Investment amount	¥120Mil.

Supporting smooth business successions

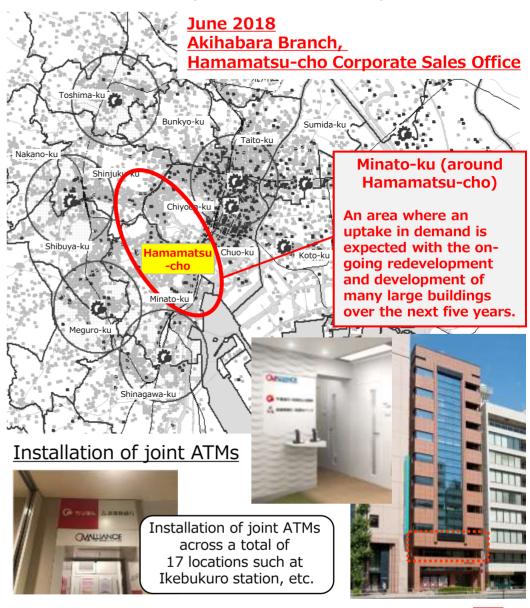
for customers of Chiba Bank and Musashino Bank

■ Changes in store functions

Type of store	Details of operations	Trends
General stores	All operations	-
Personalized model	Deposits, financial products and consumer loans	1
Money plaza model	Deposits and financial products	1

- Review of help-desk operating hours Introduction of a lunch break (11:30 - 12:30) in some branches in the prefecture
- Store consolidation

Cooperative sales in Tokyo









Main frame system cooperation

Chiba Bank	Daishi Bank	Chugoku Bank	North Pacific Bank
January 2016∼	January 2017 \sim	May 2017 \sim	Toho Bank
	ne system co Mutual back ups	-	Reaching a basic agreement on participating in the cooperation

Sharing of administrative operations

- Enactment/abolition of administrative affairs
- Inquiries from sales stores
- Training
- Concentration to administrative centers, etc.

Personnel solutions/ cost savings

Consolidation/succession of know-how

Retention and training of professional personnel

Studies and research on FinTech

Title	T&I Innovation Center Co., Ltd.		
	Chiba Bank	40%	
Investment Ratio	Daishi Bank; Chugoku Bank; Iyo Bank; Toho Bank; North Pacific Bank; and IBM Japan	10% each	

TSUBASA FinTech Platform



TSUBASA Alliance Banks

Financial institutions outside the TSUBASA Alliance banks



Chiba-Musashino Alliance

TSUBASA Alliance

Inheritance- related services	Musashino Bank April 2017∼	Daishi Bank October 2016∼	Chugoku Bank October 2016∼	Toho Bank June 2017∼
Method of collaboration	Customer support services, etc. are contracted out from Chiba Bank			es for administrative acted in by Chiba Bank
Features	Able to offer direct support for customer consultations Main agent is able to participate without going through the administrative division			
No. of customers	Total number since the start of collaboration: 314			

Asset Management









Securities

Chibagin Securities:
Introductory brokerage business
4 centers opened in Saitama
August 2017~ Saitama Sales
Department (Omiya)
September 2017~ Urawa Branch
December 2017~ Soka Branch /
Tokorozawa Branch



Co-marketing of "Green Bonds (denominated in Indian Rupees)" issued by the World Bank

Chibagin Securities; Daishi Securities; Chugin Securities; Iyogin Securities; Toho Securities

Please contact IR as listed below if you have any opinions, impressions or queries on this material.

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Memo

