

## April 6, 2021 - Chiba Bank IR Day

### Main Questions and Answers

Q. What are your aspirations as the next president and your medium to long-term management targets? What are the Moonshot goals for Chiba Bank?

A. There are three aspirations. The first point is "realization of digitization" and I would like to work hard to make the bank itself a digital bank. We will firmly complete the Moonshot goals starting to see a concrete roadmap toward achievement. At the same time, we thoroughly proceed with structural reforms through digitization, and improve operational efficiency. In addition, we intend to aggressively take on the challenge of new businesses in the digital field, such as regional trading company and deregulated fields. The second point is "personalization". We intend to gain a thorough understanding of each individual and each corporate, and to refine the approach for each customer. I also believe that more sophisticated prediction models of life stages and cross-channel approaching is important. The third point is "deepening the alliance strategy". In collaboration with other banks, we will consider formulating platform for each bank's operations in the existing and new business. By pursuing economies of scale and cost advantage, we aim at deepening our growth strategy. In addition, in order to meet the true needs of customers, it is necessary to go into matters and things beyond financial needs, I believe that cross-industrial cooperation is extremely important. By focusing on these areas, we will provide one-stop solutions to customers and realize the situation "Our family always depend on Chiba Bank", as conveyed in our TV commercial. At the same time, we will differentiate ourselves while securing new revenue sources within our customer base.

Regarding what we should be, as described on page 4, I believe it will be necessary to constantly improve existing businesses and take on the challenge of new business areas for the future in parallel amid the rapid trend toward digitization and changes, and the inability to dispel concerns about a decline in revenue from existing businesses. Structural reforms and organizational self-improvements are also becoming increasingly important, so I would like to create an organization within the bank that is more open and more likely to encourage employees to express their opinions to be more sensitive to changes in customer behavior.

Finally, there are three points in Moonshot goals for the bank, which overlaps in part with my aspirations. The first is digitization, and Chiba Bank itself will become a digital bank. The second point is to go beyond the framework of banks by advancing into matters and things beyond the financial needs. Beyond Financial needs refers to the "Apps linked to lifestyles" on page 8, or the financial and non-financial services related to housing, automobile, healthcare, nursing care, and educational services since Step2 on page 15 in regional trading company, and I think cross-industry collaboration is crucial. The third is to further deepen the alliance strategy while formulating platforms for existing operations and new business areas. In addition to platforms such as the standardization of operations by TSUBASA alliance participating banks and the establishment of joint administrative center, we intend to differentiate the bank while securing revenue by taking on new challenges.

Q. What are the strengths and points of differentiation of Chiba Bank App? How Chiba Bank can benefit from the further expansion to the TSUBASA alliance in the future.

A. In the renewal of the application, we considerably studied the excellent case of other banks which preceded. We were particularly referring to the UX. We adopted the development method focusing on acceptability and operability by creating a prototype in cooperation with design companies and held interviews with customers. This point is one of the strengths of Chiba Bank app, and rating for our app at the app stores stands over 4 points, which is a fairly high level as apps of regional banks. We are ready to quickly upgrade its functions, and we intend to move forward to be able to catch up with the advanced apps of other banks as soon as possible.

We also believe that the biggest point of differentiation when compared to other banks' apps is its high market share in the regions. Regarding individual customers, the number of Chiba resident customers at the bank is around 4 million, compared to a population of over 6.2 million in Chiba Prefecture. Our share is over 60%, and the share of the younger generation in their 20s and 30s is the same. As for the utilization rate, approximately 60% of our customers operate the app within 6 months. With regard to corporations as well, the number of customers using

the bank as their main bank is over 20,000, one of the highest among regional banks. The regional share of loans is also over 40%. We believe that our strengths lie in having transactions with people living in the region and corporations operating there, each with nearly half of them, and that our app and corporate portal shape this connection. While the number of downloads of apps by banks nationwide is naturally larger than ours, we think that we have an advantage considering our share in the area of Chiba Prefecture and how many people living there will use them and how many corporations will use them. We will continue our efforts while being conscious of “linking to lifestyles”.

Currently, in addition to promoting the app and corporate portal, we are placing emphasis on increasing convenience so that customers who downloaded it can always use it. Just one year after the app was renewed, 80% of customers had access at least once a week and about 11 times a month, which is considerably more frequent than conventional ATM and branch access, and we feel responsive.

The merit of collaboration in TSUBASA alliance is that we can work together in growing fields while other banks are also making serious efforts. We would like to worry about and think about it together using the same platform. Failure is also an experience, and we intend to proceed with development while building up experience. We have already received personnel dispatched from some of the banks in the alliance.

Q. Regarding IT-related investments and expenses on page 21, what is your outlook for IT-related expenses in the future? At the same time, please tell us about the current outlook for how the percentage of maintenance and upkeep will decline.

A. Table on IT-related investment and expenses on page 21 is based on the results of the FSA survey, and shows the ratio of IT-related expenses to the amount of deposits. In the data for FY 2018, we achieved a low cost of 0.07% compared to an average of 0.18% for regional banks. For the table of IT-related investments and percentage by expense purpose, new development investments of the bank are 39%, compared to an average of 28% for regional banks. We have a lot of new development investment, and it has been shown that it is main on positive investment. Overall investment in the current medium term management plan is ¥25.0 billion, of which strategic investment is ¥13.0 billion and regular investment is ¥12.0 billion. IT investment amounted to ¥14.4 billion out of ¥25.0 billion overall, ¥10.0 billion out of ¥13.0 billion strategic investment, and ¥4.4 billion out of ¥12.0 billion ordinary investment, and IT investment accounts for 70% of strategic investment.

Other indicators of global financial institutions' IT spending percentage to annual revenue from external sources show that we have higher IT spending than the global average, while our expenses are lower than the global average. While investing aggressively, the expense ratio is kept low, and we think this is the result of our daily awareness of stable and low-cost operation. Efforts in the alliance strategy are also contributing to cost containment.

Large-scale system investments, such as branch support system, TSUBASA Smile, and tablets distributed to the bank employees, had been largely completed by last year, and we intend to make new investments more aggressively in the future. With regard to the promotion of DX, we would like to demonstrate the strength that participating banks can share a considerable amount of money by cooperating with banks in TSUBASA alliance. We would also like to actively promote new businesses to participating banks that are related to cashless and deregulation.

In addition to jointly developing and operating the main frame system at 5 banks in TSUBASA alliance, about 30 of the bank's 330 subsystems have been jointly developed by banks in TSUBASA alliance, resulting in cost savings. Expenses for maintenance and upkeep are not expected to increase substantially due to the effectiveness of joint development and operation at banks in TSUBASA alliance.

Q. When will Chiba Bank itself become a digital bank? In the future, how much will the branch channels eventually be slimmed down as the number of digital customers is expected to exceeds 50%?

A. The three Moonshot goals that we have currently set are starting to show roadmap toward achievement by June 2022. However, we think there are still the following issues and steps, such as measures to make it a full-scale data lake in the effort to unitization of information.

As shown in the table on the number of branch visits and accesses by channel on page 4, digital channels combining apps and the internet banking for around 31% of the total number of branch visits and accesses per year of 107.18 million as of December 2020. Compared to December 2010, 10 years ago, the total number of branch visits and accesses increased by approximately 11%, from 96.41 million to 107.18 million. Whereas the number of customers to visit counters fell 41% from 7.04 million to 4.14 million, the share of accesses through digital channels such as apps and internet banking have increased from 8% to 31%, with digital contributing to the increase in touch points. The plan is to increase the number of digital customers from 0.50 million to 1.50 million by March 2023 based on estimates from the current number of accesses and other factors, the total number of accesses in March 2023 is expected to increase by more than double to approximately 240 million. Most of them are apps, and nonface-to-face is expected to account for 70%.

As shown in the tables on page 21, as of February 2021, the total number of individual user IDs in the common API platform by the T&I Innovation Center was 0.39 million for the bank, and 0.64 million for the other banks in TUBASA alliance, and more than 1.00 million for a total of banks. By March 2023, 9 months after the completion of the Moonshot goals, the number of user IDs will also have increased to a reasonable level, and we believe that we will have a considerable amount of data to utilize a certain amount of information while masking it, for example. At that stage, we would like to become a digital bank.

With regard to its branch strategy, we have not formulated a reduction plan, and we believe that we will carefully look at the characteristics of the area, and the income and expenditure of the branches, and change their functions or consolidate them because of our role as a regional financial institution. The number of customer visits has declined by about 40% in the past 10 years and by more than 10% annually due to COVID-19 recently. It is also possible that the speed of the decline in customer visits will become even faster as transactions shift to apps in the future. We think that how to change the service and branch channels to a format that matches the situation will become an extremely major issue. Real branches are considered to be bases for differentiation, and as we go to make digital the core of transactions, how carefully supplement them in the real world will become an extremely important point, and we believe it is necessary to rebuild its network based on this point.

The role of branch is also changing dramatically, as operations can be conducted without being identified by location, such as paperless, stampless, and remote interviews. In addition, by creating a workflow that can be carried out at a remote location, operations at banks in TSUBASA alliance can be standardized, and costs can be reduced.

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