

Digital Strategy

Cashless Business Strategy

July 17, 2020
THE CHIBA BANK, LTD.

(TSE 1st Section: 8331)

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Digital Strategy

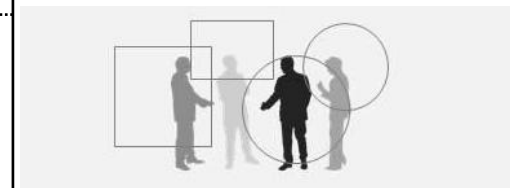
Digital Promotion Committee

Establishment of Digital Promotion Committee and appointment of group CDTO

Reinforcement of the structure to promote the digital strategy

- **Digital Promotion Committee** (From Apr 2020)
 - Discuss overall policies and measures for integration digital and management strategies in order to **realize** business model transformation (digital transformation : DX)
 - **Organization-wide** framework chaired by the President
- **Group CDTO** ※
 - ※ Chief Digital Transformation Officer
 - Appointed a person in charge of promoting digital strategies across the group

Digital Promotion Committee	
Purpose	Discussion of strategies for digitalization ※ Discussion based on the discussion at each subcommittee and digital transformation proposals
Main agenda	
Participants	<div style="text-align: center;"> <p>Chairman President</p> <p>Vice Chairman Deputy President</p> <p>Members of the Board of Designates Directors, Advisors, and chairman of T&I Innovation Center</p> </div>



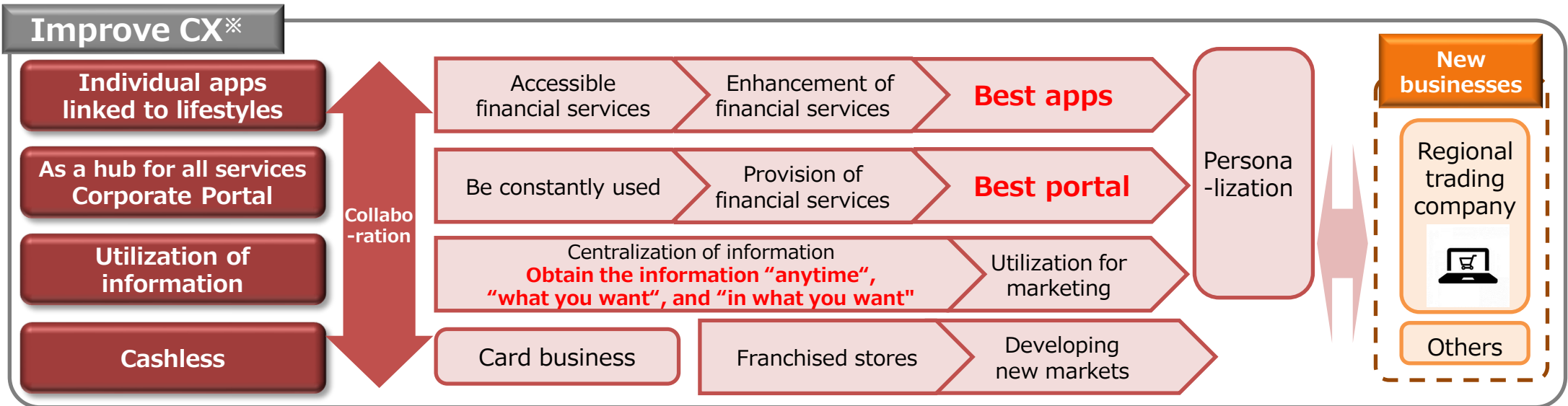
Business Subcommittee	
Purpose	Discussion of the creation and advancement of services for customers using digital and information resources
Main agenda	
Participants	<div style="text-align: center;"> <p>Chairman Group CDTO</p> <p>Vice Chairman General Manager of Business Promotion Headquarters (Group CBO)</p> <p>Executive Officer and digital promotion officer in charge of sales, Planning, and systems</p> </div>

Operations Subcommittee	
Purpose	Discussion of improving the efficiency of branch and headquarters business using digital technology
Main agenda	
Participants	<div style="text-align: center;"> <p>Chairman Group CDTO</p> <p>Vice Chairman General Manager of Operations Headquarters (Group CIO)</p> <p>Executive Officer and digital promotion officer in charge of administrative, Planning, and systems</p> </div>

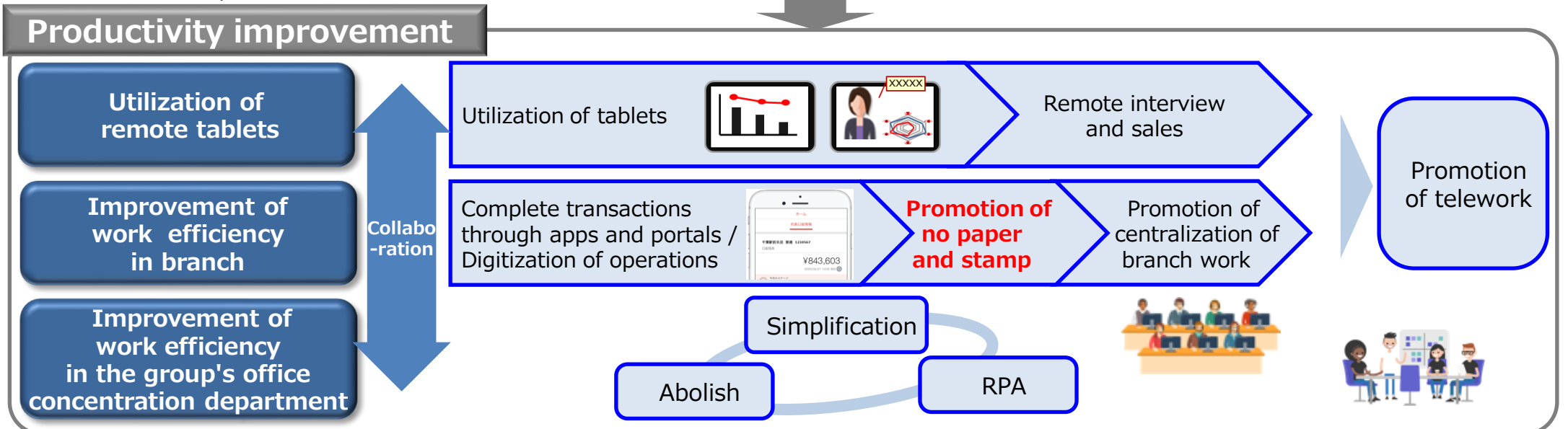
Composed of young employees in their 20s and early 30s

Overview of Digital Transformation

Promote cross-organizational coordination among divisions

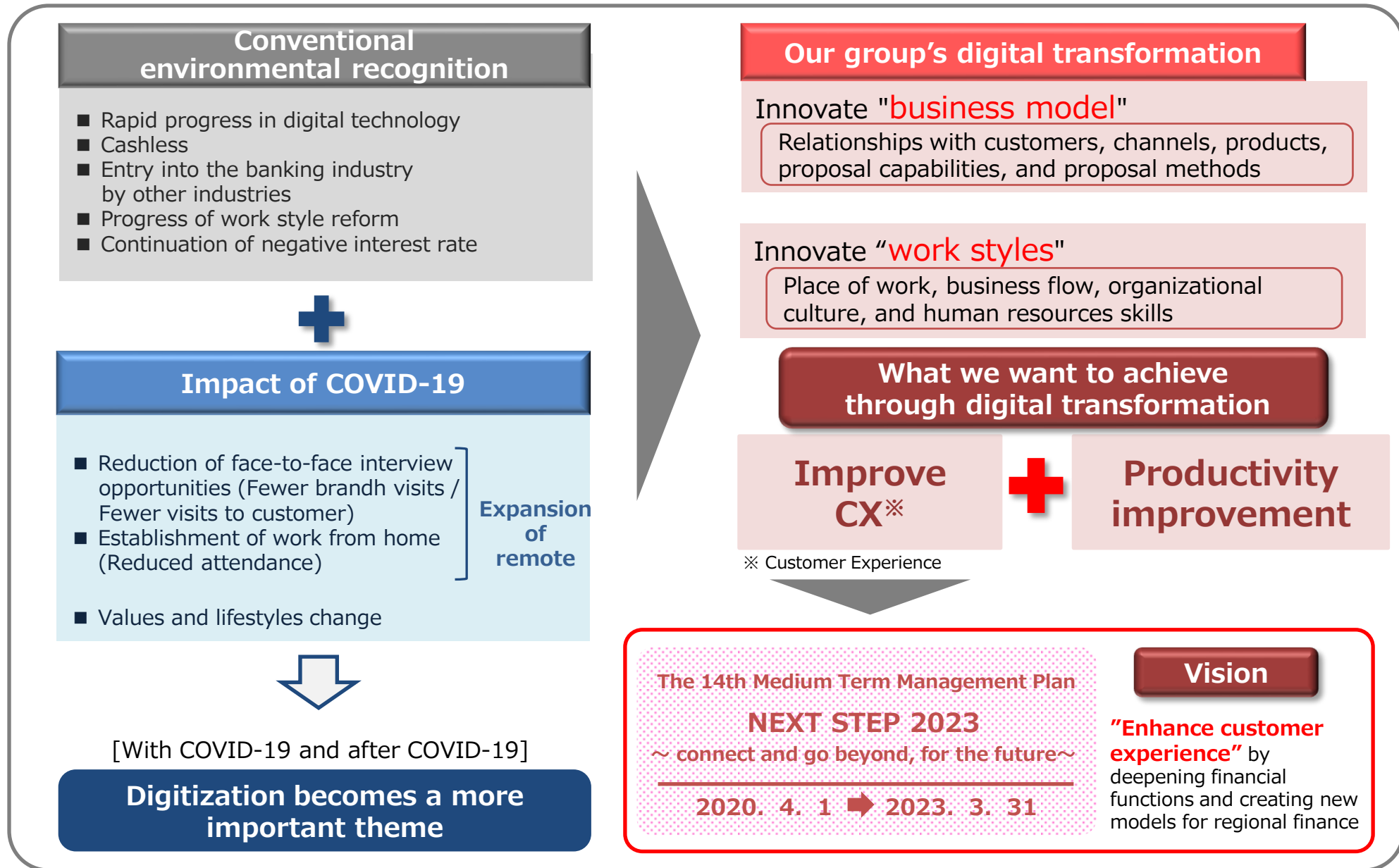


* CX: Customer Experience



Environmental Recognition

Acceleration of digitization based on COVID-19



Improving customer experience (CX)

Improve CX by deepening customers

Accumulate and centralize information

- Transaction history
- Family structure
- Family information
- Life plan
- Assets and real estate
- Interested and concerned
- Living activity line, etc.



Individual apps



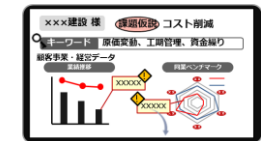
Corporate Portal

Complete all transactions digitally

Utilization of information ⇒ Personalization

Accumulate and centralize information

- Transaction history
- Financial analysis
- Commercial distribution
- Cash flow
- Business portfolio
- Owner information (address, assets), etc.



Information is utilized on apps and portals in digital, and on tablets in real
Providing services and products that meet each customer needs

Further improvement of CX by regional trading companies, cashless business, etc.

Various new businesses through deregulation

■ Regional trading companies [E-commerce and platform]

※ Other new businesses under consideration



TSUBASA Cashless Platform



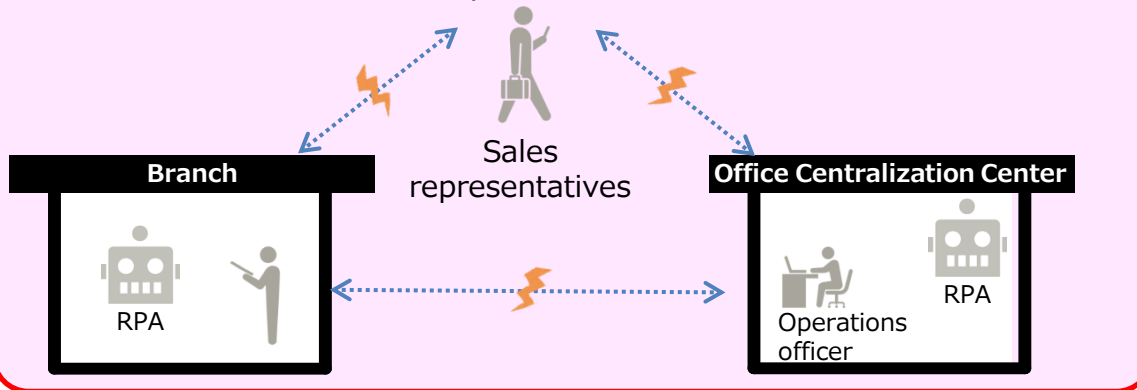
Productivity Improvement

Improving productivity

Goal

Routine work and judgment are **performed automatically by using data**.

A series of works can be completed **in remote locations** as well.



Office work centralization center

- Realize simple and lean **automated and systematized** business flow by utilizing **RPA, AI**, etc.



Realize TSUBASA Alliance collaboration

Enables centralization of office work

Sales representatives

Using tablet devices

- financial transactions and contracts
- Consult with specialist remotely
- Advanced proposals
- Propose remotely without visiting



Over-the-counter operations

- Establishment of business flow suitable for digital by **paperless, no stamping, and cashless**
- Consult remotely without visiting branches



Work from home

Enables office work at home.

- Work from home regardless of the type of work



Optimization of branch network

- Minimize branch space
- Minimize machines installed in branches
- Building a branch network with a limited number of branches and functions**



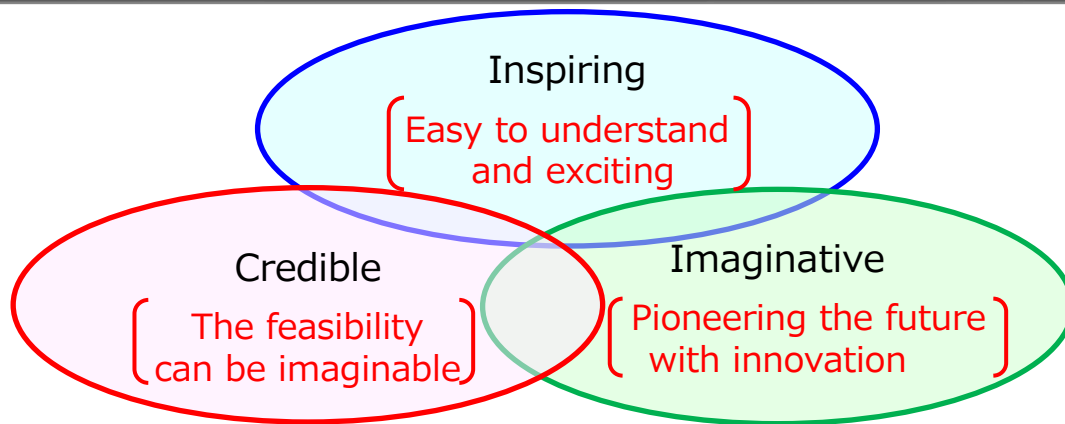
Moonshot Goal

Realizing digital strategies with Moonshot goals

What is the Moonshot goals?

- It originated from the **“Moonshot”, the first lunar landing project for humanity** in the Apollo program proposed by the U.S. President John F. Kennedy.
- The word is used for **ambitious goals and challenges that would be a significant impact** but a difficult or enormous costly as looking out future society.

Our concept to set the Moonshot goals



Common understanding in setting the Moonshot goals

Encourage to take on the challenges

- Tolerate failures
- Achievement rate of 60-70% is considered successful.

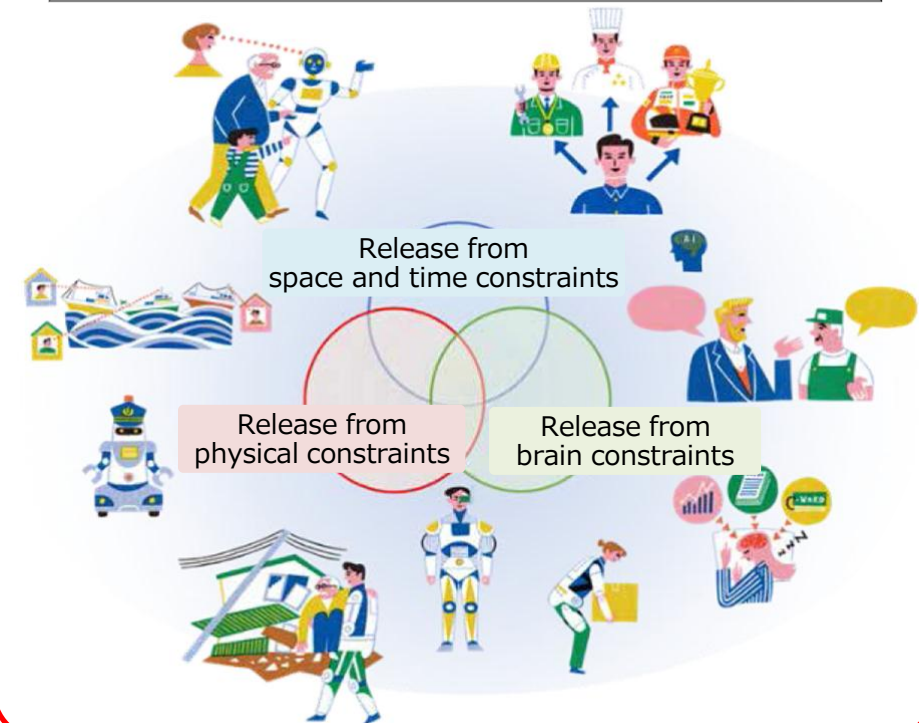
Proceed flexibly

- Review what we do from time to time

Work throughout the organization

- Remove obstruction factors as an organization

Example of the Moonshot goals set by Cabinet Office



Digital Promotion ① (Target)

Providing "Best apps" and "Best Corporate Portal" to all customers

Moonshot goal

[Individuals]

Providing "**Best apps**" to all customers

~ Apps connected to customers' lifestyles and used always ~

[Corporations]

Providing "**Best Corporate Portal**" to all customers

~ Corporate Portal as a hub for all services and indispensable for business ~

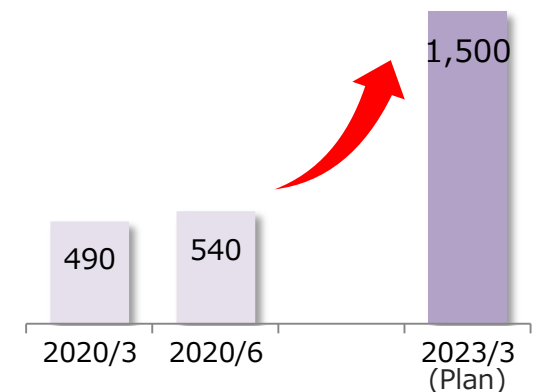
➔ Provide "**personalized information**" to customers

Number of individual digital customers

※ Digital customers

- Chiba Bank App
- Passbook App
- Personal internet banking

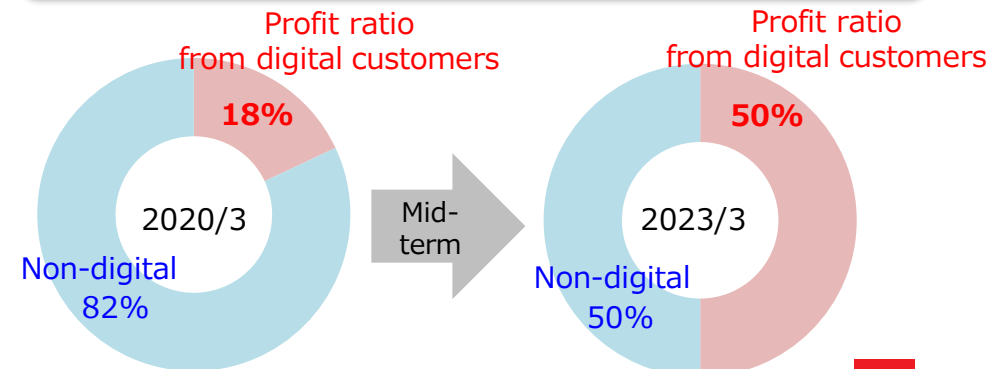
(Thousand people)



Realized image during the period of the mid-term management plan

- 1.5 million digital individual customers, centered on the Chiba Bank App
- Convert 90% of over-the-counter transactions with individual customers to app transactions
- 50,000 Corporate Portal users
- Training of specialists in agile-development ※
 - ※ Develop small units of functional units rather than divide systems by large units. It is one of the system development methods, and possible to shorten the development period compared to the conventional method.
- Establishment of a joint development system through TSUBASA Alliance

Composition of gross business profit (individuals)

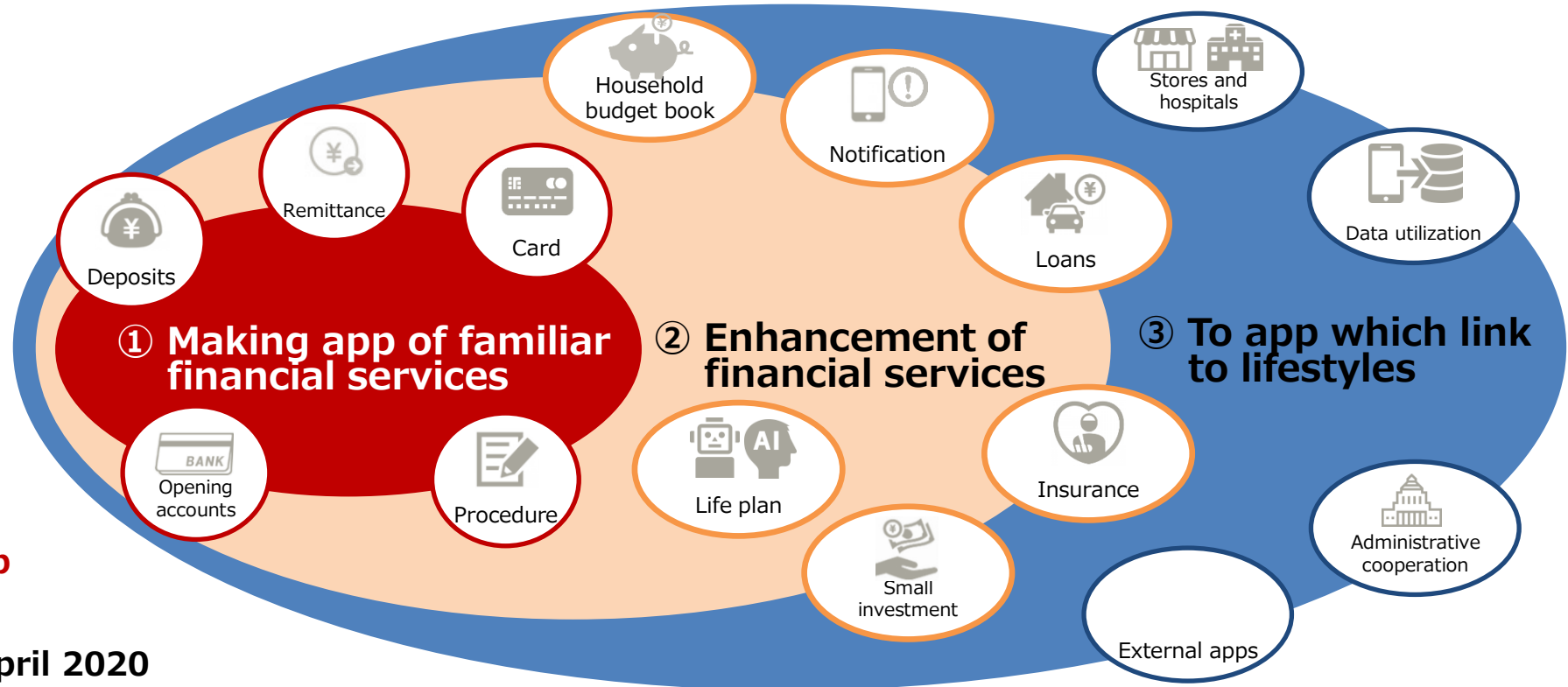


Digital Promotion ② (Chiba Bank App)

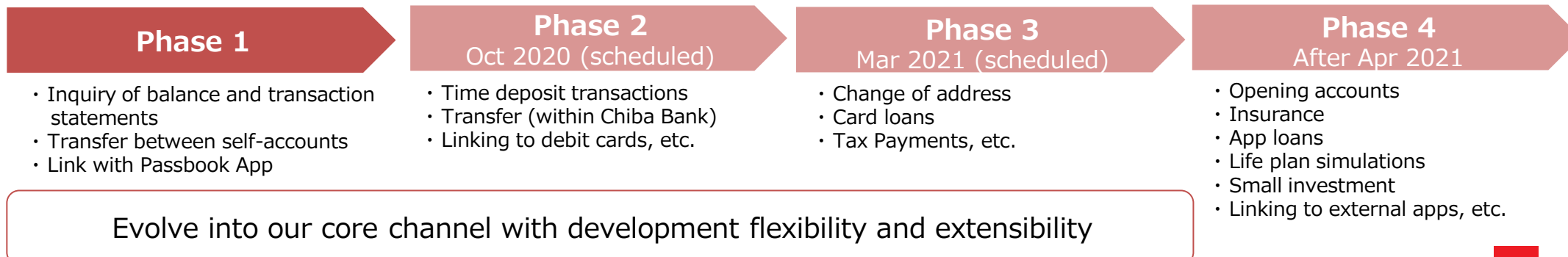
Toward the app linked to lifestyles



Chiba Bank App



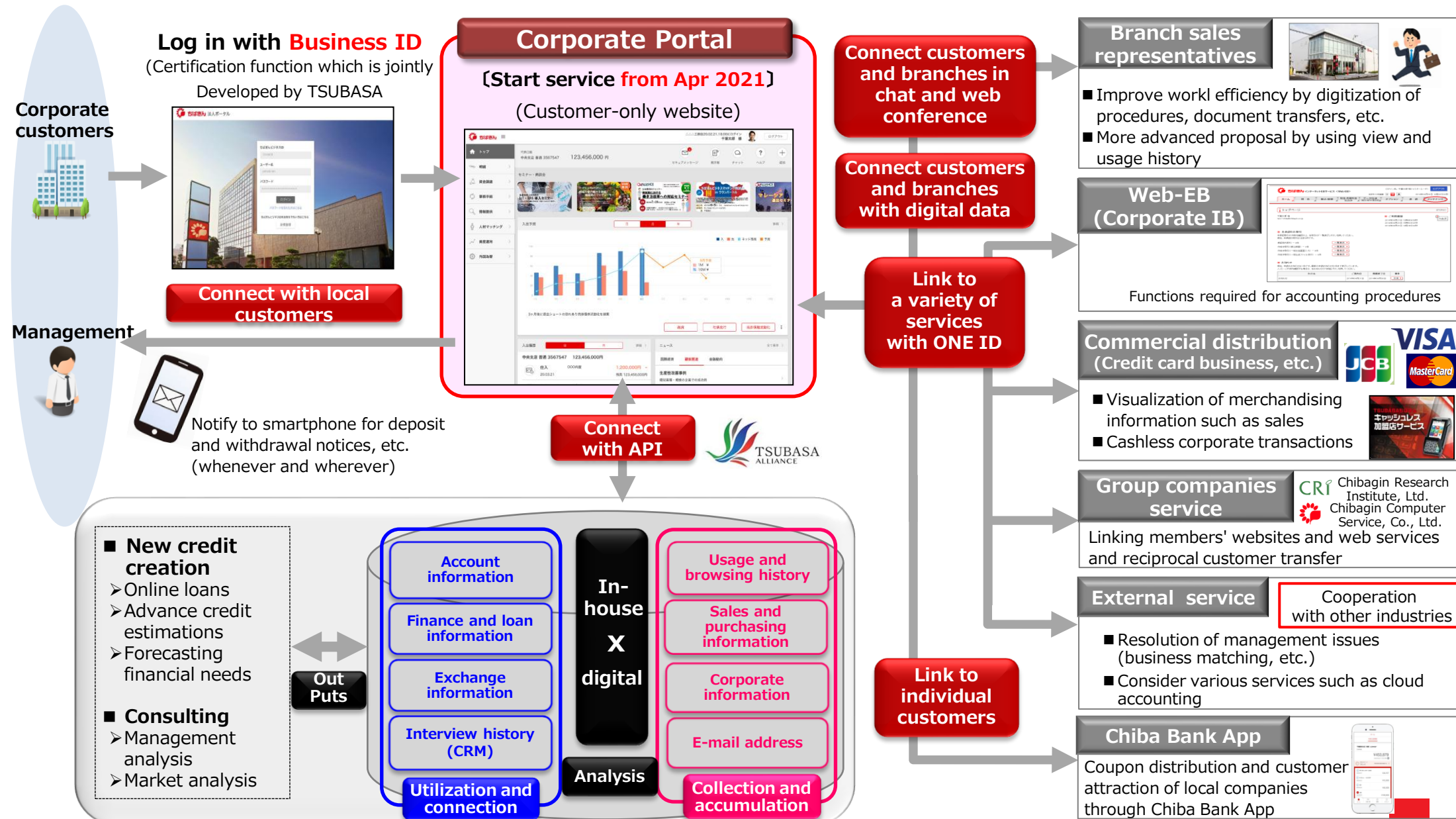
Renovated in April 2020
Build on TSUBASA FinTech Platform



Evolve into our core channel with development flexibility and extensibility

Digital Promotion ③ (Corporate Portal)

Corporate portal as a hub for all services and indispensable for business



Information Strategy

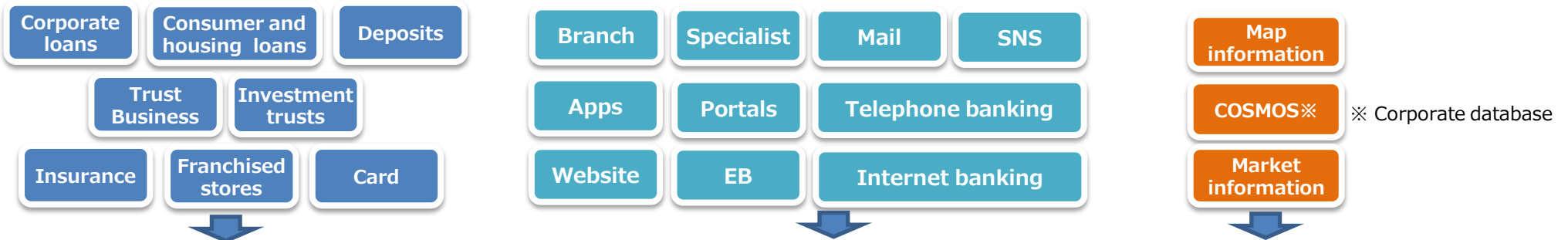
Realize the highest CX for all customers in the region by utilizing centralized data



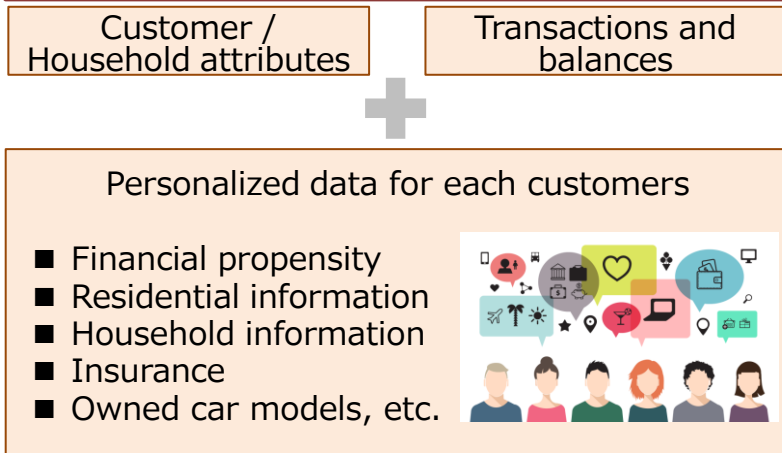
Realization of a customer search system to obtain information inside and outside the bank

"anytime", "what you want", and "in what you want".

~ Realize the best customer experience for all customers in the region by utilizing centralized data ~



Centralization of information: Realization of a customer search system to obtain information inside and outside the bank "anytime", "what you want", and "in what you want".



Face-to-face (over-the-counter/visiting), ATM, apps, internet banking, website, SNS, portals, seminars, etc.



Provide personalized high-satisfaction information to all customers by using data fully

Work Efficiency Improvement ①

Automate work and judgment, release from location constraints



Moonshot goal



Eliminate the use of paper and stamps completely within the bank

➤ **Release staff from routine work and judgment**

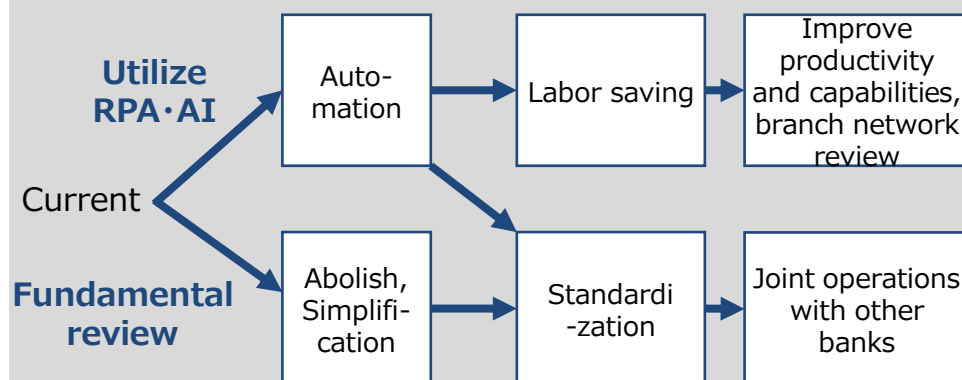
Routine work and judgment are performed automatically by using data ⇒ Eliminate errors

➤ **Release staff from the location constraints**

A series of jobs can be completed in remote locations as well.

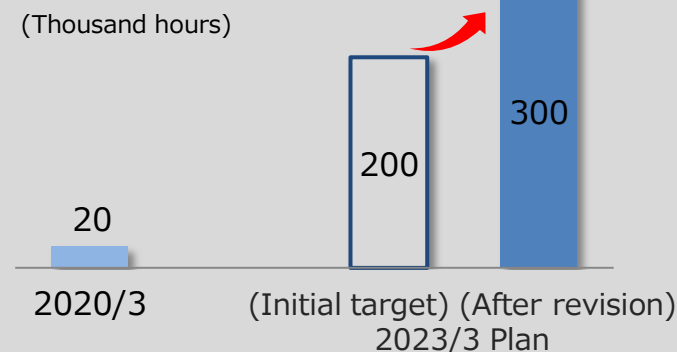
Work Efficiency Promotion Office

➤ Rebuild business flow by using RPA, AI, etc.



Amount of work volume reductions

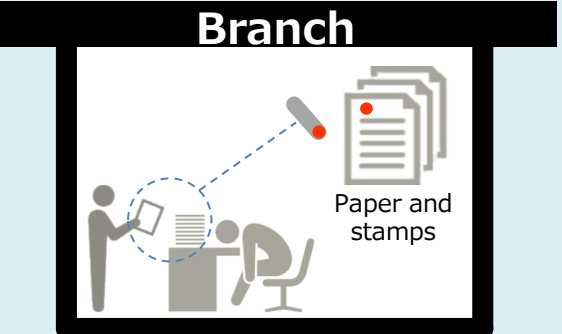
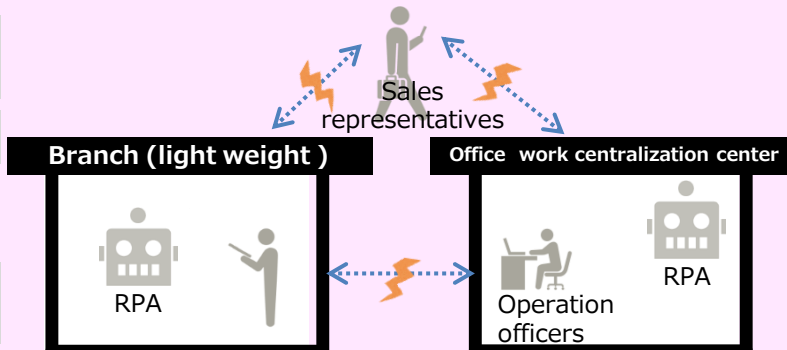
Pile up 100 thousand hours more from the initial target



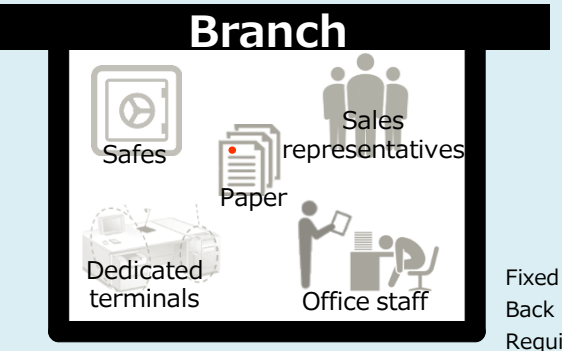
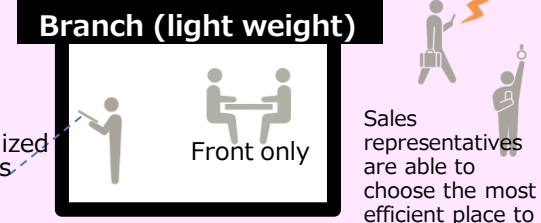
Work Efficiency Improvement ②

Eliminate the use of paper and stamps completely

"All business flows dependent on paper and stamps" reshape into **digitally optimized**

	Current status	Goal
Direct effect	<ul style="list-style-type: none"> ■ Use paper for routine work and judgment (Make mistakes) ■ Work at a place with paper and stamps 	<ul style="list-style-type: none"> ■ Perform routine work and judgment automatically by using data (No mistakes) ■ A series of workss can be completed in remote locations as well. 
	<ul style="list-style-type: none"> ✗ Automating routine judgment ○ ✗ Work from house ○ ✗ Centralization of office work ○ ✗ TSUBASA Alliance collaboration ○ 	

It is necessary to **thoroughly promote paperless operations** for reviewing the "style of branches"

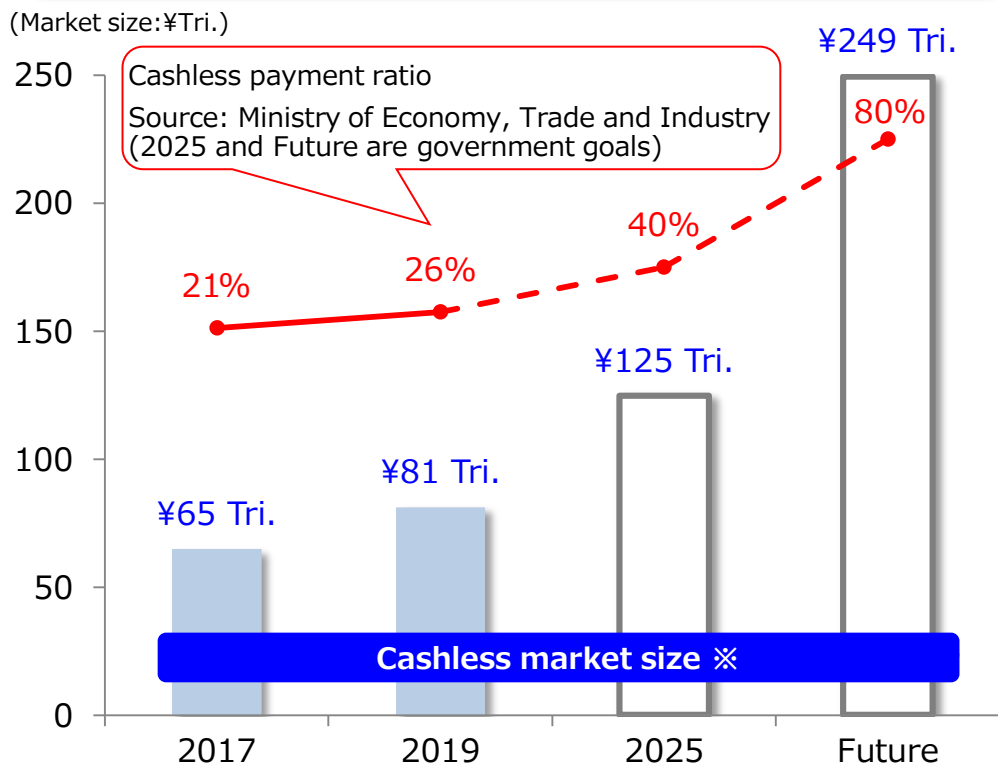
Further effect	<ul style="list-style-type: none"> ■ All branches handle cash at the counter ■ Various functions are packaged into the branches 	<ul style="list-style-type: none"> ■ Self-handling of cash (Cashless transfer only at the counter) ■ Make two-thirds of branches super light weight (satellite office without back office) ■ Improve productivity with area-based OHR management 								
	<table border="0"> <tr> <td>Many</td> <td>Number of staff</td> <td>Few</td> </tr> <tr> <td>Large</td> <td>Space of branches</td> <td>Small</td> </tr> <tr> <td>Expensive</td> <td>Installed machines</td> <td>Low-priced</td> </tr> </table> <p>Fixed seats for sales representatives Back office staff also work together Requires expensive dedicated terminals</p>	Many	Number of staff	Few	Large	Space of branches	Small	Expensive	Installed machines	Low-priced
Many	Number of staff	Few								
Large	Space of branches	Small								
Expensive	Installed machines	Low-priced								

Cashless Business Strategy

Environmental Recognition

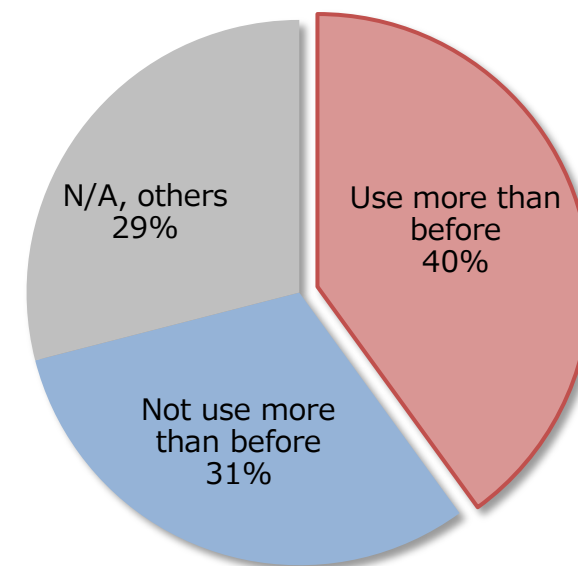
The cashless payment market is expected to grow

Cashless payment ratio and market size in Japan



※ Total of credit cards settlement amounts(Source: Japan Consumer Credit Association), electronic money and debit cards settlement amounts(Source: Bank of Japan)
 [Assuming that the growth rate in 2025 and the future is the same as that of the settlement ratio]

Impact by COVID-19 on cashless intentions



※ Source: Data from the comprehensive secretariat for Japan's Economic Revitalization, Cabinet Secretariat

Cashless market size in Chiba prefecture

2019
Approx. ¥3 Tri.

2025
Approx. ¥4.6 Tri.

※ Estimated from the ratio of GDP in Chiba Prefecture to Japan

Transaction volume of cashless franchised stores (group total)

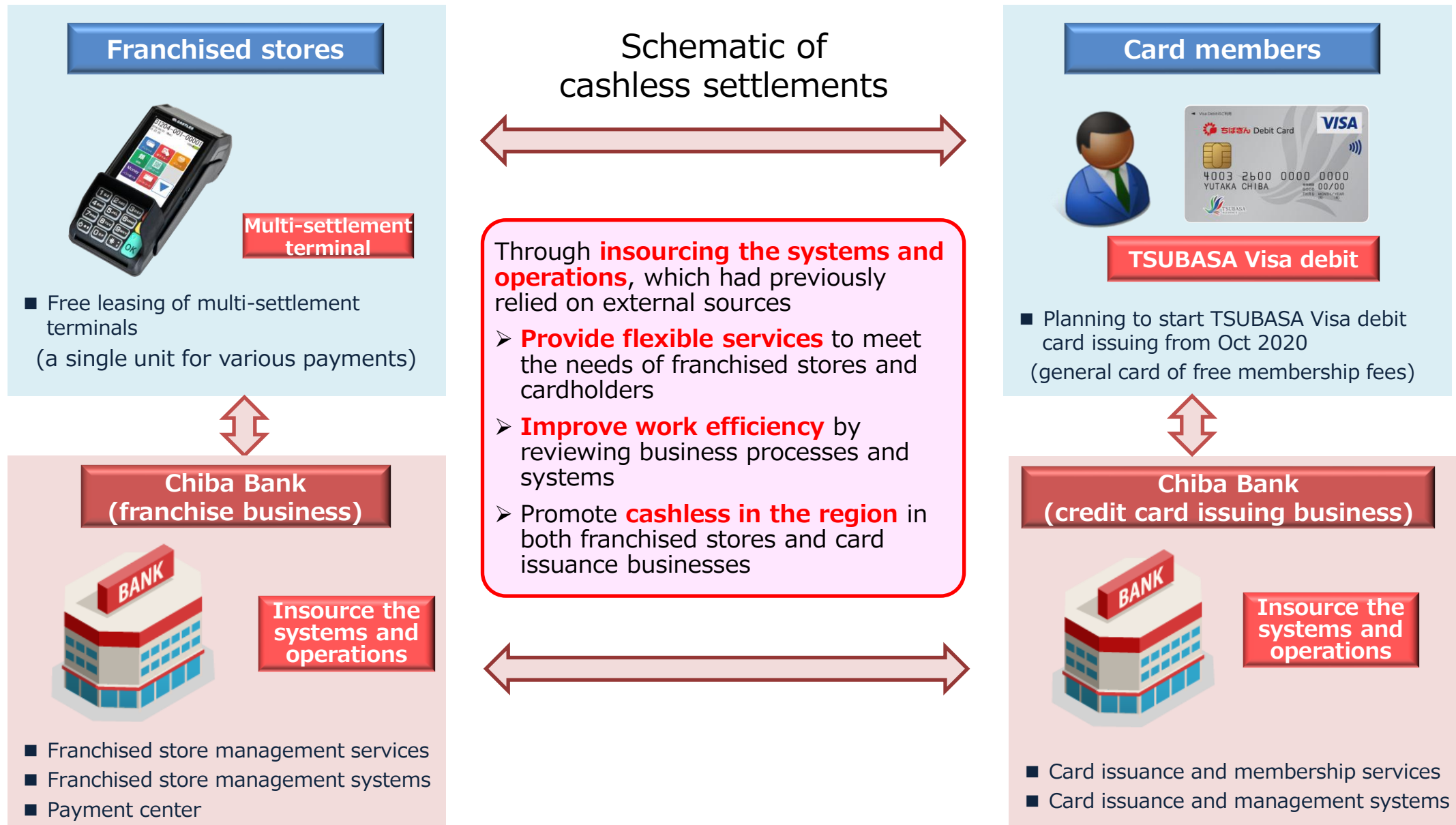
FY2019
Approx. ¥0.3 Tri.
(estimated share: 10%)

FY2023 Plan
Approx. ¥1 Tri.
(estimated share: 22%)

- **Acceleration of cashless**
- **Reduce the time and effort of cash management**
- **Enable non-contact, hygienic transactions**

Outline of Cashless Settlements

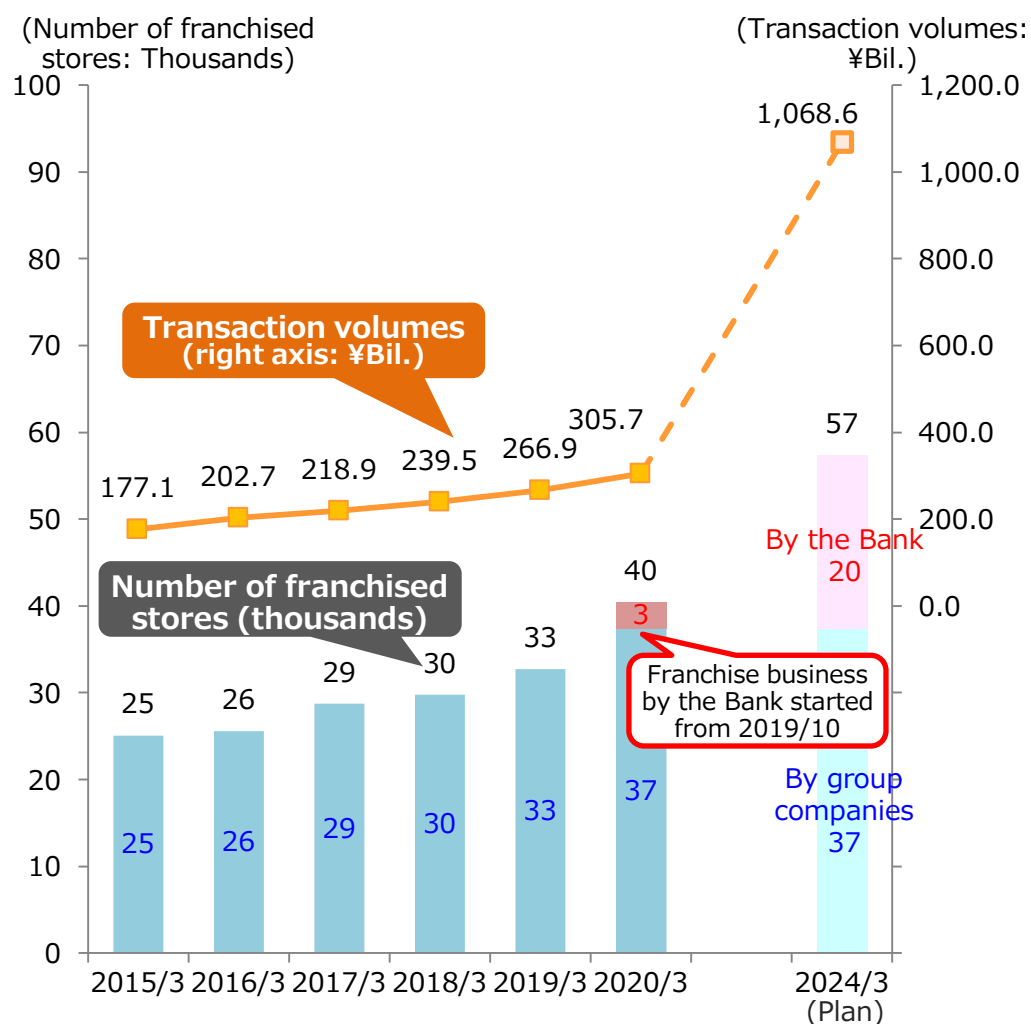
Insource the systems and operations to meet the diverse needs of franchise stores and card members



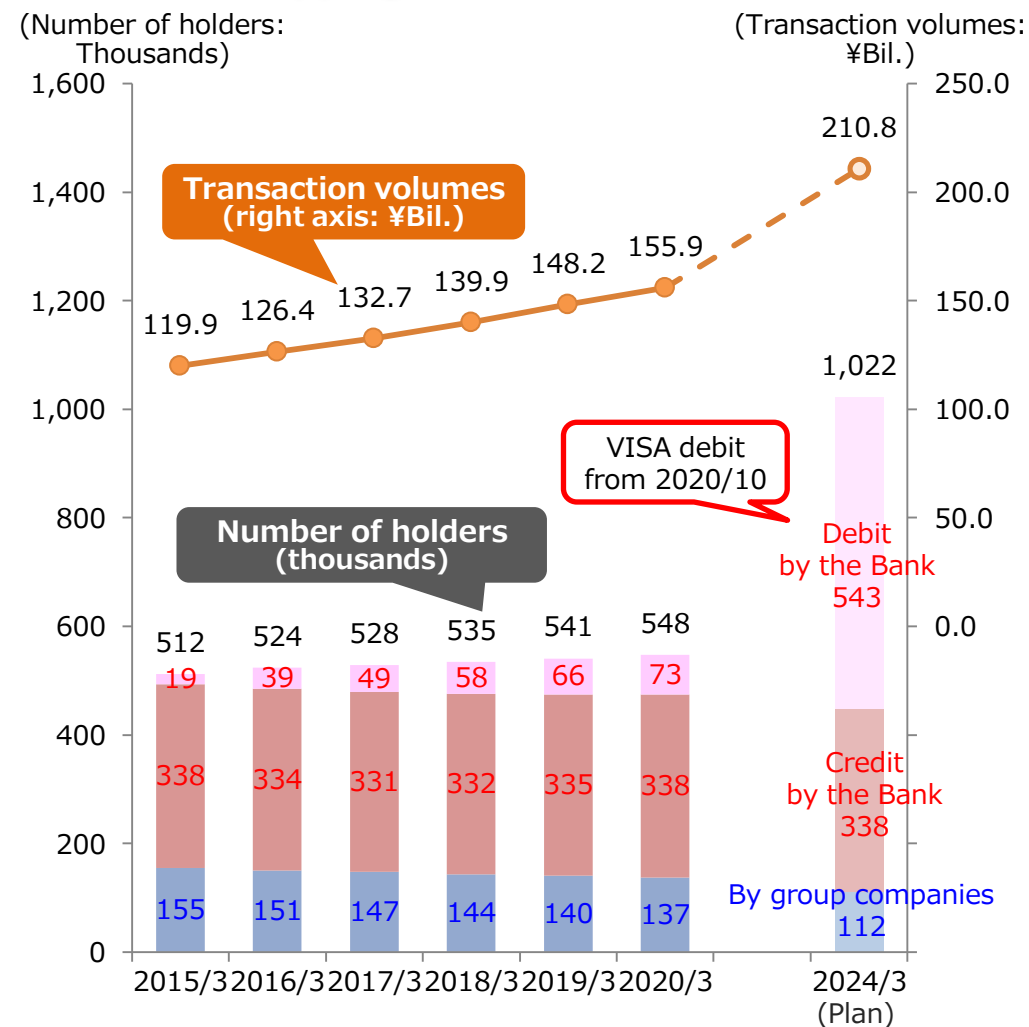
Cashless Business Transition

Until now, our cashless business has been developed mainly by group companies

Number of franchised stores and shopping transaction volumes



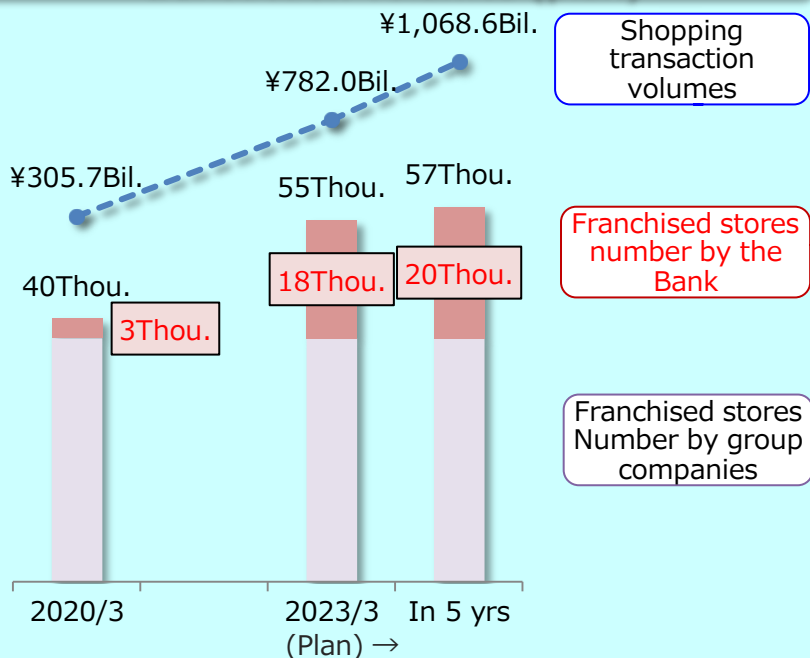
Number of card holders and shopping transaction volumes



Franchise Business by the Bank①

Started TSUBASA cashless franchise service (from Oct 2019)

Number of franchised stores and shopping transaction volumes (plan)



Multi-settlement terminal

By **offering multi-settlement terminal**, which is available to handle international brands, electronic money and mobile payments, for our customers **at no charge in principal**, **we support the introduction of cashless services**



Local governments in Chiba Prefecture introduced Chiba Bank's "cashless franchise service".

- Narashino City (Feb 2020)
- Narita City (Jul 2020)

Introduction of cashless settlement at municipal office counters

⇒ Expand to other local governments

- ✓ **Accepting a variety of brands**
- ✓ The closing date is selectable and **deposits can be made every day**
- ✓ Accepting **Visa touch settlement**
- ✓ Portable
- ✓ Franchise store web service (checking statement)



Franchise Business by the Bank②

Development of new services in collaboration with other industries ①

Development of ticket vending machines and automatic settlement machines (plan)

- ✓ **Co-development with manufacturers**
- ✓ Connecting to the Bank's **multi-settlement terminals**
- ✓ Accepting **touch-less settlement**
- ✓ Touch panel control

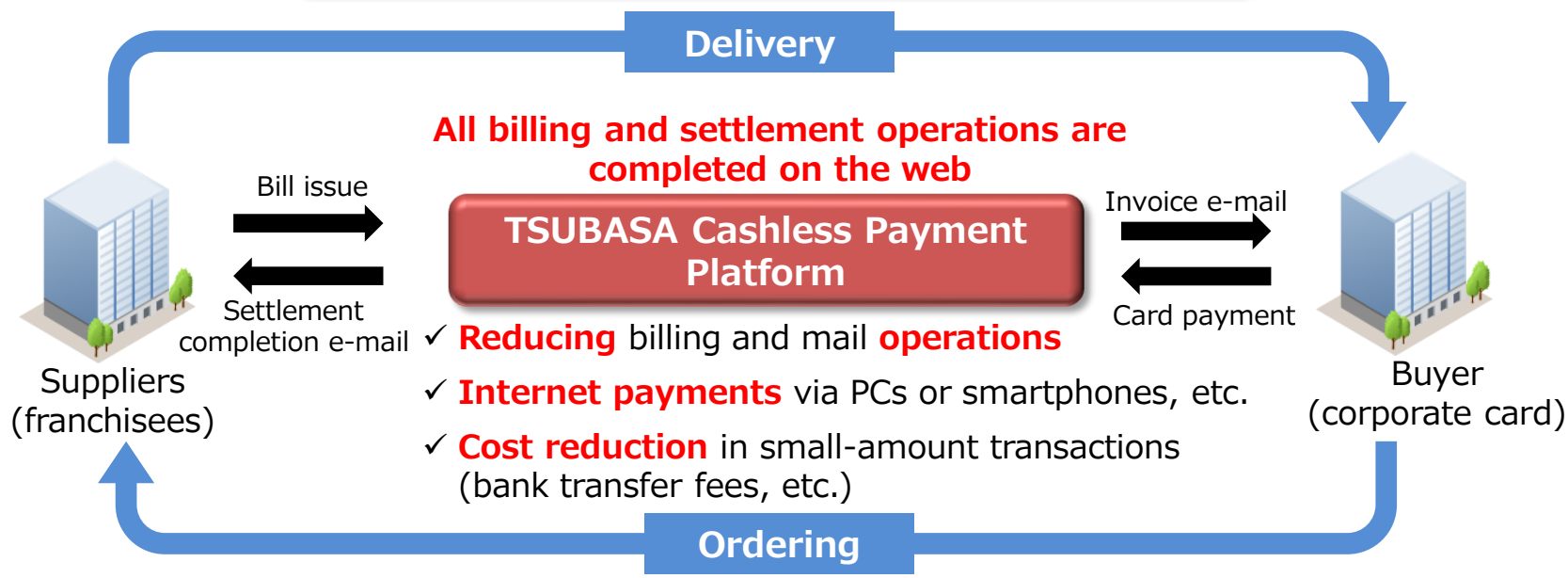


Cashless payment through EC transactions (B to C) (plan)

- ✓ Provision of means of settlement in **EC transactions**
- ✓ Construct an e-commerce site with customers (expand sales channels)
- ✓ Collaboration with **regional trading companies**



Making corporate transactions (B to B) cashless (plan)



Development of new services in collaboration with other industries ②

Collaboration with cash register manufacturers (plan)

- ✓ **Collaboration with cash register manufacturers**
- ✓ Connecting to cash register systems and POS management systems
- ✓ Available for web-based cash registers



Services for local governments (plan)

Smartphones, postcards, tax payment slips, QR code, and bar code



Bar code Reading



Recurring (plan)

- ✓ **Credit card payments for a continuing charge (monthly payment, etc.)**
- ✓ Targeting real estate leasing sector, gas companies, tutoring schools, nursing care facilities, etc.



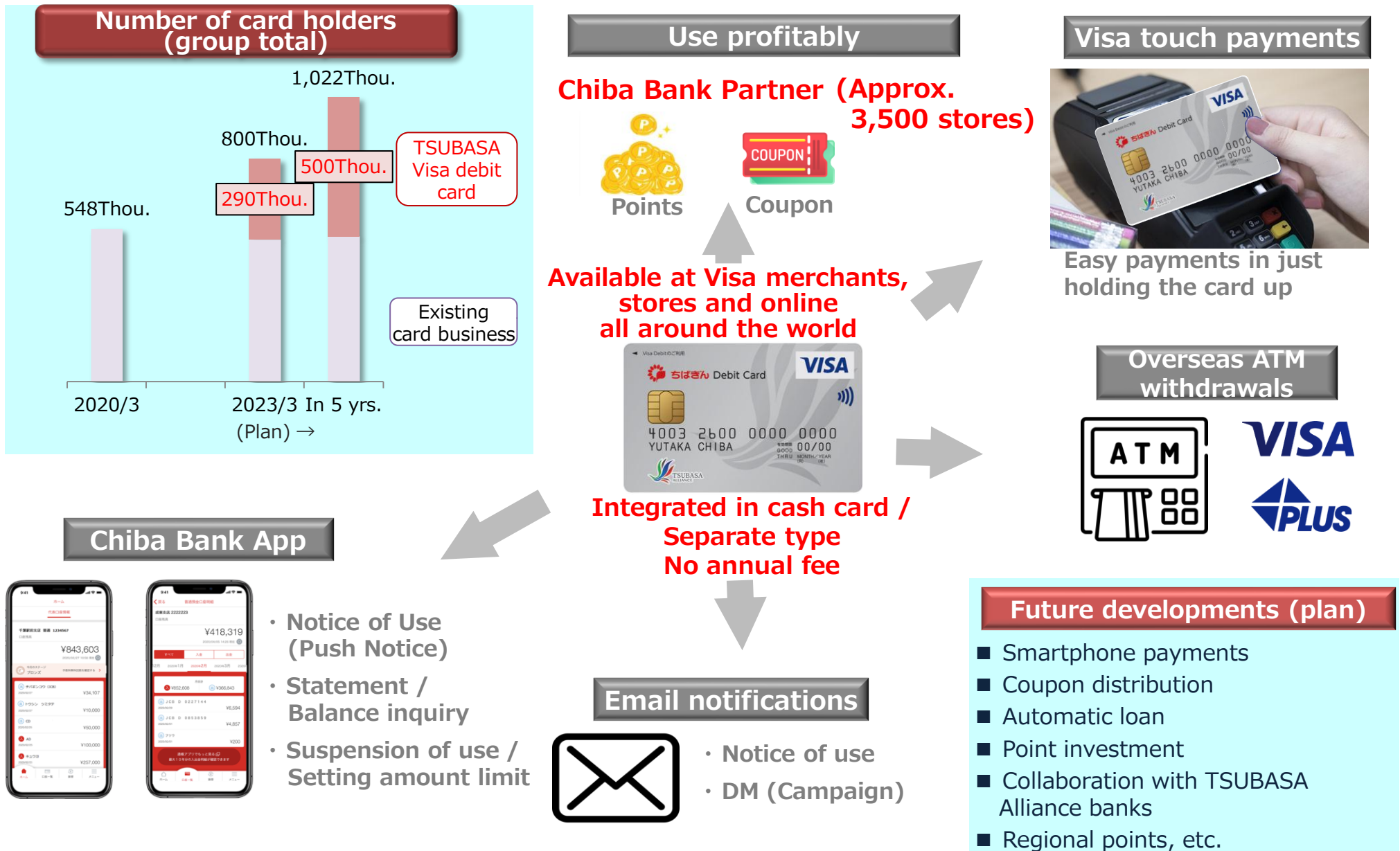
Provision of dashboards (plan)

- ✓ **Centralization of cash management** including bank account statements and cashless transactions
- ✓ Use of **Corporate Portal**
- ✓ Transaction lending / Support for attracting customers (consulting)



Card Business

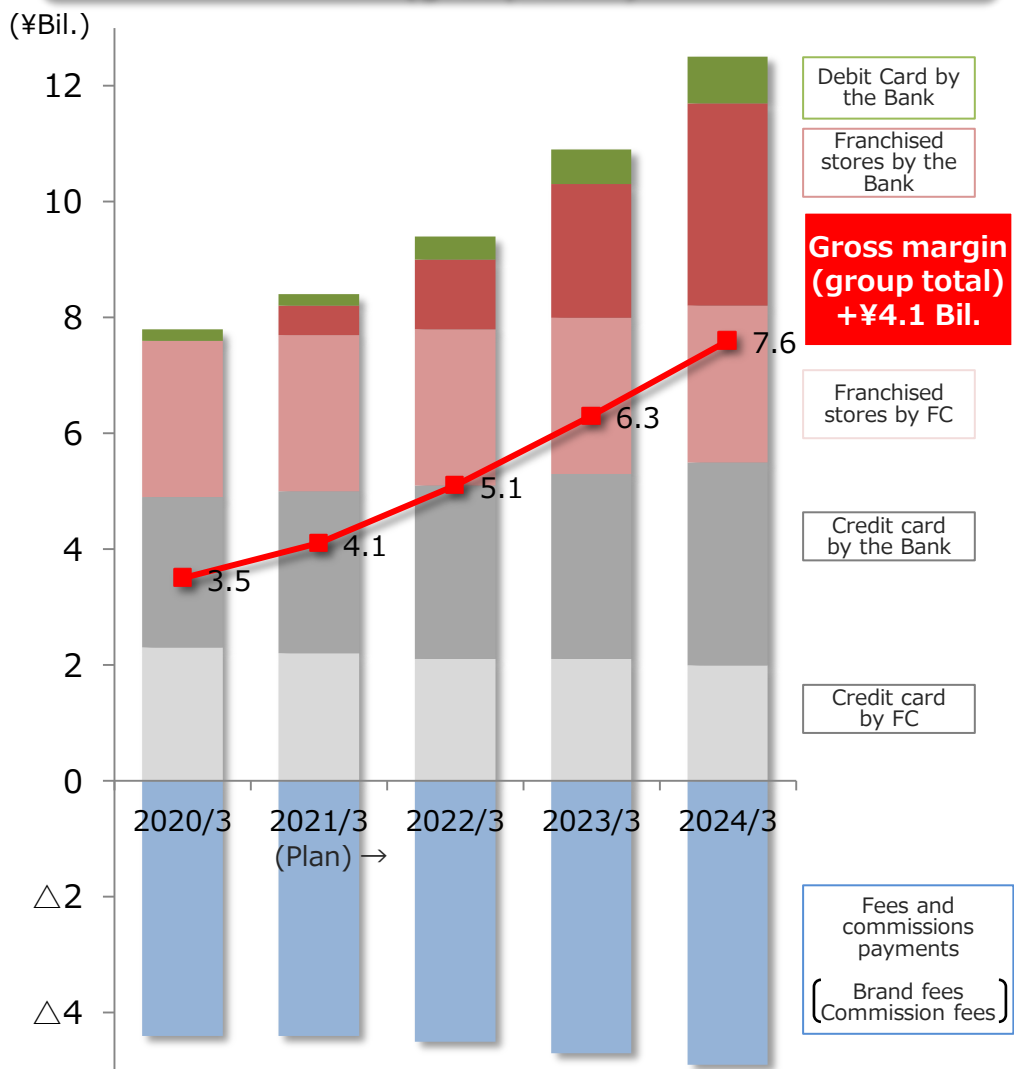
Start issuing TSUBASA VISA Debit Card (planning from Oct 2020)



Income and Expenditure Plan

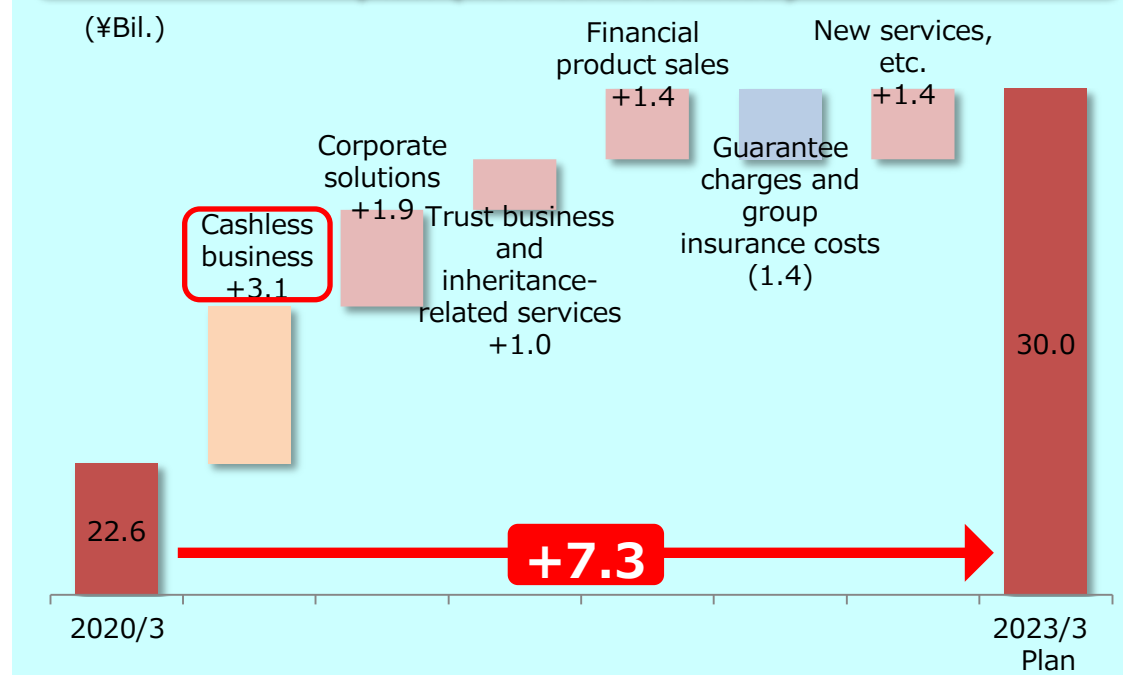
Targeting gross profit of +4.1 billion yen in 5 years

Cashless business income and expenditure Plan (group total)



Huge increase of the income from franchise business and debit business by the Bank will lead the increase of the income from fees and commissions during the mid-term management plan

Net fees and commissions in the mid-term management plan (non-consolidated)



※Because we anticipate decrease in FC credit revenue, the increase in gross profit in mid-term management plan (Apr 2020-Mar 2023) for the Bank (+¥3.1Bil.) is greater than that for the group (+¥2.8Bil.)

Expansion to TSUBASA Alliance

TSUBASA cashless economic zone

Direct coupon delivery and point granting to customers

Franchised stores



- Multi-settlement terminals
- Ticket vending machines and automatic settlement machines
- Corporate (BtoB) payments
- EC payments
- Recurring
- Collaboration with POS cash registers
- Dashboard, etc.

TSUBASA Cashless Payment Platform



Franchise store management system Card issuance system

Payment center Point management system

EC system Coupon management system

Payment database / Big data
Data analysis system


Corporate Portal + Regional trading company +
Chiba Bank App

Purchase products with convenience, coupons and other benefits

Card members



- TSUBASA Visa debit
- Collaboration with the Chiba Bank App
- Smartphone payments
- Point awards and payments
- Chiba Bank Partner
- Coupon receipt
- Automatic loan, etc.

 Expansion to TSUBASA Alliance banks

Inquiries related to this presentation should be addressed to:

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