

January 15, 2025

The Chiba Bank, Ltd.  
Chibagin Securities Co., Ltd.

**Progress of Initiatives for Improvement and the Prevention of recurrence  
Regarding Administrative Actions Issued by the Kanto Local Finance Bureau**

On June 23, 2023, The Chiba Bank, Ltd. (President: Tsutomu Yonemoto) (“Chiba Bank” or “the Bank”) was issued with the administrative actions (Business Improvement Order) for situations where a problem related to the investors’ protection was raised by the Kanto Local Finance Bureau, pursuant to Article 51-2 of the Financial Instruments and Exchange Act, regarding the financial instruments intermediary business related to the solicitation and sales of structured bonds. In accordance with Article 51 of the Financial Instruments and Exchange Act, Chibagin Securities Co., Ltd. (President: Yukihiro Inamura) (“Chibagin Securities”) was issued with the administrative actions (Business Improvement Order) from the Kanto Local Finance Bureau regarding business operations that violate the suitability principle for solicitation and sales of structured bonds.

Chiba Bank and Chibagin Securities reported to the Kanto Local Finance Bureau the progress of initiatives for improvement and the prevention (As of December 31, 2024) of their respective business improvement reports to the Kanto Local Finance Bureau, based on each business improvement order mentioned above, on July 24, 2023, Chiba Bank and Chibagin Securities.

Progress in initiatives to improve and prevent recurrence is as shown in the attachment.

Chiba Bank and Chibagin Securities will continue to make the whole company efforts to improve operations and prevent recurrence of these issues while striving to regain the trust of all our stakeholders, including our customers.

End

# Progress of Initiatives for Improvement and the Prevention of recurrence Regarding the Administrative Actions Issued by the Kanto Local Finance Bureau (Overview)

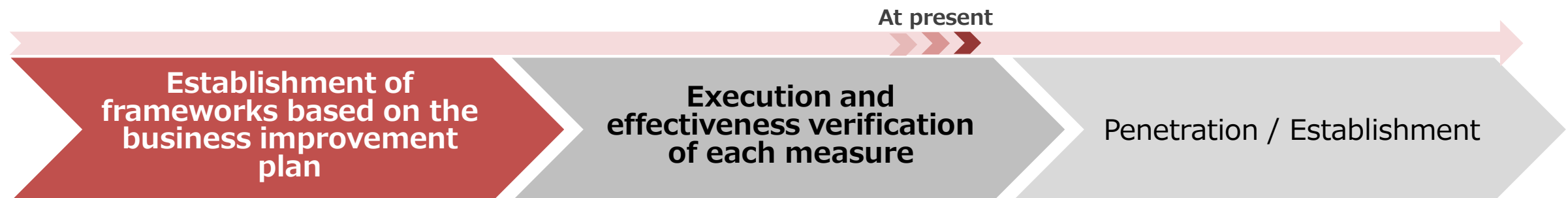


On June 23, 2023, The Chiba Bank, Ltd. ("Chiba Bank" ) was issued with the administrative actions (Business Improvement Order) for situations where a problem related to the investors' protection was raised, pursuant to Article 51-2 of the Financial Instruments and Exchange Act, regarding the financial instruments intermediary business related to the solicitation and sales of structured bonds. In accordance with Article 51 of the Financial Instruments and Exchange Act, Chibagin Securities Co., Ltd. ("Chibagin Securities") was issued with the administrative actions (Business Improvement Order) regarding business operations that violate the suitability principle for solicitation and sales of structured bonds. Taking this situation very seriously, and each company has formulated a business improvement plan, including efforts to prevent recurrence, based on a fundamental cause analysis as an initiative for improvement.

Since the establishment of the relevant business improvement plan, we have made the whole company initiatives to improve operations and prevent recurrence of these issues. We will continue to steadily implement initiatives for improvement and prevention of recurrence, while striving to regain the trust of all our stakeholders, including our customers.

## Progress of the entire effort

- Based on the penetration of the Purpose and Vision, **major measures**, including those involving system development, **are progressing as planned**. We are also expanding our business improvement measures into the corporate business.
- We will widely collect feedback from customers, shareholders, group executives and employees, and other stakeholders, and use it in the PDCA cycle for improvement, thereby ensuring that our efforts are penetrated and firmly rooted in the organization.

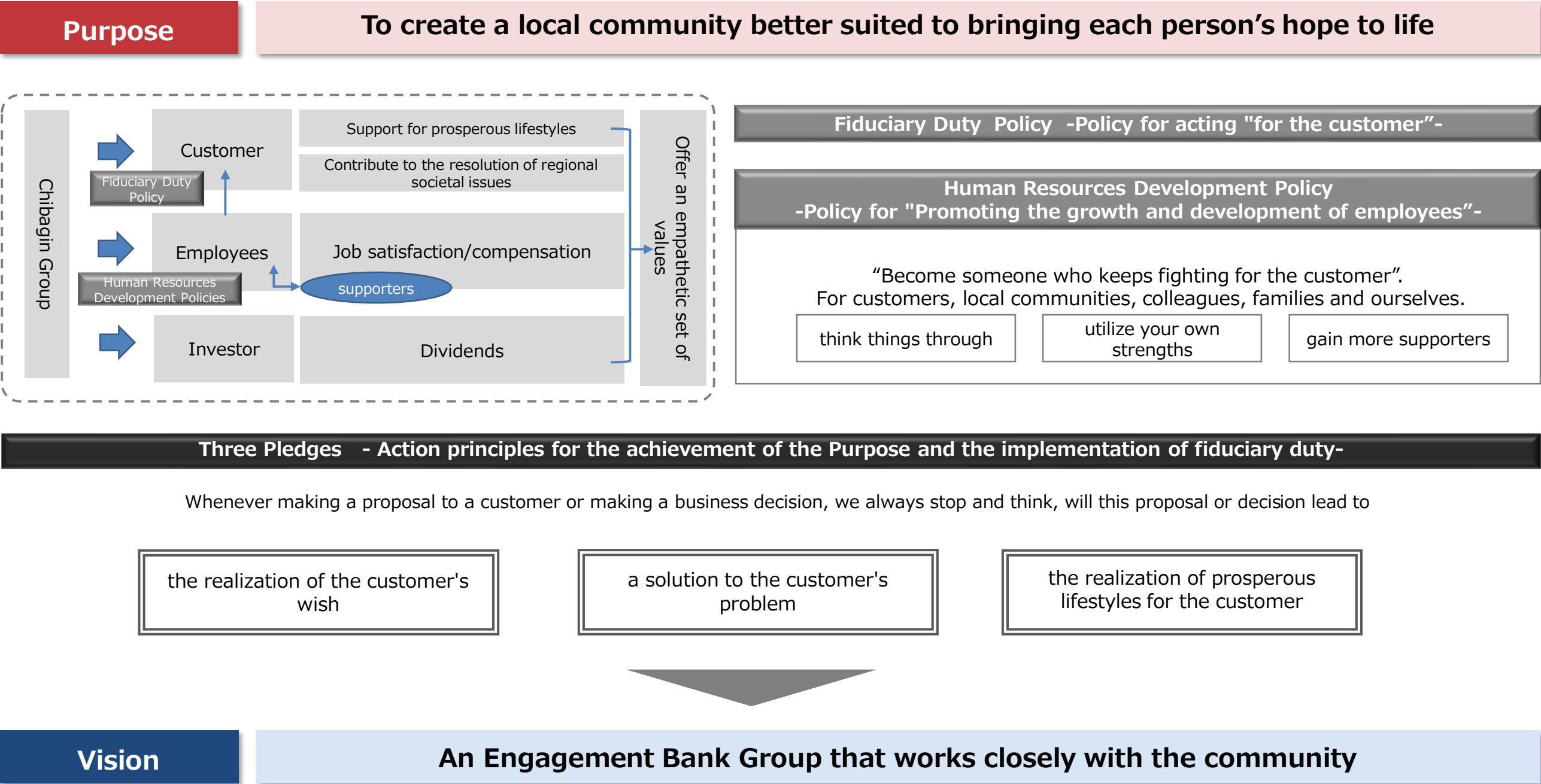



Penetration and thoroughness of the Purpose, Vision, Fiduciary Duty, Human Resource Development Policy

P4

Chiba Bank				
Establishment of the business operation system	P7	Strengthening comprehensive proposal capabilities in the personal business	Elimination of incentives in the personal business	
Strengthening the internal management system	P8	Strengthening 1st line functions	Strengthening 2nd line functions	Strengthening 3rd line functions
Strengthening the business management system	P10	Strengthening group governance	Reform of organizational culture	
<div><div>×</div><div>Building a new business model linking with the banking and securities</div></div>				

Chibagin Securities				
Strengthening the business management system	P 11	Strengthening governance by management team	Reform of organizational structure	Reform of corporate culture
Establishment of the business operation system	P 12	Strengthening confirmation of the compliance suitability principle	Sophistication of product selection process	
		Review of performance award system and personnel evaluation system	Review of Human Resource development system and training system	
Strengthening the internal management system	P 13	Strengthening 1st line functions	Strengthening 2nd line functions	Strengthening 3rd line functions
		Strengthening complaint response	Strengthening checks and balances by banks	



Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Penetration and thoroughness of the Purpose and Vision	<div><div>Penetration and thoroughness of the Purpose and Vision</div><div><ul style="list-style-type: none"><li>The Purpose and Vision on business card and release paper, etc. (the first half of FY2023).</li><li><b>Establishment of “Purpose and Vision Penetration Project Team,” Sales Branch Subcommittee,” and “Group Company Subcommittee”</b> to promote the Purpose and Vision, FD Policy, Human Resource Development Policy, and other departmental measures in a unified and cross-organizational manner (Nov. 2023).</li><li>Started using the company logo with the Purpose for group companies (the second half of FY2023).</li><li>“IR Day”, an IR event focusing on business improvement and governance, was held (Apr. 2024).</li><li><b>“Group Company Opinion Exchange Meeting”</b> was held by group company staffs (first session : May. 2024, second session : Sep. 2024,third session : Dec. 2024).</li><li>Measures taken since the Administrative Action and the status of efforts to improve operations and prevent recurrence, including the penetration of the Purpose and Vision, were published in the “Integrated Report 2024” (Jul. 2024).</li><li>The fourth session of <b>“Sales Branch Subcommittee”</b> in the form of a roundtable discussion was held (Nov. 2024).</li></ul><div><div>The fourth session of “Sales Branch Subcommittee”. The purpose of the event was to create opportunities for direct dialogue between executives and mid-level sales branch staff (New Sales Cap). 15 participants exchanged opinions with executives on topics in line with the Purpose and Vision.</div><div></div></div><ul style="list-style-type: none"><li>The fifth session of <b>“Purpose and Vision Penetration Project Team”</b> was held, discussing evaluation and issues of various penetration measures, and confirming current position in the penetration process (Dec. 2024).</li><li>Started <b>“Customer Contribution Information Meetings”</b> at all comprehensive branches, in which customer needs are used as a starting point to discuss solutions in the branch (continued after Oct. 2024).</li></ul></div></div>	<div><ul style="list-style-type: none"><li>The sixth session of <b>“Purpose and Vision Penetration Project Team”</b> will be held (Mar. 2025).</li><li>Fixed point observation by CX survey*1 (the second half of FY2024).</li></ul></div>

\* The measures that have already been implemented in the "Major future initiatives" in the material released on October 15, 2024 have been transcribed into "Major initiatives to date". New initiatives, additional measures, etc.is highlighted.

※1 Research on customer loyalty indicators and CX index is based on CXMM® of Nomura Research Institute, Ltd  
CXMM®is a registered trademark of Nomura Research Institute, Ltd. (<https://www.nri.com/jp/service/solution/fis/cxmm>)



Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Penetration and thoroughness of the Purpose, Vision, Fiduciary Duty Policy, Human Resource Development Policy		
Penetration and thoroughness of the Fiduciary Duty Policy	<ul style="list-style-type: none"> <li>Established Fiduciary Duty Handbook and the “Three Pledges” (Principles of Conduct for Executives and Employees) (Oct. 2023).</li> <li>Started of Fiduciary Duty monthly study meeting (continued after Oct. 2023).</li> <li>Setting 23rd of each month as the “Fiduciary Duty Day” and started to distribute video messages from executives (Continued after Dec. 2023).</li> <li>Started "Fiduciary Duty Hearing" for the purpose of surveying the penetration of Fiduciary Duty Policy, etc., and collecting opinions of branch staffs on various measures, etc. (continued after Dec. 2023).</li> <li>Signed an advisory agreement with an outside consulting firm for Fiduciary Duty penetration (Jan. 2024).</li> <li>Implemented the “Special Fiduciary Duty Award” to commend the excellent efforts of the "customer-oriented business management," which is an important pillar in the realization of the Purpose (the second half of FY2023, group companies were added to the scope from the first half of FY2024).</li> <li>Presentation by the external advisor at meeting of all branch managers (Apr. 2024).</li> <li>Published the Q&amp;A on Fiduciary Duty (May. 2024).</li> <li>Updated business improvement efforts and revised Fiduciary Duty Policy (Jun. 2024).</li> <li>Reporting of businesses adopting “the Principles for Customer-Oriented Business Operations” to the Financial Services Agency (Jul. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Revise Fiduciary Duty Policy to make it easier for staff to understand.</li> </ul>
Penetration and thoroughness of the Human Resource Development Policy	<ul style="list-style-type: none"> <li>Human Resources Division started giving advice on careers in line with the Human Resource Development Policy during the annual personnel interview (Continued after Oct. 2023).</li> <li>Conducted training for managers on coaching skills for vision formulation and penetration (Jul. 2023 – Sep. 2024).</li> <li>Linked the employee performance evaluation system to the Human Resource Development Policy (continued after the first half of FY2024).</li> <li>Incorporated the Fiduciary Duty element into the target setting of bonus evaluation (continued after the first half of FY2024).</li> <li>Started establishing a “Career Counseling System” to support staff’s career development, and implemented career counseling at some sales branches on a trial basis (Nov. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Expand “Career Counseling System” based on trial results.</li> </ul>

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Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Establishment of the operational management system (problem of incentive mechanism)		
Strengthening comprehensive proposal capabilities in the personal business	<ul style="list-style-type: none"><li>Implemented <b>four major measures to investment trust</b> (Apr. 2023 onwards in sequence).<div><ul style="list-style-type: none"><li>① Improving financial literacy of customers by building an asset management portal site</li><li>② Provide highly convenient non-face-to-face channels, including investment trusts of app</li><li>③ Specialization of “careful explanation/ convincing proposal” through paperless investment trust procedures</li><li>④ Introduce Advanced consulting proposals through the use of the proposal tool the “Okane no Basket” (Money Basket)</li></ul></div></li><li>Started dispatching trainees to be <b>trained as specialists who can provide comprehensive consulting services for individuals</b> (continued after FY2023).</li><li>Launched customer satisfaction questionnaire on the “Okane no Basket”(Money Basket) (continued after Feb. 2024).</li><li>Added functionality to the “Okane no Basket”(Money Basket) (Oct. 2024).</li></ul>	<ul style="list-style-type: none"><li>Implemented “Goal-Based Life Plan Approach Training” to improve proposal skills for life events, etc. (Dec. 2024 – Feb. 2025).</li><li>Train specialists who can provide comprehensive consulting services for individuals is planned to be 50 (through FY2025).</li></ul>
Elimination of incentives in personal businesses	<ul style="list-style-type: none"><li>Established the Banking and Securities Strategic Review Committee, and froze the profit targets of Chibagin Securities (Jul. 2022).</li><li>In principle, the introduction of customers to Chibagin Securities by Chiba Bank was suspended (Jul. 2022).</li><li><b>New sales of structured bonds were completely suspended</b> (Aug. 2022).</li><li><b>Abolished the profit target for the individual division of bank branches</b> and reviewed the assessment system by Fiduciary Duty and activity volume, etc. (Oct. 2023 onwards).</li><li>Implement training, video distribution on Fiduciary Duty and penetration of new evaluation system to focus on activity volume (continued after Sep. 2023).</li><li><b>Completely eliminated the revenue return incentive</b> from Chibagin Securities that had been generated when a customer referred by the Bank, closing a deal (Oct. 2023).</li><li>“Briefing on Sales Measures for the second half of FY2024” was held for all branch managers, sales caps, staffs in charge, and branch managers of Chiba Bank Securities. Explanation of the purpose and goals of the measures and lectures by outside instructors were conducted (Oct. 2024).</li><li>Launched a new performance award system with targets set on a self-reported basis by sales branches (the second half of FY2024).</li><li>Added evaluation item on “Customer-Oriented Business Operations” in performance awards (the second half of FY2024).</li></ul>	<ul style="list-style-type: none"><li>Management reform training for general managers and senior deputy general managers of branch to strengthen sales skill leadership and acquire management skills (Jan. 2025).</li></ul>



Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Strengthening the internal management system		
Strengthening 1st line functions	<p><b>Efforts to Understand the actual status of the workplace</b></p> <ul style="list-style-type: none"><li>• Opening of “Chocotto line” to group companies (Sep. 2023)</li><li>• <b>Conducted engagement surveys</b> for staffs (first survey: Sep. 2023, second survey: Apr. 2024,third survey: Oct. 2024).</li><li>• Talent management system "Talent Palette" introduced to group companies (Apr. 2024).</li><li>• Exchange of views between newly appointed senior managers and executives was held (first session :Apr. 2024, second session :Jun. 2024, third session :Aug. 2024).</li><li>• <b>Established "Engagement Improvement Committee"</b> to study and discuss various measures to improve engagement (Jun. 2024).</li><li>• Established monitoring operation manuals for each group company (Jul. 2024) and started operating (Aug. 2024).</li><li>• Conducted 360-degree evaluation in group companies (Aug. 2024).</li><li>• “Engagement Improvement Committee” was held (first session : Sep. 2024, second session : Dec. 2024).</li></ul> <p><b>Strengthening internal management functions on 1st line</b></p> <ul style="list-style-type: none"><li>• Establishment of new criteria for referral to Chibagin securities (Apr. 2023).</li><li>• <b>Introduction of suitability verification tools at all branches (Mar. 2024).</b></li><li>• Improvement of suitability verification tools (Jun. 2024). Monitoring of utilization (Nov. 2024).</li><li>• Implemented e-Learning training program “Financial Products Sales Training for Officials” (Aug. 2024).</li><li>• Implemented practical training for newly assigned in charge of the internal administration supervisors (Oct. 2024).</li></ul>	<ul style="list-style-type: none"><li>• Identification of issues and consideration of improvement measures based on analysis of engagement survey results (ongoing).</li><li>• Follow-up of participants in training for newly assigned in charge of the internal administration supervisors (ongoing).</li><li>• The effectiveness of suitability verification tools will be verified, and improvements and additions of functions will be made as necessary (ongoing).</li><li>• Linkage between “Suitability Verification Tools” and CRM system.</li></ul>

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Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Strengthening the internal management system		
Strengthening 2nd line functions	<ul style="list-style-type: none"><li>• <b>Appointment of the General Manager in charge of Corporate Management, consolidation of the Compliance and Risk Management Division and the Service Quality Management Division, and Newly-established the “Customer Support Monitoring Office” in the Compliance and Risk Management Division (Oct. 2023).</b></li><li>• Started conducting direct customer interviews regarding financial product sales by headquarters staff (continued after Dec. 2023).</li><li>• Report on the implementation status of the NPS®※1 questionnaire for customers who have conducted financial product transactions at the internal meeting (Feb. 2024, May. 2024, Aug. 2024 and Nov. 2024).</li><li>• In the “watch alert” function of “Okane no Basket”(Money Basket), corrective action is triggered when suspicious activity is detected in Fiduciary Duty (Apr. 2024).</li><li>• Recording interviews with business-use smartphones was started (continued after Aug. 2024).</li><li>• Started using the text mining tool aiming advanced analysis of complaints, requests, etc. (Sep. 2024).</li><li>• <b>Linked CRM data to the text mining tool to expand the scope of voice collection (Dec. 2024).</b></li></ul>	<ul style="list-style-type: none"><li>• Expansion of transactions subject to interview recording. Linkage of recordings to CRM system (Newly-acquired subsidiary EDGE Technology, Inc. cooperates in development).</li><li>• Expansion of the scope for collection and advancement of analysis in text mining tools (Phase 2).</li></ul>
Strengthening 3rd line functions	<ul style="list-style-type: none"><li>• Strengthen group collaboration in the audit department through participation in conference bodies of the Audit and Inspection Division of Chibagin Securities by the Audit and Inspection Division of the Bank (continued after Sep. 2023).</li><li>• <b>The President is officer in charge of the Audit and Inspection Division and is deeply involved in PDCA</b> (continued after Oct. 2023).</li><li>• Focusing on the implementation status of explanation procedures and after-sales follow-up at the time of sales of investment-type financial products in branch audits (continued after Oct. 2023).</li><li>• The Audit and Inspection Division reviews the implementation status of the business improvement plan and makes recommendations for each measure to the relevant division (continued after Jan. 2024)</li><li>• Conducted thematic audits “Progress of the business improvement plan” (Feb. 2024)</li><li>• <b>Introduction of cultural audits</b> (Mar.2024). <b>Started preparations for sales branch hearings on the review of the performance award system with the support of outside experts (Dec. 2024).</b></li><li>• The Audit and Inspection Division participates in accompanying support with a consulting firm to improve internal management system of Chibagin Securities (Apr.2024).</li></ul>	<ul style="list-style-type: none"><li>• Sophistication of culture audits (ongoing).</li><li>• Improve effectiveness of business improvement measures (ongoing).</li></ul>

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※1 NPS® is a survey method to measure customer loyalty and is registered trademark of Bain & Company, Fred Reichheld, NICE Systems, Inc

Main measures	Major initiatives to date (until December 2024)	Major future initiatives
<b>Strengthening the business management system</b>		
Strengthening group governance	<ul style="list-style-type: none"> <li>Newly-established of Group Strategy Division (Apr. 2023).</li> <li><b>The Bank has dispatched Audit &amp; Supervisory Board, Director, and general manager-level personnel to Chibagin Securities and appointed by Standing Audit &amp; Supervisory Board Member, and person responsible for corporate management, administrative, and planning departments</b> (continued after Apr. 2023).</li> <li>Unification of group recruitment at the Bank and personnel exchanges between the Bank and group companies commenced (Apr. 2023).</li> <li><b>Newly-established of the "Group Improvement Office" headed by the President</b> (Oct. 2023).</li> <li>Regular reporting of business execution by the group CxO at the Board of Directors (Oct. 2023 onwards).</li> <li>Conducted third-party evaluation on the selection of financial products (Feb. 2024).</li> <li>The Group Improvement Office, based on the results of a questionnaire survey of the head office evaluation by branch staff, conducts hearings for improvement in each division of the head office, and feed back the results to each division (first session : Feb. 2024, second session : Dec. 2024).</li> <li><b>Outside Director assumed Chairman of the Board of Directors</b> (Apr. 2024).</li> <li><b>Shortened term of directors to one year from two years</b> (Jun. 2024).</li> <li>Third-party evaluation by an external organization was conducted in the evaluation of the effectiveness of the Board of Directors in FY2023 (the first half of FY2024).</li> <li>Chiba Bank dispatches personnel to EDGE Technology and appoints them as Executive Vice President, General Manager of the Administration Department, etc (Nov. 2024 – Dec. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct surveys of management issues through hearings with sales branch and make improvement proposals towards those issues by the Group Improvement Office (ongoing).</li> <li>Expand introduction of customer satisfaction surveys to group companies (ongoing).</li> </ul>
Organizational culture reform	<ul style="list-style-type: none"> <li><b>Started 1on1 meeting with the Presidents of group companies by the Bank's President</b> (continued after Sep. 2023).</li> <li>Regularized meetings to exchange opinions between the Bank executives and employees of group companies (continued after Sep. 2023).</li> <li>Resolved that appointment of presidents of group companies is an advisory matter to the Appointment, Remuneration and Corporate Advisory Committee (Mar. 2024).</li> <li>Established the "transfer system" that allows group company employees to transfer to the Bank, and the "specialist course" for highly specialized group companies and mid-career recruits (Apr. 2024).</li> <li><b>Introduced skill matrix for directors of group companies (utilized for appointment from Apr. 2024).</b></li> </ul>	<ul style="list-style-type: none"> <li>Introduction of "Chibagin Academy," an online corporate university, to group companies (Apr. 2025).</li> </ul>

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Main measures	Major initiatives to date (until December 2024)	Major future initiatives
<b>Strengthening the business management system</b>		
Strengthening governance by management team	<ul style="list-style-type: none"> <li>• <b>The Bank has dispatched Audit &amp; Supervisory Board, Director, and general manager-level personnel to Chibagin Securities as Standing Audit &amp; Supervisory Board Member, and person responsible for corporate management, administrative, and planning departments</b> (continued after Apr. 2023).</li> <li>• Conducted video trainings and lectures by Chiba Bank Outside Directors to executives (continued after Nov. 2023).</li> <li>• Introduced the effectiveness evaluation of the Board of Directors using an external organization (Jan. 2024).</li> <li>• Appointment of human resources based on the skill matrix of board member (Apr. 2024).</li> <li>• Personnel with experience as General Manager of the major domestic securities company appointed as Vice President (Jun. 2024). Conducted internal lectures and executive liaisons to customers on the shift to a customer-oriented business model (Dec. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing issues to improve the effectiveness of the Board of Directors based on the results of the external evaluation (ongoing).</li> </ul>
Reform of organizational structure	<ul style="list-style-type: none"> <li>• <b>Transition to a three-headquarters structure for the Corporate Management Division, Business Support Division, and Advisor Support Division (Apr. 2023).</b></li> <li>• Review of project team, which oversees internal reforms and complaint countermeasures (Aug. 2023).</li> <li>• Introduced the "Head Office Evaluation System" to strengthen the system for management to grasp the status of business execution and problem solving in the headquarters and issue appropriate instructions (Oct. 2023).</li> <li>• Expansion of career recruitment by unifying group employment by expanding the scope of mid-career recruitment in the headquarters planning and administration departments (continued after Jan. 2024).</li> <li>• Transitioned to a headquarters organizational management structure centered on general managers and senior deputy general managers (Apr. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to the missions and issues of each department as clarified by the introduction and implementation of the "Headquarters Evaluation System" and invigorate company-wide discussions on important issues through project teams and other meeting bodies (ongoing).</li> <li>• Mid-career recruitment to secure diverse human resources (ongoing).</li> </ul>
Reform of corporate culture	<ul style="list-style-type: none"> <li>• <b>The President repeatedly lectured on the need for the corporate organizational reform</b> (continued after Jul. 2022).</li> <li>• Adopted a mission card describing "Mission of Chibagin Securities" and "Mission as an Advisor" (Jan. 2023).</li> <li>• Conducted engagement surveys for staffs (first survey: Sep. 2023, second survey: Apr. 2024, <b>third survey : Oct. 2024</b>).</li> <li>• NPS<sup>®</sup>※1 (P9) questionnaires are administered to customers who have conducted financial product transactions (continued after Dec. 2023).</li> <li>• Exchange of opinions between the Vice President, General Manager of Corporate Planning Division and mid-level employees of Headquarters was held (Nov. 2024 – Dec. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to hold meetings for exchange of opinions with all branches by Chibagin Securities officers and Chiba Bank officers (ongoing).</li> <li>• Conduct surveys for all employees to gather opinions on a regular basis (ongoing).</li> <li>• Strengthen organizational management centered on general manager of the division and branch by utilizing engagement surveys, etc. (ongoing).</li> </ul>

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Main measures	Major initiatives to date (until December 2024)	Major future initiatives
<b>Establishment of business operation system</b>		
Strengthening confirmation of the compliance suitability principle	<ul style="list-style-type: none"> <li>Introduced interview sheets ("Consultation Sheet" and "Suitability Confirmation Sheet") (Apr. 2023).</li> <li>Newly-established referral standards from Chiba Bank to Chibagin Securities (Apr. 2023).</li> <li>Started feedback from internal administration supervisors to advisors based on monitoring results and examples (continued after Apr. 2023).</li> </ul>	<ul style="list-style-type: none"> <li>Continue to verify the operation status after the introduction of the interview sheet (ongoing).</li> <li>Continue to monitor compliance with the referral standards and verify the appropriateness of the referral standards (ongoing).</li> </ul>
Sophistication of product selection process	<ul style="list-style-type: none"> <li><b>Approval by “the Banking and Securities Strategic Review Committee”(the Bank ) and the “Investment-type Financial Instruments Selection Committee” to be mandatory at the time of product selection at Chibagin Securities</b> (continued after Jun. 2023).</li> <li>Concluded a contract with a consulting company to introduce external evaluation in the product introduction process (Feb.2024).</li> <li>Commenced a partial review of the product lineup based on an evaluation by an external organization (Jun. 2024).</li> <li>“Product Selection Regulations” and “Product Selection Criteria” were established as part of product governance enhancement (Sep. 2024). Started operation of product introduction based on established rules and standards (Oct. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>By utilizing external knowledge, operation of a product selection process in response to various guidelines and periodic review of product lineup (ongoing).</li> </ul>
Review of performance award system and personnel evaluation system	<ul style="list-style-type: none"> <li><b>Abolished the return of profits to Chiba Bank in financial instrument intermediary</b> (Oct. 2023).</li> <li><b>Review of performance award system consistent with asset management-type business, such as evaluating the status of contact with customers to restore trust</b> (the second half of FY2023).</li> <li>Review the results-based bonus assessment method (the second half of FY2023).</li> <li>Revised the personnel salary system to operate in a way that more appropriately reflects abilities and achievements (Apr. 2024).</li> <li>Started personnel interviews in line with new personnel performance evaluation items based on the Group Human Resources Development Policy (Sep. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Strictly apply the revised performance award criteria and personnel systems (ongoing).</li> </ul>
Review of Human Resource development system and training system	<ul style="list-style-type: none"> <li>Started compliance training by General Manager in charge of Corporate Management (Jun. 2023 onwards).</li> <li><b>Formulated an overview of our human resource development system based on the three personalities Chibagin Securities demand; “Integrity” “Professional” “Challenge”</b> (Oct. 2023).</li> </ul>	<ul style="list-style-type: none"> <li>Conducting field-specific training based on the human resources development system (ongoing).</li> </ul>

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Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Establishment of business management system		
Strengthening 1st line functions	<ul style="list-style-type: none"><li>Assigned a dedicated internal administration supervisors at 20 branches (Oct. 2022).</li><li><b>The Internal Control Division was newly established under the Corporate Management Headquarters</b> (Apr. 2023).</li><li><b>Established eligibility criteria for internal control managers</b> to standardize and improve the quality of their skills (Jan. 2024).</li><li>Training program for internal control managers to developed job applicants (continued after Apr. 2024).</li></ul>	<ul style="list-style-type: none"><li>Strengthen management of compliance with the principle of suitability based on the internal control manual for sales branches.</li><li>Training of internal control managers through dedicated programs (ongoing).</li></ul>
Strengthening 2nd line functions	<ul style="list-style-type: none"><li><b>The former executives in charge of compliance of the Chiba Bank is appointed as the Director and General Manager in charge of the Corporate Management</b> (Apr. 2023).</li><li>The Compliance Division was reformed into two groups: the Coordination Department and Service Quality Management Department (Apr. 2023).</li><li>Changed in the responsibility of the Fiduciary Duty Committee from Sales Division to the Compliance Division (Apr. 2023).</li><li>Changed the Compliance Committee to meet monthly (Jul. 2023).</li><li>In addition to monthly monitoring, the system has been reviewed to verify transaction trends at all branches on a yearly basis (Feb. 2024).</li><li>Started a trial to collect customer feedback at the call center (May. 2024).</li><li>Started recording interviews and monitoring the content of the recordings (continued after Oct. 2024).</li></ul>	<ul style="list-style-type: none"><li>Understand KPI related to the status of "customer-oriented business operations" and continue to verify (ongoing).</li><li>Continuous review of monitoring methods (ongoing).</li></ul>
Strengthening 3rd line functions	<ul style="list-style-type: none"><li>Changed to regularly provide explanations of audit results to the Chiba Bank Audit and Inspection Division (Nov. 2023).</li><li>Assigned a person to the Audit and Inspection Division to work concurrently with the Chiba Bank Audit and Inspection Division (Feb. 2024).</li><li>Hired external consultants to draft "FY2024 Internal Audit Plan" (Mar. 2024).</li><li>Conducted thematic audits on product governance with external consultants (Dec. 2024).</li></ul>	<ul style="list-style-type: none"><li>Strengthening cooperation with the Chiba Bank Audit and Inspection Division.</li><li>Advancement of audit methods based on advice from external consultants</li></ul>

\* The measures that have already been implemented in the "Major future initiatives" in the material released on October 15, 2024 have been transcribed into "Major initiatives to date". New initiatives, additional measures, etc.is highlighted.



Main measures	Major initiatives to date (until December 2024)	Major future initiatives
Establishment of business management system		
Strengthening complaint response	<ul style="list-style-type: none"><li>Complaint categories were subdivided into "Insufficient confirmation of risk understanding," "Suitability of products sold to customers," "Insufficient explanation," "Violation of rules," etc., to ensure thorough verification of factors and problems in complaints (continued after Jul. 2022).</li><li>After complaints are filed, a system has established for reporting operational improvements, such as the analysis of true causes and preventive measures, and management discussion of them at the Compliance Committee and Fiduciary Duty Committee by the Compliance Division, the Coordination Department (Jul. 2023).</li></ul>	<ul style="list-style-type: none"><li>Formulated effective measures to prevent recurrence based on the analysis of true causes and reported them to the Compliance Committee (ongoing).</li></ul>
Strengthening checks and balances by banks	<ul style="list-style-type: none"><li><b>Established the “Banking and Securities Strategic Review Committee”</b> (Jul. 2022).</li><li>Regularly report to Chiba Bank’s management on the status of follow-up services for customers referred to Chiba Bank Securities by Chiba Bank (Jul. 2023 onwards).</li><li>Musashino Bank began surveys and monitoring of their referral customers (continued after Sep. 2023).</li></ul>	<ul style="list-style-type: none"><li>Discussions and reports with Chiba Bank through the "Banking and Securities Strategic Review Committee" etc. (ongoing).</li><li>In-depth information collaboration with Musashino Bank and implementation of transaction verification and surveys by the bank (ongoing).</li></ul>

\* The measures that have already been implemented in the "Major future initiatives" in the material released on October 15, 2024 have been transcribed into "Major initiatives to date". New initiatives, additional measures, etc.is highlighted.

# Operational Improvement Order (Problem, True Cause Analysis)

## Chiba Bank

## Chibagin Securities

### Problems pointed out by the Kanto Local Finance Bureau (June 23)\*1

1. **Situation of the inducement to structured bonds without confirming and considering customer attributes**
2. **Insufficient situation of internal control system**
  - ① Insufficient internal control system for responding to complaints
  - ② Insufficient effective monitoring system regarding the status of explanations to customers
  - ③ Insufficient governance by management

1. **Situation of long-term and continuing solicitations that violate the suitability principle**
2. **Insufficient situation of posture for compliance with the suitability principle**

### Cause analysis\*2

#### 1.Problems in the operational control environment (incentive mechanism)

A system in which structured bonds with a high rate of return to earnings are evaluated relative to the volume of work, and there are no administrative tasks that are complicated compared to investment trusts and insurance  
Preference for selling structured bonds, but underestimation of problems and risks associated with structured bonds

#### 2.Problem in the internal control system

①There were three elements of ① motivation, ② opportunity, ③ justification for 1st line (branch and sales division).

(Motivation) Performance awards and personnel evaluation mechanisms to motivation and pressure of bank employees

(Opportunity) Malfunction due to formal confirmation by the internal administration supervisor, etc.

(Justification) Rewarded by achieving the target, customers ask for explanations,  
Bad sense of security that the ultimate sales responsibility lies with Chibagin Securities

②Problem in risk detection for 2nd line (management division) and 3rd line (audit division) and inadequate response for the detected risks

#### 3.Problem in business management system

①Group governance issues (problems in grasping the current situation, identifying issues, and managing the progress of instructions)

②Problems in organizational culture (problems in business operation system: situation where management is unable to respond appropriately)

#### 1.Motivation (pursuit of profits)

①Management's stance of strongly pursuing earnings, ② Mechanism for achieving highly established earnings targets, ③ Evaluation system that emphasizes performance-based evaluation for individuals, ④ Issues such as human resource development

#### 2.Opportunity (check-and-balance malfunction)

- ①3 lines management was not fully functioning
- ②Inadequate response to the complaint
- ③Problems in the process of selecting products to sell
- ④Inadequate checks and balances by Chiba Bank

#### 3.Justification (pressure from the bank as the referral source)

Relationships with the staff of Chiba Bank and Musashino Bank lead to justification for improper behavior for those in charge of Chiba Securities, resulting in cases in inducement to structured bonds with inadequate confirmation of suitability and customer attributes.

#### 4.Business Management System, etc.

Revenue from sales of structured bonds is important for the management of Chibagin Securities, and dilution in all tiers, including the management of the most securities, in terms of compliance with the suitability principle.

\*1 For details, please refer to the "Administrative Actions by the Kanto Local Finance Bureau" dated June 23, 2023.

\*2 For details, please refer to the "Overview of the Plans for Improvement and the Prevention of Recurrence, and Disciplinary Actions to Persons Involved in the Administrative Actions Issued by Kanto Local Finance Bureau" dated August 31, 2023.