

April 15, 2024

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, 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 March 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. 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, Chiba Bank, Ltd. 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. 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

- Various measures based on the business improvement plan are steadily being implemented, including the review of the organizational structure / evaluation system, and plans of training and study meetings.
- Capturing that penetrating and firmly establishing the "Purpose and Vision" throughout the organization is an improvement measure common to all problems, we are working on penetration measures across the organization centering on the Purpose and Vision Penetration Project Team.



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

P4、P5

### Chiba Bank

Establishment of the business operation system	P6	Strengthening comprehensive proposal capabilities in the personal business	Elimination of incentives in the personal business	
Strengthening the internal management system	P7	Strengthening 1st line functions	Strengthening 2nd line functions	Strengthening 3rd line functions
Strengthening the business management system	P8	Strengthening group governance	Reform of organizational culture	



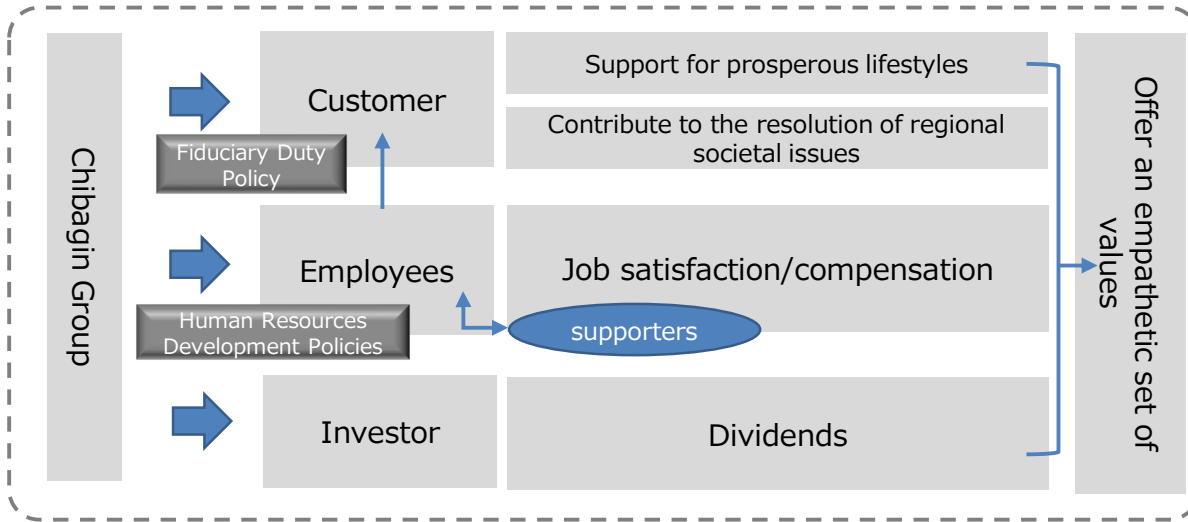
Building a new business model linking with the banking and securities

### Chibagin Securities

Strengthening the business management system	P9	Strengthening governance by management team	Reform of organizational structure	Reform of corporate culture
Establishment of the business management system	P10	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	P11	Strengthening 1st line functions	Strengthening 2nd line functions	Strengthening 3rd line functions
		Strengthening complaint response	Strengthening checks and balances by banks	

**Purpose**

To create a local community better suited to bringing each person's hope to life



**Fiduciary Duty Policy -Policy for acting "for the customer"-**

**Human Resources Development Policy -Policy for "Promoting the growth and development of employees"-**

"Become someone who keeps fighting for the customer".

think things through

utilize your own strengths

gain more supporters

**Three Pledges - Action principles for the achievement of the Purpose and the implementation of fiduciary duty-**

Whenever making a proposal to a customer or making a business decision, we always stop and think, will this proposal or decision lead to

the realization of the customer's wish

a solution to the customer's problem

the realization of prosperous lifestyles for the customer

**Vision**

An Engagement Bank Group that works closely with the community

Main measures	Major initiatives to date (until March 2024)	Major future initiatives
<b>Penetration and thoroughness of the Purpose, Vision, Fiduciary Duty Policy, Human Resource Development Policy</b>		
Penetration and thoroughness of the Purpose and Vision	<ul style="list-style-type: none"> <li>CX Survey<sup>*1</sup> was conducted, and the results were discussed by the Board of Directors members (Feb. 2024).</li> <li>The second session of <b>"Branch Subcommittee"</b> and <b>"Group Company Subcommittee"</b> as a consultative body under the project team was held, and <b>"Headquarters Opinion Exchange Meeting"</b> was newly held by headquarters staff (held in Mar. 2024).</li> <li>At the second session of <b>"Purpose and Vision Penetration Project Team"</b> (held in Mar. 2024), the current position of the pervasive process was confirmed, and the current issues and future policies for further penetration were summarized.</li> <li>Preparation of a training video on the management strategy of the Bank Group toward the realization of the Purpose, and careful explanation of the process of issuing Business Improvement Order and the establishment of the Purpose (Mar. 2024)</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;">                     ※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. (<a href="https://www.nri.com/jp/service/solution/fis/cxmm">https://www.nri.com/jp/service/solution/fis/cxmm</a>)                 </div>	<ul style="list-style-type: none"> <li>The third session of the project team will be held around Jun. 2024.</li> <li>Evaluate and reflect on existing measures and consider new measures based on them</li> </ul>
Penetration and thoroughness of the Fiduciary Duty Policy	<ul style="list-style-type: none"> <li>Comprehensively organize the Purpose, Vision and Fiduciary Duty Policy. <b>Reviewed Fiduciary Duty Policy, and established Fiduciary Duty Handbook</b> (Oct. 2023)</li> <li><b>Established the "Three Pledges" as action principles</b> for the achievement of the Purpose and penetration of the Fiduciary Duty Policy (Oct. 2023), and created a chorus based on the "Three Pledges" and began implementing it at all branches (Nov. 2023)</li> <li><b>Fiduciary Duty penetration for all employees through study meetings</b> using the Fiduciary Duty Handbook, etc. (continued from Oct. 2023), and <b>setting the 23rd of each month as the "Fiduciary Duty Day" and distributing video messages from the President, CRO and CBO of the Group</b> (continued from Dec. 2023)</li> <li>Started "Fiduciary Duty Hearing" to survey and collect information on the degree of penetration of the Fiduciary Duty Policy, implementation status of various measures, etc. (Dec. 2023)</li> <li><b>Signed an advisory agreement</b> with an outside consulting firm for <b>Fiduciary Duty penetration</b>. (Jan. 2024)</li> <li><b>Implemented the "Special Fiduciary Duty Award"</b> 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)</li> </ul>	<ul style="list-style-type: none"> <li>Lecture on FD given by an outside lecturer at a meeting of all store managers (Apr. 2024)</li> <li>Reviewing the Fiduciary Duty Policy after examining the status of implementation in FY2023 (Jun. 2024)</li> <li>Consideration of measures to further promote Fiduciary Duty penetration on the 1st line based on advice from an outside consulting company (the first half of FY2024)</li> </ul>
Penetration and thoroughness of the Human Resource Development Policy	<ul style="list-style-type: none"> <li>Started giving advice on each employee's career while explaining the idea of the three core elements of the human resource development policy during personal interviews between employee and the Human Resource Development Department (continued from Oct. 2023).</li> <li>Conducted training for managers on the formulation of visions and coaching to instill visions in the organization (completed a seven-month training program in Feb. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the employee performance evaluation system to link it to the human resource development policy, and incorporated the Fiduciary Duty element into the employee performance evaluation system and bonus evaluation system (the first half of FY2024).</li> </ul>

\* The measures that have already been implemented in the "Major future initiatives" in the material released on January 15, 2024 have been transcribed into "Major initiatives to date." Additional information from the material is highlighted.

Main measures	Major initiatives to date (until March 2024)	Major future initiatives
<b>Establishment of the operational management system (problem of incentive mechanism)</b>		
Strengthening comprehensive proposal capabilities in the personal business	<ul style="list-style-type: none"> <li>Implemented <b>four major measures to pursue the best interests of customers and improve convenience</b>, and seminars and on-site guidance by headquarters specialists to promote the use of each tool and improve the skills of sales personnel (ongoing).                             <ul style="list-style-type: none"> <li>(i) Improving financial literacy of customers by building an asset management portal site</li> <li>(ii) Provide highly convenient non-face-to-face channels, including investment trusts of app</li> <li>(iii) Specialization of "careful explanation/ convincing proposal" through paperless investment trust procedures</li> <li>(iv) Introduce Advanced consulting proposals through the use of the proposal tool the "Okane no Basket" (Money Basket)</li> </ul> </li> <li>Training 10 trainees from April 2023 to be specialists who can provide comprehensive consulting services for individuals.(FY 2023)</li> <li>Launched customer satisfaction questionnaire on "Okane no Basket"(Money Basket) (Feb. 2024)</li> <li>Distribution of new videos of cases with the aim of improving the ability to make proposals through "Okane no Basket"(Money Basket)(Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Consideration for further utilization of the "Okane no Basket" (Money Basket)</li> <li>During the period of the Mid-term Plan (from FY2023 to FY2025), <b>train specialists who can provide comprehensive consulting services for individuals on general life plans</b> is planned to be 50.</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) ,and <b>new sales of structured bonds were completely suspended</b> (Aug. 2022).</li> <li><b>Abolished the profit target for the personal division of bank branches</b> and reviewed the assessment system by Fiduciary Duty and activity volume, etc. (Oct. 2023)</li> <li><b>Complete eliminate the revenue return incentive</b> that had been generated when a customer referred by Chiba Bank to Chibagin Securities, closing a deal at Chibagin Securities(Oct. 2023).</li> <li>Implement training, video distribution on Fiduciary Duty and changing behavior to focus on activity volume (continued from Sep. 2023).</li> <li>Decided to continue to abolished the profit targets for the personal division of bank branches(Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>An explanatory meeting on sales measures was held for branch managers and branch staffs to explain the purpose and background of the measures, and an outside lecturer gave a lecture on business for individuals. (Apr. 2024)</li> </ul>

Main measures	Major initiatives to date (until March 2024)	Major future initiatives
<b>Strengthening the internal management system</b>		
Strengthening 1st line functions	<p><u>Efforts to Understand the actual status of the workplace</u></p> <ul style="list-style-type: none"> <li>Opening of Chocotto line to group companies (Sep. 2023)</li> <li>The results of the first engagement survey were fed back to all Group employees, and the Board of Directors members discussed initiatives for improvement based on the results (Feb. 2024).</li> </ul> <p><u>Strengthening internal management functions on 1st line</u></p> <ul style="list-style-type: none"> <li>Establishment of new criteria for introducing Chibagin securities (Apr. 2023)</li> <li>Newly-established practical training for newly assigned in charge of the internal administration supervisors (Oct. 2023)</li> <li>Introduction of suitability verification tools at all branches (Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Discuss improvement measures to address issues based on engagement survey results(Ongoing)</li> <li>Introduce 360-degree evaluation to group companies (the first half of FY2024)</li> <li>The effectiveness of suitability verification tools will be verified, and improvements and additions of functions will be made as necessary (from FY2024 onward).</li> </ul>
Strengthening 2nd line functions	<p><b><u>Revision of the 2nd line system (Organizational change in Oct. 2023)</u></b></p> <ul style="list-style-type: none"> <li><b>Appointment of the General Manager in charge of Corporate Management</b></li> <li><b>Consolidation of the Compliance and Risk Management Division and the Service Quality Management Division</b></li> <li><b>Newly-established the "Customer Support Monitoring Office" in the Compliance and Risk Management Division</b></li> <li>Started conducting direct customer interviews regarding financial product sales by headquarters staff (Dec. 2023)</li> <li>Additional personnel are assigned to 2nd and 3rd line to enhanced readiness (Jan. 2024)</li> <li>Report on the implementation status of the NPS<sup>※2</sup> questionnaire for customers who have conducted financial product transactions at the internal meeting (Feb. 2024)</li> </ul> <p>※2 NPS<sup>®</sup> is a survey method to measure customer loyalty and is registered trademark of Bain &amp; Company, Fred Reichheld, NICE Systems, Inc</p>	<ul style="list-style-type: none"> <li>Sophistication of analysis on "complaints, requests, and inquiries" (until Sep. 2024)</li> <li>Establishment of a system to analyze "customer and regional opinions" (until Sep. 2024)</li> <li>Infrastructure investment, including the introduction of a telephone recording system, and improvements in the performance of microphones and camera analysis (until Sept. 2024)</li> <li>Diversification and sophistication of monitoring methods through the use of systems such as recordings sound and movie by personal computers at the time of visits (until Sep. 2024)</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 (from Sep. 2023)</li> <li><b>The President is officer in charge of the Audit and Inspection Division and is deeply involved in PDCA (Oct. 2023)</b></li> <li>The Audit and Inspection Division confirms the implementation status of the business improvement plan and makes recommendations for each measure to the relevant division (Jan. 2024)</li> <li>Conducted thematic audits "Progress of the business improvement plan" (Feb. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Sophistication of culture audits</li> </ul> <p>The Bank has begun conducting audits of sales branch, department-specific audits, and audits of subsidiary companies to confirm the level of penetration of our purpose and vision through interviews, starting from Oct. 2023.</p>



Main measures	Major initiatives to date (until March 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>Since Apr. 2023, 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 (from Apr. 2023)</b></li> <li>Unification of group recruitment at the Bank and two-way 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 (Oct. 2023)</b></li> <li>Regularly report to the Board of Directors after verifying and ascertaining issues from the customer's perspective in various administrative areas, including group companies, from the perspective of exercising cross-divisional functions as a group CxO (from Oct. 2023)</li> <li>JBIC launched a two-way exchange of personnel between JBIC and its group companies in Apr. 2023.</li> <li>Conducting a compliance named questionnaire for all Group employees (Jan. 2024)</li> <li>Conducted third-party evaluation on the selection of financial products (Feb. 2024)</li> <li>The Group Improvement Office conducts a questionnaire survey of the head office evaluation by branch staff, and based on the results of the questionnaire, conducts hearings for improvement in each division of the head office, and feed back the results to each division (Feb. 2024).</li> </ul>	<ul style="list-style-type: none"> <li><b>Chairman of the Board of Directors shall be an Outside Director (Apr. 2024)</b></li> <li><b>Appointment of the Bank's first female representative director (Apr. 2024)</b></li> <li><b>Reduce the term of office of directors from two years to one year (scheduled for Jun. 2024)</b></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>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>Consideration of mechanisms such as satisfaction surveys for all Group customers Customer surveys have been conducted at some Group companies since Nov. 2023.</li> </ul>
Organizational culture reform	<ul style="list-style-type: none"> <li><b>1on1 Meeting with Presidents of group companies by the Bank's President (from Sep. 2023)</b></li> <li>Regular meetings to exchange opinions with the executives in charge of the Bank to hear the opinions of employees of Group companies (from 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><b>Introduced skill matrix for directors of group companies (utilize for appointment from Apr. 2024)</b></li> </ul>	<ul style="list-style-type: none"> <li>The "transfer system" in which someone that has been brought up by their company can transfer to the Bank, and consideration of a "specialist course" for human resources of highly specialized group companies and mid-career recruits (Apr. 2024)</li> </ul>

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Main measures	Major initiatives to date (until March 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> (from Apr. 2023)</li> <li>• Conducted video seminars for Directors and lectures for Directors from Chiba Bank Outside Directors (from Nov. 2023)</li> <li>• Conducted a questionnaire survey of Directors and Audit &amp; Supervisory Board Members to improve the effectiveness of the Board of Directors, etc, and reported the results of analysis and issues at the Board of Directors (Dec. 2023)</li> <li>• Introduced the effectiveness of the Board of Directors using an external organization (Jan. 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</li> <li>• Appointment of human resources based on the skill matrix of board member</li> <li>• Invitation of management personnel from outside the company</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>• Newly established the "Business Reform Project Team," In order to review administrative procedures at sales stores and the headquarters (Nov. 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 (from Jan. 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>• Continued implementation mid-career recruitment to secure diverse human resources</li> </ul>
Reform of corporate culture	<ul style="list-style-type: none"> <li>• <b>To educate all executives and employees about the necessity to "reborn as a securities company needed by customers" and what we must do to achieve this by the President</b> (from Jul. 2022)</li> <li>• The Digital Suggestion Box* was installed (Aug. 2022)                      ※System that allows employees to express opinions and make inquiries directly to the President</li> <li>• Held an Advisory Meeting to hear opinions directly from customers at branch offices (Sep. 2022)</li> <li>• Adopted a mission card describing "Mission of Chibagin Securities" and "Mission as an Advisor" (Jan. 2023)</li> <li>• Deliver management policies (the Purpose and the Mid Management Plans, etc.) through e-learning to penetrate their vision (from Nov. 2023)</li> <li>• Conducted the NPS® questionnaire, which measures customer loyalty, in order to collect customer feedback and utilize it for the reform of organizational culture (Dec. 2023)</li> <li>• In order to share the opinions of employees throughout with the Group, the Human Resources Development Division of Chiba Bank held an interview with all employees (from Feb. 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 to gather employees' opinions and strengthen the dissemination of management messages.</li> <li>• Conduct surveys for all employees to gather opinions on a regular basis(Ongoing)</li> <li>• Strengthen organizational management centered on the head of the division and branch by utilizing engagement surveys, etc.</li> </ul>

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Main measures	Major initiatives to date (until March 2024)	Major future initiatives
<b>Establishment of business management 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 new referral standards from Chiba Bank to Chibagin Securities (Apr. 2023)</li> <li>Sophistication of suitability judgment by feedback from internal administration supervisors to advisors based on monitoring results and examples (from Apr. 2023)</li> <li>Revision of Internal Control Manual for Branches (Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Continue to verify the operation status after the introduction of the interview sheet</li> <li>Continue to verify and review various handling standards and rules</li> <li>Continue to monitor compliance with the referral standards and verify the appropriateness of the referral standards</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" is mandatory at the time of product selection at Chibagin Securities</b> (from Jun. 2023)</li> <li>Concluded a contract with a consulting company to introduce external evaluation in the product introduction process.</li> </ul>	<ul style="list-style-type: none"> <li><b>Establishment of a product selection process in response to various guidelines by utilizing external knowledge, and review of product lineup</b></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 (Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Continued implementation of the performance award system based on the ideal business model that we are aiming for, and efforts to disseminate and establishment of the award system in branches</li> <li>Started operation of revised personnel and salary system, and continue efforts to plan employees' awareness</li> </ul>
Review of Human Resource development system and training system	<ul style="list-style-type: none"> <li>Introduced "Teach me Biz," a training tool. (Dec. 2022)</li> <li>Conducted monthly compliance training by the General Manager in charge of Corporate Management with the aim of reforming the awareness of branch General Managers. Repeated training to instill awareness that compliance is fundamental to all operations (from Jun. 2023)</li> <li><b>Formulated an overview of our human resource development system based on the three personalities Chibagin Securities demand from "Integrity" "Professional" "Challenge"</b> (Oct. 2023)</li> <li>Implemented "In-house recruitment system" to encourage employees to voluntarily develop their careers (Jan. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing Fiduciary Duty and compliance, asset management type business, management training, etc., based on the perspectives of the three personalities we require.</li> <li>Continued implementation of e-learning training using "Teach me Biz,"</li> </ul>

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<b>Establishment of business management system</b>		
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> </ul>	<ul style="list-style-type: none"> <li>Strengthen management of compliance with the Suitability Principles by revising the internal control manual for branch</li> <li><b>Training of internal control managers through dedicated programs</b></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 shifted 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 the Sales Division to the Compliance Division (Apr. 2023), and in the frequency of the Compliance Committee and Fiduciary Duty Committee to monthly in principle (Jul. 2023)</li> <li><b>In addition to monthly monitoring, the system has been reviewed to verify transaction trends at all branches on a yearly basis</b> (Feb. 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Understand KPI related to the status of "customer-oriented business operations" by branch and continue to verify</li> <li>Continuous review of monitoring methods</li> <li>Consider introducing a call recording text system to improve the quality of monitoring</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><b>Assigned a person to the Audit and Inspection Division to work concurrently with the Chiba Bank Audit and Inspection Division</b> (Feb. 2024)</li> <li>Introduced external consulting to receive advice on the appropriateness of response as 3rd line, identification of issues, and measures for upgrading, and drafting "FY2024 Internal Audit Plan" (Mar. 2024)</li> <li><b>Collaborating with the Bank of Chiba Bank's Audit and Inspection Division to conduct thematic audits "Progress of Business Improvement Plans"</b> (the second half of FY2023)</li> </ul>	<ul style="list-style-type: none"> <li><b>Implementation of audits based on the "FY2024 Internal Audit Plan"</b></li> <li>Strengthening cooperation with the Chiba Bank Audit and Inspection Division</li> <li><b>Reflecting advice from external consultants in business operations</b></li> </ul>
Strengthening complaint response	<ul style="list-style-type: none"> <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 monthly by the Compliance Division, the Coordination Department (Jul. 2023)</li> <li><b>Create a collection of complaint reception cases</b> and make them known internally (Mar. 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Formulated effective measures to prevent recurrence based on the analysis of true causes and continue reported them to the Compliance Committee</li> </ul>
Strengthening checks and balances by banks	<ul style="list-style-type: none"> <li><b>Established the "Banking and Securities Strategic Review Committee" (Jul. 2022)</b></li> <li>At the morning meeting in which Chiba Bank management participates, the status of after-sales follow-up to customers referred by Chiba Bank to Chibagin Securities is reported every week (from Jul. 2023)</li> <li>Musashino Bank began surveys and monitoring of their referral customers (from Sep. 2023)</li> </ul>	<ul style="list-style-type: none"> <li><b>Continue discussions and reports with Chiba Bank through the "Banking and Securities Strategic Review Committee" and morning meetings</b></li> <li>In-depth information collaboration with Musashino Bank and ongoing implementation of transaction verification and surveys by the bank</li> </ul>

\* The measures that have already been implemented in the "Major future initiatives" in the material released on January 15, 2024 have been transcribed into "Major initiatives to date." Additional information from the material is highlighted.

## 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

① There 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

② Problem 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

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

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

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

① Management'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)

- ① 3 lines management was not fully functioning
- ② Inadequate response to the complaint
- ③ Problems in the process of selecting products to sell
- ④ Inadequate 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.