

## Status of Progress on the Business Improvement Plan

On June 23, 2023, the Bank received an administrative action (business improvement order) from the Kanto Local Finance Bureau of the Ministry of Finance in accordance with Article 51-2 of the Financial Instruments and Exchange Act. This action was taken in response to the identification of an investor protection problem related to financial intermediary operations involving the solicitation and sale of structured bonds.

The Bank takes this situation very seriously. In order to foster an awareness of its fiduciary duty and a sound organizational culture, the Bank analyzed the incident's root causes and submitted a business improvement report to the Kanto Local Finance Bureau on July 24, 2023. We have been steadily implementing various improvement measures.

In terms of specific improvement measures, the Bank strengthened governance by establishing the Quality Improvement Committee in August 2023. This committee will accurately and appropriately report the status of progress on the business improvement plan, the status of post-sale follow-up, and other conditions to management in order to ensure the swift implementation of response measures.

Furthermore, we are working to make improvements and prevent a recurrence in accordance with the business improvement plan through measures including revising the organization and verification systems, changing evaluation methods, and providing compliance training related to the sale of risk-bearing financial instruments. Through these measures, we are striving to recover the trust of all of our stakeholders, including shareholders.

## Main Observations and Analysis of Root Causes

### Main Observations

Regarding the situation in which customers were being guided to the purchase of structured bonds without confirming or considering the type of customer	Regarding the inadequate internal management system
<ul style="list-style-type: none"><li>• Insufficient adherence to the suitability confirmation rule</li><li>• Sales divisions gave explanations that went beyond the scope of the product summary</li><li>• Insufficient verification by risk management and audit divisions and an insufficient complaint management system</li></ul>	<ul style="list-style-type: none"><li>• Insufficient system for verifying the content of training</li><li>• Risk management divisions were unable to demonstrate checking functions</li><li>• Audit divisions did not conduct audits focused on referral-based intermediary services</li></ul>

### Analysis of Root Causes

When the Bank began referral-based intermediary services, it was unable to establish an internal management system that would have thoroughly verified the risk of customers being guided to the purchase of Chibagin Securities' financial products without adequately confirming customer needs and other factors, under appropriate governance by management.

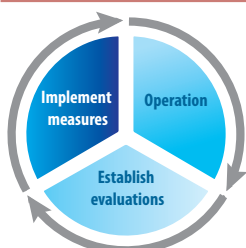
## Business Improvement Plan

### Basic Policies

- Realize the greatest benefit for customers by properly grasping customer needs and intentions, and continuously working to provide high-quality products and services
- The Bank's ethical position was more clearly defined, as follows: "The Bank will not sell products that we would not buy if we were in the customer's position; products that we cannot recommend to our friends or acquaintances, or products that bank employees themselves do not understand."

### Major Initiatives

- (1) Establish operational management systems suited to the specific nature of operations
- (2) Strengthen management and administration systems
- (3) Strengthen the internal management system
- (4) Establish a bank-securities partnership business model premised on compliance with laws, regulations and other rules, and proper and sound business management



The Bank will implement various measures based on the business improvement plan, and work to instill and establish these measures within the organization, along with reporting and sharing the status of operation with management. It will then review measures and rapidly address new issues.

The entire Bank will rigorously implement legal compliance and practice its fiduciary duty, with the aim of establishing a proper operational management system and a sound organization and culture.

## Status of Progress on Major Initiatives

Measure	Main implementation details	Implementation period
<b>(1) Establish operational management systems suited to the specific nature of operations</b>		
Rigorously practice fiduciary duty	● Reformulate basic policies on practicing fiduciary duty	September 2023
	● Repeatedly reinforce fiduciary duty through training and comprehension tests for all employees	From October 2023
Revise the sales promotion system	● Revise the sales system for each customer segment	April 2023
	● Establish standards for customer referrals to Chibagin Securities (Ensure a periodic mutual checking system over operations)	April 2023
	● Realign Head Office sales divisions into an organization based on customer-focused segments	March 2024
	● Reassign sales personnel according to markets	April 2024
Revise performance targets and evaluation system	● Revise the evaluation system related to sales for assets in custody (Abolish revenue targets) (Evaluations that emphasize processes)	From April 2023 From October 2023
	● Establish a verification system for performance targets and the evaluation system	April 2023, March 2024
Establish a training system	● Enhance training related to practicing fiduciary duty	From April 2023
	● Establish a system for verifying the suitability of training content and materials	From October 2023
<b>(2) Strengthen management and administration systems</b>		
Strengthen governance	● Newly establish the Quality Improvement Committee (Hold meetings every month to share and discuss the current situation with management)	From August 2023
	● Establish a product governance system (Establish product selection and revision standards, clearly define management's involvement)	June 2024
Transform mindsets at all branches	● Continuously provide compliance training	From October 2023
<b>(3) Strengthen the internal management system</b>		
Strengthen the monitoring system	● Strengthen suitability confirmation	From April 2023
	● Conduct customer questionnaires	From August 2023
	● Conduct questionnaires of customers subject to post-sale follow-up	From September 2023
	● Raise the sophistication of monitoring	From September 2023
	● Conduct questionnaires of all employees	From January 2024
	● Report to management on the status of monitoring activities (Report every month)	From September 2023
Strengthen the complaint response system	● Respond to complaints about structured bonds	From August 2023
	● Verify complaints about the sale of financial products from a conduct risk perspective	From September 2023
Strengthen audit divisions	● Conduct verification (branches and Head Office) with an emphasis on a conduct risk perspective	From October 2023
	● Verify the suitability of securities intermediary services	From March 2024
	● Verify the status of instilling and establishing fiduciary duty	From April 2024
<b>(4) Establish a bank-securities partnership business model premised on compliance with laws, regulations and other rules, and proper and sound business management</b>		
Build a bank-securities partnership business model	● Establish a mutual checking system (Confirm status of compliance with suitability verification and referral standards)	From April 2023
	● Strengthen the post-sale follow-up system (Share and discuss the follow-up situation with Chibagin Securities every week, and hold bank-securities partnership meetings every month)	From September 2023