

June 7, 2024

To whom it may concern

Custody Bank of Japan, Ltd.

**Direction of Improvement Measures Based on Recommendations from
the Third-Party Committee for Governance Review**

Custody Bank of Japan, Ltd. (hereinafter referred to as “Company” or “we”) examined improvement measures based on the investigation and review report from the Third-Party Committee for Governance Review (the “Third-Party Committee”)¹ announced on April 19, 2024, and today formulated the direction of our improvement measures for enhancing our governance system and reforming our corporate culture, as shown in the Appendix.

We have taken the results of the investigation and review conducted by the Third-Party Committee seriously and will enhance our governance system to ensure appropriate business operations and execution. From now on, we will work to reform our corporate culture and enhance our human resources strategies by, for example, revitalizing internal communication, and strengthen internal management such as outsourcing management.

On May 31, 2024, in line with the direction of these improvement measures, we passed a resolution at the Board of Directors meeting to transition from being a "Company with an Audit and Supervisory Board" to a "Company with an Audit and Supervisory Committee," subject to a resolution at the Annual General Meeting of Shareholders scheduled to be held on June 26, 2024.

Furthermore, based on the fact that misconduct by our former director was identified in the investigation that was conducted by the Investigation Committee² led by outside attorneys and was announced on June 9, 2023, we plan to file a civil lawsuit against the former director for the expenses incurred during this investigation.

In addition, we have taken measures to defend against the lawsuits that the former director has filed against the Company for damages based on defamation, in which we are seeking dismissal of the claim.

We sincerely apologize for the inconvenience and concern caused to our customers and stakeholders. We will strive to restore trust in the Company by implementing the measures described in the Appendix.

Note: This document is an English language translation of a document originally prepared in the Japanese language. If there is any discrepancy between the content of this translation and the content of the original Japanese document, the content of the original Japanese document will prevail.

¹ On October 12, 2023, based on misconduct by the former director, we established the Third-Party Committee to investigate and review issues in the overall governance of the Company in an objective and rigorous manner and to make recommendations for improvement measures. The Third-Party Committee consists solely of outside experts who have no interest with the Company.

² In January 2023, we established the Investigation Committee led by outside attorneys to investigate and clarify allegations of misconduct by the former director.

- As a result of the verification conducted by the Third-Party Committee for Governance Review, governance issues such as insufficient mutual checks and supervision among officers, corporate culture and HR issues such as insufficient internal communication, and internal management issues such as inadequacies in outsourcing management rules were identified.
- CBJ has taken the Committee's findings seriously and will **enhance its governance system** to ensure appropriate business operations and execution, **reform corporate culture and strengthen HR strategies, and reinforce internal management mechanisms and operations.**
- Through these efforts, CBJ will strive to restore trust in itself and contribute to the sound economic and social development of Japan by playing a role in the development of asset management businesses and formation of the assets of Japanese people as **Japan's No. 1 custody bank specializing in asset administration.**

Current State

CBJ provides a wide range of services to meet the advanced and diversified needs of its customers. However, improvement measures are necessary for the following issues.

Issues Identified

Governance Issues

- Insufficient mutual checks and supervision among officers (composition of directors and corporate auditors, appointment processes that include communication with shareholders, etc.)

Corporate Culture and HR Issues

- Lack of internal communication and inter-departmental cooperation
- Inadequate harmonization among employees from former banks
- Insufficient efforts in employee engagement
- Insufficient HR management mechanisms (e.g., promotion of permanent employees to senior positions)

Internal Management Issues

- Inadequate outsourcing management mechanisms
- Weak management mechanisms and systems for budgets
- Weak management of business entertainment and gifts
- Problems with the depth of and resources for internal audits

Direction of Improvement Measures

Proceed with the following improvement measures backed by in-depth dialogue with and cooperation from shareholders

Enhancing CBJ's Governance System

Build a system to strengthen mutual checks and supervisory functions among officers

Transition to being a Company with an Audit and Supervisory Committee

Review the composition of officers and the processes for appointing officers

Ensuring appropriate business operations and execution

Reforming CBJ's Corporate Culture and Strengthening its HR Strategies

Establish a Corporate Culture Reform Committee chaired by the president to revitalize internal communication and other areas

Proactively promote permanent CBJ employees

Develop a mid- to long-term HR strategies supported by dialogue with shareholders

Reinforcing Internal Management Mechanisms and Operations

Review the rules and operations for outsourcing management, business entertainment and gifts, etc.

Reinforce monitoring by, for example, 2nd and 3rd lines of defense

Ideal State

The Reliable Bank

Corporate Philosophy

As Japan's No. 1 custody bank specializing in asset administration, CBJ will play a role in the development of asset management businesses and formation of the assets of Japanese people and contribute to the sound economic and social development of Japan

Vision

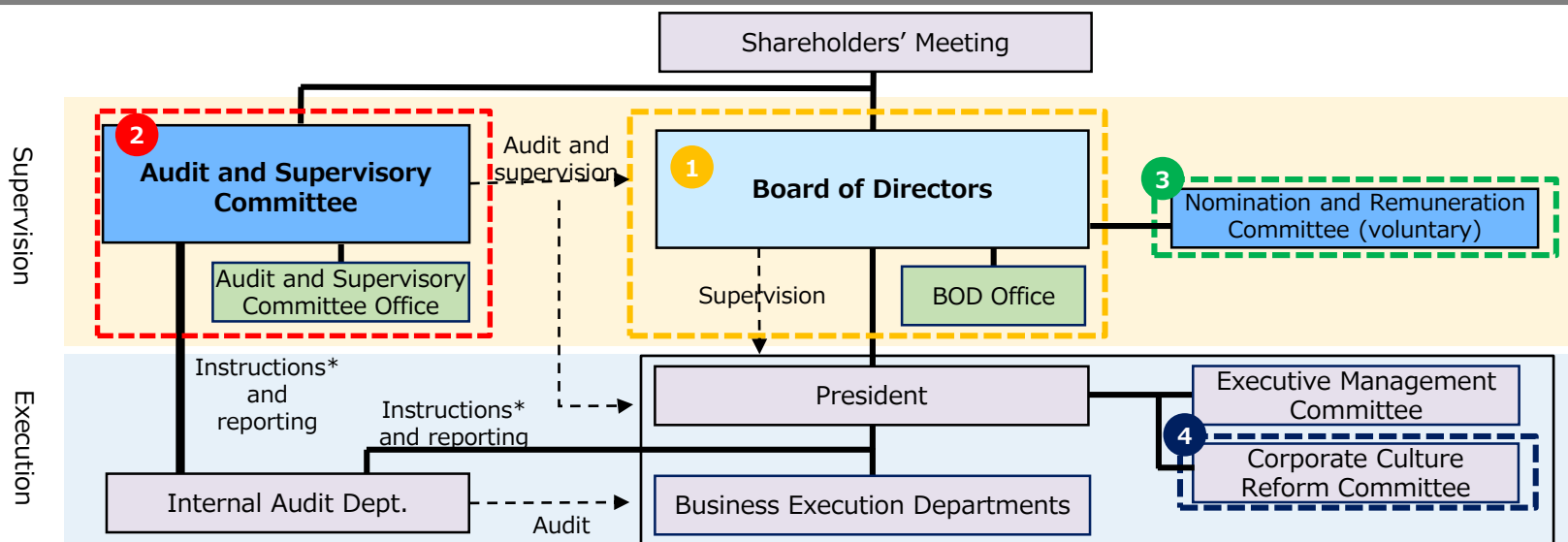
- Providing high-quality and stable services and securing the trust of society by acting as financial infrastructure
- Best partner that responds to changes in business environments and meets diverse customer needs
- A company that takes professional pride in its asset administration with active employees

[Enhancing the Governance System]

- CBJ will implement the following measures to **strengthen mutual checks and supervision among officers** and to promote active discussions toward CBJ's vision.
 1. **Restructure the members of the Board of Directors** to center on non-executive directors to strengthen its oversight on business execution. CBJ will also **improve the effectiveness of the Board** and deepen discussions on matters such as its mid- to long-term management strategies.
 2. **Move to a Company with an Audit and Supervisory Committee**, strengthen organizational audits, and enhance the audit and supervisory functions for representative directors and other executive officers.
 3. **Establish a voluntary Nomination and Remuneration Committee** that has current officers and employees of shareholders participate to ensure diversity and balance in the background of directors.

[Corporate Culture Reform]

- CBJ will establish the 4. **Corporate Culture Reform Committee** under the direct supervision of the president for employees to exchange opinions with management and other employees in order to reform the awareness of management, revitalize internal communication, and promote harmonization among employees from former banks.



*When the Audit and Supervisory Committee and the President have different instructions, the instructions from the Audit and Supervisory Committee shall be given priority.

1 Board of Directors (Restructures the composition of officers / Strengthens Supervisory Functions / Improves Effectiveness)

- Restructures the composition of officers to center on **current officers and employees of shareholders and outside** non-executive directors
- **Ensures that fulfilling discussions are held on strategic and important measures** through improved materials and meeting management and implements effectiveness evaluations
- **Creates the Board of Directors Office** as the secretariat of the Board of Directors

2 Audit and Supervisory Committee (Strengthens Audit and Supervisory Functions)

- Clarifies the authority of the Audit and Supervisory Committee to direct the Internal Audit Department and **strengthens organizational audits**
- **Strengthens the check function** by allowing Audit and Supervisory Committee members to have voting rights in the Board of Directors
- **Creates the Audit and Supervisory Committee Office** as the secretariat of the Audit and Supervisory Committee

3 Nomination and Remuneration Committee (voluntary) (Reviews Appointment Process for Officers)

- Strengthens the evaluation and appointment process for officers
- **Has current officers and employees of shareholders also participate** as non-executive directors
- Clarifies the skills matrix, etc. and conducts ongoing discussions with shareholders

4 Corporate Culture Reform Committee (Promotes Corporate Culture Reforms on a Company-wide Basis)

- **Has officers take initiative** and deliver messages on reform
- Revitalizes internal communication and fosters a sense of unity by promoting harmonization among employees from former banks
- Understands needs through employee participation and raising awareness of reform through appropriate feedback