

Corporate Governance

Fundamental Approach

The Chiba Bank's fundamental approach to corporate governance is to base all of the Bank's activities on the Chiba Bank Code of Ethics, which includes earning unwavering trust, thorough compliance with laws, rules and other fundamental principles, opposition to antisocial forces, transparent management, and other items. We are currently implementing "Best Bank 2020—3 years of value creation," our medium-term management plan, which covers the three-year period up to the fiscal year ending March 31, 2017. Subjects of the plan for building a sustainable management structure at the Chiba Bank include fostering high ethics and sense of compliance, and thoroughly severing any relations with antisocial forces.

We will uphold these points to further reinforce and enhance our corporate governance, while maintaining a good cooperative relationship with a wide range of stakeholders, to bring about a sustainable regional society as we continue to grow and enhance our corporate value over the medium to long term.

Corporate Governance Structure

The Chiba Bank Group has laid down the following structure for strengthening and enhancing corporate governance.

Directors, Board of Directors, and Corporate Advisory Committee

The Board of Directors consists of 13 directors, including three outside directors. The Board of Directors makes decisions about management policies and other important matters and supervises the execution of business by the directors and executive officers.

In addition, the Corporate Advisory Committee, whose members include independent outside directors, reviews the selection of candidates for director and their remuneration, among other important management issues.

Audit & Supervisory Board and Its Members

The Chiba Bank has adopted a corporate auditor system with five Audit & Supervisory Board members, including a majority of three highly independent outside Audit & Supervisory Board members. In particular, three of the Audit & Supervisory Board members, including two outside Audit & Supervisory Board members, are standing Audit & Supervisory Board members. They regularly attend meetings of the Board of Directors and other important meetings, check important documents, and perform other tasks to conduct objective and reasonable audits for verifying that business operations are sound and legal. The Chiba Bank believes that this system provides an adequate management supervisory function.

Executive Officer System

The Chiba Bank employs an executive officer system. This system provides for the clear separation of the roles of the directors, who reach decisions on important matters, supervise the execution of business operations, and perform other tasks, and the role of the executive officers, who conduct business operations.

Internal Audit

The Audit and Inspection Division, which reports directly to the Board of Directors and is independent of the units subject to auditing, conducts internal audits of headquarters, branches and subsidiaries in accordance with the Internal Audit Regulations and the Internal Audit Plan, established each year by the Board of Directors. The division reports the results and findings of internal audits on a monthly basis to the Board of Directors, in addition to an Internal Audit Committee, which meets once a month as a rule. Problem areas from the perspective of compliance and risk management and improvement measures are examined during this process.

Group Management Systems

The Chiba Bank maintains a system under which subsidiaries decide their own regulations, in line with the Bank's Compliance Regulations and various risk management regulations, and the Bank's administrative departments control subsidiary compliance and risk management. The Chiba Bank's internal audit units conduct internal audits of subsidiaries and assure proper operations throughout the Chiba Bank Group.

Internal Control System

The Chiba Bank introduced a basic policy for the establishment of systems to ensure the appropriateness of operations (Internal Control Systems) through the Board of Directors. In accordance with this policy, the Chiba Bank is working to establish a high-quality management structure.

Corporate governance system	Corporate auditor system
Number of directors	13
Of which, outside directors	3
Number of Audit & Supervisory Board members	5
Of which, outside Audit & Supervisory Board members	3
Number of independent directors and Audit & Supervisory Board members	6 (3 outside directors, 3 outside audit & supervisory board members)

Outside Directors and Outside Audit & Supervisory Board Members

(Relationship with the Chiba Bank)

The Chiba Bank has three outside directors and three outside Audit & Supervisory Board members. None of them have any personal relationships with other directors or auditors at the Chiba Bank, nor does the Chiba Bank have any particular beneficial relationships with them.

Name (Appointment)	Reason for Appointment as an Outside Director
Toyokuni Yazaki (June 2013)	Toyokuni Yazaki was appointed as an outside director because he can be expected to bring his long and abundant auditing experience as a certified public accountant (CPA) and business experience as an outside director of companies to bear on providing the Chiba Bank with objective, general management advice, thereby strengthening supervision of the Bank's business execution. Mr. Yazaki had been a CPA with Ernst & Young ShinNihon LLC, the Bank's independent auditor, until he left the firm in July 2003. Since then, there have been no business relationships between Mr. Yazaki and the Chiba Bank.
Yuko Tashima (June 2015)	Yuko Tashima was appointed as an outside director because she can be expected to bring her abundant knowledge and experience as a lawyer, corporate management experience, and astute public service insights to bear on providing the Chiba Bank with objective, general management advice, thereby strengthening supervision of the Chiba Bank's business execution and enhancing the Bank's corporate value over the medium to long term. Ms. Tashima's career as a lawyer includes appointment as an outside director of a major life insurance company, and serving as a member of the Financial System Council of the Financial Services Agency.
Yasuko Takayama (June 2015)	Yasuko Takayama was appointed as an outside director because she can be expected to bring her corporate experience and astute public service insights to bear on providing the Chiba Bank with objective, general management advice, thereby strengthening supervision of the Chiba Bank's business execution and enhancing the Chiba Bank's corporate value over the medium to long term. Ms. Takayama's career includes working in the customer service and CSR divisions and as a standing member of the Audit & Supervisory Board of a major cosmetics company, as well as serving as a member of the Legislative Council of the Ministry of Justice.
Name (Appointment)	Reason for Appointment as an Outside Audit & Supervisory Board Member
Kazuo Yamazoe (June 2013)	Kazuo Yamazoe was appointed as an outside audit & supervisory board member because he can be expected to bring his sophisticated professional experience as well as broad, general insights on finance to bear on providing the Chiba Bank with fair and objective advice on the validity of business execution, thereby strengthening management supervision of the Chiba Bank. In his career, Mr. Yamazoe has served as a director of the Hokuriku Local Finance Bureau and the Kanto-Shinetsu Region National Tax Tribunal.
Kazuo Fukuda (June 2013)	Kazuo Fukuda was appointed as an outside audit & supervisory board member because he can be expected to bring his sophisticated professional experience as well as broad, general insights on finance to bear on providing the Chiba Bank with fair and objective advice on the validity of business execution, thereby strengthening management supervision of the Chiba Bank. In his career, Mr. Fukuda has served as a general manager of a branch and director of the Administration Department of the Bank of Japan.
Akio Shirato (June 2011)	Akio Shirato was appointed as an outside audit & supervisory board member because he can be expected to bring his abundant public administration insights to bear on providing the Chiba Bank with fair and objective advice on the validity of business execution, thereby strengthening management supervision of the Chiba Bank. In his public service career, Mr. Shirato rose to serve as a vice-governor of Chiba Prefecture.

(Functions and roles in corporate governance)

The Chiba Bank has appointed three outside directors to further strengthen the management decision-making and supervisory functions of business operations. The outside audit & supervisory board members serve a management supervisory function for Chiba Bank, using their impartial viewpoints from outside of a company and auditing business operations objectively and reasonably.

They work to implement efficient and effective auditing, cooperating with the representative directors, internal audit units, accounting auditors and internal control departments through a periodical information exchange, and holding interviews as necessary.

(Standards regarding independence)

The Chiba Bank has established standards regarding the independence of outside directors and outside audit & supervisory board members in electing members that can satisfy independence while appropriately performing their duties. All the Chiba Bank's outside directors and outside audit & supervisory board members satisfy these standards regarding independence. We submitted the notification to the Tokyo Stock Exchange that the three outside directors and three outside audit & supervisory board members are independent and secure from any risk of conflicts of interests with general shareholders.

(Overview of liability limitation agreements)

Based on Article 427, Section 1 of the Companies Act, the Chiba Bank has entered into liability limitation agreements with the outside directors and outside audit & supervisory board members, for damages pursuant to Article 423, Section 1 of the Companies Act, with the minimum liability amounts set forth in Article 425, Section 1 of the Companies Act, when they have acted in good faith and are not grossly negligent in performing their duties.

Remuneration of Directors and Audit & Supervisory Board Members

Remuneration of the Chiba Bank's directors is based on remuneration regulations established by the Board of Directors, and is determined by the Board of Directors following deliberations by the Corporate Advisory Committee, whose members include independent outside directors, to ensure that the remuneration is transparent, fair and rational. To function as a sound incentive for the directors to strive for sustainable growth and enhance corporate value over the medium to long term, equity-based remuneration in the form of stock options, linked to the Chiba Bank's medium- to long-term earnings performance, is provided as a component of the remuneration packages. From the standpoint of emphasizing soundness as a financial institution, the Chiba Bank has not introduced remuneration linked to short-term earnings performance.

Remuneration Policies

- Remuneration of directors shall be comprised of a fixed remuneration based on duty positions and fluctuating remuneration linked to stock prices. Outside directors shall receive only a fixed remuneration.
- Fixed remuneration based on duty positions shall be paid to match the responsibility of each duty position.
- The proportion of fixed remuneration based on duty positions and stock options as compensation (equity-based remuneration in the form of stock options) shall be 80:20.

Remuneration Determination Procedure

- Remuneration of a director shall be determined by resolution of the Board of Directors within the scope of the total remuneration for directors established by resolution of the Annual General Meeting of Shareholders.

Regarding remuneration for audit & supervisory board members, a full fixed remuneration shall be determined through discussions with them in order to ensure their independence.