

Policy on Corporate Governance

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Chapter I General Provisions

(Purpose)

Article 1 The Policy on Corporate Governance, which has been established to achieve sustainable growth of the Chiba Bank, Ltd. (the “Bank”) and enhance corporate value over the medium- to long-term, sets forth the Bank’s basic stance, policies, and frameworks related to corporate governance.

(Basic Stance on Corporate Governance)

Article 2 The Bank bases all of its corporate activities on The Chiba Bank Group's Corporate Code of Conduct, which includes “establishing unwavering trust,” “thorough compliance with laws, rules and other fundamental principles,” “opposition to antisocial forces,” and “transparent management.”

(2) The Bank shall abide by and achieve these principles as it strives to further strengthen and enhance corporate governance, thereby contributing to realizing sustainable regional communities through appropriate cooperation with diverse stakeholders, while achieving sustainable growth and enhancing corporate value over the medium- to long-term.

Chapter II Ensuring Shareholder Rights and Equality

(Ensuring Shareholder Rights)

Article 3 In order to ensure sufficient time for shareholders to consider proposals submitted at the General Meeting of Shareholders and enable them to appropriately exercise their voting rights, the Bank strives for early dispatch of notices of convocation of the Annual General Meeting of Shareholders and prompt disclosure of them on the Bank’s website.

(Ensuring Equality of Shareholders)

Article 4 The Bank treats all shareholders equally in proportion to the number of shares they hold, and discloses information in a timely and appropriate manner to eliminate disparity of information among shareholders.

(Capital Policy)

Article 5 Based on the Basic Policy on Risk Management, the Bank develops and establishes a capital management structure required to implement capital policies and assess the adequacy of capital.

(2) The Bank strives to improve capital efficiency while maintaining the financial soundness necessary for reliably supplying funds to regional communities.

(3) The capital management section works with the section responsible for integrated risk management to control capital by formulating necessary countermeasures based on the results of monitoring of the capital ratio, the leverage ratio and the amount of integrated risk.

(Policy on Cross-shareholdings)

Article 6 The Bank’s basic policy is to maintain cross-shareholdings on a limited basis if a meaningful rationale for holding the shares is recognized, such as maintaining and expanding transactions and relationship with clients, etc. as a regional financial institution, while reducing overall cross-shareholdings after having sufficient dialogue with clients, etc. from the perspective of controlling the risk of holding shares and capital efficiency, etc.

(2) The Board of Directors regularly verifies the validity of the rationale for cross-shareholdings and judges whether to continue holding these shares, based on the economic rationale of each cross-shareholding in terms of risk and return and projections of future share value, taking into consideration the financial structure and the business performance of the issuers of the cross-held shares.

(Standards for Exercising Voting Rights)

Article 7 When exercising voting rights for cross-held shares, the Bank decides whether to vote for or against proposals in a comprehensive manner, from the perspective of enhancing the corporate value of the Bank and the issuer of those shares, taking account of the status of governance at the issuers.

- (2) For important proposals that may have significant impact on the medium- to long-term enhancement of corporate value of the issuer of cross-held shares and the economic interests of the Bank, the Bank engages in dialogue, etc. with the issuer as required to decide whether to vote for or against those proposals.

(Related Party Transactions)

Article 8 The Bank has set forth the following procedures to prevent transactions between the Bank and Directors, etc. of the Bank from harming shareholders' interests.

1. In accordance with the Bank's Board of Directors Regulations, the Bank requires Directors to obtain prior approval of the Board of Directors for competitive transactions by Directors and important transactions between the Bank and Directors.
2. After the completion of such transactions, the Board of Directors receives reports of the results of the transaction and monitors the status thereof.

(Asset Owners)

Article 9 The Bank has established a corporate pension fund (the "fund") to conduct management, payment, and other related administration of pension assets related to the defined benefit pension plan.

- (2) The Bank allocates personnel with appropriate capabilities to the Fund Secretariat so that the fund can perform functions expected of an asset owner.
- (3) The Bank strives to ensure appropriate management of the pension finances by taking measures including deliberating the allocation of portfolio assets, strategies for newly added funds, and other matters at the Asset Management Committee, which consists of persons with expertise in human resources, finance, risk management, market operations, etc.

Chapter III Relationships with Shareholders and Other Stakeholders

(Relationships with Stakeholders)

Article 10 The Bank sets forth management strategies that will contribute to enhanced value for a diverse range of stakeholders, including customers, shareholders, employees, and regional communities, and works to achieve those strategies from a medium- to long-term perspective so that the Bank can grow steadily together with stakeholders.

(Shareholder Engagement)

Article 11 The Bank aims to engage in IR activities that contribute to enhanced corporate value by providing shareholders, investors, securities analysts, credit rating institutions, etc. with accurate information related to its financial position, management strategies, and other matters in a fair and prompt manner and by reporting the market's assessment of the Bank to Directors.

Chapter IV Ensuring Appropriate Disclosure and Transparency

(Enhancing Disclosure)

Article 12 In order to establish the trust of stakeholders and enhance the transparency of management, the Bank discloses information in a fair, timely, and appropriate manner, in accordance with the Companies Act, the Banking Act, the Financial Instruments and Exchange Act, the Timely Disclosure Rules set forth by the Tokyo Stock Exchange, and other related rules and regulations, etc. so that stakeholders can understand it easily.

(Accounting Auditor)

Article 13 The Bank recognizes that audits by the accounting auditor ensure confidence of shareholders and investors in corporate financial statements, etc., and the Bank ensures the following system so that audits by the accounting auditor can function effectively.

1. The Bank creates an environment that allows the accounting auditor to conduct an appropriate audit by taking measures including providing them with opportunities to interview Directors, Audit & Supervisory Board Members, and sections that the accounting auditor needs to interview for the audit and securing sufficient time for the audit.
2. Audit & Supervisory Board Members exchange views with the accounting auditor, by measures including receiving information on audit policies, audit plans, and audit methods, and engage in monitoring and verification to check if appropriate audits are being conducted, while striving to conduct efficient and effective audits, taking account of views expressed by the accounting auditor.
3. When assessing the appropriateness of the reappointment or dismissal of the accounting auditor, the Audit & Supervisory Board checks the appropriateness of the status of the execution of duties by the accounting auditor, its audit structure, independence, expertise, and other factors.
4. When deciding whether to consent to the amount of compensation, etc. for the accounting auditor, the Audit & Supervisory Board checks the details of the accounting auditor's audit plan, the status of the execution of duties related to the accounting audit, whether the basis for the calculation of the compensation estimates is appropriate, and other factors.

Chapter V Responsibilities of the Board of Directors, etc.

(Approach to Corporate Governance System)

Article 14 The Bank adopts a company with audit & supervisory board system, based on the basic stance on corporate governance set forth in Article 2.

- (2) The Bank has established the Appointment, Remuneration and Corporate Advisory Committee, whose members include a majority of independent Outside Directors, in order to ensure appropriate involvements of independent Outside Directors and advice from them when considering proposals related to the selection and remuneration of candidates for Directors, matters related to important management issues, and other matters.

(Roles and Responsibilities of the Board of Directors)

Article 15 The Board of Directors makes decisions about management policies and other important matters, and supervises the execution of business operations by Directors and Executive Officers.

- (2) The Board of Directors sets forth basic policies regarding the development of systems for ensuring proper operations (internal control systems), and conducts supervision to ensure that compliance systems, risk management systems, internal audit systems, etc. can function effectively based on those basic policies.
- (3) The Board of Directors strives to enhance the effectiveness of the Board of Directors through measures including selecting a sufficient number of Outside Director candidates and holding free, active, and constructive discussions.

(Composition of the Board of Directors)

Article 16 In order to ensure the Board of Directors performs its functions in an effective and efficient manner, the Board of Directors selects the required number of candidates for Director, which shall not exceed 18 persons, as set forth in the Articles of Incorporation.

- (2) The Board of Directors consists of internal Directors with expertise in the Bank's business operations and Outside Directors who perform supervision from an independent and objective standpoint, taking into consideration the balance and diversity of the knowledge, experience, and abilities of the Board of Directors as a whole.

(Roles and Responsibilities of Directors)

Article 17 In order to achieve appropriate execution of business operations while maintaining and enhancing trust in the Bank, Directors actively participate in decision-making related to the execution of business operations at meetings of the Board of Directors and the supervision of the execution of business operations by Directors.

- (2) In order to solidify trust in the Bank, Directors sufficiently fulfill their duty of due care of a prudent manager and fiduciary duty based on substantive discussions in executing business operations.
- (3) Directors and the Board of Directors position the establishment of corporate ethics, which focus on social responsibility, public missions, etc., as an important issue, and build a system to ensure observance of them in a concrete manner.
- (4) The Board of Directors, etc. do not place excessive importance on sales promotion departments, etc., and instead build systems that prioritize the facilitation of financing, compliance with laws and regulations, customer protection, etc., integrated risk management, individual risk management, and internal audits.

(Roles and Responsibilities of the Audit & Supervisory Board and Audit & Supervisory Board Members)

Article 18 Recognizing that the Audit & Supervisory Board is the only deliberative body and decision-making body for forming opinions about audits, each Audit & Supervisory Board Member reports to the Audit & Supervisory Board on the status of the execution of duties. In addition, each Audit & Supervisory Board Member utilizes the Audit & Supervisory Board to ensure the effectiveness of audits.

- (2) Audit & Supervisory Board Members assume a responsibility to establish a quality corporate governance system that lives up to the society's trust in the Bank, by cooperating with the Board of Directors to play a role in the supervisory function of the Bank and auditing the execution of duties by Directors as an independent organ with duties entrusted by shareholders, taking into consideration the interests of the Bank's diverse stakeholders, while striving to cooperate with these stakeholders to achieve sound and sustainable growth and create medium- to long-term corporate value.
- (3) By fulfilling the responsibility mentioned in the above paragraph, Audit & Supervisory Board Members ensure the transparency and fairness of the Bank's decision-making, while striving to create an environment in the Bank that allows speedy and bold decision-making and striving to express views to Directors and employees in a nimble and proactive manner.
- (4) Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, verify the details of reports received from Directors, employees, the accounting auditor, etc., conduct a research on the status of the Bank's business operations and assets, etc., and take necessary measures in a timely manner, such as expressing their opinions, including advice and recommendations, to Directors or employees.
- (5) When conducting a research on the status of the Bank's business operations and assets and executing other audit duties, Audit & Supervisory Board Members work closely with the Internal Audit and Inspection Unit and other divisions responsible for monitoring functions in internal control systems, thereby performing audits in an organized and efficient manner.
- (6) Audit & Supervisory Board Members verify whether accounting policies are appropriate in terms of their impact on the status of the Bank's assets and financial statements, and applicable accounting standards, fair accounting practices, etc., taking into consideration views of the accounting auditor. Audit & Supervisory Board Members also provide advice or recommendations to Directors when it is deemed necessary.

(Policies on Appointment and Dismissal of Representative Directors and Nomination of Directors and Audit & Supervisory Board Members)

Article 19 Candidates for internal Directors are determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee, from among persons who possess knowledge and experience to enable the appropriate, fair, and efficient execution of bank business management, as well as sufficient social trust, with the aim of achieving the Bank's management strategy.

(2) Representative Directors are determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee on persons suitable for representing the Bank selected from among internal Directors. If there are significant obstacles preventing the execution of duties by a Representative Director, etc., dismissal of such Representative Director shall be determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee.

(3) Candidates for Outside Directors are determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee, from among persons who possess specialist knowledge and experience, and are deemed capable of contributing to the Bank's sustainable growth and corporate value enhancement over the medium- to long-term based on their insight.

(4) Candidates for Audit & Supervisory Board Members are determined by the Board of Directors, following deliberations by the Appointment, Remuneration and Corporate Advisory Committee and consent by the Audit & Supervisory Board, from among persons who possess knowledge and experience to enable the appropriate, fair, and efficient performance of audits on the execution of duties by Directors, as well as sufficient social trust.

(Succession Planning)

Article 20 Successors to Representative Directors are determined by the Board of Directors following deliberations by the Appointment, Remuneration and Corporate Advisory Committee, the majority of which comprise independent Outside Directors, in view of desired personnel requirements, personnel training policy and plan, as well as the status of training, etc. The status of deliberation is reported, as appropriate, to the Board of Directors.

(Policy and Procedures for Determination of Directors' Remuneration)

Article 21 The remuneration of Directors is determined by the Board of Directors based on the remuneration regulations established by the Board of Directors, following deliberations by the Appointment, Remuneration and Corporate Advisory Committee, whose members include a majority of independent Outside Directors, to ensure transparency, fairness, and rationality.

(2) The Bank's remuneration system is designed to function as a sound incentive for Directors to strive for sustainable growth, enhancement of corporate value over the medium- to long-term and improvement of management awareness through the further value sharing with our shareholders. Bonuses is provided as short-term incentive remuneration, and restricted stocks is provided as medium- to long-term incentive remuneration, in addition to fixed remuneration based on rank.

(Training for Directors and Audit & Supervisory Board Members)

Article 22 To ensure that Directors and Audit & Supervisory Board Members can appropriately fulfill the roles and responsibilities expected of them, the Bank offers opportunities for training for individual Directors and Audit & Supervisory Board Members, including the provision of information regarding the Bank's business operations, participation in training held by external institutions, etc., and supports the costs thereof, when and after Directors and Audit & Supervisory Board Members are appointed, on an ongoing basis.

(Support System for Outside Directors and Outside Audit & Supervisory Board Members)

Article 23 To ensure that Outside Directors can sufficiently perform functions related to the supervision of management, the Bank provides them with opportunities to enhance their understanding of the Bank's management strategies and activities as required for the execution of their duties, on an ongoing basis.

(2) The Bank designated assistants to Audit & Supervisory Board Members who do not serve concurrently in positions involved in the execution of business operations. Audit & Supervisory Board Members may attend meetings of the Board of Directors and other important meetings, and are provided with important documents of the Bank, which ensure that information is communicated timely and properly.

(Evaluation of the Effectiveness of the Board of Directors)

Article 24 In order to achieve "sustainable growth of the Bank" and the "enhancement of medium- to long-term corporate value," the Bank carries out an evaluation of the effectiveness of the Board of Directors every year, to check if the Board of Directors is effectively performing its functions, including "making decisions on important matters related to the execution of business operations" and the "supervision of the execution of duties."

(2) The results of the evaluation are shared with the Board of Directors, and efforts are made to improve the function of the Board of Directors by considering and implementing measures to improve and reform the Board of Directors.

End