

Corporate Governance



Fundamental Approach to Corporate Governance

In order to clarify our stance on our management that we will contribute to society through sound banking operations by adapting to the changes in the management environment of the financial industry, we have established a corporate philosophy in an aim to gain the trust of the regional society, customers, employees, and shareholders, and in an effort to realize sustainable growth and enhancement of corporate value over the mid to long-term.

To realize the above-mentioned aim, we have adopted a system of a company with a board of corporate auditors that enables transparent, fair, swift and resolute decision-making as our system of corporate governance. While making effective use of the auditing functions of the Board of Corporate Auditors,

we have appointed multiple, highly independent outside directors so that monitoring functions of the Board of Directors are duly executed.

In addition, we have established the Basic Policy on the Internal Control System pursuant to the Companies Act, and developed a system to ensure the appropriateness of business execution of the corporate group comprised of the Hyakugo Bank and its subsidiaries. We also engage in efforts such as convening the Corporate Governance Committee, establishing other various committees, and enhancing investor relations (IR) activities.

Within the context of the changing business environment, we will continue to review the system as required to strengthen and enhance corporate governance.

Strengthening Corporate Governance

The Bank is working to strengthen corporate governance.

As of June 2020, the ratio of outside officers at the Bank is 47%. We have two female officers, and are further diversifying the makeup of outside officers. In addition, we established a

Corporate Governance Committee, which works to improve transparency and aims for higher objectivity of decision-making by the Board of Directors.

Appointment and diversification of outside officers



Suitable involvement and guidance from outside officers

Corporate Governance Committee (non-mandatory nomination/compensation committee)

Chairperson is elected from among **outside directors**

Title	Number of persons
Outside directors	4
Inside directors (representative director)	2
Total	6

(As of June 2020)

Functions

- Providing advice on the following matters to Board of Directors
 - Matters concerning candidates for directors and corporate auditors
 - Matters concerning compensation, etc. to directors
 - Other significant matters concerning management

Decision-making of Board of Directors

- for higher **transparency**
- for higher **objectivity**

Corporate Governance System

Board of Directors

The Board of Directors, composed of ten directors (including four outside directors), meets in principle once a month. It deliberates and makes decisions on matters stipulated by laws and regulations or the Articles of Incorporation of the Bank, as well as fundamental management policies and other important matters. The Board also receives reports on status of business execution and oversees directors' execution of their duties.

Corporate Governance Committee

The Corporate Governance Committee, composed of six directors (including four outside directors), deliberates on matters related to candidates for directors and corporate auditors and issues related to compensation of directors, and provides guidance to the Board of Directors.

Management Committee

The Management Committee is comprised of six standing directors, and, in principle, meets once a week. It deliberates on important matters concerning business execution and makes decisions on the execution, based on the basic policies set by the Board of Directors.

Board of Corporate Auditors

The Board of Corporate Auditors, composed of five corporate auditors (including three outside corporate auditors), meets in principle once a month. It resolves and consults on matters prescribed in laws and regulations and others. In addition, it receives reports on the results of internal audits by each of the corporate auditors and audits the directors' overall execution of their duties. The Staff of Corporate Auditor's Board is established and one dedicated staff is assigned to support the corporate auditors and the Board of Corporate Auditors.

Internal Audit Board

The Internal Audit Board, composed of standing directors and General Manager of the Internal Audit Division, in principle, meets once a month. It monitors the appropriateness of business execution and effectiveness of internal audits, and works to strengthen and improve management. Specialized personnel are assigned at the Internal Audit Division, which reports directly to the Internal Audit Board. In addition, the Internal Audit Division conducts internal audits in accordance with the Internal Audit Policy, Internal Audit Rules, etc., and basic audit plan for each fiscal year, and recommends improvements as necessary.

Committees

Furthermore, Hyakugo Bank has established the following committees to strengthen and enhance management.

Name of committee	Objectives
Compliance Committee	Establishment of legal compliance structure
Customer Protection Management Committee	Study of improvement and response measures to improve customer protection and convenience
Finance Facilitation Committee	Appropriate facilitation of funds for small and medium-sized businesses
ALM Risk Management Committee	Deliberation of portfolio management from the perspectives of soundness and profitability of management
Operational Risk Management Committee	Deliberation of measures to minimize operational risks to the end of ensuring the soundness and appropriateness of management
IT Strategy Committee	Optimization of information system etc. policies and investments
Performance and Compensation Committee	Improvement of credibility, fairness and transparency of personnel evaluations
SDGs Promotion Committee	Contribution to the achievement of a sustainable society

Corporate Governance System: Diagram

