

MIYAZAKI BANK '19 INFORMATION

Corporate Governance

Basic Approach on Corporate Governance

1. The Bank constantly pursues good corporate governance and engages in ongoing efforts to enhance governance.
2. From the perspective of maintaining the Bank's sustainable growth and enhancing corporate value over the medium to long term, we believe that ensuring the transparency and fairness of decision-making, effectively utilizing the management resources at our disposal, and augmenting management vigor through swift and decisive decision-making are essential to corporate governance. To this end, we strive to enhance corporate governance in line with the basic approach below.
 - (1) We respect shareholders' rights and ensure fairness.
 - (2) We consider the interests of stakeholders, including shareholders, and deliberate appropriately with these stakeholders.
 - (3) We disclose corporate information appropriately and maintain transparency.
 - (4) The Board of Directors provides an effective supervisory function over the execution of operations.
 - (5) We engage in constructive dialogue with shareholders to contribute toward sustainable growth and the enhancement of corporate value over the medium to long term.

Overview of the Corporate Governance Structure

A resolution to revise the Articles of Incorporation was passed at the General Meeting of Stockholders on June 24, 2016. Accordingly, on that date the Bank transitioned to a company with an Audit & Supervisory Committee.

This change enhances the auditing and supervisory functions with respect to directors' execution of duties, further augmenting the corporate governance structure. At the same time, this arrangement allows for swift decision-making due to the delegation of authority and further increases corporate value through heightened management efficiency.

A majority of members of the Audit & Supervisory Committee are outside directors. From an independent and fair perspective, this committee verifies the effectiveness and efficiency of the execution of duties by directors who are not Audit & Supervisory Committee members. As a result, we judge that the system in place ensures objectiveness and neutrality with respect to management supervision and performs the management supervisory function sufficiently to ensure effectiveness in response to the mandate from shareholders.

Outside directors who are Audit & Supervisory Committee members ensure the objectivity and neutrality of the management supervisory function in the following ways.

- (1) Having specialized knowledge of laws and regulations, corporate governance, and other areas, these members utilize their career history, experience and knowledge not just to audit legality but also to provide advice on overall management from an external perspective.
- (2) From an external perspective, the participation in the Board of Directors of these directors with voting rights requires clear explanations regarding the execution of duties by directors who are not Audit & Supervisory Committee members, enhancing the effectiveness of management supervision.

Specific systems for reinforcing the management supervisory function and its status of execution are as follows.

- (1) We provide sufficient human resources and systems, including the allocation of dedicated human resources to support Audit & Supervisory Committee members, ensuring the appropriate functioning of the internal control system.
- (2) We endeavor to enhance management supervision by auditing whether facts represent infractions of laws, regulations and the Articles of Incorporation or infringe on the interests of the shareholders.

Based on a Board of Directors resolution passed at a meeting on May 14, 2019, the Bank introduced a system of appointed executive officers on June 27, 2019. By consequently separating management decision-making and supervision from the execution of operations, we aim to strengthen the Board of Directors' management decision-making and supervisory function. At the same time, by having executive officers specialize and concentrate on the execution of operations, we expect to accelerate functions related to the execution of operations.

In addition, based on a Board of Directors resolution passed at a meeting on May 14, 2019, the Bank established a Nomination and Remuneration Committee on June 27, 2019. With this committee, the Bank intends to enhance the independence, objectivity and accountability of Board of Directors' functions related to such matters as the nomination and compensation of directors and executive officers, further enhancing the corporate governance structures.

With regard to operations management, we have in place management structures to respond to drastic changes in the management environment and ensure accurate and swift decision-making on important matters at the Bank and throughout the Group by the Board of Directors, the Council of Executive Officers and the Executive Committee. The Audit & Supervisory Committee supervises and audits the execution of operations by the directors.

The Bank has adopted the structure of a "company with an Audit and Supervisory Committee." Members of this committee attend meetings of the Board of Directors as directors with voting rights, and full-time committee members sit in on meetings of the Executive Committee, thereby enhancing the auditing and supervisory functions of overall operations.

In accordance with the provisions of Paragraph 1, Article 427, of the Companies Act, the Bank has signed liability limitation agreements with its outside directors, limiting their responsibility for damages to the Bank to obligations provided in Paragraph 1, Article 423, of the Companies Act in the minimum amount provided in Paragraph 1, Article 425, of the Companies Act, provided their duties are executed with good intent and without gross negligence.

With regard to the Bank's various committees, a Compliance Committee is in place as the body for checking the status of compliance and considering measures to counter any compliance-related problems or issues. This committee is composed of directors of executive officer level or higher, full-time Audit & Supervisory Committee members as well as the heads of related departments. We also have in place a Risk Management Committee to comprehensively ascertain the management status of an increasingly diverse variety of risks and ensure management soundness and profitability by creating appropriate risk management preparations. Members of this committee include directors of executive officer level or higher, full-time Audit & Supervisory Committee members and the heads of various departments.

In addition, the ALM Committee is in place to allocate equity capital in response to market, credit and other risks, as well as to set and manage limits on individual risk amounts. In this way, the committee strives to raise funds effectively and optimize the allocation of assets, thereby ensuring management robustness and stable earnings. Members of this committee include directors of executive officer level or higher, full-time Audit & Supervisory Committee members and the heads of related departments.

Our internal control structure clearly defines the departments responsible for controlling and conducting risk management to counter the risks inherent in our operations and duly ensures mutual checking functions.

(As of June 30, 2019)

