

What is CSR?

Corporate social responsibility (CSR) means that companies ensure all operating activities adhere to social, legal, ethical and environmental norms. Through the management of CSR-related issues, companies take responsibility for behavior toward all stakeholders, including customers, consumers, business partners, shareholders, investors, financial institutions, employees and the public at large.

The aim of the CSR management approach is to promote the sustainability of the company's operations by establishing and maintaining strong relations with society. Increased CSR-related activities by companies of all types promise to enrich society, while also promoting industrial and economic development.

CSR Management

Risk Management

What types of risk management does Michinoku Bank employ?

The diverse operations of a financial institution generate a variety of risks that need to be managed, making risk control an important management issue. Michinoku Bank employs various management methods to handle the different types of risk inherent in its operations. These activities are outlined below.

Credit risk

Rigorous credit screening and credit risk management methods are applied on a case-by-case basis. At the loan portfolio management level, the Credit Risk Quantification System, a tool developed by a consortium of regional banks, supplements the internally developed credit rating system.

Operational and systems risk

Internal audit functions conduct checks to prevent problems caused by clerical errors, system failure or other operational processes. Besides reinforcing such functions, Michinoku Bank also arranges for regular systems audits by external specialists to ensure rigorous risk management.

Market and liquidity risk

Market risk management controls include internally designated risk limits as well as ceilings for securities balances and currency positions. Strict monitoring and risk management controls are applied to all market operations to prevent any large, unexpected losses. To manage liquidity risk, Michinoku Bank applies various techniques to ensure proper and stable cash flows in the management and procurement of marketable funds, transfers of large sums and management of payment reserves.

Legal risk

Michinoku Bank policies demand full compliance with laws and regulations as well as internal rules in all operational and management activities. A program to upgrade internal compliance procedures is currently underway, based on the business improvement plan submitted to the Tohoku Local Finance Bureau on June 20, 2005.

What is the overall risk management system at Michinoku Bank?

Banks today face increasingly complex risks as financial operations become more diverse. Accurate risk assessment and application of proper controls are critical management issues.

The Risk Management Division coordinates risk management activities to ensure an integrated approach. The Risk Management Committee provides a forum for cross-functional discussion and deliberation of risk management

issues between all bank divisions. This committee is also responsible for initiatives to strengthen internal procedures and systems for managing risk. Separately, the Operations Supervision Committee provides a further check on the status of risk management systems. Together, these various risk management measures aim to ensure sound operations and stable earnings.

