

# Resona Group Governance

## Resona Holdings Directors

### Inside Directors (4 members)

Director, President and Representative Executive Officer

Kazuhiro Higashi



Assumed the office of Executive Officer and General Manager of Financial Accounting Division of the Company in 2003, and then Director, Deputy President and Executive Officer in 2009, before assuming the current position of Director, President and Representative Executive Officer in 2013. (Concurrently serves as Chairman of the Board, Representative Director, President and Executive Officer of Resona Bank, Ltd.)

Director and Representative Executive Officer

Shoichi Iwanaga



Assumed the office of Executive Officer of Resona Bank, Ltd. and General Manager of Sales Support Division in 2016. Assumed the current office of Director and Representative Executive Officer in charge of Group Strategy Division of the Company in 2018. (Concurrently serves as Executive Officer of Resona Bank, Ltd.)

Director and Representative Executive Officer

Satoshi Fukuoka



Assumed the position of General Manager of Sales Support Division of Saitama Resona Bank, Ltd. in 2013. Assumed the office of Executive Officer in charge of Finance and Accounting Division of the Company in 2017. Assumed the current office of Director and Representative Executive Officer in charge of Finance and Accounting Division of the Company in 2018.

Director and Member of Audit Committee

Kaoru Isono



Joined Long-Term Credit Bank of Japan in 1978. Assumed the office of Executive Officer in charge of Risk Management Division and Compliance Division of the Company in 2004, and then assumed the current position of Director of the Company in 2009. (Concurrently serves as Director of Kansai Mirai Financial Group, Inc.)

### Outside Directors (6 members)

Outside Director, Member of Nominating Committee and Member of Compensation Committee

Toshio Arima



Joined Fuji Xerox Co., Ltd. in 1967. Assumed the office of President and Representative Director of Fuji Xerox Co., Ltd. in 2002, and then Outside Director of the Company in 2011 (incumbent). In the same year, assumed the office of Chairman of the Board of Global Compact Network Japan (incumbent), up to the present.

Outside Director, Member of Nominating Committee and Member of Audit Committee

Hidehiko Sato



Joined National Police Agency in 1968. Assumed the office of Commissioner General of National Police Agency in 2002. Registered as Attorney-at-law in 2011, and currently belongs to Hibiki Law Office (incumbent). Joined the Company as Outside Director in 2015, up to the present.

Outside Director and Chairperson of Audit Committee

Yoko Sanuki



Registered as attorney-at-law in 1981. Assumed the office of Representative of NS Law Office (incumbent) in 2001, and then assumed the current position of Outside Director in 2012.

Outside Director and Member of Audit Committee

Chiharu Baba



Joined The Industrial Bank of Japan, Limited in 1973. Assumed the office of Deputy President and Representative Director of Mizuho Trust & Banking Co., Ltd. in 2005. Assumed the office of Outside Audit & Supervisory Board Member of Tohoku Electric Power Co., Inc. in 2015 (currently holds the office of Outside Director of Tohoku Electric Power Co., Inc.), and then assumed current position of Outside Director in 2017.

Outside Director and Chairperson of Compensation Committee

Mitsudo Urano



Joined Nichirei Corporation in 1971. Assumed the office of Representative Director and President in 2001. Joined the Company in 2013 as Outside Director, up to the present.

Outside Director, Chairperson of Nominating Committee and Member of Compensation Committee

Tadamitsu Matsui



Joined THE SEIYU Co., Ltd. in 1973. Assumed the office of Director of Ryohin Keikaku Co., Ltd. in 1993, and then President and Representative Director in 2001. Assumed the office of President and Representative Director of MATSUI Office Corporation in 2010 (incumbent), and then assumed the current position of Outside Director in 2014.

### Executive Transparency

The Resona Group has a majority of outside directors on its Board, and is the first Japanese banking group with a nominating committee and other committees. The Resona Group has thus structured a sophisticated corporate governance system that ensures transparency and impartiality.



## Messages from Outside Directors



**Tadamitsu Matsui**

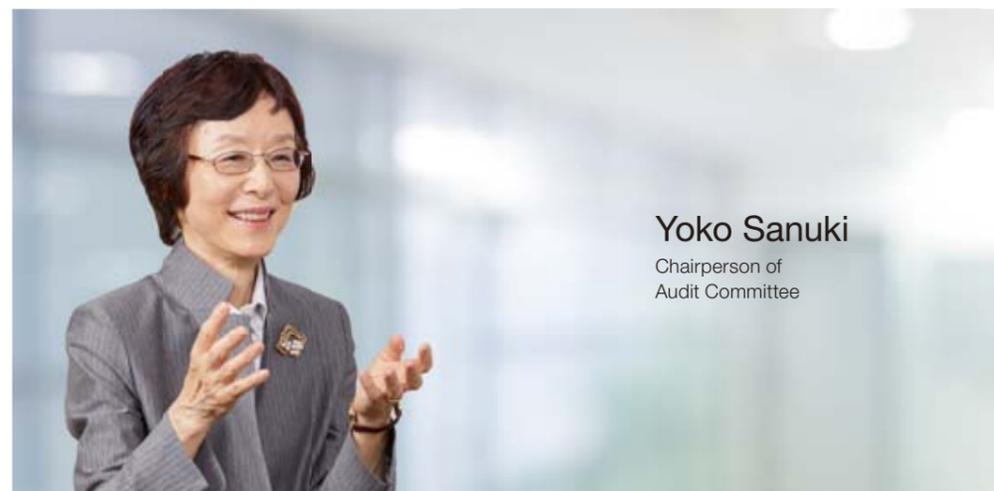
Chairperson of  
Nominating Committee

**I am committed to nurturing the next generation of management in order to maximize customer satisfaction.**

I have been chairperson of the Nominating Committee for one year. The primary role of the Nominating Committee is to maintain transparency and impartiality when selecting and appointing management personnel. In that sense, Resona Holdings has a fair and transparent mechanism for managing the selection and dismissal of directors and officers, including senior management. Another core responsibility of the committee is training human resources. The Resona Group has developed and is consistently implementing a diverse array of effective programs for doing so. The Group has nurtured an outstanding class of next-generation managers. HR has been a significant part of my career, and I have been deeply involved in developing and deploying people. I am now helping several compa-

nies develop human resources. I think that 80% of management is common across industries. I will contribute further to human resource development, for which different industries share significant common ground.

Resona Holdings' medium-term management goal is "Retail No. 1." I believe this is truly the correct direction. The financial industry is also undergoing major change, because consumers and competitive conditions have changed. As ever, though, companies cannot survive if they do not earn the trust of customers and offer them convenience and security. Becoming "Retail No. 1" could be achieved rapidly by increasing customer satisfaction. All employees must enhance their ability to meet customer expectations. The Resona Group can only achieve its objectives by strengthening its ability to execute, boldly taking on the challenge of structural reform and creating mechanisms for systemized work processes. As chairperson of the Nominating Committee, I will do everything I can to nurture all employees to maximize customer satisfaction.



**Yoko Sanuki**

Chairperson of  
Audit Committee

**I will support the Resona Group in its efforts to become a unique financial services group by giving advice on appropriate responses to an array of risks.**

The mission of the Audit Committee is to monitor, verify and make recommendations regarding the framework for preventing or minimizing risks that threaten the Resona Group's credibility or existence. Risks range from legal violations to cyberattacks, system problems and large-scale disasters. Effectively and appropriately auditing these risks requires us to collaborate with the Internal Audit Division and the independent accounting auditor. The recent increase in outsourced work also raises the issue of monitoring service providers. To deal with this issue, the best options available now are contractual constraints and data collected from daily observation. Expert judgement of daily observation is indeed the foundation of an audit.

The Resona Group needs to be a step ahead and have fresh perspectives under the current circumstances in which financial institutions constantly look for new business models. The Group aims to expand and acquire customers via the Internet, but differentiation from other companies in the digital area can be difficult. On the other hand, financial institutions are considering closing and consolidating branches. However, the Resona Group has the largest branch network in Japan, and therefore it will be important for us to take a different approach. A wise approach would be to adjust the functions, hours of operation, and head count in line with community characteristics. Seniors are still going to be a growing customer segment in the 2030s, so the Resona Group can develop a powerful competitive advantage by using its branch network as a platform for delivering unique financial services to that segment.



**Mitsudo Urano**

Chairperson of  
Compensation Committee

**I will act as chairperson over a compensation system that equitably rewards risk-taking and results to enable the Resona Group to grow.**

Corporate management must take risks that generate returns in order to grow a company. Bank management is the same. Linking the compensation of executives to corporate value improves morale and increases awareness of cash flow. The Compensation Committee will further emphasize the performance-based component of compensation to enhance transparency and the linkage with shareholder value.

Key roles for outside directors are to deepen the discussions of the Board of Directors and to encourage risk-taking by creating a place for the expression of a healthy entrepreneurial spirit. Equitably rewarding risk-taking and the results are the two aspects of the compensation system that will drive the Resona Group's growth.

Growth remains tepid in Japan and interest rates are low. Society demands the Resona Group to take on the following three fundamental long-term social responsibilities:

1. Help business partners grow by extending loans based on assessments of business viability;
2. Effectively deploy capital to develop the industries of the future and nurture entrepreneurial companies;
3. For individual customers, serve them with investments diversified by objective and duration to achieve stable medium-to-long-term returns, as well as provide support for long-term holdings and fintech. We will support the shift to risk assets.

Resona Holdings will actively back Group banks as they work to support client companies according to their actual status and raise the financial literacy of individual customers when shifting to risk assets.

## Corporate Governance

### Basic Approach to Corporate Governance

Resona Holdings, Inc. (hereinafter the “Company”) has established the “Basic Corporate Governance Policy” to facilitate the sustained growth and improvement of the corporate value of the Resona Group (hereinafter the “Group”) over the medium and long term.

- The Company, as the holding company of the financial services group, including Resona Bank, Limited, Saitama Resona Bank, Limited and Kansai Mirai Financial Group, Inc. shall maximize the corporate value of the Group.
- The Company shall respect all stakeholders, including shareholders, and aim at achieving excellent corporate governance so that the Company can make decisions rapidly and decisively in response to environmental changes, including economic and social changes.
- The Company shall establish the “Corporate Mission (Resona Group Management Philosophy),” a general philosophy of management of the Group, and the “Resona Way (Resona Group Corporate Promises),” a specific form of the philosophy, under which the Group shall implement business operations in a concerted manner.

### The Company’s Corporate Governance System

- Based on the aforementioned basic approach to corporate governance, the Company shall clearly separate the management supervision function from the business execution function, and adopt the form of a “company with a nominating committee, etc.” as a corporate governance system because the Company determines that this system can enhance the supervision and decision-making functions of the Board of Directors.
- The Company shall fully utilize external views in its business management and secure transparency and fairness in management by making the Board of Directors, on which highly independent outside directors constitute a majority, and the three committees (Nominating Committee, Compensation Committee and Audit Committee) fulfill their functions.

The Company shall ensure the autonomy of its subsidiaries and instruct the subsidiaries to manage their business activities based on the aforementioned basic approach to corporate governance so that the Group will grow together with regional communities.

### Other Matters Related to Corporate Governance

#### Self-Evaluation of the Board of Directors

The Company’s Board of Directors conducts an annual analysis and evaluation of its effectiveness as a whole based on the opinions of each director with regard to their assessment of the operations and functionality of the Board as well as matters discussed at the Board of Directors meetings. The Board of Directors utilizes the results of the analysis and evaluation to make further improvements in its operations and to enhance its supervisory and decision-making functions.

The evaluation of fiscal 2017 concluded that the operations of the Board were appropriate on the whole and the overall effectiveness of the Board of Directors was confirmed.

The preparation of meeting materials, the selection of meeting agendas and free discussion have improved compared with fiscal 2016. However, the self-evaluation identified the need for further improvement in the provision of information to outside directors prior to meetings, reporting on the progress of execution of strategies, and shared recognition of medium- and long-term management priorities. The Board of Directors will enhance the content of discussions by improving its operations based on input, including the opinions of each director.

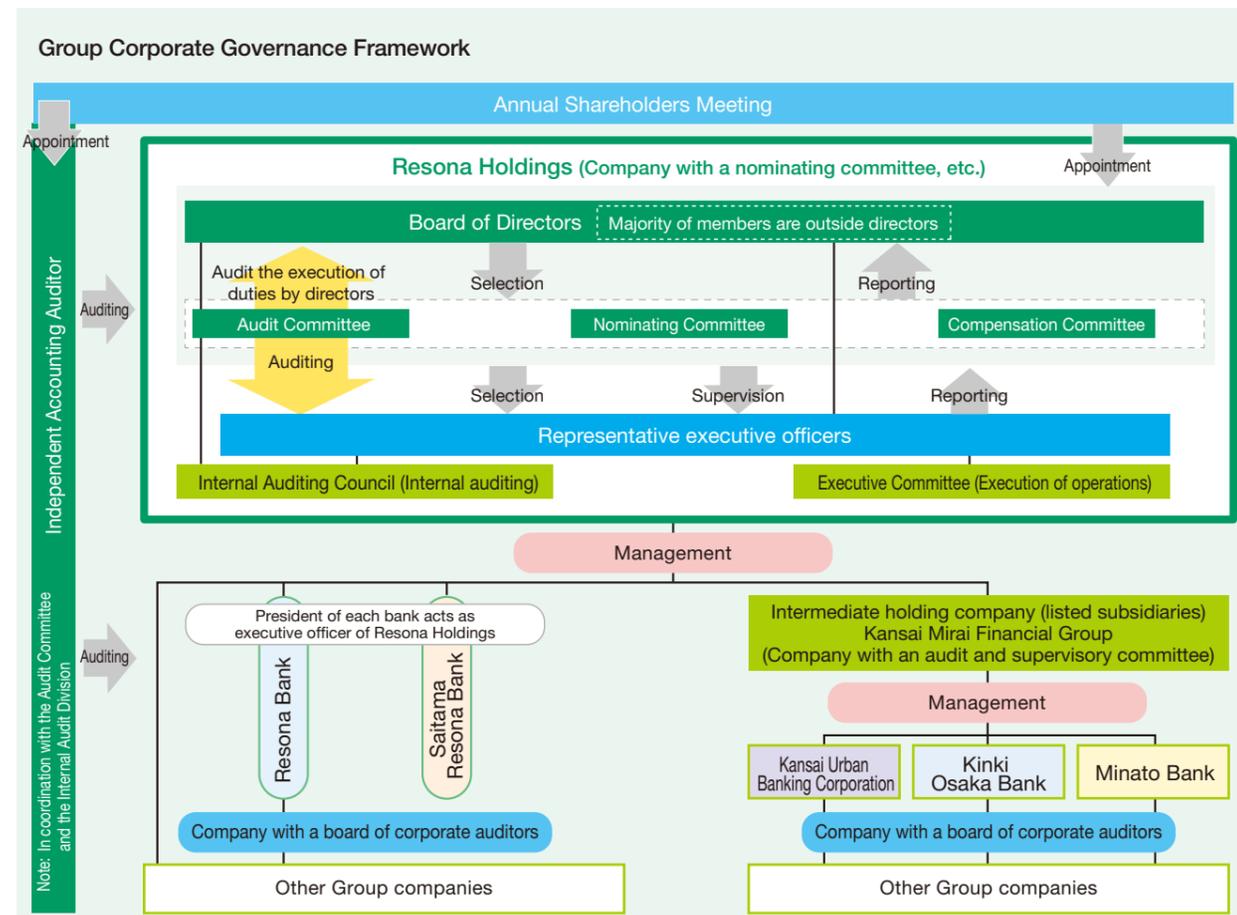
the top management roles and responsibilities at the Company, Resona Bank and Saitama Resona Bank and secure the transparency of the process of selecting and nurturing directors.

The scope of the succession plan covers various candidates for Resona Holdings, Resona Bank and Saitama Resona Bank, from those who are candidates for the next generation of senior management to those who are new candidates for executive officer positions. The process of selection and nurturing successors is carried out steadily according to a schedule, matching qualified candidates to the appropriate rank. The Group retains the objectivity of this process by drawing on the advice of external consultants. Evaluations of candidates undergoing the process are reported to the Nominating Committee. In addition to receiving reports on candidate evaluations, members of the Nominating Committee come into direct contact with candidates as part of the process, evaluating candidates’ characters from various aspects. The activities of the Nominating Committee are reported to the Board of Directors, of which outside directors are the majority, and are discussed from diverse perspectives. Through the entire process, which is highly transparent, each potential director’s capabilities and competencies are closely studied and enhanced where appropriate.

In addition, Resona Holdings has set forth seven competencies that define the ideal candidate for the position of director. By ensuring that the directors in the Nominating Committee as well as the other directors share common ideals regarding candidates, the Company clarifies standards for the evaluation and nurturing of successors and thereby aims to realize impartiality during the entire process.

#### Resona Succession Plan

Aiming for sustained improvements in corporate value, Resona Holdings, Resona Bank and Saitama Resona Bank introduced a succession plan in June 2007 that serves as a mechanism to ensure the successions of



#### Activities at Resona Holdings

Management Body	Overview	Composition	Number of Meetings Held in FY2018
Board of Directors	The Board of Directors fully ensures that management engages in substantial discussion in fulfilling its responsibilities for decision-making on important Group management issues and supervises the execution of business activities by executive officers and directors.	10 directors (including 6 outside directors) Male: 9, Female: 1	18
Nominating Committee	The Nominating Committee makes decisions regarding proposals for the selection and dismissal of directors that are submitted to the annual general meeting of shareholders, based on the specific qualities that the Group should seek in its directors as well as the “Standards for Electing Director Candidates,” both of which have been discussed and decided at the committee’s meetings.	3 directors (All of the members are outside directors) The committee chairperson is an outside director	12
Audit Committee	The Audit Committee makes decisions regarding proposals for the selection and dismissal of independent accounting auditors that are submitted to the annual general meeting of shareholders in addition to auditing the execution of operations by executive officers and directors.	4 directors (3 members are outside directors) The committee chairperson is an outside director	13
Compensation Committee	The Compensation Committee makes decisions regarding policies for compensation and other benefits for individual directors and executive officers as well as the compensation and other benefits for specific individuals.	3 directors (All of the members are outside directors) The committee chairperson is an outside director	8
Executive Committee	Resona Holdings has set up the Executive Committee as a body to deliberate and report on generally important management items and important matters in the execution of operations to support the decision-making process in the execution of operations.	Representative executive officers and executive officers	43
Internal Audit Council	As a body to deliberate and report on important matters related to internal audits, the Company has established the Internal Audit Council. This council is independent from the Executive Committee, which serves as a body for the execution of operations.	All representative executive officers, fulltime Audit Committee member, Executive Officer in charge of Internal Audit Division and General Manager of Internal Audit Division	15

**Overview of Compensation Policy for Directors and Executive Officers**

The Company's compensation policy is as follows.

**Basic Approach**

- Remuneration for directors and executive officers is determined by the Compensation Committee following objective and transparent procedures.
- Compensation systems for directors are focused on rewarding the performance of their primary duty of providing sound supervision of executive officers.
- Compensation systems for executive officers are designed to maintain and boost their motivation to carry out their business execution duties, with the performance-based variable portion accounting for a significant proportion of their total compensation. In addition, with the aim of promoting the Group's sustainable growth and strengthening incentive systems for executive officers on a medium-to-long-term basis to enhance its corporate value, the Company has adopted Performance Share Units.

**1. Compensation System for Directors**

Compensation for directors consists of position-based compensation and a duty-based additional portion in cash. In order to further ensure sound supervision of executive officers, performance-based compensation was abolished as of June 2017.

**2. Compensation System for Executive Officers**

Compensation for executive officers consists of position-based compensation and performance-based compensation. Performance-based compensation comprises cash compensation determined on the basis of the Company's annual operating results as well as Performance Share Units, which reflect medium-to-long-term results. In order to maintain and increase motivation to fully carry out business, a significant percentage of compensation is accounted for by performance-based compensation (details below). Furthermore, the composition of compensation paid to executive officers who take senior positions places a greater emphasis on the performance-based variable portion.

Any executive officer holding a concurrent position as director is paid only the amount of compensation due an executive officer.

Position-based compensation (Fixed compensation)	Performance-based (Standard amount) (Variable compensation)		Total
	Cash (Annual incentive)	Performance Share Units (Medium-to-long-term incentives)	
Cash	Cash (Annual incentive)	Performance Share Units (Medium-to-long-term incentives)	Total
50 to 60%	20 to 25%	20 to 25%	100%

**Basic Policy for Promoting Constructive Dialogue with Shareholders and Investors**

The Resona Group has established the Basic Policy for Promoting Constructive Dialogue with Shareholders and Investors to proactively promote constructive dialogue with shareholders and investors from the perspectives of generating sustainable growth and increasing corporate value over the medium-to-long term. The key points of the policy are as follows.

**(Purposes)**

The Basic Policy for Promoting Constructive Dialogue with Shareholders and Investors, etc. (hereinafter "Shareholders") (hereinafter the "Basic Policy") determines the policy concerning systems and initiatives of the Company for the following purposes:

- (1) Obtain the accurate understanding, confidence and fair evaluation of the Group's management strategy and financial condition from Shareholders; and
- (2) Facilitate the Group's sustained growth and improve corporate value over the medium-to-long term through constructive dialogue with Shareholders.

**(Personnel Having Dialogue with Shareholders)**

The President and Representative Executive Officer and the Executive Officer in charge of Finance and Accounting Division shall supervise overall dialogue with Shareholders, and make every effort to realize constructive dialogue. In addition to the foregoing persons, persons appointed by the foregoing persons in consideration of the requests, main interests of Shareholders shall conduct dialogue with Shareholders.

**(Internal Arrangements for Supporting Dialogue)**

To make dialogue with Shareholders constructive, the Finance and Accounting Division shall support the persons having dialogue with Shareholders in coordination with various departments of each Group company so that such persons can provide Shareholders with accurate information based on their interests over the medium-to-long term.

**(Efforts to Diversify Forms of Dialogue)**

Constructive dialogue with Shareholders shall be conducted in various forms, including general shareholders' meetings, individual interviews, financial results briefings, phone conferences concerning financial results briefings and shareholder seminars. Dialogue shall be conducted from diversified viewpoints to make it substantial in consideration of Shareholders' interests over the medium-to-long term.

**(Feedback to the Company)**

The Executive Officer in charge of Finance and Accounting Division shall regularly and timely submit a report on Shareholders' opinions, interests and concerns to the Board of Directors in an appropriate manner. The Board of Directors may, at any time, ask the Executive Officer in charge of Finance and Accounting Division to explain the details of dialogue with Shareholders.

**(Management of Insider Information)**

On the occasion of dialogue with Shareholders, undisclosed important information shall not be disclosed to any specific persons in accordance with the "Information Disclosure Regulations" to be separately established.

**Risk Appetite Framework**

**Framework for Formulating and Executing Strategies to Support Sustainable Growth**

To realize the strategy of becoming "Retail No. 1," the Resona Group organically correlates earnings, risk, capital and other components; maintains an organization and systems that are capable of formulating consistent plans; and structures PDCA frameworks to support the formulation and execution of strategies.

**Formulation of Management Strategies and Plans**

In formulating management strategies, the Company clarifies the business areas that actively take risks based on the analysis of internal and external environments. Based on multifaceted and sufficient discussions, management strategies are decided at the Board of Directors meeting of Resona Holdings, Inc., the majority of which consists of outside directors. The divisions in charge of business execution then formulate the detailed plans based on such resolutions.

More specifically, based on the characteristics and strengths of the Group's businesses and taking into

consideration the short-term and medium-to-long-term issues, and ensuring that the operational policies formulated by the Group companies and business divisions are consistent within the Group, the "funding and earnings plan," "risk limit plan," and "capital adequacy ratio plan," are defined.

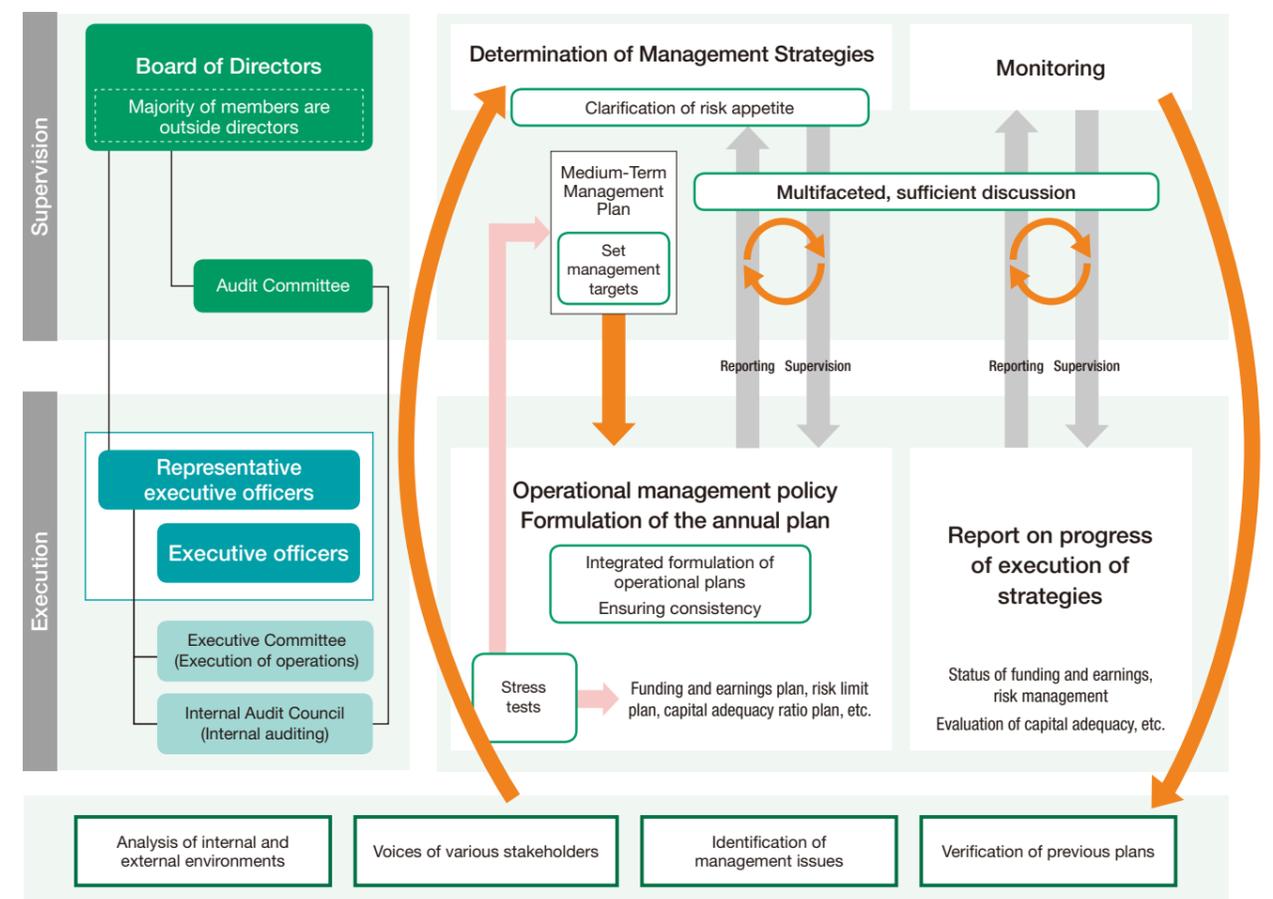
Through the risk management division's stress tests, these plans undergo potential sustainability verification to confirm that risk-taking and risk-control during the plan period are possible.

**Operation and Management of Plans**

During the plan period, progress and verification results of these plans are regularly reported to the Board of Directors. At the Board of Directors meeting, in-depth and vigorous discussions are held in an effort to realize the strategies.

To ensure the feasibility of strategies, the results of discussion are reflected in strategies, flexible reviews of operational management during the period and reviews of organizational structures.

**Risk Appetite Framework**



# Risk Management

## Risk Management System

### Basic Approach to Risk Management

We deeply regret the serious concern and inconvenience that the application for an injection of public funds in May 2003 caused the people of Japan, our customers, and other stakeholders. Consequently, we have established the risk management principles below to enhance our risk management systems and methods as well as risk control. The Resona Group conducts its risk management activities with an eye to securing the soundness of operations and enhancing profitability.

1. We will not assume levels of risk in excess of our economic capital.
2. We will deal promptly with losses that we have incurred or expect to incur.
3. We will take risks appropriate for our earnings power.

### Risk Management Policies and Systems

The Company has established the Group Risk Management Policy that serves as the Group's basic risk management policy.

Based on the Group Risk Management Policy, Resona Bank, Saitama Resona Bank, and Kansai Mirai Financial Group and its group companies (the "Group banks") have established risk management policies that are tailored to their operations, unique characteristics, and the risks they must address.

These risk management policies create a basic framework for managing risk by defining the types of risk that must be managed and establishing organizations or systems that manage risk.

The Company and the Group banks have established risk management departments for managing different types

of risk, along with a Risk Management Division, to integrate the management and control of all types of risk. Principal risk categories are outlined below, and each risk is managed using a method that is tailored to its characteristics.

Principal Group companies, other than the banks, have also established risk management policies that are tailored to their own operations, special characteristics and risks. In addition to establishing risk management systems and frameworks, these policies establish guidelines for avoiding risks outside their fundamental business areas. These Group companies have also established risk management departments for managing different categories of risk and risk management divisions for comprehensive risk management.

### Comprehensive Risk Management

Comprehensive risk management divisions have been formed within the Company and the Group banks, and each of these divisions is responsible for comprehensive risk management of the Group and its banks, respectively.

Each Group bank measures the volume of credit risk, market risk, and operational risk using the risk management indicator value at risk (VaR\*) and establishes risk limits (makes risk capital allocations) on these types of risk. Risk management is conducted to control risk within these established limits.

When the Group banks set their risk limits, the Company verifies the details of the limits to be established to confirm the soundness of the Group as a whole. In addition, the Company receives periodic reports from the Group banks regarding the status of risk management and confirms the status of comprehensive risk management of the Group.

In addition, although the Company is constantly working to improve the quality of risk measurement through various means, including the application of the VaR method, there are risks that cannot be quantified by statistical risk

management methods. The Group strives to study and understand the incompleteness and specific weak points of the VaR method, thereby assessing and recognizing the impact of such limitations on risk measurement. For risks that cannot be identified or quantified by the VaR method, the Company and the Group banks conduct qualitative assessment through various stress testing and the use of risk-assessment mapping. In this way, the Group aims to enhance the quality of its comprehensive risk management.

\* VaR, or value at risk, is a risk management indicator that is calculated using statistical methods to measure the maximum loss that may occur with a specified confidence interval (probability) and over a specified period.

### Group Management by Resona Holdings

The Company provides direction and suggestions to all Group companies regarding risk management policies, standards and systems.

When making decisions on important matters related to risk management, Group companies confer with the

Company in advance and base their decisions on those consultations or decide matters through the exchange of opinions, and report those decisions to the Company.

Based on the above, the Company manages the risk management framework of Group companies by providing direction and suggestions to Group companies regarding risk management policies, as well as rules, standards and systems, or by providing verification through prior consultation.

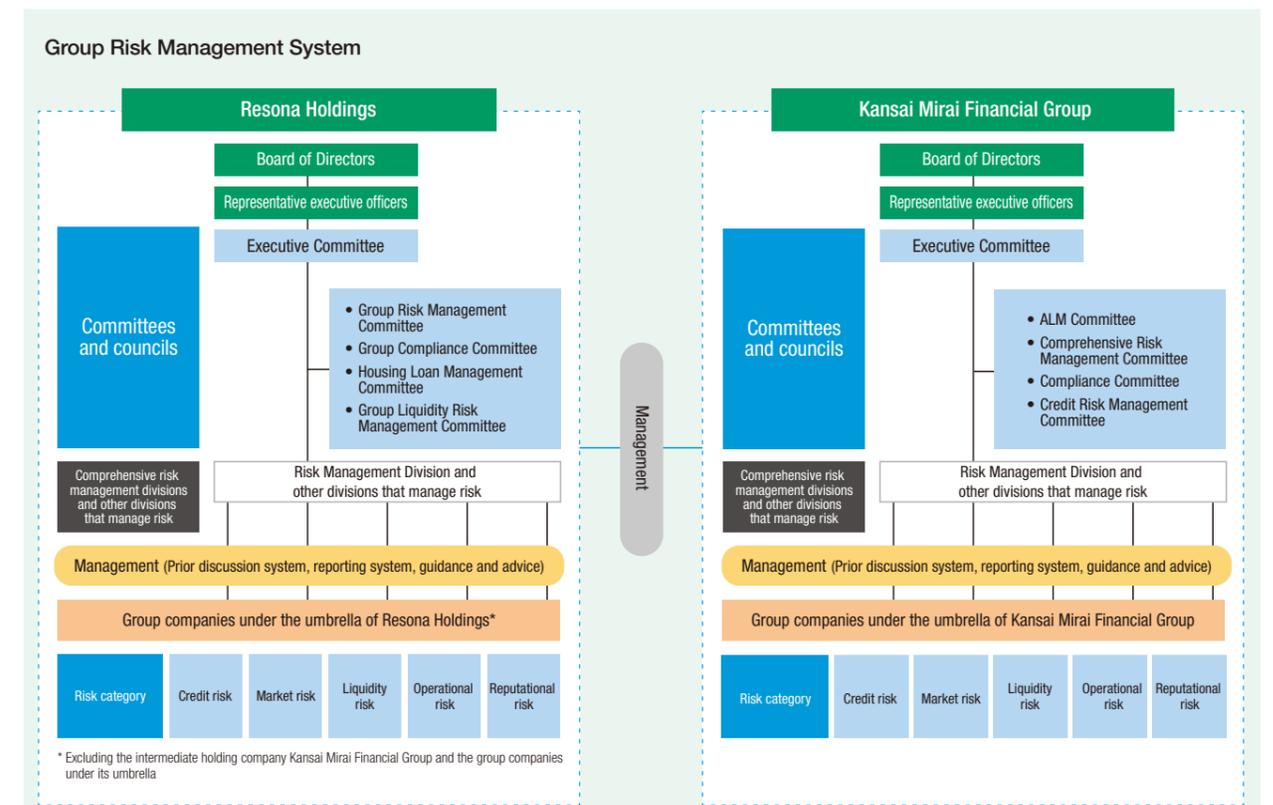
Furthermore, the Company manages the risk-taking policies of Group companies through prior consultation on the limits and guidelines or through the exchange of opinions.

Group companies must make reports to the Company regarding the risk conditions and their management on a regular and as-needed basis so that the holding company can provide guidance and advice as necessary.

As shown by the figure below, we have formed risk management divisions by risk category within the Company for managing each type of risk on a Group-wide basis.

### Risk Category, Definition and Management Methods

Risk Category	Definition	Risk Management Methods
		Comprehensive risk management (setting risk limits, assessing risk, allocation of risk capital, etc.)
Credit risk	Risk of losses that arises when the value of assets (including off balance sheet assets) declines or is destroyed as a result of the deterioration of the financial position of obligors	Setting risk limits, credit rating system, portfolio management, credit analysis and management, etc.
Market risk	Risk of losses that may occur when the prices of assets and liabilities (including off balance sheet assets and liabilities) change because of fluctuations in market risk factors, including interest rates, foreign currency exchange rates, and stock prices	Setting risk limits, setting loss limits, setting position limits, etc.
Liquidity risk	Risk of losses that may occur when a party has difficulty in raising the necessary funds or is forced to raise such funds at higher than normal rates	Recognition of liquidity emergencies, response system for emergencies, guidelines for liquidity risk management indicators, etc.
Operational risk	Risk of losses that may occur when internal processes, personnel, and/or systems function improperly or fail to function and when external factors result in such losses	Control self-assessments (CSAs), analysis of loss data, risk indicators, etc.
Reputational risk	Risk of losses that may occur when reports in the media, rumors, false information, and unfounded reports have a detrimental effect on a company's reputation	Dissemination of timely and appropriate information, monitoring of media, etc., preparation of crisis management systems



\* Excluding the intermediate holding company Kansai Mirai Financial Group and the group companies under its umbrella

## Compliance

### Basic Activities

The Resona Group defines compliance as the strict observance not only of laws and regulations, but also of social norms and has positioned compliance as a key management issue.

As the basic activities to put compliance into practice, the Resona Group has established its Corporate Mission, which forms the basis for the judgments of directors and employees; the Resona Way (Resona Group Corporate Promises), which outlines the basic stance, based on the Corporate Mission, that directors and employees should take toward all Group stakeholders; and the Resona Standards (Resona Group's Behavior Guidelines), specific guidelines about behavior expected from directors and employees under the Corporate Mission and the Resona Way.

### Group Management System

#### Group Compliance Management System

The Compliance Division at Resona Holdings controls Group compliance and works with compliance divisions at Group companies to strengthen compliance systems Group-wide. In addition, the Group has formed a Group Compliance Committee that discusses and evaluates all issues related to Group compliance.

#### System for Protecting Group Customers

The Company and Group banks are proactively working to make improvements in the quality of explanations to customers, responses to customer inquiries and complaints, the management of customer information, the management of conflicting interests in banking transactions, and

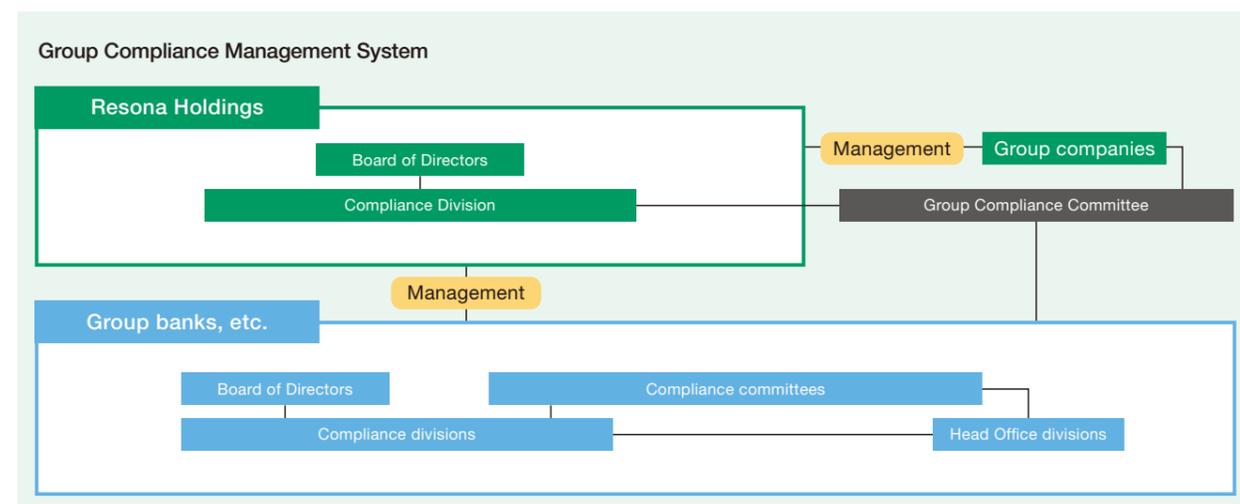
other areas so that we can provide better responses and more convenience for customers. Specifically, we discuss and deliberate initiatives with responsible divisions and individuals in the Group Compliance Committee.

### Management of Customer Information

The protection of customer information is one of the most important factors in enabling customers to use the Group's services with peace of mind. We strive to properly manage customer information by publicizing the Promise to Protect Personal Information of All Group Companies, establishing a framework for protecting against leakage or loss of personal information, and conducting ongoing and thorough employee education.

### Elimination of Anti-Social Forces

The Resona Group believes that preventing and eradicating transactions with anti-social forces are critically important to its public mission and social responsibility as a financial institution. Our basic approach is not to engage in transactions with anti-social forces and to prevent them from intervening in transactions with customers through the corporate activities of Group companies. The Group has set specific internal rules and regulations. It also provides ongoing training and education on these compliance issues for directors and employees. In addition, we have formed cooperative relationships with law-enforcement agencies such as the police to prevent and nullify transactions with anti-social forces.



## Internal Auditing

### Group Internal Auditing

We believe that the role of internal auditing is extremely important to “live up to customers’ expectations” and “implement transparent management” as set forth in the Resona Group's Corporate Mission. Accordingly, we have established internal audit divisions at Resona Holdings and Group companies.

In order to ensure sound and appropriate operations and to gain social trust in the business management systems established by the Company and Group companies, the internal audit divisions serve the essential function of facilitating improvements in corporate value by verifying and evaluating the systems from an independent standpoint and promoting improvements as needed in all management activities.

### Organization

The Company and Group companies have established independent internal audit divisions and other bodies under each board of directors.

Moreover, we have formed an Internal Audit Council in the Company and Group companies, separate from the Executive Committee, to discuss important matters related to internal auditing.

The Internal Audit Division of the Company reports to the Board of Directors and the Audit Committee for its function and to the representative executive officers for its

administration. In addition, by ensuring a direct reporting line from the Audit Committee to the Internal Audit Division, we strengthen the monitoring and check and balance functions performed over the representative executive officers and representative directors of the Group companies.

### Functions and Roles

To guide the formulation of plans for internal auditing, the Internal Audit Division of the Company formulates the Annual Internal Audit Basic Plan of the Company and the Group, including the Group's annual policies, the targets of auditing, and key items and secures approval of the Board of Directors after discussion with the Audit Committee.

The internal audit division of each Group company formulates its Annual Internal Audit Basic Plan based on the business management policies of the Internal Audit Division of the Company and secures the approval of the respective board of directors.

The internal audit divisions at the Company and Group companies conduct audits based on the Annual Internal Audit Basic Plan.

The results of internal audits of the Company are reported to the Board of Directors, the Audit Committee, and representative executive officers. The results of internal audits of Group companies are reported to their respective boards of directors and auditors as well as the Company.

