

System of legal compliance at Ashikaga Holdings Group

The Group has positioned compliance as one of the most important priorities facing management, and has drawn up a basic compliance policy for the Group.

All employees from executives down are constantly aware of the public roles and responsibilities that we have as a banking group. We are committed to compliance with laws, regulations and social norms, establishment of trust through sound business management, and to pursuing our corporate activities in a spirit of sincerity and fairness.

● Management awareness and response

Management is fully aware that ensuring rigorous legal compliance is one of the most important priorities it faces, and directors of the board and executive officers themselves take care to avoid violation of laws and regulations during the performance of duties.

Ashikaga Holdings has adopted the committee-based system of corporate governance, with establishment of executive appointment, audit and compensation committees, and established executive officer posts. This clearly separates management oversight and execution of business.

The Board of Directors establishes internal controls including our compliance system, while the Audit Committee audits and examines whether or not these mechanisms are functioning effectively.

Executive officers are empowered to carry out tasks set by the Board of Directors, and to execute business operations. Powers of decision-making are vested in representative executive officers after approval from the Group Management Meeting, Group ALM Meeting and Group Compliance Meeting. Representative executive officers are thus subject to restraints on individual actions. Executive officers also must report at least once every three months to the Board of Directors on their own performance in fulfilling duties.

● Instilling rigorous compliance throughout the Bank

To ensure a culture of compliance, it is necessary to ensure that compliance awareness and commitment permeates from management downward and throughout the Bank organization, using various platforms and mechanisms.

To achieve this, the management instills the concept of compliance through meetings of all division, office and branch managers of the Bank. At the same time, specific compliance action plans are drawn up based on a compliance manual and action guidelines, to ensure the effectiveness of compliance awareness-raising.

The Group's basic compliance policy comprises the following concepts.

Ensuring trust

In awareness of its social responsibilities and public mission, the Group provides comprehensive financial services rooted in the community, engages in sound business operations and ensures public trust.

Compliance with laws and regulations

The Group regards compliance with laws and regulations as a cardinal priority for management. In addition to legal compliance, the Group will engage in its corporate activities in a spirit of sincerity and fairness, without overstepping social norms or conventions.

Dealing with Antisocial forces

The Group will deal decisively with forces that threaten orderly public activity and security, or that undermine the development of a sound economy and society.

Management transparency

The Group shall, in a fair, timely, and appropriate way, disclose management information to customers, employees, shareholders, and local communities and industries, as a trust-building measure.

Creating and upholding compliance frameworks

The Group will thoroughly familiarize all employees with the importance of compliance, and establish and maintain a compliance framework based on implementation and planning of internal controls including sets of regulations, creation of dedicated organizations and employee training programs.

● Improving compliance effectiveness

We have compiled the following seven Compliance Principles as a behavioral guideline for Group employees, who will do their best to abide by them.



**Seven
Compliance
Principles**

- Comply with laws and regulations affecting our business and social norms
- Always keep promises
- Do not mix private and public business
- Keep your surroundings clean and tidy
- Be scrupulously careful about information management
- Uphold and improve workplace order
- Thoroughly internalize the importance of reporting, liaising and consulting

In addition, the Bank has set up a Compliance Working Group, which checks compliance progress and status and discusses important matters every month, thereby improving the effectiveness of our compliance measures.

We have incorporated compliance programs into all of our training courses for different seniority grades at the Bank, to thoroughly instill a sense of the importance of legal compliance in all employees from executives downwards.

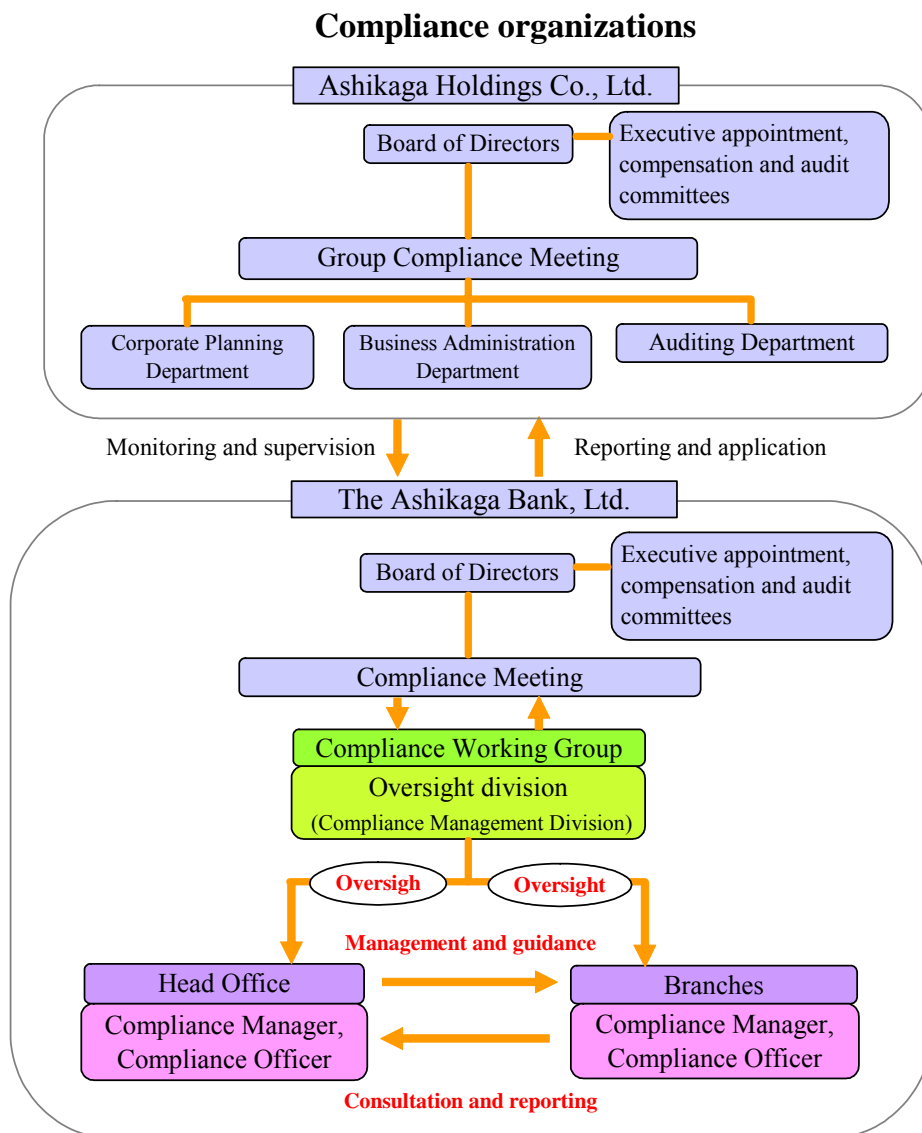
In fiscal 2013, we compiled a compliance program to ensure systematic compliance with laws and regulations, and it is now in operation.

● **Compliance organizations and measures for the future**

The Group has established a Compliance Management Group within the Business Administration Department to further strengthen our compliance framework.

In addition, in order to ensure compliance with laws and regulations at Ashikaga Bank at the Head Office and branch level, we have also established the posts of Compliance Manager and Compliance Officer in every division, office and branch.

In the future, we will strive to further develop our compliance frameworks so as to further deepen public trust.



● **Measures to protect customer interests**

The Group recognizes that establishment of a management framework for protection of the customer's interests is vital not only for the customer and the enhancement of customer convenience, but also for the soundness and propriety of Group business operations. Accordingly, it has established the following management policies for protection of customer interests.

Executives and employees recognize that continuous assessment and improvement of their own performance of duties from the customer's perspective are important to safeguarding customer interests, and are committed to improvement.

1. Ensuring customer understanding of explanations

We have mechanisms to ensure full and due customer understanding of our explanations of their transactions with the Group, as well as with subsidiaries (credit transactions (loan contracts and related collateral and guarantee agreements), acceptance of deposits, etc., domestic and foreign exchange transactions, marketing, intermediary services and solicitation relating to financial products).

2. Customer support

We have established within the Group a general office for responding appropriately when a customer has an inquiry, seeks consultation, or expresses a wish or complaint. We are committed to improvement in all our operations, not just to resolution of single issues. At the same time, we always treat the customer with friendly and appropriate courtesy, without letting personal feelings get in the way, and take care to ensure provision of financial products and services that complies with regulations.

3. Using the Alternative Dispute Resolution system

We will use the Alternative Dispute Resolution (ADR) model of dispute settlement without resort to courts, which prioritizes the customer more and better suits the needs of an aging population and the diversification and increasing complexity of financial products.

The Bank has concluded a basic agreement on procedures with the Japanese Bankers Association, a designated ADR organization (institution designated under the Banking Act as a dispute resolution organization).

4. Management of customer information

Except where otherwise laid down under laws and regulations, information concerning customers is

managed within the parameters deemed necessary for achievement of purposes relating to such information. In addition, we take measures to prevent external leakage of, loss of or damage to information about customers.

5. Sharing customer information within the Group

To ensure greater protection and convenience for the customer, and better risk management within the Group, customer information is shared by Ashikaga Holdings with its subsidiaries (including consolidated subsidiaries).

To protect customer information subject to shared use within the Group, we set clear limits on the category of information used, whom it is shared among, and what it is used for. We also have in place management mechanisms to ensure appropriate handling in conformity with laws protecting personal information, and with guidelines and laws and regulations relating to protection of personal information specific to the financial sector.

6. Management of conflict of interest

In transactions between the Group and its customers, the Group protects customers we are advising from adverse effects, such as firewalls between different business sections, to avoid events that constitute conflict-of-interest or other impropriety.

In particular, in cases where Ashikaga Holdings and its subsidiaries provide multiple services to the same customer, we have in place appropriate safeguards such as firewalls to prevent abuse of customer information and conflict-of-interest situations (including firewalls with affiliated companies), and measures to prevent unfair trading such as selling tie-in products.

7. Management of outsourcing

When Ashikaga Holdings outsources operations to external providers, it ensures the outsourced task is performed exactly as required and that both customer information and customer interests are handled appropriately.

8. Management of other operations

We ensure appropriate management of operations that we judge to be essential for the protection and convenience for the customer.