English translation

Citi Japan's Basic Philosophy on Product Governance

< Purpose of Product Governance>

(Supplementary Principle #1: Basic Philosophy)

The purpose of product governance (governance to ensure the provision of products that meet the best interests of customers) of Citi Japan (Citigroup Global Markets Japan Inc. and Citibank N.A., Tokyo Branch are collectively referred to as "Citi Japan") is to ensure the provision of products and services that are in the best interests of our customers, by offering the added value unique to Citi together with innovative products and services through Citi's global network for the purpose of supporting the customers' growth, based on "Citi's Management Philosophy: Contribute to Growth and Economic Development" and "Citi Japan Policy for Customer-Oriented Business Conduct".

Citi Japan's executives and employees are requested to ask themselves three questions when making decisions, in order to adhere to the highest ethical standards at all times and develop and maintain the trust.

１. Is it in our customers' best interests?
２. Does it create economic and social value?
３. Is it a decision appropriate for a responsible company?

Citi Japan believes that by consistently applying these three principles, it can have a positive impact on society and demonstrate its true potential as a global bank. Citi Japan will always keep this in mind when acting on our own in order to ensure the provision of products that meet the best interests of our customers.

<Citi Japan's customers and products & Product Governance System>

(Supplementary Principle #2: Establishment of a system)

Citi Japan's clients range from Japan's leading multinational corporations and financial institutions to institutional investors, government agencies, public institutions, and global institutional investors operating in Japan and investing in Japan. Through Citigroup Global Markets Japan Inc., Citibank N.A. Tokyo Branch, Citi Japan provides corporate banking, investment banking, commercial banking, and markets, treasury and trade solutions (cash management and trade finance operations) and securities services.

On top of the above operating scope and business model, Citi Japan will appropriately manage the quality control of financial instruments by establishing the product governance forum mainly focused on markets business and by receiving reports from and providing guidance to the relevant business divisions.

<Provision of products that meet the best interests of customers>

(Supplementary Principle #3: Response at the time of formulation of financial instruments)

In order to ensure the provision of products that meet the best interests of our clients, Citi Japan believes that it is necessary not only to proactively propose innovative financial products to our clients through Citi's global network ("product out"), but also to understand the true needs of our customers as much as possible and to formulate and propose financial products based on those needs ("market in").

In formulating financial products and identifying potential targeted customer attributes, Citi Japan, by focusing on the balance among risk, return and cost, will grasp the true needs of customers, including potential needs, and consider what kind of financial products are necessary to meet those needs, and consider which customer segments such financial products should be offered to, based on Citi Japan's basic philosophy of product governance for providing better financial products.

<Initiatives for manufacturing and sales as a whole>

(Supplementary Principle #3: Response at the time of formulation of financial instruments)

When Citi Japan becomes the manufacturer of a financial product and distributes the product to end customers or investors through a third-party distributing company, it is important to communicate constructively with the distributor and work to realize the best interests of the customers throughout the manufacturing and distribution process.

In addition, even in the case of the formation and sale of financial products at Citi Japan, the financial product origination and sales departments of Citi Japan will work throughout the manufacturing and distribution process to realize the best interests of customers.

<Follow-up after manufacturing the financial instruments>

(Supplementary Principle #4: Response after formulation of financial instruments)

Even after selling financial products to customers, Citi Japan believes that it is important to ensure the effectiveness of quality control throughout the entire life cycle of financial products, from origination to redemption, by appropriately conducting quality control in each process of formation, provision, and management of financial products, and by continuously verifying that the products sold continue to meet the true needs of customers.

In order to realize the best interests of customers in manufacturing and sales as a whole, we will verify whether the customer attributes assumed to be the target of sales match the customer attributes that are actually purchased by the in-house sales department and third-party distributing companies, etc., and will use this information to improve the subsequent composition of financial products, etc.

In addition, when assessing the characteristics and performance of the product, it should be continuously verified whether the balance of risk, return, and cost is appropriate under an appropriate verification period that does not cause arbitrariness. If it is determined that the added value sought to be provided by the financial product cannot be achieved, it is important to consider improving the financial product, merging it with other financial products, early redemption, etc., as well as to review the product governance system, including the process of product formation, provision, and management, as necessary.

<Provision of Easy-to-Understand information to customers>

(Supplementary Principle #5: Providing easy-to-understand)

In the event that Citi Japan becomes the originator of a financial product, Citi Japan will provide easy-to-understand information on the nature of the financial product in cooperation with the sales department and third-party sales distributors so that the clients can select by themselves the most suitable financial instruments from their perspective.

< Proportionality>

(Supplementary Principle <Proportionality>)

When implementing product governance initiatives at Citi Japan, it is necessary to consider cost and practical feasibility. For example, it is important to ensure that the benefits of ensuring product governance are balanced with the costs involved, such as taking the minimum necessary measures for simple index investment products, while taking more cautious and focused measures on complex or high-risk financial products.

Given Citi Japan's current business model, the "complex or high-risk financial products" described above correspond to "Complex structured notes similar to derivatives transactions" and "Investment Trusts"[1] with the similar economics. In particular, Citi Japan will take the more cautious and focused approach toward the case when (1) Sell directly to general investors, and (2) Indirectly sell to retail customers through third-party distributing companies, those products.

In addition, for "Structured Loan" products, Citi Japan will take the more cautious and focused approach toward the regional financial institutions, regardless of whether they are professional investors, given the recent Increase in regulatory scrutiny by Japan FSA, Raising the issue of the Financial Services Agency which addresses concerns regarding the increase in the outstanding amount of structured loans at the regional financial institutions. Specifically, Citi Japan will (1) assess whether the products genuinely meet the needs of regional financial institutions and are sustainable and economically reasonable, before and after the sales, and (2) take the more cautious and focused approach on the sales of loan products toward certain smaller regional financial institutions whose financial resilience and risk management frameworks are considered relatively weak.

We will also take the more cautious and focused approach toward products that are determined to require action based on ongoing assessments of changes in regulations and the social environment.

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[1] Investment trusts in which Citigroup Global Markets Japan Inc. is involved in the arrangement of the funds at the manufacturing stage made by domestic and overseas asset management companies

<Ensuring Effectiveness>

(Supplementary Principle <Ensuring Effectiveness>)

With respect to the information linkage with third-party distributing companies for the purpose of realizing the best interests of customers as a whole, the effectiveness shall be ensured by using a common cross-industry format.

In order to ensure the effectiveness of product governance throughout the life cycle of financial products and the effectiveness of quality control in each process of formation, provision, and management, Citi Japan shall establish a verification framework by Citi Japan's internal control divisions (e.g., Compliance and Internal Audit).

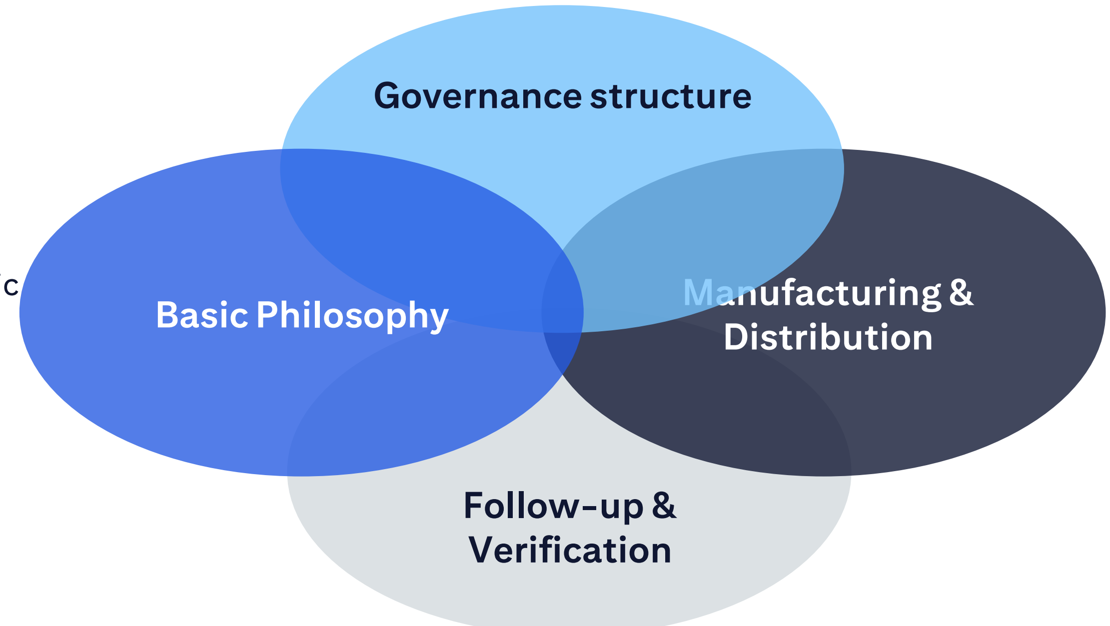
In addition, based on the verification of the effectiveness of product governance, Citi Japan will review the system for ensuring product governance in a timely manner.

English translation

Citi Japan Product Governance - Implementation

- Establishment of the Product Governance Forum[1]
- Report the status of manufacturing, distribution and follow-up of financial products[2] and instruct the improvement where appropriate
- Verify the effectiveness of product governance by Internal Audit etc.

- Is it in our clients' best interests?
- Does it create economic and social value?
- Is it a decision appropriate for a responsible company?



- Review & approval of new products by New Product Approval Committee
- Pre-trade approval & provision of product information based on the relevant policy & procedure
- Report by manufacturing & distribution divisions to Product Governance Forum

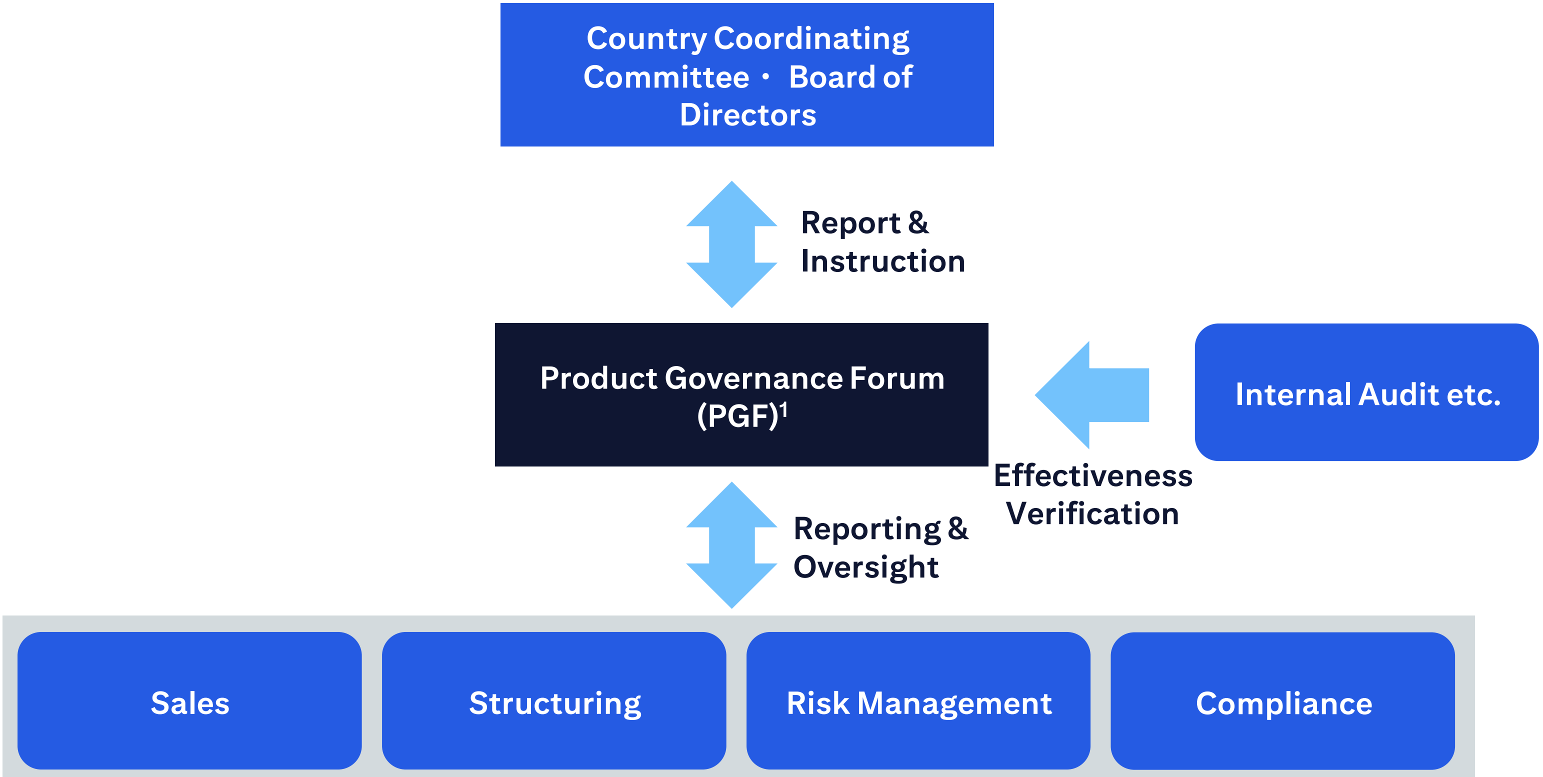
- Understand the status of client complaints and sales to the targeted clients, in cooperation with the distributors
- Detailed post-sale follow-up, including the provision of valuation information
- Review and improvement of distributed products

[1] Currently only for Markets based on the proportionality principle

[2] Mainly focus on " Complex structured notes similar to derivative transaction" or funds with the same economics which are (1) sold directly to general investors and (2) sold indirectly via third-party distributors to the retail clients, (3) "Structured loans" sold to regional financial institutions, as well as products that are determined to require action based on ongoing assessments of changes in regulations and the social environment, based on the proportionality principle

English translation

Citi Japan Product Governance - Structure



[1] Currently only for Markets based on the proportionality principle