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## Basic Policies for the Internal Control System

### **1 System for Ensuring That the Execution of Duties by Executive Officers and Employees Complies with Laws and Regulations and Our Articles of Incorporation**

#### **We are required to do the following:**

- (1) Establish basic policies regarding management, such as our management philosophy and management plans, to ensure that our Executive Officers and employees are thoroughly informed of and will comply with laws and regulations in all areas of our business activities. Furthermore, we must establish rules regarding compliance and maintain a compliance framework.
- (2) Periodically hold meetings of the Internal Control Committee, comprised of Executive Officers appointed by the President and Representative Executive Officer, to discuss the most important matters relating to internal controls, such as compliance with laws and regulations.
- (3) Promote compliance through means such as establishing a department that manages compliance, formulating compliance programs each year as specific plans for ensuring compliance and periodically reviewing developments of such programs, and establish the Compliance Committee as an advisory body to the Executive Committee to discuss specific practices and address various issues regarding compliance and to report the results to the Internal Control Committee, the Executive Committee and Audit Committee.
- (4) Ensure compliance through (i) formulating a compliance manual which states specific guidelines of the matters with which Executive Officers and employees must comply and the explanations for laws and regulations relating to our corporate activities and (ii) conducting training regarding laws and regulations as well as internal rules with which Executive Officers and employees must comply.
- (5) Take measures necessary to guide and manage Japan Post Co., which is our authorized agent, in order to ensure that its compliance system and operational management are sound, through means such as (a) having regular meetings with Japan Post Co. with the participation of the President and Representative Executive Officer and other officers to discuss matters relating to strengthening and enhancing the internal control system with respect to compliance, (b) providing operational instructions and conducting training to promote compliance and (c) monitoring the operations of Japan Post Co. In addition, we

must establish a department that manages the quality of sales at post offices, and work with Japan Post Co. to strengthen the autonomous internal control function of post offices, etc.

- (6) With respect to anti-social forces that pose a threat to the social order and sound corporate activities, (a) establish our corporate policy on the relationship with them through “rules regarding anti-social forces” and other internal rules and manuals and (b) avoid involvement at all times with illegal and anti-social activities through close cooperation with external specialists, such as the police, to cut any ties and prevent any interaction with any anti-social forces.
- (7) Mindful that there exists the possibility that the products and services that we provide could be used fraudulently, we have stipulated our policies and regulations and have in place systems to guard against money laundering, the financing of terrorism and proliferation financing.
- (8) Formulate rules regarding internal control over financial reporting and maintain a framework for valuation and reporting of internal controls over financial reporting, to ensure the appropriateness of the documents regarding our financial, accounting and other information.
- (9) Create a whistle-blowing rule for reporting violations or suspected violations of laws and regulations or internal rules, establish contact offices for whistle-blowing, inside and outside the company, and ensure that our Executive Officers and employees are thoroughly informed of it.
- (10) To ensure thorough customer-oriented business operations, we have in place systems to provide high-quality, customer-oriented financial services through, for example, the establishment of basic policies, the formulation of promotion plans, and the conducting of training for executives and employees.
- (11) Establish our internal audit system by formulating a basic policy regarding internal audits and other rules. Further, an Internal Audit Division, which is independent from the divisions that it audits, conducts effective internal audit regarding the appropriateness of general corporate activities including compliance with laws and regulations and reports the status of internal audit and the internal audit system to the Internal Control Committee, the Executive Committee and Audit Committee.

## **2 System for Storing and Managing Information Relating to the Execution of the Duties of Our Executive Officers**

We establish rules relating to document management that clarify the system and

methods for storing and managing information relating to the execution of the duties of Executive Officers, such as minutes of the Executive Committee and circulated draft approvals. In addition, we allow the Audit Committee and Internal Audit Division to inspect or copy requested documents.

### **3 Rules and System Related to the Risk Management of Losses**

- (1) We establish the Risk Committee as an advisory body to the Board of Directors and the Risk Management Committee as an advisory body to the Executive Committee. In addition, we manage risks by establishing risk management rules and by creating a risk management system.
- (2) We establish a department to supervise risk management and to understand, analyze and manage risks, as well as to review and revise our corrective actions and risk-handling methods. In addition, the Risk Management Committee deliberates on matters related to the operational and organizational risk management system and procedures and reports any important issues to the Executive Committee, Risk Committee and Audit Committee.
- (3) We establish a crisis management system and countermeasures against crises, including internal rules for crisis management, so that we can take quick and appropriate action and corrective measures in the event that a risk that could seriously impact our business is actualized.

### **4 System for Ensuring That the Duties of Executive Officers are Executed Effectively**

- (1) We establish an Executive Committee, comprised of Executive Officers appointed by the President and Representative Executive Officer, that meets regularly and discusses matters to be resolved by the Board of Directors, matters to be resolved by the President and Representative Executive Officer or other matters deemed necessary by the President and Representative Executive Officer. Also, if necessary, a specialized subcommittee is established to act as an advisory body to the Executive Committee.
- (2) By establishing rules relating to organizational structure and professional duties, we clarify the division of duties, administrative authority and responsibilities of Executive Officers in order to increase the efficiency of the execution of their duties.

### **5 System for Ensuring Appropriate Operations among the Japan Post Group**

- (1) We have entered into the Japan Post Group agreement with Japan Post Holdings,

Japan Post Co. and Japan Post Insurance, as well as the contract concerning the operation of the Japan Post Group and the memorandum of understanding on rules concerning the operation of the Japan Post Group with Japan Post Holdings, thereby we discuss in advance and report any matters necessary for appropriate and smooth operations.

- (2) We establish rules that govern the management of our subsidiaries, and create a system for correctly managing the business operations.
- (3) We establish internal rules that govern intragroup transactions, and engage in these transactions appropriately.

#### **6 Matters Regarding Employees that Support the Duties of the Audit Committee**

We establish an Audit Committee Office, which supports the Audit Committee in performing its duties, and is staffed with employees with the requisite knowledge and skills to provide such support.

#### **7 Matters Regarding the Independence of Employees that Support the Duties of the Audit Committee from Our Executive Officers**

The hiring, transferring, evaluating and disciplining of employees of the Audit Committee Office must first be approved by the Audit Committee or its member(s) appointed by the Audit Committee.

#### **8 Matters Regarding the Ensuring of Effective Instructions to the Employees that Support the Duties of the Audit Committee**

When an employee of the Audit Committee Office is supporting the duties of the Audit Committee, he or she must work only under the direction or order of the Audit Committee.

#### **9 System of Reporting to the Audit Committee**

- (1) Our Executive Officers report to the Audit Committee, on a regular basis, the status of the execution of our Executive Officers' duties.
- (2) Directors (excluding Directors who concurrently serve as the members of the Audit Committee), Executive Officers and employees must promptly report to the members of the Audit Committee any important matters that could have a material impact on the management of our business.
- (3) At the request of the Audit Committee, Executive Officers and employees, along with the Directors, Corporate Auditors and employees of subsidiaries, must

report to it the status of the execution of their duties.

- (4) Anyone who reports to the Audit Committee cannot be treated unfavorably because of such reporting.

#### **10 Matters Regarding the Procedures Relating to the Pre-payment and Compensation of Costs that Arise during the Execution of the Audit Committee's Duties and Policies Related to Settlement of Other Costs and Liabilities that Arise during the Execution of these Duties**

If a member of the Audit Committee requests payment for costs necessary to execute his or her duties, then such request cannot be denied unless it is found that such costs were not necessary.

#### **11 Other Steps to Ensure That the Audit Committee's Audit is Performed Effectively**

- (1) The President and Representative Executive Officer makes an effort to deepen mutual understanding between him or her and the Audit Committee, by having regular informational sessions with the committee about matters important to management, such as basic management policies, issues to be addressed, the status of functions of the internal control system and other matters.
- (2) In formulating its internal audit plans, the Internal Audit Division obtains both the consent of the Audit Committee and the approval of the President and Representative Executive Officer. Regularly reporting the status and results of internal audits to the Audit Committee, the Internal Audit Division also promptly reports to the members of the Audit Committee any important matters that could have a material impact on the management of our business.
- (3) Changes to the executive officer in charge of the Internal Audit Division and the head of the Internal Audit Planning Department shall be made upon obtaining the consent of the Audit Committee or an Audit Committee member selected by the Audit Committee.
- (4) The Audit Committee receives an explanation from the independent auditor in advance of the financial audit plan and regularly receives status updates of the financial audits, as well as communicates with the independent auditor as necessary, so that they are aware of all important issues regarding financial audit at all times.
- (5) When performing its duties, the Audit Committee strives to coordinate with the audit committee of Japan Post Holdings, such as through regularly exchanging opinions and ideas.