

“Policy Principles for the Establishment of the Internal Control System”

Japan Post Holdings Co., Ltd.

1. System to ensure the properness of operations in the Group which consists of the Company and its subsidiaries
 - (1) The Company has concluded agreements on the Group’s operation and management (JP Group Management Agreements) with Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. (hereinafter collectively referred to as the “Three Business Companies”). The Company seeks from them the application for prior approval or reporting (prior consultation or reporting with respect to Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.) concerning matters necessary to achieve proper and smooth operation of the Group (including matters that may seriously affect Group management).
 - (2) Of the information obtained through (1) above and other methods, the Company promptly reports matters that may seriously affect Group management to the Management Meeting and the Board of Directors.
 - (3) In order for intragroup transactions be appropriately carried out without having significant effect on the soundness of each Group companies, the Company states the basic policy regarding intragroup transactions as well as matters to be complied by each Group companies in JP Group Management Agreements.
2. System to ensure that executive officers and employees of the Company, and directors, executive officers and employees of its subsidiaries execute their duties in accordance with laws and regulations and the Articles of Incorporation
 - (1) The Company establishes the management philosophy, management policy and Charter of Corporate Conduct of the Group and strives to disseminate them so that officers and employees of each Group company comply with laws and regulations in every aspect of business operations. Also, the Company develops a basic framework of a compliance system in JP Group Management Agreements.
 - (2) The Company establishes a department supervising the Group compliance and makes efforts to promote compliance. Concurrently, the Company establishes the Risk & Compliance Committee and the Group Compliance Committee, which discusses compliance policy on Group management, its specific application, and coping with various problems including sales and operational issues, and reports important matters to the Management Meeting, the Audit Committee, and the Board of Directors.
 - (3) The Company strives to be thorough with compliance through preparation of a compliance manual mentioning explanations about laws and regulations related to the Company’s business activities and implementation of training regarding laws and regulations as well as internal regulations officers and employees must comply with. Also, in JP Group Management Agreements, the Company requires the Three Business Companies to be thorough with compliance through preparation of a compliance

manual and implementation of training.

- (4) As for antisocial elements, which threaten the order and the safety of civil society, in accordance with the Charter of Corporate Conduct of the Group, the Group as a whole is resolved to fight against them, not to have any relations with them, and to exclude them. Also, the Company regularly cooperates with each Group company and outside professional institutions such as police and firmly copes with illegal activities and unreasonable demands.
- (5) To secure the properness of the Group's financial statements and other relevant information, the Company establishes rules on establishment, operation, evaluation, and reporting of internal controls over financial reporting in JP Group Management Agreements. Also, the Company establishes a department supervising the establishment of internal controls over financial reporting and a department independently evaluating internal controls over financial reporting, makes efforts to secure the reliability of the Group's financial reporting, and reports important matters, if necessary, to the Management Meeting, the Audit Committee, and the Board of Directors.
- (6) In addition to establishing a reporting rule in case of violations of laws and regulations and internal rules, the Company establishes internal hotline inside and outside the Company and disseminates the use of them to officers and employees.
- (7) The internal audit division, which is independent of the other divisions audited, executes effective internal audit, including the situation of compliance with laws and regulations. Also, in JP Group Management Agreements, the Company requires the Three Business Companies to execute effective internal audit, monitors the situation of execution of internal audit and internal audit system, and reports the results to the Management Meeting, the Audit Committee, and the Board of Directors.

3. Rules on management of risk of loss and other system of the Company and its subsidiaries

- (1) The Company provides in JP Group Management Agreements, fundamental principles of risk management and basic matters which are to be complied with in risk management such as risks subject for management as the basic policy of Group's risk management.
- (2) The Company establishes a department supervising risk management of the Group, grasps the situation of risks in the Group, and analyzes and manages the risks. Concurrently, the Company implements correction of the handling and management method of outstanding risks. The Company also establishes the Risk & Compliance Committee and the Group Risk Management Committee to deliberate on the situation of execution of risk management of the Group. Important matters are reported to the Management Meeting, the Audit Committee, and the Board of Directors.
- (3) Regarding the risk management of the Company, the Company establishes and executes classification of risks, management methods, and management system in accordance with its risk management policy and risk management rules. The Risk &

Compliance Committee deliberates on matters regarding risk management and reports to the Management Meeting. In addition, the Management Meeting deliberates on important matters and requests deliberation by, or reports to, the Board of Directors.

- (4) To swiftly and properly cope with risks and take corrective measures in case of the occurrence of such risks that seriously affect the management, the Company establishes rules regarding crisis management system and crisis handling measures in JP Group Management Agreements.

4. System for the storage and management of information related to the execution of duties by executive officers

In the Management Meeting Regulations and the Document Management Rules, the Company clarifies method and system for the storage and management of information related to the execution of duties by executive officers starting from the minutes of the Management Meeting and approval documents and strives to properly store and manage such information. Concurrently, according to requests by the Audit Committee and the internal audit division, the Company provides the requested documents for reading and copying.

5. System to ensure that executive officers of the Company, and directors and executive officers of its subsidiaries efficiently execute their duties

- (1) The Management Meeting consisting of executive officers is held every week as a rule and discusses matters delegated by the Board of Directors and matters to be discussed by the Board of Directors. Also, the Company establishes a special committee as an advisory body to the Management Meeting, if necessary.
- (2) The Company establishes the Organization Rules and Management Authority Rules, clarifies roles of each organization, and management authorities and responsibilities of executive officers, and strives to make execution of duties by executive officers efficient.
- (3) For the purpose of promoting an efficient and effective Group management, the Company establishes a Group Steering Committee so that important matters concerning Group management may be discussed and information shared on an issue-by-issue basis.

6. Matters concerning employees who are to assist duties of the Audit Committee

The Company establishes an Office of Audit Committee to assist duties of the Audit Committee and place exclusive employees with necessary knowledge and ability to assist the duties of the Audit Committee.

7. Matters concerning the independence of employees who are to assist duties of the Audit Committee from the executive officers

Employment, transfer, evaluation, and discipline of employees belonging to the Office of Audit Committee require prior consent of the Audit Committee or a member of the Audit Committee selected by the Audit Committee.

8. Matters concerning to ensure the effectiveness of instructions for employees who are to assist duties of the Audit Committee

Employees of the Office of Audit Committee follows orders and instructions of the Audit Committee or the members of the Audit Committee selected by the Audit Committee, and execute duties such as conducting surveys and receiving reports.

9. System to report to the Audit Committee

- (1) The executive officer supervising internal controls periodically reports the situation of execution of his/her duties concerning internal controls of the Group to the Audit Committee.
- (2) The executive officer supervising the internal audit division periodically reports the situation of execution of internal audit of the Group and results to the Audit Committee, and promptly reports matters that may seriously affect the management to the member of the Audit Committee. In this case, the Audit Committee requests the executive officer supervising the Internal Audit Division to carry out investigations or gives him or her detailed instructions on the execution of duties, when deemed necessary by the Audit Committee.
- (3) An executive officer in charge of the Compliance Division periodically reports to the Audit Committee regarding the situation of promoting Group's compliance and occurrences of compliance violations.

Also, the Group's material compliance violation cases (including cases which may result in a material compliance violation) revealed through internal hotline and other means are promptly reported to the member of the Audit Committee.

- (4) Executive officers and employees promptly report matters that may seriously affect the management of the Group to the member of the Audit Committee.
- (5) Executive officers and employees report the situation of execution of their duties of the Group according to requests by the Audit Committee.
- (6) Person engaged in the reporting to the Audit Committee or the member of the Audit Committee shall not be treated disadvantageously by reason of being engaged in such reporting.

10. Matters concerning procedures for advance payments or reimbursement arising from execution of duties relating to the Audit Committee and policy regarding the handling of expenses or debts arising from other such execution of duties

If the member of the Audit Committee request necessary expenses to the Company for seeking opinion to lawyers, certified public accountants and other outside professionals, or entrusting surveys, appraisals, and other administrations as its duties executed regarding the Audit Committee, unless the Company proves the expenses relating to such request is unnecessary to the Audit Committee for executing its duties of the Audit Committee, executive officers and employees shall not refuse the request.

11. Other systems to ensure effective auditing by the Audit Committee

- (1) The representative executive officers periodically exchange opinions and make efforts to foster mutual understanding with the Audit Committee about important management matters including the basic policy of the Company's management, issues to be addressed, and the situation of functioning of the internal control systems.
- (2) The Audit Committee receives explanations on audit plan from the independent auditor in advance, periodically receives audit reports, and makes efforts to cooperate through exchange of opinions, if necessary, to always grasp important points of financial audit.
- (3) In executing its duties, the Audit Committee makes efforts to cooperate with Audit Committee or Audit & Supervisory Board Member of the Three Business Companies through exchange of opinions periodically.
- (4) The Audit Committee shall give prior consent to important personnel affairs of the internal audit division.
- (5) The Audit Committee shall give prior consent to matters including the formulation of the medium-term and annual audit plans for internal audit plans.