

# Dedicated to Becoming an Even More Trustworthy Group

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# 1 Japan Post Group Corporate Governance

## 1. Fundamental Policy for Corporate Governance

At the Japan Post Group, all Group companies establish their own corporate governance systems, and Japan Post Holdings, as the holding company, uses the following system to oversee management of the Group. The objective is to establish an appropriate corporate governance system for the entire Japan Post Group.

### 1. Group management

Japan Post Holdings has management control agreements between its four major subsidiaries. In addition, the holding company establishes basic Group policies concerning important management items and asks all Group companies to follow these policies. Group companies must receive approval by the holding company or submit

reports to the holding company with regard to items that have a significant effect on the entire Group and items required to maintain management transparency. Through these activities, Japan Post Holdings oversees management of the Japan Post Group.

### 2. Internal controls

Japan Post Holdings, in accordance with management policies for the Japan Post Group, has established the Fundamental Policy for Establishment of Internal Control Systems for Japan Post Holdings Co., Ltd. for the purpose of establishing programs that ensure sound and proper business operations. In addition, the holding company has established basic Group policies for matters concerning such areas as compliance, internal audits, risk management, information security

and other items. Group companies are asked to establish their own systems based on these policies.

Furthermore, Japan Post Holdings constantly monitors Group companies to ensure proper business operations by asking Group companies to submit reports. This enables the holding company to assist Group companies in making improvements as needed.

### 3. Separation of Business Execution and Supervision

Japan Post Holdings is a company with committees, in which responsibilities for execution of business activities and oversight of management are separated for the purpose of strengthening corporate governance for the entire Japan Post Group. The president and CEO quickly makes decisions concerning business activities. The Board of Directors, which includes seven outside directors of nine directors, provides appropriate supervision of business activities.

In addition, there is a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors. The Nomination Committee decides on proposals regarding candidates for director while the Audit Committee monitors the business execution functions of executive officers and other relevant individuals, and the Compensation Committee determines compensation for executive officers and other relevant individuals.

### 4. Management Meeting and Special Committees

Japan Post Holdings has a Management Meeting made up of executive officers that serves as an advisory body to the president and CEO. This meeting discusses important matters involving business activities and submits reports.

In addition, there are two special committees, the Compliance

Committee and Corporate Social Responsibility (CSR) Committee, that serve as advisory bodies to the Management Meeting. Having these committees examine specialized matters and submitting the results to the Management Meeting better enables the Japan Post Group to solve problems involving all aspects of management.

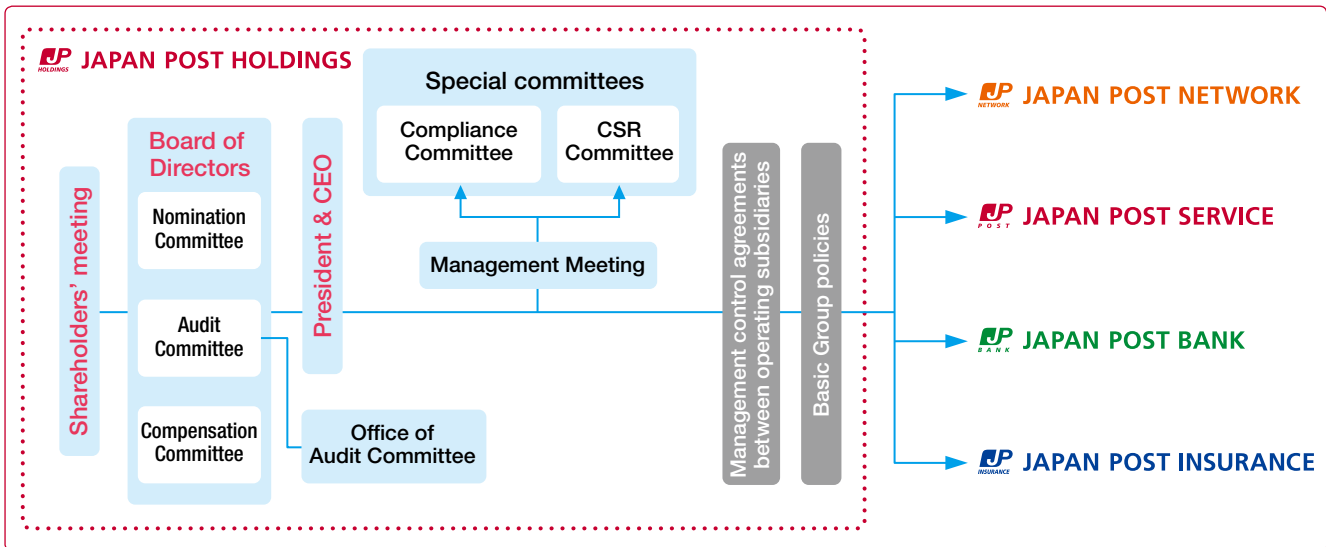
### 5. Administrative Management

Japan Post Holdings has set forth a basic policy concerning the creation of administrative management systems that requires each Group company to continually strive to maintain and improve administrative quality by promoting rationalization and streamlining of administrative operations and procedures.

To support the development and improvement of administrative

management systems at each Group company and ensure cooperation between Group companies, Japan Post Holdings requests information necessary to evaluate the administrative management system of each Group company and makes recommendations for improvement as required.

## ■ Japan Post Group Corporate Governance System



## ■ Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

### (1) Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

### (2) Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

### (3) Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court or a criminal court, or both. The Japan

Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

### (4) Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

### (5) Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

## 2. Corporate Governance Systems of Group Companies

Japan Post Network and Japan Post Service, for which Japan Post Holdings is required to hold all outstanding shares, adopt a companies with auditors system. Half of the directors at these Group companies are outside directors, and all corporate auditors are outside auditors. Japan Post Bank and Japan Post Insurance, in which Japan Post Holdings must dispose of all stock held by October 2017, adopt a companies with committees system and have more than half of their directors as outside directors, and maintain a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors.

Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance have a Management Meeting made up of executive officers that serves as an advisory body to the chairman and president. This meeting discusses important matters involving business activities and submits reports. In addition, there is a Compliance Committee, a Risk Management Committee and other special committees that serve as advisory bodies to the Management Meeting and deliberate on specialized matters.

## 2. Japan Post Group Compliance Framework

Compliance is one of the highest management priorities of the Japan Post Group. To conduct rigorous compliance activities, all Group companies build an effective compliance framework with the guidance and support of Japan Post Holdings.

### 1. Japan Post Group Compliance Framework

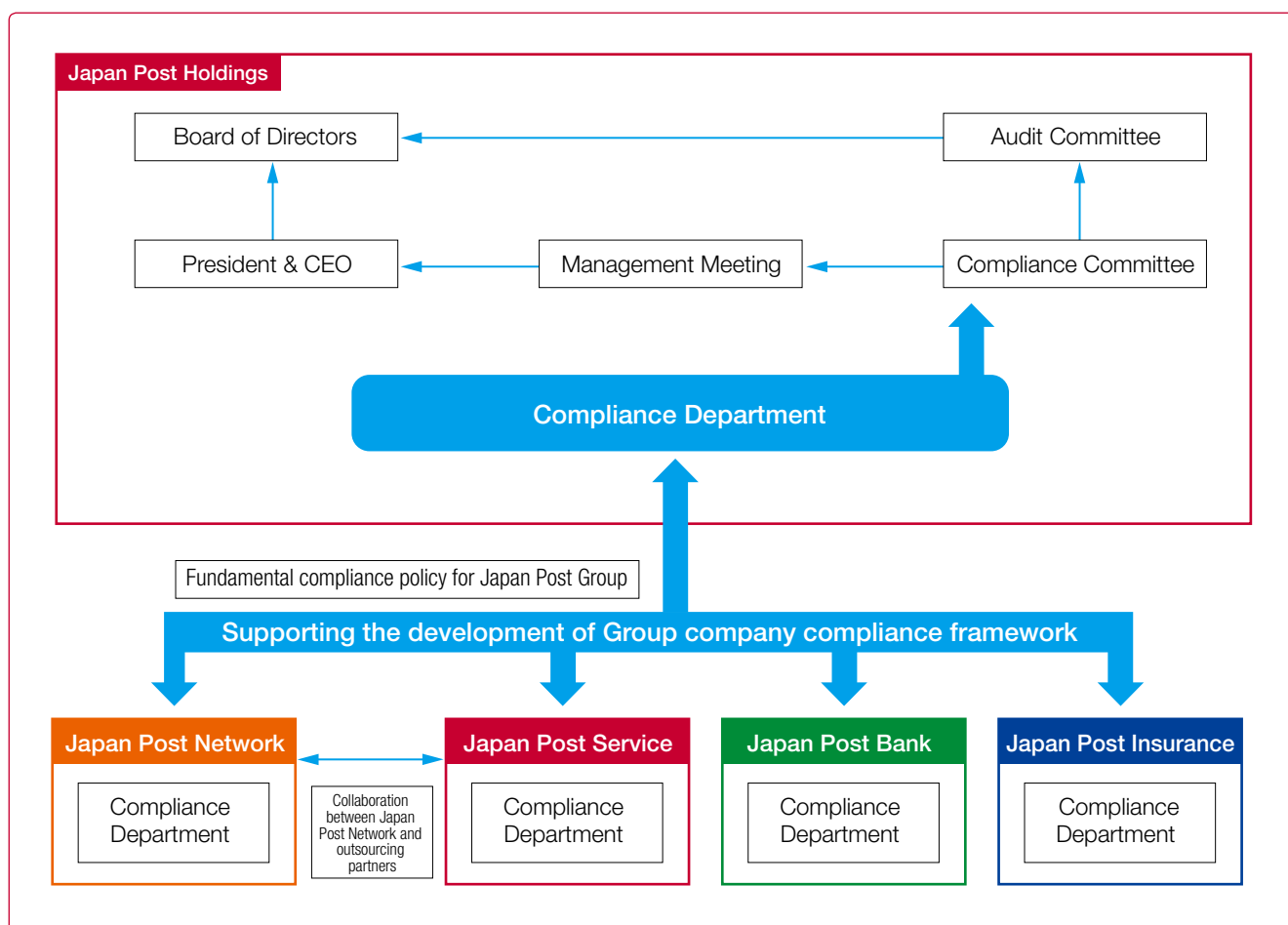
The Japan Post Group employs a common compliance framework. Each company establishes a compliance department to unify the management of compliance-related matters.

In addition, each Group company has a Compliance Committee that reports to its Management Meeting to review the compliance policy, framework, specific activities and associated issues. A compliance department has been set up to propose and manage measures to

promote compliance through a director in charge of compliance.

The Compliance Department of Japan Post Holdings establishes a fundamental compliance policy for the entire Group. This department also provides Group companies with guidance and support to make improvements as required. These activities make it possible to maintain and improve compliance functions for the Group as a whole.

#### ■ Compliance Flowchart for Japan Post Group



## 2. Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and use various measures to promote compliance so that the compliance framework can function effectively.

### 1. Compliance Framework

#### (a) Line of responsibility for compliance activities

Each Group company has a compliance department that is independent from departments related to business execution in order to promote compliance activities throughout the company. This department and other departments at respective head offices have a compliance officer who is responsible for executing specific compliance activities. In addition, compliance managers have been appointed at all head office departments, regional offices, branch offices and post offices in order to establish a line of report for compliance activities.

#### (b) Internal reporting system

In each Group company, the compliance department has a compliance hotline that can be used by employees and others. In addition, reports of compliance infringement at any Group company can be submitted at a designated law firm, which provides an external reporting channel. This reporting system makes it possible to quickly deal with compliance violations and prevent such violations from spreading as well as maintain a structure to resolve issues at the earliest stage.

#### (c) Listening to customers

All Group companies are dedicated to using feedback from customers concerning business operations and other items for the purpose of making improvements. A CS promotion department has been established at each Group company to identify breaches of compliance and issues that may lead to infringement. These departments work together on compliance related matters.

### 2. Compliance Activities

#### (a) Establishment of compliance program

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance. Progress is then checked and evaluated on a regular basis.

#### (b) Activities related to compliance items

At Group companies, specific compliance items have been selected and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The compliance department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues across-the-board.

#### (c) Preparation and distribution of compliance manual

A compliance manual is prepared to serve as a practical guide to promote compliance. The manual explains the compliance framework, matters concerning areas of compliance and other subjects. All employees receive a compliance handbook that summarizes the contents of the manual in a format that is easy to understand, and is used in training programs and other activities to raise awareness among employees of the importance of compliance.

#### (d) Implementation of compliance-related training

Each Group company conducts a variety of training activities to promote better understanding of legal matters and other areas, and to raise awareness of compliance.

### 3. Conflicts of Interest Management Policy

The Banking Act, Insurance Business Act and other legislation have been revised in line with the bill for amendment of the Financial Instruments and Exchange Act, etc. (Act 65 of 2008) that went into effect on June 6, 2008, making it obligatory for financial institutions and financial holding companies to establish a system that protects the interests of customers. (The revised Acts went into force on June 1, 2009.)

In response, the Japan Post Group announced its Conflicts of Interest Management Policy, and based on this policy, manages

transactions with conflicts of interest on a group-wide basis to ensure that the interests of customers are not unduly impaired.

Japan Post Holdings has also set up a system to appropriately manage transactions with conflicts of interest, which includes establishing a department that handles such conflicts of interest (the Compliance Department) to ensure business is carried out fairly pursuant to laws, ordinances and internal regulations, and that the interests of customers are not unduly impaired.

#### ■ Japan Post Group Conflicts of Interest Management Policy

##### Details of policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies in the Japan Post Group ("Group companies") fall within the scope of the Conflicts of Interest Management Policy
  - Japan Post Bank
  - Japan Post Insurance
  - Japan Post Network
2. The Group will manage conflicts of interest for the transactions stipulated below.
  - (1) Transactions that may unduly impair the interests of customers among the following transactions:
    - Transaction with a customer that has an interest in one of the Group companies based on an agreement
    - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
    - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
  - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest
3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
  - (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
  - (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
  - (3) Discontinue the target transaction or the secondary transaction with the customer
  - (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.





# 3. Japan Post Group Internal Audit System

The Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customer trust.

## 1. Japan Post Group Internal Audit System Framework

The Japan Post Group has formulated a Basic Policy on Internal Auditing that sets forth the fundamental items necessary to create an internal audit system framework. Based on this policy, each Group company develops an effective internal audit system framework befitting the nature of the business and the degree of risk.

The Internal Audit Department of Japan Post Holdings monitors the audit regulations, audit plans and progress of audits of the Internal Audit departments of Japan Post Network, Japan Post Service,

Japan Post Bank and Japan Post Insurance from the perspective of enhancing the internal audit system framework of the entire Group. This Internal Audit Department also evaluates and examines the internal audit system of Group companies and provides guidance and advice, as well as makes recommendations for improvements and conducts audits when required.

## 2. Internal Audit System at Group Companies

### 1. Overview

Each Group company has an Internal Audit Department independent from departments related to business execution, which conducts internal audits from an independent and objective standpoint.

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each company has set up an Internal Audit Department within its head office. Besides this, Japan

Post Network, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide, while Japan Post Service, which has around 1,100 branch offices, has established 13 nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

### 2. Implementation of Effective Internal Audits

The Internal Audit Department of each Group company evaluates the sites and departments within the scope of the internal audit, or more precisely, the different types and extent of risks in business operations. Audit frequency and audit items are determined in line with these evaluations, and risk-based internal audits carried out.

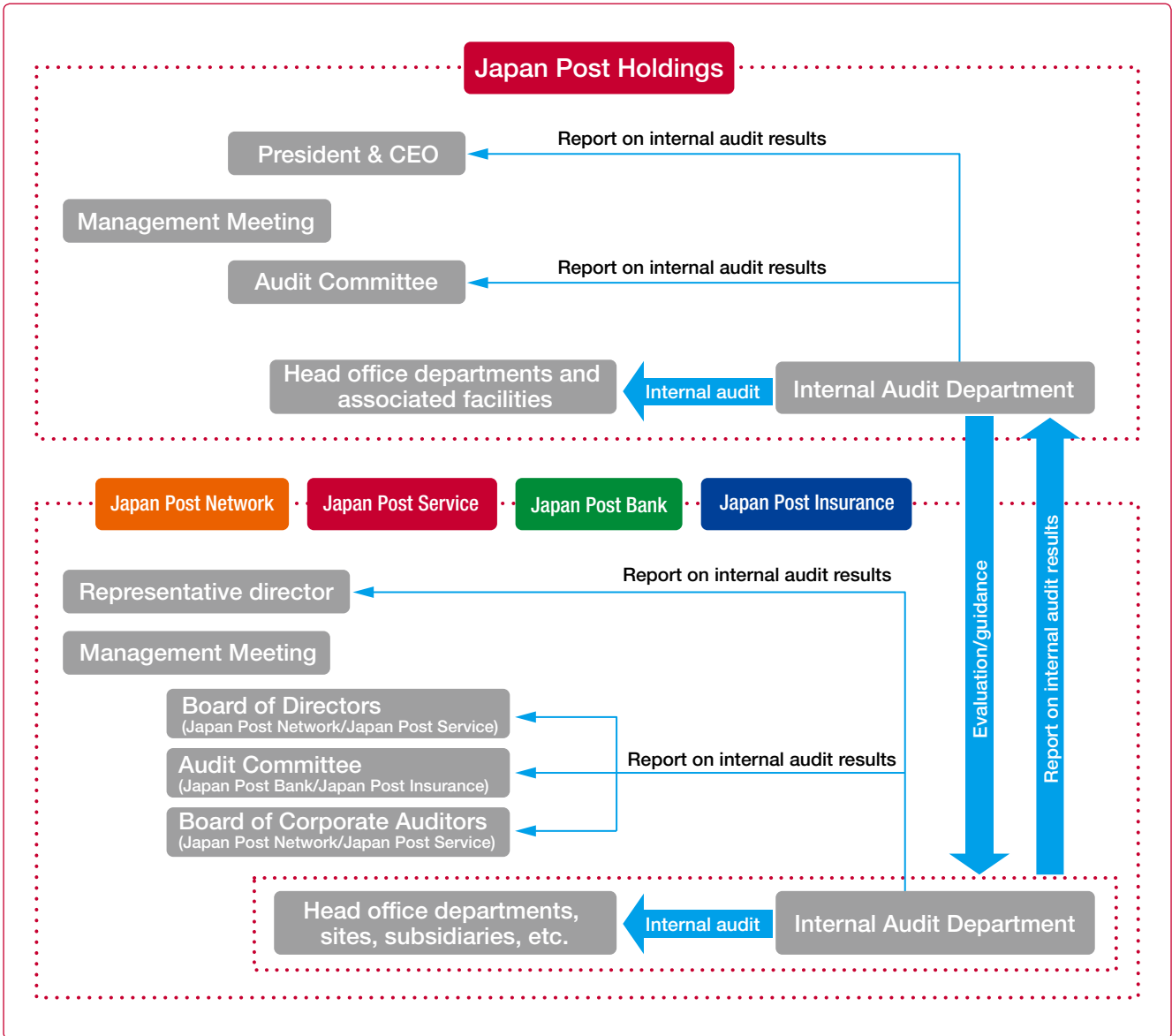
Elsewhere, efforts are made to ensure efficient and effective internal audits through attendance at daily meetings and off-site monitoring that includes gathering materials related to internal management.

### 3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports the results of its internal audit, which includes recommendations for improvement, to the department audited followed by the representative director and the Audit Committee or Board of Corporate Auditors.

Moreover, each Internal Audit Department works to improve operations in respective companies. To this end, progress reports of improvement-requested items indicated in audit reports are periodically made to the representative director.

■ Japan Post Group Internal Audit System



# 4. Japan Post Group Risk Management

## 1. Group Risk Management Framework

Japan Post Holdings, as the holding company of the Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities. Basic items concerning Group risk management are set forth in the Basic Policy for Group Risk Management. Japan Post Holdings utilizes this policy as the basis for establishing risk management systems for the Group.

Japan Post Holdings is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings is also committed to assuring that Japan Post Bank and Japan Post Insurance, the Group's financial companies, both of which aim to be publicly listed, continue to strengthen their risk management systems as autonomous financial institutions and develop systems that make them self-reliant.

### 1. Group Risk Management Systems

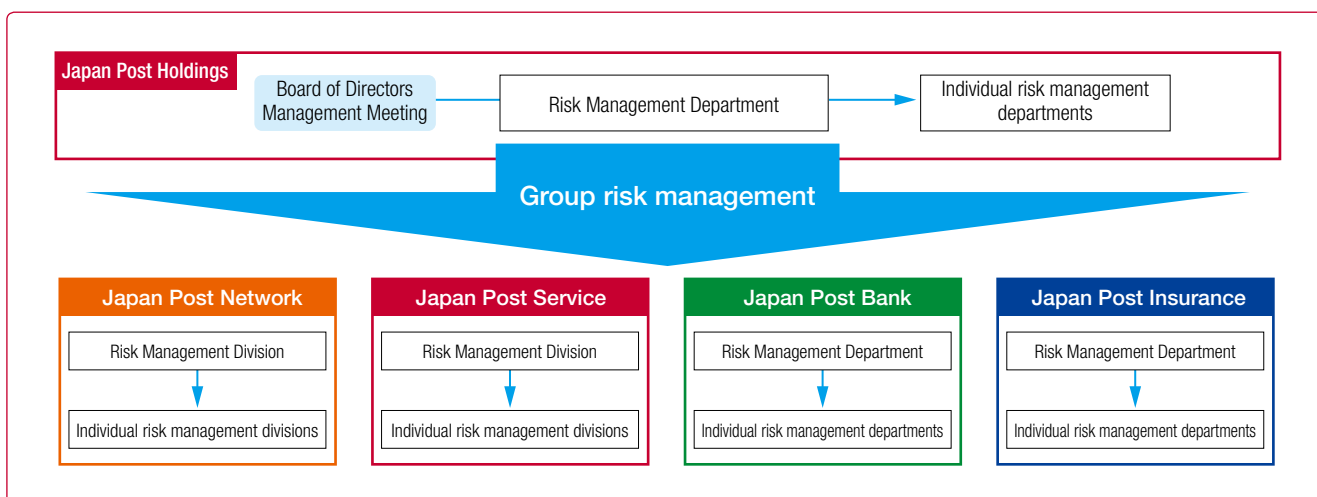
The Basic Policy for Group Risk Management classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

In addition, Japan Post Holdings has a Risk Management Department, which has authority that is independent of other departments, for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department makes use of reports and discussions to establish a framework for executing group-wide risk management. The objective is to establish systems that properly monitor risk for the Group as a whole.

The Risk Management Department periodically submits Group company risk management reports to the Management Meeting in which the Group's risk management policies and risk management systems are discussed.

We take care to prevent any conflicts of interests between the risk management organization and executives or employees concerning their authority and responsibility, and provide a system of checks and balances by maintaining independence from other businesses.

#### ■ Risk Management Flowchart for Japan Post Group



## 2. Risk Categories and Definitions

Risk categories that must be managed by the Japan Post Group and definitions of these risks are presented below. Each Group company identifies risks in accordance with its business activities and properly

manages these risks by means of frameworks that reflect the nature of such risks.

| Risk category                      | Definition   |
|------------------------------------|--|
| <b>Insurance underwriting risk</b> | Risk of incurring losses due to the deviation of economic conditions and incident rates of accidents from forecasts established at the time insurance premiums were set  |
| <b>Credit risk</b>                 | Risk of incurring losses caused when assets (including off-balance-sheet assets) decline in value or become worthless due to deterioration in the financial position of the obligor.   |
| <b>Market risk</b>                 | Risk of incurring losses due to changes in the value of assets (including off-balance-sheet assets) due to changes in risk factors involving interest rates, securities prices, and foreign exchange and other markets<br>Market risk is divided into the following three categories.  |
| 1) Interest rate risk              | Risk of incurring losses due to fluctuation in interest rates; the risk of a decline in earnings or losses caused by interest rate volatility when there are mismatches of interest rates and interest rate periods between assets and liabilities   |
| 2) Price volatility risk           | Risk of declines in value of assets due to fluctuation in value of securities and other financial instruments  |
| 3) Foreign exchange risk           | Risk of incurring losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities for assets or liabilities denominated in foreign currencies  |
| <b>Asset management risk</b>       | This risk has the following three components:  |
| 1) Credit risk                     | Same as credit risk above  |
| 2) Market risk                     | Same as credit risk above  |
| 3) Real estate investment risk     | Risk of incurring losses due to a decline in profitability of real estate caused by changes in real estate leases and other items or by declines in the value of real estate itself due to changes in market conditions  |
| <b>Liquidity risk</b>              | (1) Cash flow risk: Risk of incurring losses due to cash flow problems caused by the inability to procure sufficient funds, the need to procure funds at an interest rate that is extremely higher than normal because of a worsening financial condition (Japan Post Bank), Risk of incurring losses due to the need to sell assets at prices far below normal in order to procure funds in response to deteriorating cash flows caused by a decline in insurance premiums because of a decrease in new policies, an increase in repayments to customers accompanying the cancellation of large policies associated with a worsening financial condition, or cash outflows resulting from a significant natural disaster (Japan Post Insurance).<br>(2) Market liquidity risk: Risk of incurring losses due to the inability to conduct transactions or to the need to conduct transactions at prices that are much less favorable than normal because of market turmoil. |
| <b>Operational risk</b>            | Risk of incurring losses due to improper business processing, inappropriate actions by executives and employees, improper computer system operation or to an external event<br>There are three categories of operational risk that apply to the entire Group: (1) processing risk, (2) computer system risk, and (3) information assets risk. The subsidiaries also define other risk categories of their own that are added to the list of operational risks after consultation with the holding company.   |
| 1) Processing risk                 | Risk of incurring losses due to executives, employees and others neglecting to perform their clerical process properly resulting in errors or other incidents, or engaging in unlawful activities  |
| 2) Computer system risk            | Risk of incurring losses due to system failures, including disruptions, errors or other problems; risk of incurring losses due to the unlawful use of computers  |
| 3) Information assets risk         | Risk of incurring losses due to a computer system malfunction, improper clerical processing or another problem that results in a loss, alteration, unlawful use, leak to external parties or other problem associated with information   |

## 3. Group Risk Management Activities

Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks.

Japan Post Holdings manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each company's equity capital.

Operational risk is managed for the work performed under consignment by Japan Post Network, mainly at post offices, and for the business activities of Japan Post Service, Japan Post Bank and Japan Post Insurance. Operational risk management is monitored on a regular basis to properly supervise this risk. In addition, actions are taken to enable Group companies to work more closely together in order to prevent the recurrence of problems and strengthen risk management.

## 2. Japan Post Group Risk Management System

### 1. Japan Post Holdings

Japan Post Holdings, as the holding company of the Japan Post Group, recognizes the importance of not only managing risk at each Group company but also the need to properly manage risks for Japan Post Holdings' own businesses, such as hotels and hospitals. Japan Post Holdings has established a risk management system based on the Basic Policy for Group Risk Management and manages risk inherent in the nature of each business.

In accordance with the Basic Policy for Group Risk Management, market risk, market liquidity risk and operational risk (processing risk, computer system risk and information assets risk) are defined as risks to be managed. This management is performed in accordance with the characteristics of each category of risk.

In the management of market risk and market liquidity risk

### 2. Japan Post Network

Japan Post Network recognizes that the proper management of risk is an important management issue. Risk management is needed to maintain the soundness of management and to help customers lead more fulfilling lives today and in the future as well as to win the trust of the customers who use our large network of post offices. For this purpose, we have established a risk management framework based on the Basic Policy for Group Risk Management and manage risks in accordance with the nature of our business activities.

Japan Post Network, in accordance with the Basic Policy for Group Risk Management, defines operational risk (processing risk, computer system risk and information assets risk) as risks to be managed.

The operations of Japan Post Network involve primarily activities performed for other companies, including activities of a different nature for postal, banking and insurance businesses. We are aware

### 3. Japan Post Service

Japan Post Service, in accordance with the Basic Policy for Group Risk Management, has a risk management system that reflects the unique nature of the company's business activities. This system maintains the reliability and transparency of management. Risk management also underpins the universal services of the postal businesses, which involves the reliable delivery of customers' postal items. Risk management further contributes to reliable communications and the provision of dependable and fast logistics services.

Japan Post Service, in accordance with the Basic Policy for Group Risk Management, defines operational risk (processing risk, computer

### 4. Japan Post Bank

Japan Post Bank positions risk management as one of its most important management activities. We consider that the basic principle for risk management is to use capital effectively by managing risk appropriately in accordance with management strategies and the nature of risks, with the goal of increasing corporate value while maintaining financial soundness and conducting business activities

associated with the asset management operations of Japan Post Holdings, a transactions section (Finance Department), an administrative management section (Accounting Department) and a market risk management section (Risk Management Department) are separated to create a framework of mutual checks and balances.

To manage operational risk, risks associated with business activities are identified and the importance of each risk is determined based on two factors: the frequency at which the risk occurs and the magnitude of the impact of the risk. Risks to be managed are designated in accordance with their degree of importance. For risks designated as requiring management, policies are determined for actions to mitigate exposure to the risk. Each department involved with risk management conducts periodic monitoring to control these risks.

that outsourced business operations are exposed to operational risks. We evaluate, monitor and control these risks in order to improve the quality of business activities by minimizing exposure to these risks.

In particular, we have established a reporting system to detect errors, accidents, unlawful activities, complaints and other items appropriately at post offices, the front line of our operations. With this system, both our senior management and companies outsourcing work to Japan Post Network receive reports concerning the occurrence of problems associated with these frontline risks.

With regard to information concerning the occurrence of problems, we have an appropriate system for the determination of causes, analysis of problems and other activities. To prevent problems from recurring, we are strengthening collaboration among Group companies and taking other actions to reinforce risk management.

system risk and information assets risk) as risks to be managed.

The Risk Management Division monitors the status of risk management in risk management departments, and provides the required directives regarding correction and other issues to the respective risk management departments when deemed necessary based on the results.

The Business Processing Management Division monitors risk management at branch offices, regional offices and other locations. The division also checks the status of risk management and ensures the effectiveness of risk management by upgrading crime prevention training, guidance and other activities.

properly. We have established a risk management system that conforms to the Basic Policy for Group Risk Management and conduct risk management autonomously.

Japan Post Bank, in accordance with the Basic Policy for Group Risk Management, defines market risk, market liquidity risk, cash flow liquidity risk, credit risk and operational risk (processing risk, computer

system risk and information assets risk) as risks to be managed. Furthermore, we have added the following risks: legal risk, human resources risk, tangible assets risk and reputational risk to the list of risks to be managed. We manage these risks from both quantitative and qualitative perspectives in a manner that reflects the nature of each risk.

For quantitative risk management, Japan Post Bank adopts an integrated risk management approach. This approach allows us to make advance allocation of capital for taking risk, appropriately and

## 5. Japan Post Insurance

Japan Post Insurance positions the appropriate management of risk associated with the insurance business as one of its most important management activities. We conduct risk management based on the nature of each type of risk. This type of management is needed to maintain the long-term soundness of business activities and ensure confidence in our ability to provide a means to ensure the livelihood of customers by taking care of valuable funds entrusted to us. We have established a risk management system that conforms to the Basic Policy for Group Risk Management and conduct risk management autonomously.

Japan Post Insurance, in accordance with the Basic Policy for Group Risk Management, defines insurance underwriting risk, asset

objectively quantify market risk and credit risk using a unified measure called value at risk (VaR) and control each risk so as not to exceed the allocated amount of capital.

For qualitative management of risk, we carry out management that reflects the characteristics of each type of risk along with the quantitative management of those risks. For example, for operational risk, we have a unified process known as the PDCA (plan-do-check-act) cycle for the recognition, evaluation, management and reduction of this risk.

management risk (credit risk, market risk and real estate investment risk), liquidity risk (cash flow risk and market liquidity risk) and operational risk (processing risk, computer system risk and information assets risk) as risks to be managed. The different categories of risks are managed based on a principle of providing a system of checks and balances.

To maintain the soundness of business activities, Japan Post Insurance specifies that risks that can be quantified should be managed. Our fundamental principle for overall risk management is to manage the volume of these risks in relation to our risk capital. We establish standards and methods for risk management for risks that cannot be quantified.

## 3. Crisis Management for Disasters

The Japan Post Group has established a Basic Policy for Crisis Management and each Group company also has its own system for dealing with a crisis. Crisis management is needed to ensure the stability and soundness of the business activities of Group companies. Group companies are prepared to respond appropriately to earthquakes and other natural disasters, suspensions in the operation of data management systems and other crises.

Group companies prepare manuals and establish plans that facilitate the rapid restoration of required operations and other actions after a crisis occurs. In the event of a major crisis, we will quickly establish a

joint task force on-scene that is made up of representatives of Group companies. This unit will be responsible mainly for considering and establishing methods to enhance the smooth provision of services to customers.

In response to new types of influenza, the Japan Post Group has established an action plan and business continuity plan in accordance with government and other guidelines. If a global pandemic occurs, the Group is prepared to take the actions needed to ensure that there are minimal disruptions in business activities and customer services.

## 4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings, Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance as the Japan Post Group are used by a large number of customers. Information about these customers must be strictly managed. In addition, we believe that the services used by customers must be absolutely safe.

We understand that information security is essential for customers to

use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. We will establish a basic policy regarding information security for the Japan Post Group and follow this policy for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

# 5. Japan Post Group Customer Satisfaction

## Promoting Customer Satisfaction

The Japan Post Group duly considers its customers' point of view and provides a selection of products and services that customers truly appreciate. To achieve this, all directors and employees listen closely to customers' opinions as a means to raise customer satisfaction (CS).

### 1. Listening to Customers

Each Group company analyzes customer feedback collected from post offices, branches, call centers and its own website with the aim of making required improvements and providing products and services that bring customer satisfaction.

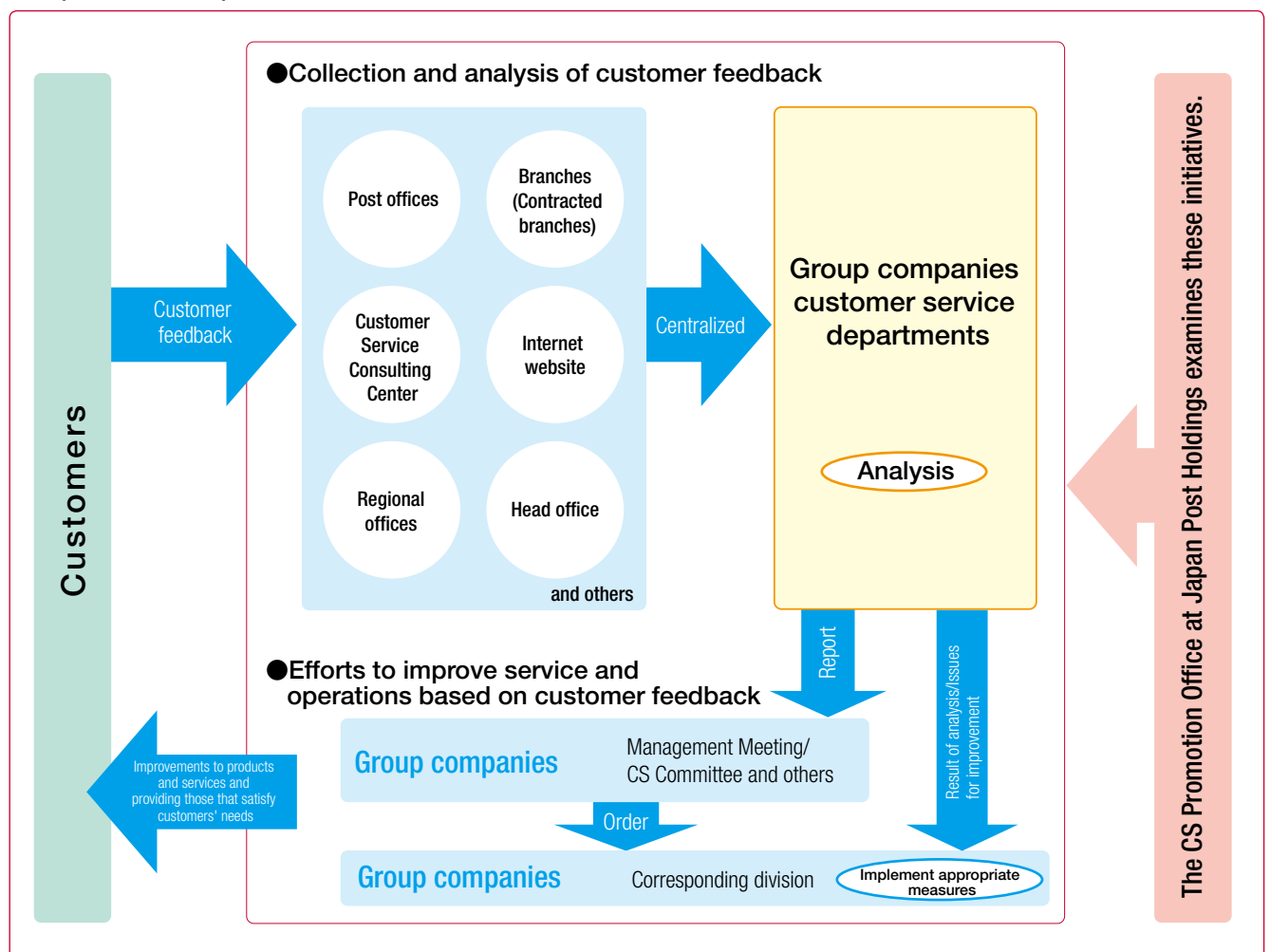
The CS Promotion Office at Japan Post Holdings devises ways to utilize customer opinions gathered from Group companies in its management operations.

\*Please refer to the respective Group company website as well as the annual reports of Japan Post Bank and Japan Post Insurance.

### 2. Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches and call centers nationwide, as well as from respective websites. Please refer to pages 188-191 for business hours at post offices and branches, and for telephone numbers and business hours of Group company call centers.

#### ■ Japan Post Group CS Promotion



## Second Japan Post Group Customer Satisfaction Survey

In order to accurately comprehend the way customers view its products and services as well as to meet new needs, Japan Post Holdings conducted a survey concerning the degree of customer satisfaction, intention of use and other evaluations, as well as any shift in opinion following privatization, with regard to post offices and other areas of operations (Japan Post Network, Japan Post Service, Japan Post Bank and Japan Post Insurance).

In light of the results of the survey, the Japan Post Group is working to further raise customer satisfaction while making fixed-point observations, and analyzing issues identified through the survey that can be used in management.

### Overview of survey

- Period: Wed., February 18 – Tues., February 24, 2009
- Method: Internet survey
- Targets: (1) Males and females over 20 years of age nationwide who use post offices, etc., and (2) people who use post offices, etc. (including ATMs) more than once a month and who fall into one of the following categories:
  - Have used Yu-Pack or other postal items within the past year
  - Have an account at Japan Post Bank
  - Have a policy with Japan Post Insurance
- \*Excludes media, other companies in same industry and parties with an interest in the post office, etc.
- Valid responses: 4,380 people (64.8% of total responses from 6,758 people)

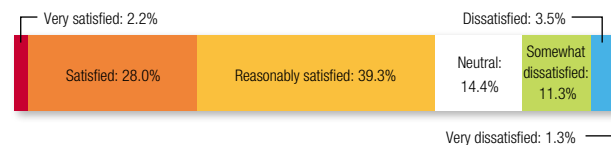
The proportion of respondents who were satisfied with the post office significantly exceeded those who were dissatisfied.

◇(Satisfied: 69.5%, Dissatisfied: 16.1%)

<Q5>

In general, how satisfied are you with the post office and its service?

[Overall level of satisfaction (post office, service)] Sample: 4,380



In individual evaluations, the degree of dissatisfaction outweighed the degree of satisfaction in certain areas.

### <Top three areas of satisfaction>

- Welcome greeting (Satisfied: 73.2%, Dissatisfied: 7.7%)
- Convenience of location (Satisfied: 71.4%, Dissatisfied: 12.2%)
- Polite and clear response (Satisfied: 67.7%, Dissatisfied: 11.2%)

### <Top three areas of dissatisfaction>

- Number of ATMs (Dissatisfied: 50.2%, Satisfied: 25.4%)
- Parking space (Dissatisfied: 46.3%, Satisfied: 19.6%)
- Length of business hours (Dissatisfied: 35.0%, Satisfied: 33.8%)

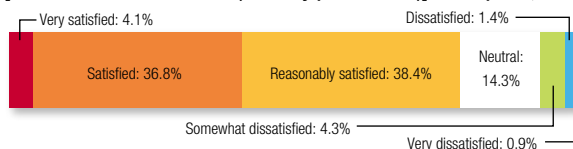
The degree of satisfaction with services at Japan Post Service, Japan Post Bank and Japan Post Insurance significantly exceeded the degree of dissatisfaction.

◇Post office services (Satisfied: 79.3%, Dissatisfied: 6.6%)

<Q19>

In general, how satisfied are you with the delivery services of ordinary postal items (letters, post cards, direct mails, catalogs and other items) at post offices, etc.?

[Overall level of satisfaction (Ordinary postal items)] Sample: 1,621

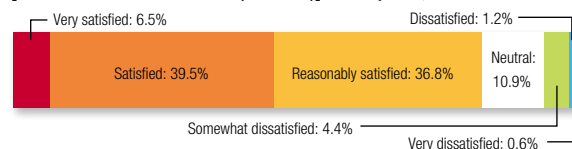


◇Yu-Pack (Satisfied: 82.8%, Dissatisfied: 6.2%)

<Q25>

In general, how satisfied are you with the delivery services (Yu-Pack) of the post office, etc.?

[Overall level of satisfaction (Yu-Pack)] Sample: 1,621

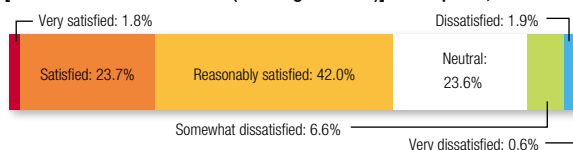


◇Banking services (Satisfied: 67.5%, Dissatisfied: 9.1%)

<Q34>

In general, how satisfied are you with the banking services of the post office, etc.?

[Overall level of satisfaction (Banking services)] Sample: 1,594

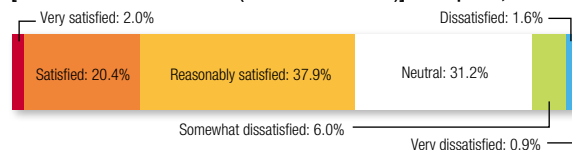


◇Insurance services (Satisfied: 60.3%, Dissatisfied: 8.5%)

<Q43>

In general, how satisfied are you with the insurance services of the post office, etc.?

[Overall level of satisfaction (Insurance services)] Sample: 1,165



\*Since the figures in graphs have been rounded, the total response rate may not add up to 100%.

Survey results can be found in a press release dated June 5, 2009 on the Japan Post Holdings website (<http://www.japanpost.jp/>) (Japanese only)



# 6. Japan Post Group CSR

## 1. Group CSR Activities

Following privatization, the Japan Post Group clarified its position towards corporate social responsibility (CSR) that it adopted as a public enterprise, which stipulates issues to be systematically addressed in fields that include environmental protection, social contribution, increasing customer satisfaction, compliance and information disclosure.

At the Japan Post Group, CSR is a means of doing business in line with the high standards that the Group has established for itself. Operating in this manner contributes to achieving the Group's management philosophy and ensuring sustainable growth.

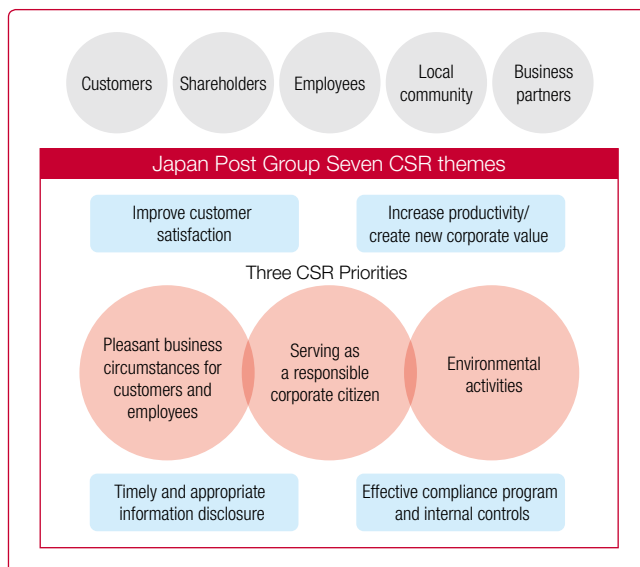
In accordance with this approach, we have defined seven CSR themes in order to conduct activities with specific objectives. We place particular priority on three themes as common issues to be tackled by the Group. All Group companies are playing a part in CSR activities and achieving our objectives.

### 1. Seven CSR Themes and Three CSR Priorities

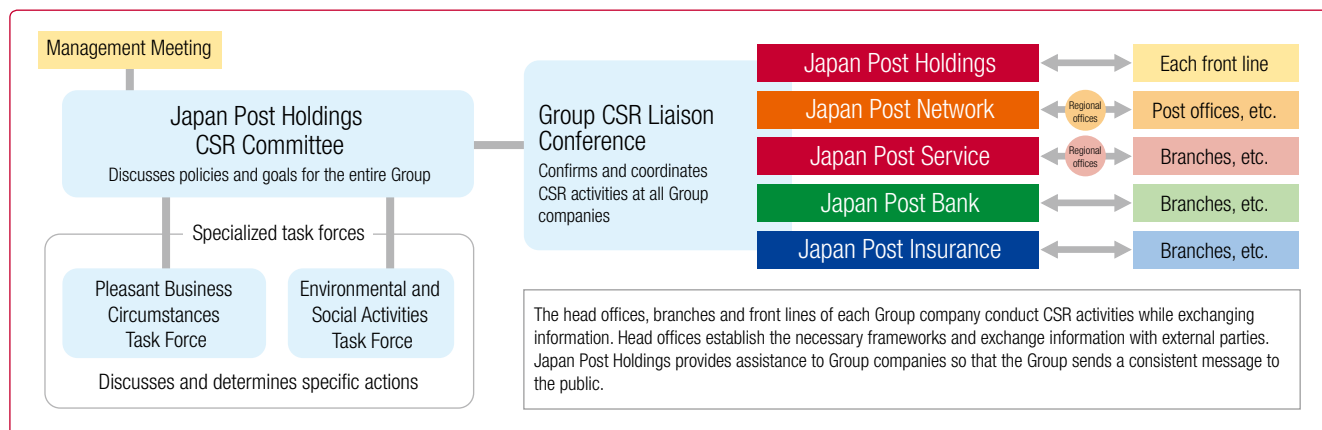
Of the seven CSR themes, the following four represent initiatives demanded by shareholders that concern the business operations of the Japan Post Group: "Improve customer satisfaction," "Increase productivity/create new corporate value," "Timely and appropriate information disclosure" and "Effective compliance program and internal controls." Each Group company takes voluntary and proactive steps towards achieving these goals based on a clear understanding of their importance as CSR issues.

The three remaining themes, "Pleasant business circumstances for customers and employees," "Serving as a responsible corporate citizen" and "Environmental activities," are positioned as CSR priorities common throughout the Group. It is the obligation of the Group as a provider of products and services to many people nationwide to fulfill these responsibilities, which are also recognized as indispensable to secure sustainable growth for the Group from a medium- to long-term perspective.

Accordingly, the Japan Post Group strives to conduct meaningful activities related to these three critical areas from a long-term standpoint that will be valued by society. By implementing these concepts, the Group gains more competitiveness with greater brand power, which in turn serves as a driving force for sustainable growth.



### 2. CSR Organization



## 2. Initiatives for CSR Priorities

### 1. Pleasant Business Circumstances for Customers and Employees

We are using a comprehensive approach to the universal design concept for the network of Japan Post Group business locations, which cover every area of Japan. We are dedicated to providing facilities, equipment and services that can satisfy all customers,

including senior citizens and individuals with special needs.

This objective also includes the provision of workplaces that enable employees to do their jobs well and making improvements wherever possible.

Group companies' specific action ○ Japan Post Holdings ● Japan Post Network ● Japan Post Service ● Japan Post Bank ● Japan Post Insurance

#### ●●●● Services in braille

For visually impaired customers, we provide various services in braille.

|                      | Contents   |
|----------------------|--|
| Japan Post Service   | <ul style="list-style-type: none"> <li>Collection times displayed in braille on post boxes</li> <li>Braille notices of undelivered mail</li> </ul>   |
| Japan Post Bank      | <ul style="list-style-type: none"> <li>Ordinary deposit statement</li> <li>Braille keyboards on ATM</li> <li>Braille ATM card</li> <li>Product and service pamphlets in braille</li> </ul>           |
| Japan Post Insurance | <ul style="list-style-type: none"> <li>Provision of explanation of contract in braille</li> <li>Information about a policy's maturity, annuity payments, loans and the repayment of loans</li> </ul> |

#### ● Barrier-free facilities and equipment

About 10,000 of these post offices have barrier-free designs. We will continue to meet the need for barrier-free post offices by incorporating the universal design concept whenever possible at post offices that are replaced or renovated.



Braille block



Parking for physically challenged persons

#### ● Yu-Mail for mentally or physically challenged, Yu-Pack and Braille Yu-Pack for visually impaired customers

We reduce postal rates on videotape Yu-Packs and large braille-publication Yu-Packs sent between designated facilities and visually impaired individuals. We also reduce postal rates on books sent by Yu-Mail between libraries that have registered with us and persons with disabilities.

#### ● Free distribution of Blue Bird postcards (every year since 1976)

Each year, we provide at no cost 20 stamped postcards with dimples packaged in specially-made envelopes to individuals with severe mental or physical limitations.

#### ● Postcards for individuals with impaired vision (dimpled postcards)

These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can distinguish the front and back and top and bottom of a postcard. They are sold at all branches nationwide and delivered to a person's residence upon request.

#### ● Pension delivery service

For customers who are unable to visit our branches to receive pension payments because of advanced age, physical limitations, etc., we have home-delivery service for pensions.

#### ● New welfare time deposits

We offer these one-year time deposits, which feature a higher than normal interest rate, to individuals receiving disability, survivor and other public pensions. Each eligible customer can make a deposit of up to ¥3 million.

## 2. Serving as a Responsible Corporate Citizen

The Japan Post Group will continue to provide assistance to victims of natural disasters by offering free postal and money transfer services and other forms of support. Each Group company uses its

respective business operations as the base for its own education and awareness-raising programs for communities.

### Specific Initiatives

#### ●● Disaster prevention agreements

We have disaster prevention agreements with local government agencies and other organizations. We also put up posters and distribute pamphlets on soil and water conservation, as well as set up rain gauges and indicators at post offices based on agreements involving the prevention of landslides and other disasters in mountainous areas.

#### ◎ Assistance in cases of emergency

In the event of a natural disaster or other major incident, we provide special services to victims at our post offices.

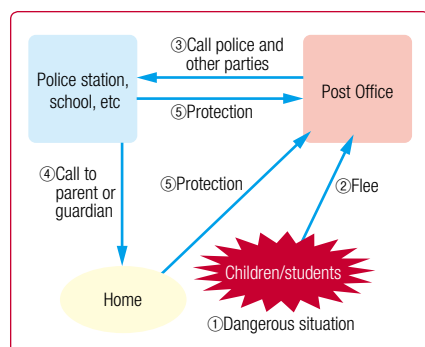
|                             | Main Content  |
|-----------------------------|---|
| <b>Japan Post Service</b>   | <ul style="list-style-type: none"> <li>Free postcards distributed to disaster victims</li> <li>No postage for postal items mailed by persons in disaster areas</li> <li>Free postage for items such as registered mail used to send cash donations for organizations that aid disaster victims</li> <li>Provision of evacuation information to disaster victims</li> <li>Provision of information on road damage</li> <li>Installation of temporary post boxes at evacuation centers</li> </ul> |
| <b>Japan Post Bank</b>      | <ul style="list-style-type: none"> <li>Remittances of donations for disaster relief at no charge to aid victims of natural disasters. Donations are transferred at no cost to the Japanese Red Cross Society, Community Chest and local governments</li> <li>Emergency handling of savings when bankbook has been lost</li> </ul>   |
| <b>Japan Post Insurance</b> | <ul style="list-style-type: none"> <li>Extension of deadline for payment of insurance premiums</li> <li>Emergency immediate payments of insurance benefits</li> </ul>   |

#### ◎ Education and awareness

- Acceptance of requests from elementary schools for post office tours
- Use of lobby space for community activities
- Participation in radio exercise, sporting and other community events

#### ● Emergency assistance for children

To protect children from crime and accidents, post offices provide safe havens for children in danger. We provide temporary shelter for children and notify the police and others as required.



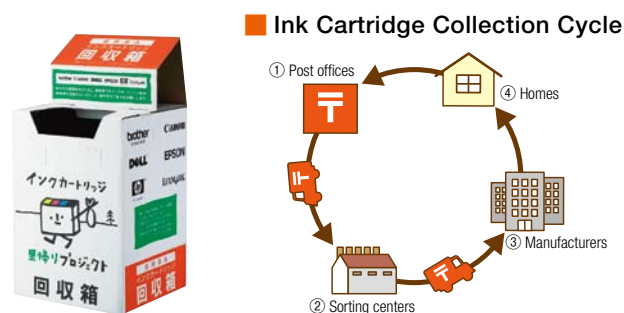
#### ●● Supporting organizations that aim to increase social welfare

We charge no postage or special handling fees for registered mail used to send cash as donations to the Community Chest, the Japanese Red Cross Society or other designated charities, and do not charge a fee to transfer money to the accounts of these organizations.

#### ●● Collection of used ink cartridges

We cooperate with six printer manufacturers to collect used ink cartridges made by these companies. As of June 2009, there were collection boxes at 3,639 large post offices in all areas of Japan.

Used cartridges are sent to sorting centers using our Yu-Pack service and then returned to the respective companies for resource recycling.



We also collect used fire extinguishers and used personal computers at collection depots and post offices.

#### ● Reduced rates or free postage for periodicals and publications

We lower or eliminate postage for approved periodicals published at least four times each year and materials that promote education or welfare (teaching materials, braille materials, specified recordings, plants and seeds, and academic publications).

● **Making charitable donations via New Year's postcards**

In continuation of past efforts, to mark our 60th anniversary in fiscal 2010, ¥3 from every New Year's postcard was put aside for charitable donations. Around ¥45.4 billion had been collected as of fiscal 2009. These funds were distributed to organizations engaged in 10 different fields with the approval of the Ministry of Internal Affairs and Communications, including to enhance social welfare, foster the sound development of young people and protect the environment. Charitable donations in the amount of ¥446.02 million collected for fiscal 2010 were distributed to 266 organizations.



● **The Himawari Service**

Japan Post Service cooperates with local governments and welfare organizations to provide assistance to the elderly in sparsely populated areas under a program called the *Himawari Service*. This service has many elements, including greetings from post office external sales personnel, collection of letters and other postal items, regular messages of encouragement from elementary school students, handling of orders and deliveries for household items, as well as other services.

● **Piggy bank contests**

We hold piggy bank contests to make children more interested in saving and help nurture creativity.

Many children have taken part since the first contest in 1975, and there were a total of 802,194 entries from 12,948 elementary schools nationwide in fiscal 2009. A total of ¥24.50 million was donated to UNICEF in Japan in line with the number of entries.

● **"Japan Post Bank Deposits for International Aid"**

A total of 20% (after tax) of the interest from ordinary deposits and ordinary savings held by customers can be used to support activities by private aid agencies such as non-governmental organizations (NGOs) to alleviate poverty and enhance people's lives in developing countries and regions, as well as for environmental conservation, through the JICA Donation Fund for the People of the World.

Since starting this initiative on October 1, 2008, we have received 10,070 applications (as of March 31, 2009) from customers for us to use this portion of the interest for charitable purposes, resulting in donations of ¥390,000, which were provided to the JICA Fund on June 4, 2009.



● **Lecture presentation on preventing bank transfer scams**

In order to prevent a rising number of bank transfer scams, Japan Post Bank has contacted customers and posted warning messages at ATMs, and asked people from the Japan Association of Consumer Affairs Specialists to hold lectures on the topic. Presentations on how to avoid being scammed were held at eight locations in Japan during the year.

◎ **Studies on the history and culture of postal services**

We have been conducting research on the history and culture of postal services using related materials at the Communications Museum (Tei-Park) since October 2008. We will continue to promote social contribution activities of the Japan Post Group and work to strengthen our ability to disseminate related information through such research.

● **Promotion of radio exercise program**

Today, radio exercise is still a popular exercise program that can be enjoyed by people of all ages at any time and any place.

Carrying on this proud tradition, Japan Post Insurance, together with NHK (Japan Broadcasting Corporation) and the Japan Radio-taiso Federation, holds events to popularize radio exercise and continues to play an active role in helping the Japanese public lead a healthy lifestyle.

**Summer Tour Radio Exercise / Minna no Taiso ("Exercise for Everyone")**

The Summer Tour Radio Exercise, which began in 1953, visits 43 locations nationwide over a period of 43 days from July 20 to August 31 every year. NHK Radio 1 broadcasts the radio exercise throughout Japan.

**Festival of 10 Million People's Radio Exercise / Minna no Taiso ("Exercise for Everyone")**

This event was started in 1962 as the largest radio exercise event. It is not only broadcast on the radio but also by NHK General TV and NHK BS2 nationwide.

**Special Tour Radio Exercise / Minna no Taiso ("Exercise for Everyone")**

The Special Tour Radio Exercise, which started in 1978, is held at 10 venues throughout Japan on Sundays and public holidays from April to the end of October every year (except when it coincides with the summer tour radio exercise). This event is broadcast nationwide by NHK Radio 1.



The 47th Festival of 10 Million People's Radio Exercise / *Minna no Taiso* ("Exercise for Everyone") (Tokyo Big Sight, July 2008)

### 3. Environmental Activities

We have established the Japan Post Group Environmental Vision covering the five-year period from fiscal 2009 through fiscal 2013. The

vision positions global warming initiatives and programs for sustainable forests as the two core environmental themes of the Group.

#### ■ Japan Post Group Environmental Vision

- The Japan Post Group recognizes its obligation to pass the Earth on to future generations as a beautiful and pleasant place to live. Preservation of the global and regional environments is therefore one of the Group's highest priorities. We are also dedicated to complying with laws, regulations, agreements, and other environmental standards, and to preventing pollution and other environmental problems associated with our business activities.

- We will monitor the status of the global and regional environments and verify the environmental burden of the Japan Post Group's business activities. We will then establish specific targets and periodically review those targets to make continuous improvements. We will strive to conduct innovative environmental activities as we place emphasis on the following themes.

##### (1) Measures to combat global warming

We will establish targets based on total emission volumes in order to take actions aimed at reducing our CO<sub>2</sub> emissions. We will establish and execute a systematic carbon management

strategy for the appropriate management of direct and indirect CO<sub>2</sub> emissions associated with our business activities.

##### (2) Programs for sustainable forests

We will establish targets based on total volumes of copy paper used to reduce the use of copy paper so that our business activities and CSR activities both contribute to the sustainability of forests.

- In addition to voluntary activities linked to our business operations, our environmental programs will take advantage of the diversity of the Group's businesses and the ability to cooperate with customers nationwide. We will use this as the basis for providing products that help preserve the environment and conducting community activities.

- All Japan Post Group companies will observe this Environmental Vision, provide information about environmental activities and make this vision available to the public.

\*The CO<sub>2</sub> targets in this vision are limited to CO<sub>2</sub> emissions from fossil fuels.

#### (1) Measures to combat global warming

For the five-year period ending in fiscal 2013, which corresponds to the first commitment period of the Kyoto Protocol, we are striving to reduce the Group's total CO<sub>2</sub> emissions by 15% (compared with fiscal 2007 levels).

#### (2) Programs for sustainable forests

Paper that uses wood from trees is the basis for much of the operations of the Japan Post Group. We have established the ambitious goal of cutting the use of copy paper by 25% during

the five-year period ending in fiscal 2013 (compared with fiscal 2007 levels). In addition, executives and employees volunteer to plant trees as part of the Japan Post Forest program, and we provide support for a children's tree-planting campaign that aims to increase awareness of a healthy environment and foster an appreciation of the power of nature through the experience of tree planting.

Through these initiatives, we are working to promote sustainable forest development through both our business activities and social contribution activities.



Employee volunteers planting trees



Children planting acorns

## Specific Initiatives at Group Companies

### Reduction of CO<sub>2</sub> emissions

We are working to enlighten employees on the need to conserve energy in order to reduce CO<sub>2</sub> emissions.

### Eco-friendly driving practices

We encourage eco-friendly and well-mannered driving that helps reduce CO<sub>2</sub> emissions by reducing fuel consumption as well as prevent traffic accidents.

Japan Post Service seeks to increase awareness of eco-friendly driving by placing stickers on vehicles used by external sales personnel nationwide, releasing information on initiatives in a public relations magazine and running company contests.

### Introduction of eco-friendly vehicles

In order to significantly reduce CO<sub>2</sub> emitted from vehicles, we have started actively introducing electric cars for general business and commercial vehicles in fiscal 2010 after initial field trials on next-generation models equipped with lithium ion batteries. We will also conduct trials to assist in the development of an electric car for postal services as well as for a rapid charger expected for general use.

Elsewhere, we will introduce hybrid cargo trucks as well as power-assisted bicycles with a rear cart for collecting and delivering postage items around branch offices.



### Eco post offices

When building new post offices or expanding or renovating existing ones, we transform facilities into "eco post offices" with environmental technologies and other environmental features. We perform energy conservation evaluations of branches with high CO<sub>2</sub> emissions and energy consumption, and have started introducing energy-saving equipment using subsidies, and are considering using an ESCO (Energy Service Company) business to achieve further reductions of CO<sub>2</sub> emissions.

### Receipt of ISO 14001 certification

Japan Post received ISO 14001 certification for environmental management systems for 71 post offices of Japan Post Network, 77 branches of Japan Post Service and 27 branches of Japan Post Bank in March 2007. All of these sites still maintain this certification following privatization.

### Donations from carbon offset postcards

The Japan Post Group released carbon offset New Year's postcards and summer greeting postcards (*Kamo-Mail*), whereby ¥5 from each card plus the same amount matched by Japan Post Service (for a total of ¥10) was donated to Japanese non-profit organizations (NPOs) active in the field of environmental preservation. These NPOs used the money to acquire carbon credits gained from a clean development mechanism (CDM) in developing countries certified by the United Nations. (Donations of about ¥151.41 million will be distributed to 12 organizations in fiscal 2010).

This endeavor also contributes to Team Minus 6%, which aims to reduce greenhouse gases in Japan by 6%, a target established under the Kyoto Protocol, by assisting businesses in activities and education related to forest development and CO<sub>2</sub> reductions.



## Participation in Team Minus 6% and the United Nations Global Compact

To provide a basis for more effective CSR activities, the Japan Post Group participates in Team Minus 6%, a program promoted by the Japanese government to fight global warming.

Additionally, Japan Post Holdings as a representative of the Japan Post Group participates in the United Nations Global Compact, a voluntary framework for businesses that are committed to 10 universally accepted principles of corporate citizenship.

\*Team Minus 6% is a national project led by the Ministry of the Environment aimed at cutting greenhouse gas emissions by 6%, a figure set by the Kyoto protocol. Specifically, individuals and organizations promote voluntary activities to reduce greenhouse gas emissions.

\*The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.