

Dedicated to Becoming an Even More Trustworthy Group

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1. Japan Post Group Corporate Governance

(As of July 1, 2016)

① Fundamental Policy for Corporate Governance

At the Japan Post Group, all Group companies establish their own corporate governance systems, and Japan Post Holdings Co., Ltd., 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 Basic Views

Japan Post Holdings shall develop the corporate governance structure of the Group based on the following concepts, with a view to ensuring sustainable growth of the Group and creating corporate value over the medium to long term.

1. Japan Post Holdings shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing universal services of the Group's three core businesses through the Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable

coexistence. To this end, Japan Post Holdings shall strive to secure management transparency and commit to appropriate disclosure and provision of information.

4. Japan Post Holdings shall carry out swift and decisive decision-making and business execution under the effective supervision by the Board of Directors, in order to promptly cope with changes in social and economic environment and meet the expectation of all stakeholders.

Japan Post Holdings sets out "Basic Policy on Regarding Corporate Governance" concerning the basic views, framework, and operation policy regarding the corporate governance of Japan Post Holdings, with a view to ensuring sustainable growth of the Group and enhancing its corporate value over the medium to long term, and develops the corporate governance structure of the Group.

* Please refer to "Group Governance" on the Japan Post Holdings website (<http://www.japanpost.jp/en/group/governance/>).

② Organization Layout

Japan Post Holdings has adopted a "company with three committees structure" from the following points of view.

1. To separate the especially vital decision-making and supervision, such as the formulation of basic management policy, from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors.

2. To fully utilize external views on the management of Japan Post Holdings and ensure the transparency and fairness of decision-making on the management through enabling the exercise of functions of the Board of Directors comprised mainly of Independent Directors and the three committees, namely the Nomination Committee, the Compensation Committee and the Audit Committee.

3. To realize a corporate governance structure that can appropriately fulfill its accountability to all stakeholders.

③ Internal Controls

Japan Post Holdings, in accordance with management policies for the Japan Post Group, has established "Policy Principles for the Establishment of the Internal Control System" for Japan Post Holdings Co., Ltd. for the purpose of establishing programs that ensure sound and proper business operations. The holding company has also concluded the Group agreements with Group companies for internal controls concerning such areas as compliance, internal audits, risk management and information security, requiring each company to establish their own systems based on these agreements.

Furthermore, Japan Post Holdings constantly monitors proper business operations of Group companies by requiring them to report any significant matters in their operations and provides guidance for improvement as necessary.

* Please refer to "Policy Principles for the Establishment of the Internal Control System" on the Japan Post Holdings website (http://www.japanpost.jp/en/group/governance/pdf/01_02.pdf).

④ Group Management System

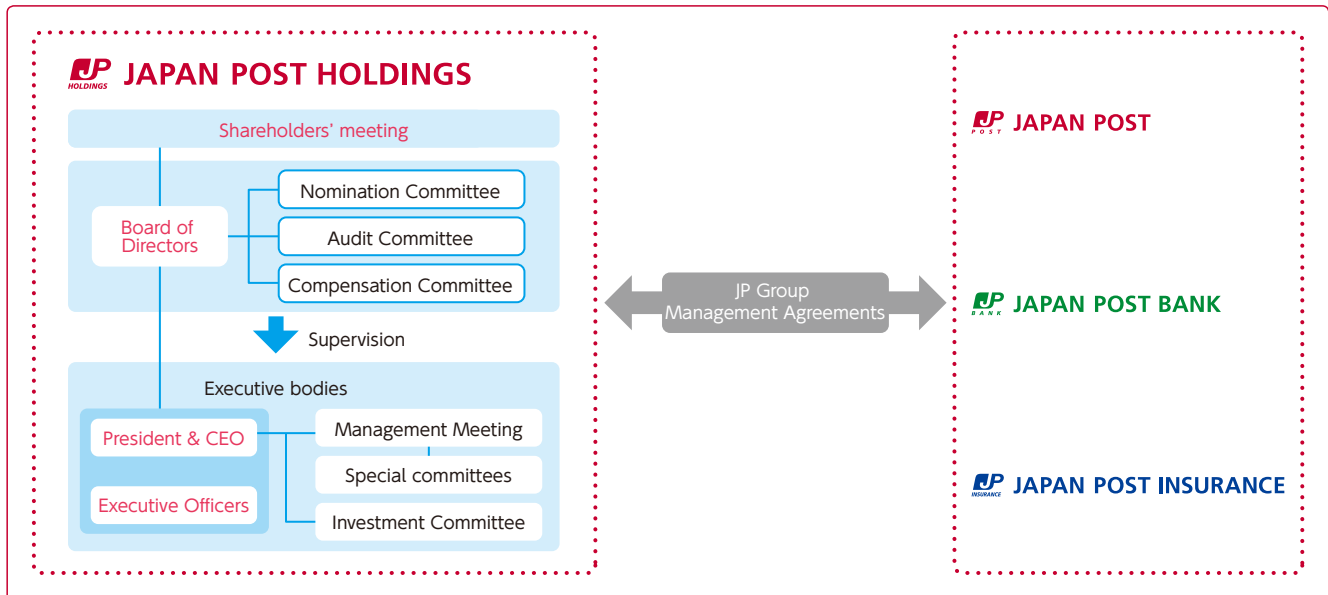
Japan Post Holdings has concluded agreements on the Group's operation and management ("JP Group Management Agreements") with and between Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. on the Group's common philosophy, policies and other basic matters concerning Group management, thereby setting up a system to facilitate mutual collaboration and cooperation as well as exerting synergy effects among Group companies.

For matters that may have a significant effect on the entire Group and those necessary for maintaining management transparency, Group companies must receive approval from, have discussion with and report to the holding company on an individual basis. Through these activities, Japan Post Holdings ensures corporate governance of the Japan Post Group.

Group Steering Committee

In accordance with JP Group Management Agreements, the Group Steering Committee comprised of the Presidents and CEOs of Japan Post Holdings and its key subsidiaries and other members shall be established to discuss and share common understanding of important matters concerning group management among the management of the Group companies for the purpose of promoting effective and efficient operation of the Group.

■ Japan Post Group Corporate Governance System



② Corporate Governance Systems of Group Companies

Japan Post has a corporate governance system based on a Board of Corporate Auditors, a majority of which comprises outside auditors.

Japan Post Bank and Japan Post Insurance have adopted a company with three committees system of corporate governance in which more than half of their directors are outside directors. These companies also have established a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors.

Japan Post, Japan Post Bank and Japan Post Insurance have a Management Meeting made up of executive officers, which serves as an advisory body to the president. This meeting discusses and reports on important matters related to business execution. Each company also has special committees, including the Compliance Committee and Risk Management Committee, which serve as advisory bodies to the Management Meeting and deliberate on specialized matters.

2. Japan Post Group Customer Satisfaction

1 Listening to Customers

Each Group company's customer satisfaction department* 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.

- *Group companies' customer satisfaction departments:
- Japan Post Co.: General Affairs Division, Social Contribution and CSR Promotion Office
 - Japan Post Bank Co.: Customer Satisfaction Department
 - Japan Post Insurance Co.: Customer Service Department

The Customer Satisfaction Promotion Department at Japan Post Holdings Co. devises ways to utilize customer opinions gathered from Group companies in its management operations.

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 194-197 for business hours at post offices and branches, and for telephone numbers and business hours of Group company call centers.

■ Japan Post Group Customer Satisfaction Flowchart



The Customer Satisfaction Promotion Department at Japan Post Holdings Co. examines these initiatives.

■ Example of improvements based on customer feedback

	Customer feedback	Improvements
Japan Post Co.	For the New Year's postcard printing service, it would be good if you also printed the address side instead of just the greeting side.	In September 2015, we added the Addressee printing service of New Year's postcards at post office counters whereas previously this was only possible online. If you apply at the post office counter, we accept New Year's postcards that customers have received in the past and print out the name and address based on the sender's information on the card. This means that even customers who have not kept a log of sender addresses on their computer can use the service.
Japan Post Bank Co.	I would like you to print the maturity date for TEIGAKU deposits in our passbooks for reference.	The maturity date will now be printed in the details of the deposit for TEIGAKU deposits.
Japan Post Insurance Co.	The current status report of an annuity policyholder requires certification by the head of a municipal government. Is this certification necessary? Can't it be handled at a post office?	This procedure can be handled at a post office. We improved the situation as to the annuity policies that require a third-party certification of the fact that the policyholder is alive, such as the final year of a term annuity contract, by putting a statement in the guide for submitting such report that recommends the free method available at a post office rather than the fee-based certification from the head of a municipal government by postal mail.

Results of the Japan Post Group Customer Satisfaction Survey

Japan Post Holdings Co. conducts a survey on customer satisfaction levels and intention of use at post offices (Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co.) and summarizes the results in order to accurately ascertain customer opinions on products and services and respond to new needs.

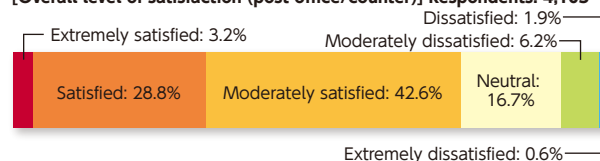
The Japan Post Group will continue to regularly conduct surveys as a means to further raise customer satisfaction and the results of analysis of issues and other aspects obtained via such research will be actively reflected in management operations.

Level of satisfaction in the post office

◇ (Satisfied: 74.6%, Dissatisfied: 8.7%)

How satisfied are you overall with the post office network and response at counters?

[Overall level of satisfaction (post office/counter)] Respondents: 4,105

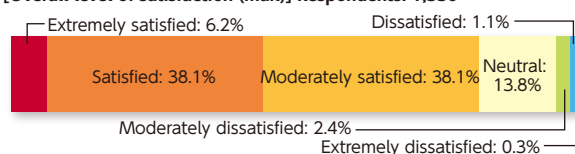


Level of satisfaction for services such as postal services, banking services and insurance services.

◇ Mail (Satisfied: 82.4% Dissatisfied: 3.8%)

How satisfied are you overall with mail delivery services at post offices for such items as letters, postcards, direct marketing and catalogs?

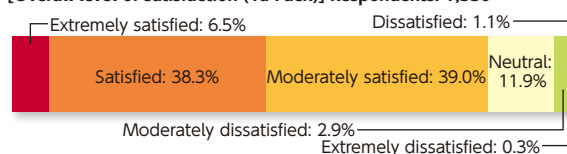
[Overall level of satisfaction (mail)] Respondents: 1,530



◇ Yu-Pack (Satisfied: 83.8% Dissatisfied: 4.3%)

How satisfied are you overall with Yu-Pack delivery services at post offices?

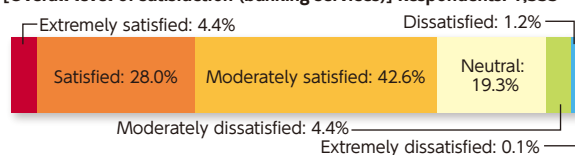
[Overall level of satisfaction (Yu-Pack)] Respondents: 1,530



◇ Banking services (Satisfied: 75.0% Dissatisfied: 5.7%)

How satisfied are you overall with banking services of post offices (Japan Post Bank)?

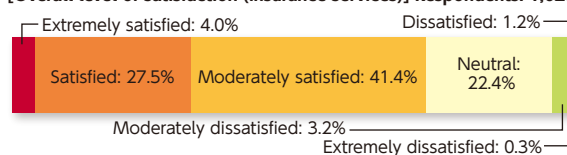
[Overall level of satisfaction (banking services)] Respondents: 1,555



◇ Insurance services (Satisfied: 72.9% Dissatisfied: 4.7%)

How satisfied are you overall with insurance services of post offices (Japan Post Insurance)?

[Overall level of satisfaction (insurance services)] Respondents: 1,020



* Level of satisfaction is evaluated based on a scale of the aggregate percentage of "extremely satisfied," "satisfied" and "moderately satisfied." Level of dissatisfaction is evaluated based on a scale of the aggregate percentage of "extremely dissatisfied," "dissatisfied" and "moderately dissatisfied."

* Graph figures have been rounded to one decimal place, so the total response rate may not add to 100.0%.

Outline of survey

■ Respondents

- (1) Individuals who use the post office (including ATMs) more than once a month
- (2) Individual males or females over 20 years old nationwide
- (3) Individuals that fit one of the following criteria
 - Used mail such as Yu-Pack or letter in the past year
 - Have an account at Japan Post Bank
 - Family subscribes to Japan Post Insurance

* Excludes mass media, sector peer companies, those affiliated with the post office, etc.

■ Period: September 12-24, 2015

■ Survey method: Internet

■ Valid responses: 4,105 people (72.5% of 5,662 solicited)

3. Japan Post Group CSR

① Japan Post Group CSR Activities

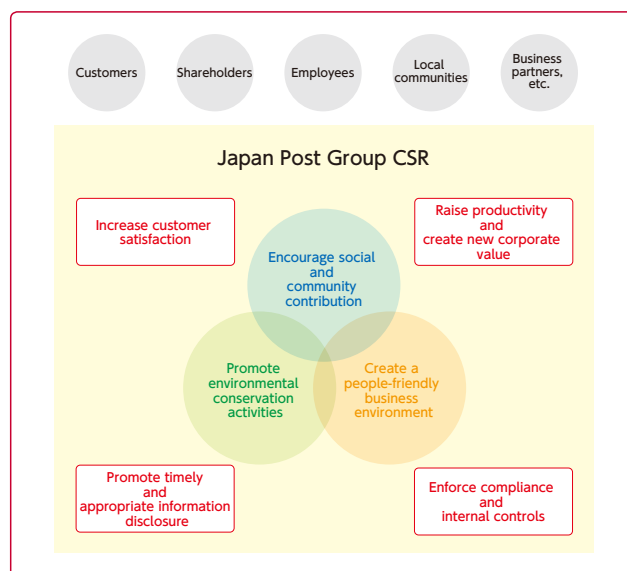
The Japan Post Group has designated seven action areas to be systematically addressed in fulfilling its corporate social responsibility (CSR). These are social and community contribution, environmental conservation, creating a people-friendly business environment, increasing customer satisfaction, compliance, information disclosure and boosting productivity.

At the Japan Post Group, CSR activities serve as a means of achieving the Group's management philosophy and ensuring sustainable growth.

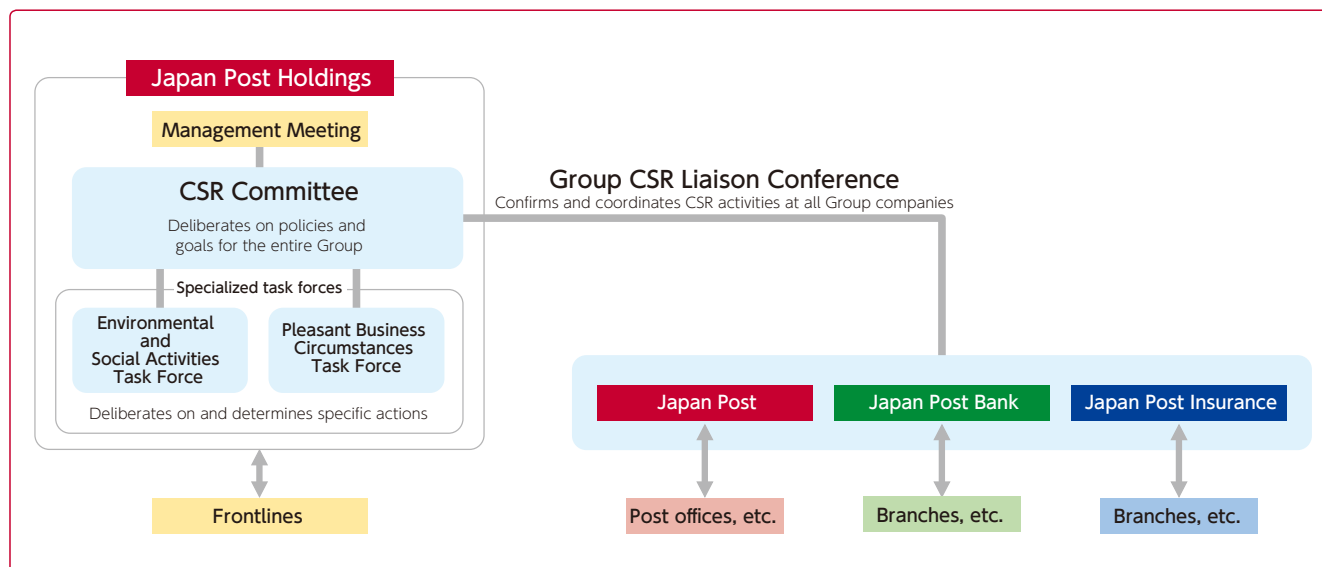
① Seven CSR Areas Including Three Priority Areas

Of the seven CSR areas, four areas are what is expected of the Japan Post Group by customers and shareholders when the Group conducts business. Specifically, these are to increase customer satisfaction; raise productivity and create new corporate value; promote timely and appropriate information disclosure; and enforce compliance and internal controls. Explicit actions are to be undertaken independently and voluntarily by each Group company with a clear understanding that these are included within the scope of the Japan Post Group's CSR.

The remaining three, namely, encourage social and community contribution, promote environmental conservation activities and create a people-friendly business environment, are CSR priority areas that should be pursued commonly by all Group companies. The Japan Post Group places particular emphasis on these areas, recognizing that these are the responsibility that the Group assumes as a provider of products and services to customers throughout the country.



② Japan Post Group CSR Organization



② Activities Related to the Three Common CSR Priority Areas

In fiscal year ended March 31, 2016, we promoted our ongoing efforts related to CSR initiatives by leveraging the distinctive strengths of the Japan Post Group, namely, its nationwide post office network, and at the same time we disseminated information on the CSR measures being undertaken by Japan Post Group companies.

① Encourage Social and Community Contribution

Utilizing the Japan Post Group's network, we cooperate with local governments to ensure the well-being of elderly people living in underpopulated areas by checking on them through the exchange of words during mail delivery as well as to provide the first line of protection for children in their daily lives. We also provide support for disaster preparedness and assistance for disaster-affected areas, such as no postal charge on mail and money transfers sent for disaster relief purposes, and conduct education and enlightenment activities within local communities based on the line of business undertaken by each Group company.

Specific Activities

1. Promotion of Community Contribution

Network of 24,000 Post Offices

Japan Post Co. has approximately 24,000 post offices in all of the cities, districts, towns and villages nationwide, including underpopulated areas, encompassing all of Japan. These serve as one-stop service centers for mail, savings deposits, insurance and other basic everyday services and are intricately connected with the local community. We will offer our local customers new, convenient services through our post offices while continuing to use them as locations for these services in the future as well.

Fostering of Dementia Supporters

Japan Post Group companies work to foster Dementia Supporters to cultivate the correct knowledge on dementia and learn appropriate ways to interact with people with dementia.

As of March 31, 2016, around 35,000 employees throughout the Japan Post Group are active as Dementia Supporters.

Height above Sea Level Signs on Post Boxes

Some post offices cooperate in disaster prevention efforts of local governments. As one means of mitigating tsunami-caused damage and raising awareness among community members, at post offices and on post boxes we put up signs and stickers provided by local governments that show heights above sea level and evacuation shelters of respective areas.

Neighborhood Watch Agreements

Neighborhood watch activities, led by local governments, have been expanding among local communities to safeguard children and ensure the well-being of elderly people living alone. We have concluded agreements with local governments and have been

participating in these activities by being on the lookout for any unusual occurrences while at work and notifying predetermined contact points when encountering any such incidents.

Provision of *Himawari* Service

Mail delivery personnel provide words of encouragement to elderly people living alone (who are 70 years old or older) and elderly couples in underpopulated areas.

Promotion of Intergenerational Communication via the Exchange of Letters

As one way of nurturing ties among people and among local communities, we provide support for letter-related measures through promoting the exchange of letters between youth (20 years of age or under) and the elderly (70 or older) and through the Association of Pen Friend Clubs of Japan operated by Japan Post.

Promotion of *Furusato* (Hometown) Parcel

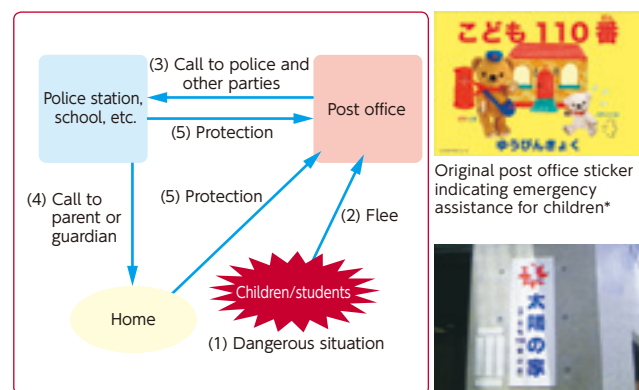
We display catalogs with products for which each locale nationwide is known and circulars with products closely related to the community at approximately 24,000 post office counters nationwide for customers to order from. We then ship these by Yu-Pack directly from the producing regions. Revenues from the sale of goods through catalogs were ¥102.6 billion in fiscal year ended March 31, 2016 (up 0.3% year-on-year).

Handling of Work for Local Governments

Designated post office counters provide administrative services, such as distribution of official family register transcripts, certificates of residency and other public certificates, and sell public bus tickets on consignment from local governments.

Emergency Assistance for Children

In order to prevent incidents and accidents involving children before they happen, post offices serve as a safe refuge for children, providing the first line of protection and making an emergency call to police.



*An original post office sticker is attached if there is no designated sticker for the area.

Education and Enlightenment Activities

- Accepting children from local elementary schools for a post office tour
- Offering space within a post office lobby for community use
- Participating in local events, including Radio Exercise and other sports events
- Providing financial education to elementary school children
- JAPAN POST BANK Piggy Bank Design Contest for children
- Operating a patient library (Tokyo Teishin Hospital)

Collection of Used Ink Cartridges, etc.

We collect used ink cartridges jointly with five printer manufacturers. As of March 31, 2016, collection boxes have been installed at 3,639 post offices nationwide and certain facilities of local governments.

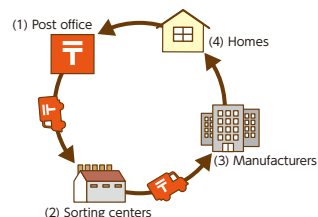
Used cartridges collected at these post offices and facilities are sent to sorting centers using our Yu-Pack service and then returned to the respective companies, which responsibly perform the recycling of these cartridges.

We also collect used or expired fire extinguishers and personal home computers at post offices or through our pickup service.

Special Collection Box



Collection Cycle



2. Promotion of Social Contribution

New Year's Postcard Donations Program

Our New Year's postcard donations program celebrates its 67th anniversary in fiscal year ended March 31, 2017. A donation of ¥5 is added to each New Year's postcard, and funds raised through sales of these postcards are allocated to organizations engaged in activities in 10 fields, including the promotion of social welfare, healthy youth development, emergency disaster aid and disaster prevention, and global environmental conservation.

Donations of ¥487.95 million raised from sales of 2016 donation-added New Year's postcards and postage stamps were distributed to 243 organizations.

Reduced Postal Rates or No Charge for Third- and Fourth-Class Mail

We apply reduced rates or no charge for periodicals that are published four or more times each year and have been approved by Japan Post Co. (third-class mail) and on materials sent for the purpose of promoting public welfare or academic research (fourth-class mail). Examples of such fourth-class mail include correspondence education materials, Braille materials, sound recordings intended solely for the use of the visually impaired, plants and seeds, and academic publications.

"Japan Post Bank Deposits for International Aid"

Under the "Japan Post Bank Deposits for International Aid" program, our customers donate 20% of the interest received on their savings (after-tax). By using the JICA (Japan International Cooperation Agency) Fund established by JICA, these resources are used in such activities as improving living standards in developing countries and regions through nongovernmental organizations (NGOs) and other groups.

In response to the growing importance of environmental conservation measures in recent years, we now offer an option for customers to specifically make donations for supporting international cooperation activities related to environmental conservation.

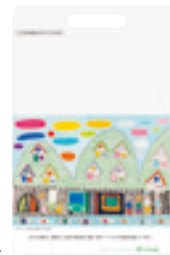
The program began in October 2008, and as of March 31, 2016 we had received about 956,060 applications for the program, and a total of ¥32,497,999 has been donated.

Use of Artwork by Artists with Disabilities

We have produced original clear files that use the artwork drawn by artists with disabilities who have a wonderful talent in order to assist their independence.

Sales representatives in the Japan Post Bank network use the files as communication tools with customers.

Clear file featuring artwork by an artist with a disability



Special Support for Go Competitions

To foster intergenerational communication and local revitalization through Go, a traditional Japanese board game, we have been providing special support to the Competition of Junior Honinbo for the Japan Post Bank Cup, in which children of junior high school age or younger compete for the top position in Japan.

We also provided special support to the Japan Post Bank Cup Go Youth Tournament - Koji Nakano Memorial for young professional Go players and aspiring professionals who are 20 years old or younger. The intent is to support young professional players who can be active globally.

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

As one of our major Radio Exercise events, we hold the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* every summer, aiming to get 10 million people around the country to participate together in Radio Exercise and *Minna no Taiso*. This event is broadcast live nationwide over NHK's Radio 1 and on its General TV channel and is also broadcast through its international broadcasting service to overseas viewers.

At the 54th Festival of 10 Million People's Radio Exercise and *Minna no Taïso* (on Sunday, August 2, 2015 Kanazawa City, Ishikawa Prefecture)



Holding the All-Japan Elementary School Radio Exercise Competition

With the aim of increasing opportunities for numerous elementary school children to energetically participate in Radio Exercises and to contribute to health promotion, we hold the All-Japan Elementary School Radio Exercise Competition for elementary school children across Japan.

For this competition, participants submit videos demonstrating their "daily efforts toward radio exercise" and "Radio Exercise No. 1 scene." Judging is based on whether children are enthusiastically and happily participating in Radio Exercise throughout the entire program and whether they are correctly performing radio exercise with uniform motions. The winning teams are then decided and announced.

Gold award winning school in the second contest ("Masuda Spirit," of Masuda Elementary School, Nakatane-cho, Kagoshima Prefecture)



Supporting Sports Events

We co-sponsored the interscholastic athletic meet (National High School Athletic Meet) held in the Kinki region from July 28 to August 20, 2015.

Support for the JAPAN U-12 FOOTBALL CHAMPIONSHIP

With the aim of supporting children with great promise, and to foster their sound physical and mental growth and development through football, we provided support to the JAPAN Under-12 FOOTBALL CHAMPIONSHIP, one of Japan's largest official championships for elementary school children, hosted by the Japan Football Association and other organizations.

Supporting Projects for the Promotion of Social Welfare

We do not charge postage (including handling fees) on registered mail used to send donations to corporations or organizations specialized in the promotion of social welfare, such as regional Community Chests, the Central Community Chest of Japan and the Japanese Red Cross Society, or commission fees on donations made to transfer accounts by means of money transfer.

Marathons Supported by Japan Post Insurance

In the fiscal year ended March 31, 2016, we provided special sponsorship of the Third Nissan Stadium: Five-Hour Endurance Relay Marathon ~improvised and registered team~ (July 5), the Third Weekday Marathon at *Kodomonokuni* (December 1) and the 2016 Challenge Relay Marathon at *Kodomonokuni* ~42.195 in Mid-Winter ~ (January 30).



Third Nissan Stadium: Five-Hour Endurance Relay Marathon

3. Support for Disaster Preparedness and Assistance for Disaster-Affected Areas

Emergency Assistance for Disaster Victims

Upon the occurrence of a natural or other emergency disaster, we provide emergency services for disaster victims, including emergency handling of deposits, at post office counters and other places.

	Major Activities
Postal	<ul style="list-style-type: none"> No postal charge on registered or other mail used to send relief funds to organizations engaged in disaster relief activities for disaster victims Offering postcards free of charge to disaster victims No postal charge on mail sent by disaster victims Providing information concerning damage on roads, etc.
Deposits	<ul style="list-style-type: none"> No commission fees on donations made to transfer accounts of the Japanese Red Cross Society, regional Community Chests and local governments for the purpose of disaster relief Withdrawal of ordinary deposits for disaster victims who have lost their deposit passbooks
Insurance	<ul style="list-style-type: none"> Extending the grace period for premium payments Emergency and immediate payments of insurance and other benefits
Accommodation	<ul style="list-style-type: none"> Free bathing services by <i>Kanpo no Yado</i> inns

Disaster Prevention Agreements

For the purpose of mutual cooperation at the time of disaster, disaster prevention agreements are concluded between local governments and post offices. As an effort to cooperate in the prevention of landslides and damage in mountainous areas, we are putting up posters and handing out leaflets on soil and water conservation, and installing rain gauges and rain gauge displays.

② Promote Environmental Conservation Activities

The Japan Post Group has laid out its Environmental Vision that encompasses its basic approach to the environment and has been conducting various activities with a strong focus on three areas, namely, implementing global warming response measures, promoting the cultivation of sustainable forests and making efficient use of resources.

(For details, please refer to "Japan Post Group Environmental Vision" on page 69.)

(1) Implementing Global Warming Response Measures

The Japan Post Group aims to reduce CO₂ emissions basic unit by 1% on average (from fiscal year ended March 31, 2014 level) over three years from fiscal year ended March 31, 2015 to fiscal year ended March 31, 2017.

(2) Promoting the Cultivation of Sustainable Forests

Employees and their families from each of the Japan Post Group companies volunteer to undertake tree silvicultural activities at the JP-no-Mori. We also provide support to a children's tree-planting campaign, which is designed to engender sound environmental awareness in children and help them to be strong and bold in their lives by taking part in this comprehensive forest cultivation program.

We promote the cultivation of sustainable forests both through our business activities and social contribution activities.



Employee volunteer activities at the JP-no-Mori (Kururi Donguri-no-Mori) (Kimitsu City, Chiba Prefecture)



Children's tree-planting "Tohoku Regeneration Green Wave" (Yamada-town, Iwate Prefecture)

Specific Activities

Reduction of CO₂ Emissions

We strive to reduce CO₂ emissions through a range of initiatives, including promoting energy-saving awareness among employees.

Power-Saving Measures in Summertime

Under the guideline, "Electricity Supply-Demand Measures in 2015 Summertime," issued on May 22, 2015 by the Electricity Supply-Demand Review Committee, we implemented several power-saving measures in response to the government's call for voluntary actions without numerical targets. Our efforts included setting the temperature of air conditioners at 28°C, minimum lighting during peak times and partial operation of elevators.

- Period: July 1, 2015 – September 30, 2015
- Subject facilities: All facilities of each Group company within the areas covered by respective power companies
- Reduction target: A reduction of 5-15% or more from the previous year's level, with a specific target figure separately determined for each area

As a result of the Group-wide efforts undertaken during the period, we successfully achieved the reduction target.

Implementation of "Cool Biz" and "Super Cool Biz" Campaign

As part of efforts to save power during summertime, the Japan Post Group conducted a "Cool Biz" campaign during the period from May 1 to October 31, 2015 and a "Super Cool Biz" campaign, which is a step beyond the Cool Biz practice, at the height of summer from June 1 to September 30, 2015. The latter encourages even more casual attire in the workplace, and post office and branch personnel were allowed to wear polo shirts at work during that period.

Promotion of Environmentally Friendly Facilities

We introduce environmentally friendly energy-saving measures when constructing new or additional facilities for post offices or conducting large-scale renovations.

We have also conducted energy conservation evaluations at post offices with high levels of CO₂ emissions and energy usage and are introducing ESCO (Energy Service Companies) businesses at some of these post offices as part of our efforts to introduce energy-saving facilities.

Introducing Electric and Other Eco-friendly Vehicles at Post Offices and Other Locations

At Japan Post Co., we are deploying eco-friendly vehicles, namely, electric vehicles (EVs) and hybrid vehicles (HVs), to achieve a reduction in the amount of CO₂ emitted from vehicles.

At post offices, we have deployed 17 EVs for commercial use, 50 EVs (four-wheeled mini-vehicles) for collection and delivery services and 20 EVs for cargo transportation (as of March 31, 2016).

Eco-friendly Driving

The Japan Post Group encourages well-mannered, eco-friendly driving to reduce the number of traffic accidents and lower CO₂ emissions through lower fuel consumption.

Japan Post Co. strives to raise "Safe Eco-Driving" awareness

among mail delivery and sales personnel nationwide through various initiatives, such as holding an in-house driving contest.

Contributions to Environmental Preservation Activities through Online Versions of the Contract Guidelines and Policy Conditions

Starting from October 2, 2014, we began offering online contract guidelines and policy conditions.

Previously, we provided contract guidelines and policy conditions in a paper booklet format. By selecting "web viewing," customers can now confirm the documents in a PDF format on our Japanese website in place of paper brochures.

Online contract guidelines and policy conditions will mean no need for the conventional brochures, thereby enabling reduction in the amount of paper used. In July 2016, we made a donation of ¥10.8 million to environmental conservation groups (13 in total) that are active in growing forests based on the number of customers who used the online contract guidelines and policy conditions in the six-month period from April to September 2015.



Tree planting by local volunteers

③ Create a People-Friendly Business Environment

As an operator with a nationwide network of business and service bases, the Japan Post Group has been adopting a comprehensive universal design approach to planning and designing its facilities, equipment and services to ensure usability and friendliness for the widest group of customers, including elderly people and persons with disabilities.

We have also been making efforts to create a better working environment for our employees who play a crucial role in supporting our business operations.

Specific Activities

Transitioning to Barrier-Free Facilities

We have been promoting the conversion of post offices into barrier-free facilities. To ensure safe accessibility for every customer, we will continue to encourage renovation based on a view of universal design, for example, by installing ramps and handrails at the entrances of post offices and laying Braille blocks for visually impaired customers.



Braille blocks



Ramp and handrails installed at the entrance

Pension Delivery Service

We provide a service to deliver pension and other benefits to advanced-age or physically challenged pensioners who have difficulty in coming to the counter to receive payments. This home delivery service is conducted periodically as the payment of these benefits is made by the government.

Services Available in Braille

We provide a range of services in Braille for visually impaired customers.

	Services
Postal	<ul style="list-style-type: none"> • Displaying mail pickup times in Braille • Undeliverable Item Notice in Braille to recipients during their absence
Deposits	<ul style="list-style-type: none"> • Braille notices of the service content of deposits and money transfers, etc. • Equipping ATMs with Braille instructions • Issuing Braille ATM cards • Product and service brochure in Braille
Insurance	<ul style="list-style-type: none"> • Braille notices of the content of insurance agreements • Various notices in Braille (e.g., insurance maturity dates, pension payments and loan contents, etc.)

Braille Yu-Pack, Yu-Pack for the Hearing Impaired and Yu-Mail for Persons with Disabilities

Lower shipping fees are applied for Yu-Pack for sending large Braille books and other Braille materials; Yu-Pack used to send videotapes and other recorded materials between hearing-impaired persons and facilities approved by Japan Post Co.; and Yu-Mail used to send books between persons with disabilities and libraries registered with Japan Post Co..

Offering Blue Bird Postcards Free of Charge (Conducted Annually since 1976)

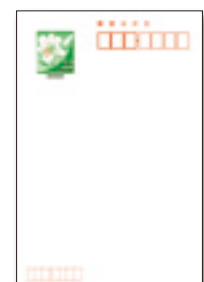
We provide 20 standard postcards (plain, inkjet printing or dimpled postcards) or standard postcards with the postage mark featuring a moth orchid (plain or inkjet printing) free of charge to severely physically challenged individuals (class 1 or 2) or severely mentally challenged individuals (level 1 or 2, or holding grade A intellectual disability certificates), who have requested this service. These 20 postcards are provided in a special envelope.

Postcards with Indentations (Dimpled Postcards) for the Visually Impaired

These are postcards with a semi-circular indentation in the lower left corner on the front side of the postcard, which makes it easy to distinguish the front or back and the top or bottom of the postcard.



Postcards with indentations (dimpled postcards)



New Welfare Time Deposits

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor and other similar public pensions and other eligible person. Up to ¥3 million can be deposited per person.

Kampo Eat & Smile Project

For the purpose of promoting sound health through food, we carried out the Kampo Eat & Smile Project. In this project, donations collected through charitable menus served at a café that is open for a limited period were matched with a donation from Japan Post Insurance and contributed to Second Harvest Japan.

In a tie-up with "Sumimasu Geinin," comedians who moved to live and work in local communities around Japan, we provided information on food from various parts of Japan.



Inside the Eat & Smile Café



Support via Second Harvest Japan

④ Others

With a view to widely communicating to the public our efforts concerning the common CSR priority areas that should be pursued by all Group companies, the Japan Post Group seeks various opportunities and strives to disclose information on a range of CSR activities undertaken by each Group company. In addition, our social and environmental report now includes a third-party opinion.

Publication of Social and Environmental Report

In December 2015, we published the *Japan Post Group Social and Environmental Report 2015*, which describes the Group's community and social contribution activities in an easy-to-understand format. We handed out this report at the Eco-Products 2015 exhibition and other occasions.

Participation in Eco Life Fair 2015

A Japan Post Group booth was run for the first time at Eco Life Fair 2015 held in Yoyogi Park on June 6-7, 2015. We presented a display of panels concerning the Group's environmental activities and also held workshops.

Participation in Eco-Products 2015

At the Eco-Products 2015 exhibition held at Tokyo Big Sight from December 10 to 12, 2015, we ran a Japan Post Group booth and presented various environmental conservation activities undertaken by each Group company. During the event, we also held a workshop using postcards made from thinned trees.



Japan Post Group booth at Eco-Products 2015

■ Japan Post Group Environmental Vision

- The Japan Post Group recognizes its responsibility to pass on to future generations the beautiful and livable Earth and will seek to conserve the global and regional environment as one of the important Group management issues. We will observe laws, regulations and other agreements and endeavor to prevent pollution or other environmental issues that may arise from our execution of business.
- The Japan Post Group will monitor the status of the global and regional environment and the environmental impact of our business operations, define specific targets and constantly refine our activities by reviewing these targets on a regular basis. We will designate the following three items as the highest priority among the environmental activities and undertake initiatives in each field.
 - (1) Implementing Global Warming Response Measures
We will define numerical targets for reduction in CO₂ emissions* from our business operations and appropriately manage CO₂ emissions.
 - (2) Promoting the Cultivation of Sustainable Forests
We will contribute to the cultivation of sustainable forests both through our business activities and social contribution activities.
 - (3) Making Efficient Use of Resources
We will work to reduce paper usage and at the same time introduce eco-friendly practices, such as drastically increasing the use of recycled paper. We will also strive to save resources by encouraging the recycling of office supplies used in our business activities.
- Each company and employee in the Japan Post Group will share this Environmental Vision, and the Japan Post Group proactively discloses environment-related information.

*Our Environmental Vision only covers energy-derived CO₂ emissions.

Our Response to the 2016 Kumamoto Earthquake

The Kumamoto area was initially hit by a 7.3 magnitude earthquake in April 2016. The Japan Post Group would like to express its heartfelt sympathy to the people who have suffered from the disaster. We are implementing a series of initiatives aimed at supporting people affected by the disaster.

Assistance for Disaster Victims

1. Postal Operations

■ Delivering Mail to Evacuation Shelter

Mail has been delivered to evacuation shelters in Mashiki Town and Minamiaso Village (since April 27, 2016).

■ No Postal Charge on Registered Mail Used to Send Cash for Disaster Relief Purposes

Registered mail is handled without charging postage when used to send cash for disaster relief to organizations engaged in disaster relief activities (from April 19, 2016).

2. Financial Services

■ Emergency Handling of Deposits and Insurance Payments

We are allowing withdrawals of up to ¥200,000 per person from ordinary deposit accounts by depositors who have lost their deposit passbooks, deposit certificates, seals or other such articles as a result of the Kumamoto earthquakes and enforcing the emergency handling of insurance matters, including making emergency insurance payments (from April 15, 2016).

■ Special Handling of Policyholder Loans and Hospitalization Benefit

We are waiving the interest applied to immediate payments for standard loans (April 15 to June 30, 2016). In addition, to those who were injured by the earthquake but could not be immediately hospitalized due to the circumstances of the afflicted areas or other reasons and those who could not receive hospitalization care because hospital or clinic beds were occupied, we paid hospitalization benefits, on the assumption that they were hospitalized for the period for which they should have been hospitalized (from April 28, 2016).

■ Free-of-charge Money Transfers for Natural Disaster Relief Donations

We are offering free money transfers by ordinary in-payment for natural disaster relief donations in support of relief activities for victims of the Kumamoto earthquakes. These free money transfers are sent to the accounts of organizations engaged in relief and other related activities (from April 18, 2016).

3. Counter Operations

■ Establishment of Temporary Post Offices

We set up temporary post offices in four evacuation shelters in Kumamoto Prefecture for emergency handling of deposits (May 9 to 31, 2016).

■ Special Counter Services by Mobile Post Offices

We dispatched a mobile post office in the car park of the Mashiki Town Synthesis Gymnasium to accept and handle postal and Yu-Pack items and enable deposits and withdrawals of deposits through ATM (April 25, 2016~*).

*We discontinued handling via counter service on May 31, 2016 and have been providing solely ATM service since June 1.



Temporary service at a mobile post office (Kumamoto Prefecture: Car park of the Mashiki Town Synthesis Gymnasium)

4. Others

■ Acceptance of Evacuees at Kanpo no Yado Inn Aso

We opened the hall and conference room of Kanpo no Yado inn Aso as evacuation shelters for local citizens from the earthquake-damaged surroundings and provided food and drinking water based on an agreement with Aso City (April 16 to May 14, 2016).

■ Implementation of Post Office Fundraising

We set up donation boxes at post office counters nationwide as part of fundraising efforts based on a Japan Post Group employee-driven initiative in support of the people who have suffered from the earthquakes (May 16 to July 29, 2016 (planned)).

Our Response to the Great East Japan Earthquake

The Japan Post Group extends its heartfelt sympathy to the people who have suffered from the Great East Japan Earthquake that occurred on March 11, 2011. We have implemented a series of initiatives aimed at supporting the swiftest recovery possible of people affected by the disaster.

① Status of Resuming Operations of Post Offices

On March 14, 2011, which was the first business day after the earthquake, the number of "out-of-service" directly operated post offices and contracted post offices in three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima prefectures) was 583 (out of 1,103) and 100 (out of 319), respectively, or approximately half of the total post offices located within the district. We gradually undertook efforts to set up temporary post offices and reconstruct permanent buildings, and as of May 31, 2016, had reduced the number of "out-of-service" directly operated post offices and contracted post offices to 44 and 14, respectively.

These figures include five directly operated post offices and three contracted post offices, which are unable to operate due to the government's designation of "difficult-to-return" zones associated with the Fukushima Daiichi Nuclear Power Plant accident.



Temporary facilities for the Naraha Post Office (Fukushima Prefecture)



Sanriku Post Office following restoration (Iwate Prefecture)

② Assistance for Disaster Victims

1. Postal Operations

■ Delivering Mail to Temporary Housing Units

Mail is delivered to temporary housing units after confirming the address of customers who relocated there from evacuation shelters. Additionally, we set up post boxes inside temporary housing complexes in conjunction with local authorities (180 post boxes in the three prefectures of Tohoku as of March 31, 2016) in an effort to improve customer convenience.

■ No Postal Charge on Registered Mail Used to Send Cash for Disaster Relief Purposes

Registered mail is handled without charging postage when used to send cash for disaster relief to organizations engaged in disaster relief activities (from March 14, 2011).

2. Financial Services

■ Emergency Handling of Deposits and Insurance Payments

We are allowing withdrawals of up to ¥200,000 per person from ordinary deposit accounts by depositors who have lost their deposit passbooks, deposit certificates, seals or other such articles as a result of the Great East Japan Earthquake and enforcing the emergency handling of insurance matters, including making emergency insurance payments (from March 14, 2011).

■ Free-of-Charge Money Transfers for Natural Disaster Relief Donations

We are offering free money transfers by ordinary in-payment for natural disaster relief donations in support of relief activities for victims of the Great East Japan Earthquake. These free money transfers are sent to the accounts of organizations engaged in relief and other related activities.

As of March 31, 2016, the Bank had processed a total of approximately 3.34 million free money transfers for disaster relief donations in the total transfer amount of approximately ¥95.4 billion.

3. Counter Operations

■ Special Counter Services by Mobile Post Offices

Immediately following the disaster, we dispatched mobile post offices to 22 locations in the three prefectures of Iwate, Miyagi and Fukushima. Currently, a mobile post office is stationed at one location in Iwate and Miyagi prefectures to accept and handle postal and Yu-Pack items and enable deposits and withdrawals of deposits through ATM.



Special counter services at a mobile post office (former Raga Elementary School in Iwate Prefecture)

4. Japan Post Group Women's Athletics Team

The Japan Post Group established the Japan Post Group Women's Athletics Team in April 2014, making it the first company sports team since its founding, with the aims of fostering a sense of unity among Group employees and contributing to the community and society through sports.

The team enters various middle- and long-distance running competitions, mainly road relay races (*ekiden*), and strives to take

top positions, keeping in mind the affinity between our postal service that connects people by mail and the *ekiden* that connects runners by a sash. In fiscal year ended March 31, 2017 which marks the third year since its establishment, the team, comprising 13 members with the addition of three new members, will work as one to achieve even loftier goals, including entry to the 2020 Tokyo Olympics.

Major Activities and Results in fiscal year ended March 31, 2016

Month/Year	Activity/Competition	Athlete	Result	Record
April 2015	63rd Hyogo Relay Carnival (women's 10000 m)	Hanami Sekine	6th	33.20.99
June 2015	99th Japan National Championships (women's 5000 m)	Ayuko Suzuki	3rd	15.24.14
July 2015	Hokuren Distance Challenge 2015 Abashiri Meet (women's 10000 m)	Hanami Sekine	8th	32.12.54*1
August 2015	15th IAAF World Championships (Beijing, 2015) (women's 5000 m finals)	Ayuko Suzuki (Japanese National Team)	9th	15.08.29*1*2
September 2015	63rd National Corporate Track and Field Championships (women's 10000 m)	Ayuko Suzuki	1st	31.48.18*1
October 2015	1st All Japan Industrial Teams Women's Ekiden trials (Princess Ekiden in Munakata, Fukutsu)	Japan Post Group	3rd	2:19:49
December 2015	35th All Japan Industrial Teams Women's Ekiden (Queens Ekiden in Miyagi)	Japan Post Group	12th	2:17:17
January 2016	Empress's cup The 34th Inter-Prefectural Women's Ekiden	Hanami Sekine Ayuko Suzuki	1st in leg 9*3 2nd in leg 9*3	6th (Tokyo) 1st (Aichi Prefecture)

*1 Bettered the standard for competing in the 2016 Rio de Janeiro Olympics

*2 Ranked 1st in Japan in fiscal 2016 (as of March 31, 2016)

*3 Outstanding athlete award

Ayuko Suzuki (5000 m, 10000 m) and Hanami Sekine (10000 m) have been chosen to compete in the 31st Olympic Games Rio de Janeiro 2016 representing Japan.

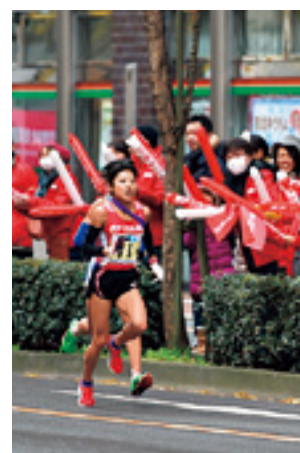
Japan Post Co. is the Japan Olympic Committee's Official Partner in Postal Services



15th IAAF World Championships (Beijing, 2015)
Ayuko Suzuki, representing Japan in the 5000 m (in the lead)



Members of the Japan Post Group Women's Athletics Team



35th All Japan Industrial Teams Women's Ekiden (Queens Ekiden in Miyagi)
(Fifth runner: Hanami Sekine)

Photos courtesy of Photo Kishimoto Corporation

5. Initiatives to Promote Diversity

The Japan Post Group recognizes that having a diverse perspective and set of values that reflect the different experiences, skills and attributes within the Group is an important strength that will help secure sustainable growth for the organization. Based on this recognition, we actively embrace diversity, which includes promoting the active participation of women and persons with disabilities.

Promotion of the Active Participation of Women

The Japan Post Group is implementing various initiatives to ensure that female employees can fully demonstrate their individuality and capabilities and to establish a pleasant workplace environment that continues to be motivating.

We have set the following targets for the percentage of women in management in our Group companies and are pushing ahead with initiatives that include training to raise awareness among women, support of women's career development and reform of work styles to reduce long work hours.

■ Target percentage of women in management (up to April 1, 2021)

Japan Post	Japan Post Bank	Japan Post Insurance	Japan Post Holdings
10% or more	14% or more	14% or more	11% or more

Employment of Persons with Disabilities

Cognizant of the fact that providing suitable employment opportunities to persons with disabilities is our social responsibility as a corporation, we are working proactively to promote such employment and there are currently around 6,000 persons with disabilities working in active roles throughout the Japan Post Group.



Packing candy into bags

Empowerment of the Elderly

The Japan Post Group re-employs permanent staffs who have reached retirement age but want to keep working up until the age of 65 in line with the Act on Stabilization of Employment of Elderly Persons. Approximately 8,700 employees are currently working throughout the Japan Post Group.

Promotion of Work-Life Balance

The Japan Post Group is working to create a system and workplace culture that enables each employee to choose diverse work styles depending on his or her stage in life. We use systems that support the realization of work-life balance, including leave systems that go beyond legal requirements and subsidy systems for such things as childcare costs with the aim of ensuring harmony between work and child/nursing care. We are committed to ensuring that all employees find this balance, both female and male.

In addition, the Japan Post Group has received the "KURUMIN" mark, a certification issued by the Ministry of Health, Labour and Welfare for companies supporting child-rearing.



Training in Diversity

The Japan Post Group conducts training across the Group through the Postal College for the purposes of fostering a sense of unity and enhancing synergistic effects. Within the training programs, we provide training on diversity and the active participation of women with the primary aims of promoting understanding of employee diversity and increasing productivity.



Female leader training

Advocacy of the "Declaration on Action" by a Group of Male Leaders Who Will Create "A Society in which Women Shine"

Based on agreement with the tenets of the "Declaration on Action" by a group of male leaders who will create "A Society in which Women Shine" supported by Gender Equality Bureau Cabinet Office, the Japan Post Group is proactively promoting the active roles of women who shine. These efforts are in line with the three initiatives set forth under the Declaration, namely "taking actions and sending messages ourselves," "disrupting the status quo" and "developing networking."



6. Cooperation with Japan Post and Two Financial Institutions

In the Japan Post Group, post offices serve as points of contact with customers in which they can make use of a variety of services.

Japan Post, Japan Post Bank and Japan Post Insurance cooperate to provide these services at post offices, the hubs of the Japan Post Group, and work together to implement different initiatives and provide training.

Sales Training Related to Japan Post Bank Products

Japan Post Co., in conjunction with Japan Post Bank, provides training to employees handling Japan Post Bank's financial products at post offices such as deposits and investment trusts.

In addition, we are providing individual support for investment trusts through sales instructors from Japan Post Bank. Through this one-on-one training at each post office, we are working to enhance the sales skills of Japan Post employees.

Sales Training Related to Japan Post Insurance Products

Japan Post Co. works with Japan Post Insurance to provide training to employees on insurance-related products handled at post offices. Employees of Japan Post and Japan Post Insurance nationwide support personnel who have completed the training.

Pension Consulting Sessions Provided in Cooperation with Japan Post Bank

Japan Post Co. and Japan Post Bank Co. have teamed up to conduct pension consulting sessions to provide guidance on required documentation and advice on life after retirement for customers who will receive their pensions in the near future.

Life Plan Consulting Sessions Conducted with Japan Post Insurance

We hold life plan consulting sessions after hours on weekdays and on holidays for customers who cannot visit the post office during the day and provide guidance on the details of coverage in line with life events.



Training in progress



Training in progress



Life plan consulting session

7. Japan Post Group Compliance Framework

We conduct rigorous compliance activities as one of the highest management priorities of the Japan Post Group. With the guidance and support of Japan Post Holdings, all Group companies build an effective compliance framework giving due consideration to the public characteristics of the business.

① Japan Post Group Compliance Framework

The Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

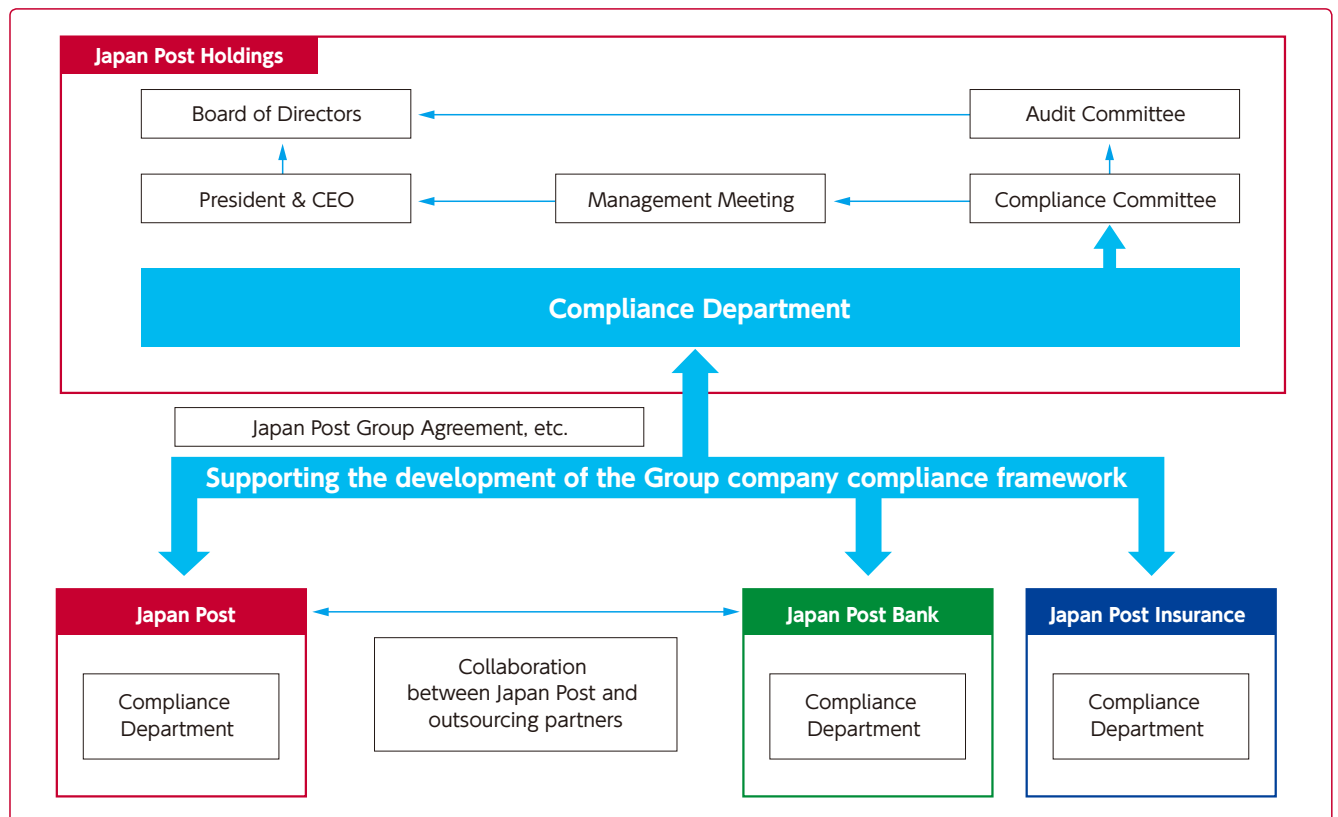
In addition, each Group company has a Compliance Committee that provides advice to its Management Meeting to review the compliance policy, framework, specific activities and associated issues.

A Compliance Department has been set up and placed under the control of a director in charge of compliance to propose

measures to promote compliance and manage the progress of each measure.

In order to ensure Group-wide compliance, the Compliance Department of Japan Post Holdings provides support in accordance with the Group agreements to Group companies to help them establish their respective compliance frameworks, and by doing so, strives to maintain and improve compliance functions for the Group as a whole.

■ Japan Post Group Compliance Framework



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 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, post offices and branch 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 while maintaining a structure to resolve issues at the earliest stage.

2. Promotion of Compliance

(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 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 also receive a compliance handbook that summarizes the manual 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 a better understanding of legal matters and other areas, and to raise awareness of compliance.

8. 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 sets forth the fundamental matters necessary to create an internal audit system framework in the Group agreements.

Based on these agreements, each Group company develops an effective internal audit system framework befitting the nature of its business and the type and 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, 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 systems of Group companies and provides guidance and advice, as well as makes recommendations for improvements and directly undertakes audits when required.

② Internal Audit System at Group Companies

1. Overview

Each Group company has an Internal Audit Department independent from the business-executing departments 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 Group company

has set up an Internal Audit Department at its head office. Besides this, Japan Post, which has approximately 24,000 post offices, has established audit offices at 50 locations 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 conducts risk-based internal audits, in which audit frequency and audit items are determined by evaluating specific types and extent of risks in the branches and departments or operations within the scope of the internal audit.

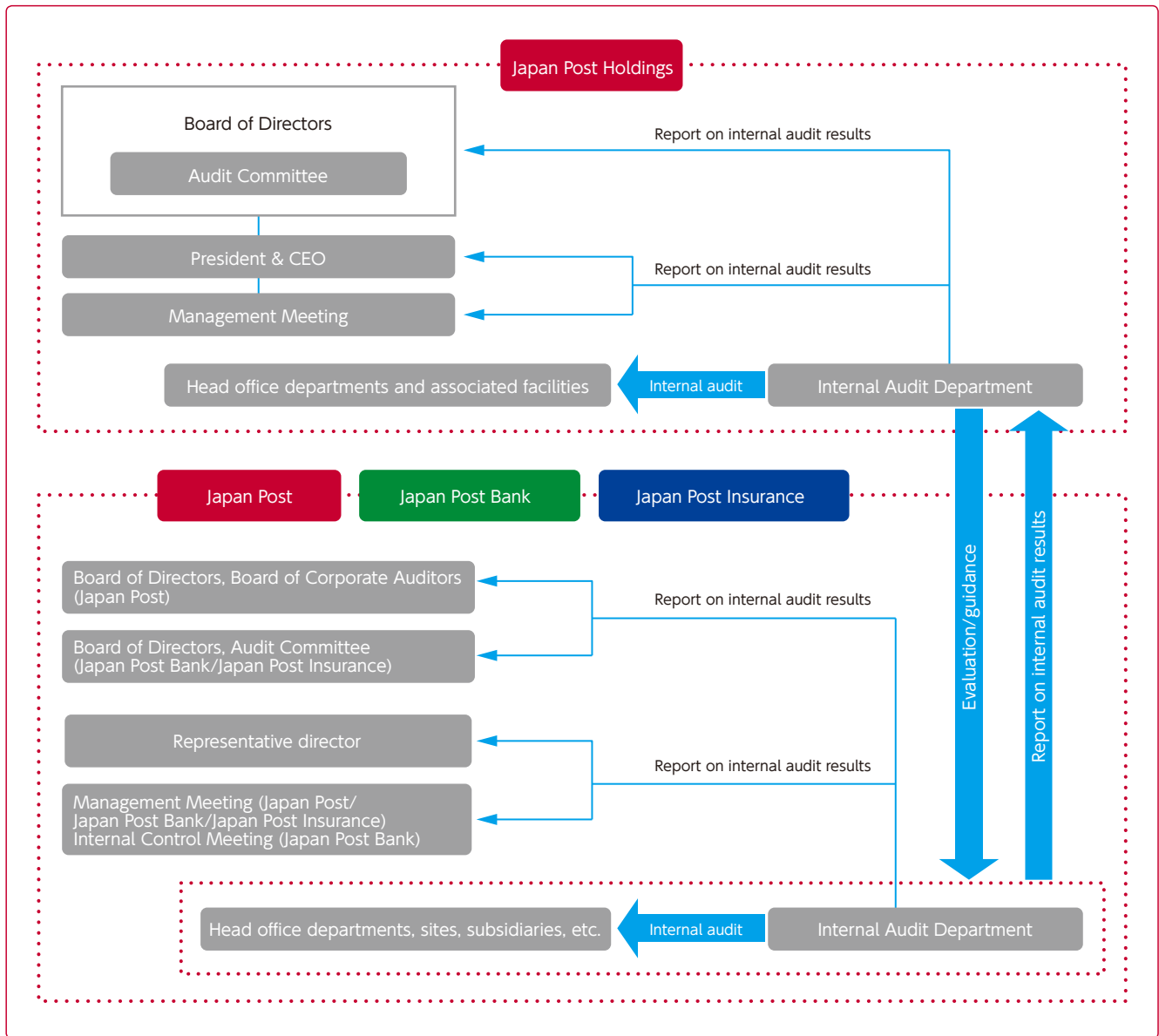
In addition, efforts are made to ensure efficient and effective internal audits through off-site monitoring that includes routinely attending various meetings and gathering relevant internally managed materials.

3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports on internal audit results to the business-executing departments as well as to the representative director, Audit Committee and 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 Framework



9. Japan Post Group Risk and Crisis Management

Japan Post Holdings Co., as the holding company of the Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities and has formulated a basic policy concerning Group risk management. Based on the shared understanding of this policy among Group companies, Japan Post Holdings Co. establishes a risk management system for the entire Group.

Japan Post Holdings Co. is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings Co. is also committed to assuring that Japan Post Bank Co. and Japan Post Insurance Co., the Group's financial companies, continue to strengthen their risk management systems as independent financial institutions and implement autonomous risk management.

To ensure an appropriate response to crisis situations, including earthquakes and other natural disasters, each Group company in the Japan Post Group has established its own crisis management system in accordance with the Group agreements.

① Group Risk Management Framework

As a basic policy concerning Group risk management, the Japan Post Group has laid down basic principles of risk management and fundamental matters that should be observed by Group companies in implementing risk management, including categories of risks that should be managed by each company. The Japan Post Group performs Group risk management based on this policy.

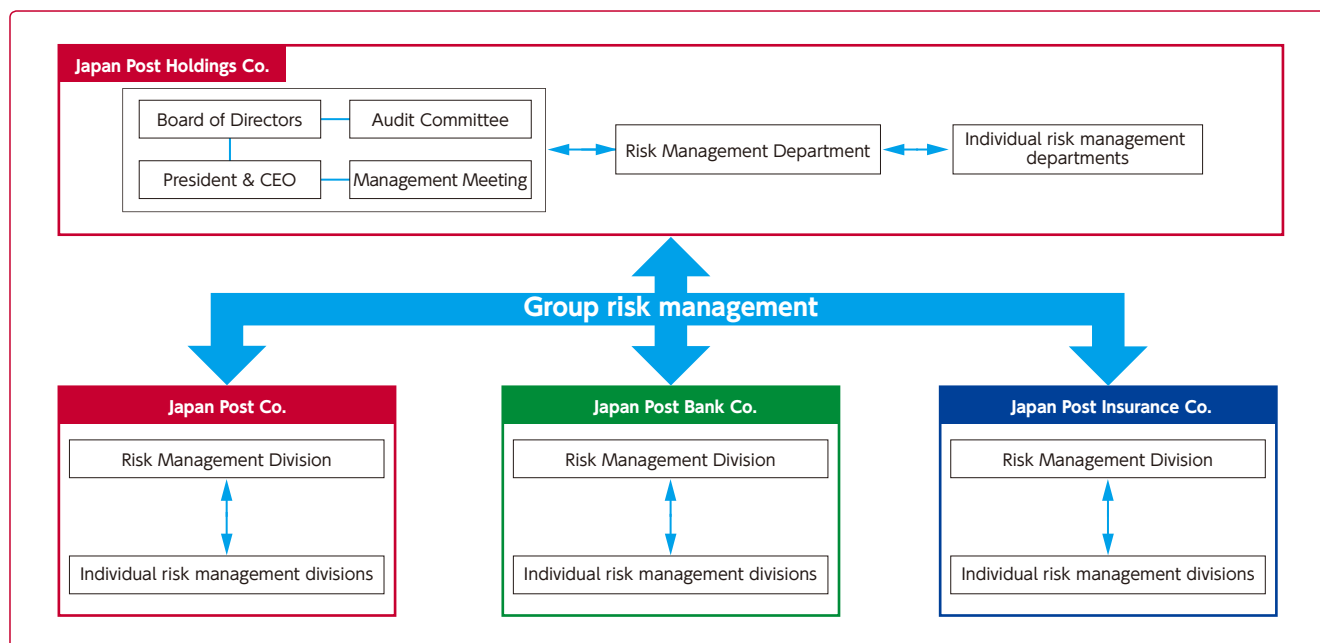
In addition, Japan Post Holdings Co. has a Risk Management Department for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department receives reports from and has discussions with Group companies on matters related to their risk management, thereby setting up a system to

properly identify and 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.

The Japan Post Groups pays particular attention to preventing any conflicts of interest when determining the authority and responsibility of organizations, executives and employees engaging in risk management and has in place a system that ensures appropriate checks and balances among these parties.

■ Risk Management Framework for Japan Post Group



Japan Post Bank Co. and Japan Post Insurance Co. are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each Group company identifies risks to 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 objectively and appropriately measure these risks in a uniform manner.

Japan Post Holdings Co. manages risk by confirming that the

amount of risk measured at each of these two companies is suitable in relation to each Group company's equity capital.

Operational risk is managed for the business activities of Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co.. 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

Managing risk at Japan Post Group companies is recognized as one of management's highest priorities. After specifying risks associated with each business activity, each Group company has established a management system in accordance with the characteristics of each risk based on the basic policy for Group risk

management and manages those risks autonomously.

A department responsible for managing risk has been set up at each Group company and a system for checks and warnings has been created together with the individual risk management departments.

■ Risk Categories and Definitions

Risk category	Definition
Insurance underwriting risk	The risk of losses arising due to change in economic conditions or insurance accident occurrence ratios as opposed to the projections made at the time when insurance premiums were set.
Credit risk	The risk of losses arising from the decline or elimination of the value of assets (including off-balance-sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Market risk	The risk of loss resulting from changes in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of losses resulting from changes in earnings generated from assets and liabilities. There are three material market risks as follows:
1) Interest rate risk	The risk of losses resulting from changes in interest rates. As a result of a mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof, the company may suffer a loss or a decline in profit due to changes in interest rates.
2) Price volatility risk	The risk of declines in the value of assets due to changes in the prices of securities and other financial instruments.
3) Foreign exchange risk	The risk of losses resulting from the difference between assumed and actual foreign exchange rates in the case where the company has a long position or short position on a net basis with regard to its assets and liabilities denominated in foreign currencies.
Asset investment risk	The risk of losses arising from fluctuations in the values of assets or liabilities held (including off-balance-sheet items). Investment risk consists of the following credit, market and real estate investment risks.
1) Credit risk	Same as credit risk above

Risk category	Definition
2) Market risk	Same as market risk above
3) Real estate investment risk	The risk of losses due to decline in profitability of real estate caused by the changes of rental rates, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.
Liquidity risk	(1) Funding-liquidity risk: The risk of losses because a company finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates or the company must unavoidably trade at remarkably lower prices than usual under normal conditions because of a worsening financial condition. (2) Market-liquidity risk: the risk of losses arising due to an inability to conduct market transactions or the need to conduct transactions at far more unfavorable prices because of market turmoil.
Operational risk	The risk of losses resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events. There are three categories of operational risk that apply to the entire Group: (1) administrative risk, (2) IT system risk and (3) information assets risk.
1) Administrative risk	The risk of losses resulting from the neglect by officers and employees to conduct administrative work properly, accidents caused by them and violation of laws conducted by them in the course of the administrative work process.
2) IT system risk	The risk of losses because of a breakdown or malfunctioning of computer systems or other computer system inadequacies, or because of improper use of computer systems.
3) Information assets risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.

③ Crisis Management for Disasters

Based on the Group agreements, each Group company in the Japan Post Group has established a system to ensure appropriate response to crisis situations, including earthquakes and other natural disasters, large-scale accidents and major failures in information systems.

Group companies prepare manuals and establish plans that

facilitate the required initial response and rescue measures immediately after a crisis occurs. In the event of a major crisis, a joint task force on-scene comprising representatives of Group companies will be quickly established in an affected area to review and implement methods to enable the smooth provision of services to customers.