

Japan Post Group Corporate Governance

Basic Views

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

1. Japan Post Holdings Co. 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 Japan Post Group's three core businesses through Japan Post Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings Co. shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings Co. 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 Co. shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
4. Japan Post Holdings Co. shall carry out swift and decisive decision-making and business execution under the effective supervision of the Board of Directors, in order to promptly cope with changes in the social and economic environment and meet the expectations of all stakeholders.

Japan Post Holdings Co. sets out its "Basic Policy on Corporate Governance" concerning the basic views,

framework and operation policy regarding the corporate governance of Japan Post Holdings Co., with a view to ensuring sustainable growth of Japan Post Group and enhancing its corporate value over the medium to long term, and develops the corporate governance structure of Japan Post Group.

*For more information, please refer to the following website.

<https://www.japanpost.jp/en/group/governance/>

Japan Post Holdings Co. will continue to enhance internal controls and strive to enhance corporate governance of Japan Post Group from this perspective.

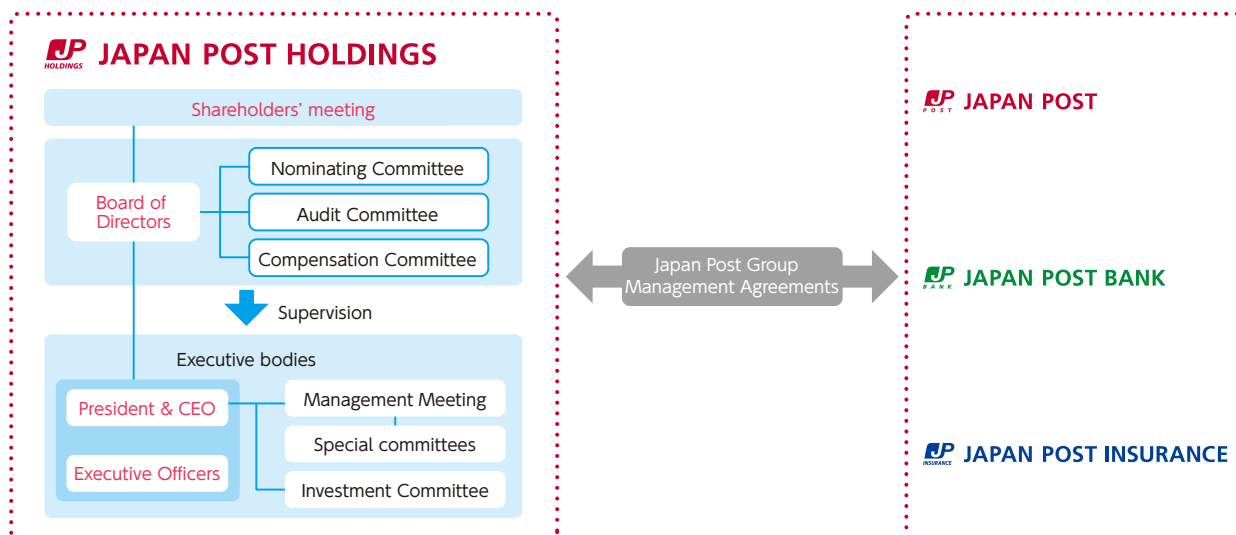
Overview of the Corporate Governance System

Japan Post Holdings Co. has adopted a structure of "company with nominating committee, etc."

Japan Post Holdings Co. has concluded agreements on Japan Post Group's operation and management (hereinafter "Japan Post Group Management Agreements") with and between Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. on Japan Post 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 synergistic effects among Japan Post Group companies.

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

Japan Post Holdings Co. Corporate Governance System



ensures corporate governance of Japan Post Group.

Moreover, in accordance with Japan Post Group Management Agreements, the Group Steering Committee was established to discuss and share a common understanding of important matters concerning group management among the management of Japan Post Group companies for the purpose of promoting effective and efficient operation of Japan Post Group.

Overview of Committees

Board of Directors

The Board of Directors, comprised of 15 Directors (including nine Outside Directors), determines the matters such as the basic management policy required by relevant laws and regulations, as well as the matters relating to the important execution of duties, and supervises the execution of duties by Directors and Executive Officers.

Nominating Committee

The Nominating Committee, comprised of three Directors (including two Outside Directors), submits proposals to the General Meeting of Shareholders concerning the election and dismissal of Directors.

In accordance with the provisions of the Act on Japan Post Holdings Co., resolutions for the election and dismissal of Directors of the Japan Post Holdings Co. shall not become effective without the approval of the Minister for Internal Affairs and Communications.

[Chairperson]

Akio Mimura (Outside Director)

[Members]

Kunio Ishihara (Outside Director)

Masatsugu Nagato (Director and Representative Executive Officer, President & CEO)

Compensation Committee

The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.

[Chairperson]

Tsuyoshi Okamoto (Outside Director)

[Members]

Tadashi Yagi (Outside Director)

Masatsugu Nagato (Director and Representative Executive Officer, President & CEO)

Audit Committee

The Audit Committee, comprised of five Directors (including four Outside Directors), audits the execution of duties by Directors and Executive Officers, and prepares reports on

the audit results, among other tasks. Also, the Audit Committee comprehensively evaluates the independent auditor's execution of its duties and, if deemed necessary, shall submit proposals to the General Meeting of Shareholders for the dismissal or non-reappointment of the independent auditor.

Riki Mukai, a member of the Audit Committee, possesses suitable knowledge relating to finance and accounting, which he has gained by serving in such roles as Managing Executive Officer of Japan Post Bank Co.

[Chairperson]

Tadashi Yagi (Outside Director, full-time)

[Members]

Miwako Noma (Outside Director)

Norio Munakata (Outside Director)

Miharu Koezuka (Outside Director)

Riki Mukai (Director, full-time)

Management Meeting

The Management Meeting is comprised of Executive Officers designated by the President & CEO as an advisory body to the President & CEO. In principle, they deliberate on matters to be resolved by the Board of Directors and those subject to the authority of the President & CEO, and report on Japan Post Group's important management conditions.

Management Condition of the Board of Directors

Management Condition

The Board of Directors is responsible for properly supervising the formulation and implementation of basic policies including Japan Post Group Management Philosophy, Japan Post Group Management Policy, the Group Charter of Corporate Conduct, the Group Medium-term Management Plan and other basic management policies in order to realize sustainable growth and create medium- and long-term corporate value for Japan Post Group.

The Board of Directors also conducts proper monitoring as a supervisory body that supports executive officers in making swift and critical decisions by establishing its "Policy Principles for the Establishment of the Internal Control System" based on the Companies Act, and by evaluating and analyzing its management conditions in response to regular reports from the executive officers in charge.

In particular, in the fiscal year ended March 31, 2018, the Board of Directors discussed important matters relating to business execution at Japan Post Holdings Co. and its subsidiaries, including resolutions of the Board of Directors based on the Companies Act, and received reports regarding management conditions of the internal control system, business performance and other important issues.

Meetings held by the Board of Directors	14
Average attendance rate	98%

*Fiscal year ended March 31, 2018

Compensation System for Directors and Executive Officers

The Compensation Committee has established the “Policy on Decisions Regarding Individual Compensation for Directors and Executive Officers,” and determines the amount of compensation paid to all Directors and Executive Officers of the Japan Post Holdings Co. on the basis of this policy.

A certain level of fixed monetary compensation is paid to Directors on the basis of their responsibilities considering their major role as management supervisors.

Compensation for Executive Officers is comprised of basic (fixed monetary) compensation at a certain level commensurate with their duties considering the differences in responsibilities dependent upon position, and stock compensation reflecting the degree of achievement of management plans and other considerations.

No bonuses are awarded to Directors or Executive Officers.

*For details, please refer to “Compensation Policies for Directors and Executive Officers by Individual” on the Basic Policy on Regarding Corporate Governance website.

<https://www.japanpost.jp/en/group/governance/index02.html>

Evaluation of Effectiveness of the Board of Directors

The Board of Directors, comprised of members with diverse experiences and expertise, makes full use of their respective knowledge and experience to actively hold discussions, and Japan Post Holdings Co. concludes that the Board is operating smoothly.

The Board of Directors of Japan Post Holdings Co. evaluates the effectiveness of the Board of Directors based on the results of the questionnaire completed by the Directors and opinions raised at Outside Directors’ meetings, among other considerations.

*For details, please refer to “Summary of Evaluation Results of the Effectiveness of the Board of Directors of Japan Post Holdings Co., Ltd.” on the Basic Policy on Regarding Corporate Governance website.

<https://www.japanpost.jp/en/group/governance/index02.html>

Policy on Appointment of Directors

The Nominating Committee decides and elects candidates for Directors based on the “Nominating Criteria for Candidates for Directors,” which stipulates the concepts regarding an appropriate balance of knowledge, experience and skill for the Board of Directors as a whole, membership diversity, and

appropriate size of the Board, as well as the qualifications for Directors required by Japan Post Holdings Co.

As part of its promotion of diversity, Japan Post Holdings Co. has set a target of 13% or more for a combined ratio of female Directors and Executive Officers by the end of the fiscal year ending March 31, 2021.

*For the reasons for the appointment of Outside Directors, please refer to the Corporate Governance Report in the Group Governance section of our website.

<https://www.japanpost.jp/en/group/governance/>

Training of Directors & Support System for Outside Directors

Training of Directors

Japan Post Holdings Co. provides opportunities for Directors to deepen their understanding and acquire necessary knowledge about such things as Japan Post Group’s businesses, issues to be addressed, and management strategies by implementing measures such as tours of Japan Post Group’s facilities, so that Directors may properly fulfill the roles and responsibilities expected of them.

Support System for Outside Directors

Japan Post Holdings Co. has developed an operation system for Outside Directors with consideration for the coordination of a flexible annual schedule, accurate provision of information as necessary, adequate advance explanation of proposal contents, and securing of time for preliminary consideration and question-asking by the Board of Directors to ensure smooth and effective operation of the Board and improve the effectiveness of supervision by Outside Directors.

In addition, Japan Post Holdings Co. has established the Office of the Board of Directors to streamline the deliberation and reporting processes of the Board of Directors and check on the progress of resolutions made by the Board, as well as to support management and ensure communication and coordination with Outside Directors to conduct Board of Directors’ meetings effectively and efficiently.

Dialogue with Shareholders and Investors

Japan Post Group discloses information accurately and fairly to all shareholders and investors, and strives to hold constructive dialogue with them, sharing requests made with the management team in order to contribute to sustainable growth and improved medium- and long-term corporate value.

- 13th Annual General Meeting of Shareholders
Date: June 20, 2018
Attendees: 1,382
- Briefing Sessions for Individual Investors for Fiscal Year

Ended March 31, 2018

Meetings Held: 17

Participants: Approximately 940

- Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2018 (for Institutional Investors & Analysts)

Meetings Held: 6

- Dialogue with Institutional Investors & Analysts (Fiscal Year Ended March 31, 2018)

Meetings Held: Approximately 120

- Participation in IR Conferences in Japan and Abroad (Fiscal Year Ended March 31, 2018)

Meetings Held: 3

Primary Legal Regulations

In conducting its business, Japan Post Group is subject to various legal regulations such as those described below.

(1) Regulations based on the Postal Act and other laws

Under the Postal Act, Japan Post Co., our consolidated subsidiary, has exclusive rights to conduct postal business in Japan. As such, it is subject to regulations specific to a business unlike that of other companies, such as the authorization system for business consignment and changes to postal agreements, the uniform nationwide fee system, fee limits on standard-size mail and the notification system for postage fees (including the authorization system for third-class and fourth-class mail).

(2) Regulations based on the Banking Act and the Insurance Business Act

The banking and life insurance businesses of Japan Post Group are subject to financial business regulations that are typically applied to such businesses, such as the Banking Act and the Insurance Business Act.

(a) Regulations pertaining to Japan Post Bank Co. and Japan Post Insurance Co.

Japan Post Bank Co., our consolidated subsidiary, engages in the banking business and Japan Post Insurance Co., also our consolidated subsidiary, engages in the life insurance business (hereinafter referred to as our “two financial subsidiaries” and are subject to supervision by the Financial Services Agency, based on the Banking Act and the Insurance Business Act. In particular, they are subject to broad oversight by the Commissioner of the Financial Services Agency, who is appointed by the Prime Minister, which includes revocation of their licenses if they violate any laws or regulations, as well as suspension of their business and conducting of on-site inspections when deemed necessary for the purpose of assuring sound and proper business operations.

Japan Post Bank Co. is not permitted to conduct business other than as set forth by the laws based on the Banking Act and other related business regulations. In terms of the capital adequacy ratio, which is the standard for achieving an adequate level of equity capital, Japan Post Bank Co. is required to maintain a ratio of at least 4.0% (Japanese standard). Japan Post Insurance Co. is also not permitted to conduct business other than as set forth by the laws based on the Insurance Business Act and other related business regulations. In addition, Japan Post Insurance Co. is required to maintain a solvency margin ratio of at least 200% as an indicator of whether it has a “payment reserve” that enables it to cope with risks that occur beyond normal expectations, such as catastrophic disasters or the massive collapse of stock prices. As of March 31, 2018, Japan Post Bank Co. has a consolidated capital adequacy ratio of 17.43% and Japan Post Insurance Co. has a consolidated solvency margin ratio of 1,131.8%, so both subsidiaries have maintained high levels compared with the ratios regulated by law.

(b) Regulations pertaining to Japan Post Co.

Based on the Banking Act and the Insurance Business Act, Japan Post Co. is subject to supervision by the Financial Services Agency with regard to the post office business of Japan Post Group as a banking agency and affiliated bank of Japan Post Bank Co. and as an insurance solicitor and affiliated insurance company of Japan Post Insurance Co.

As a banking agency, Japan Post Co. is not permitted to conduct business other than as set forth by law and is subject to such regulations as the obligation for separate management, the obligation to explain banking agency services it engages in to customers, and the prohibition of certain activities such as making definitive claims. Also, as an insurance solicitor, it is subject to such regulations as the obligation to provide explanations for customers and the prohibition of certain activities such as providing false explanations.

(c) Regulations pertaining to Japan Post Holdings Co.

As a bank holding company and insurance holding company, Japan Post Holdings Co. is also subject to supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act, and required to maintain a consolidated capital adequacy ratio of at least 4.0% (Japanese standard) and a solvency margin ratio of at least 200%. Furthermore, it is obligated to maintain a system for protecting the interests of customers and submitting business reports to regulatory authorities every business year.

As of March 31, 2018, Japan Post Holdings Co. has a consolidated capital adequacy ratio of 19.11% and a consolidated solvency margin ratio of 722.7%, so it has

maintained high levels compared to the ratios regulated by law.

(d) Licensing required by law

Japan Post Group has been licensed or authorized primarily as described in the table below.

(3) Regulations specifically applicable to Japan Post Group

Based on the Postal Service Privatization Act and other laws, Japan Post Holdings Co. and Japan Post Co. are obligated to provide postal services so that payment of simple savings, remittances, services for settlement of debts and credits, and services for easy-to-use life insurance are available to customers at post offices in an integrated format and in a manner that is easy to use by customers. They are also obligated by law to maintain the post office network to ensure fair use across all of Japan well into the future (provision of services through the post office network based on these obligations referred to hereinafter as “universal services”).

With regard to universal services, in October 2013 the Minister for Internal Affairs and Communications consulted with its consultative body, the Postal Policy Committee of the Telecommunications Council, about “Securing universal services of the postal business and the proper means for revitalizing the post and correspondence market,” and a report was issued by the Telecommunications Council on September 28, 2015.

In the report, with regard to securing universal services, it states that in the short term, “*Japan Post Holdings Co. and Japan Post Co. are required to maintain the current scope and level of services by their own management efforts,*” and, “*In addition, it is necessary for the national government to examine measures that will serve as incentives for securing universal services.*” The report

continues, stating that in the medium to long term, “*Considering changes in the environment of the postal business or in the scope and level of service expected by the people and users in response, it is necessary to continuously examine measures for securing universal services and how the cost burden is borne.*”

Although the Telecommunications Council estimates the cost of universal services to the postal business, it is an estimate made independently by the Council and not produced by Japan Post Group.

Also, Japan Post Holdings Co. and Japan Post Co. are required to receive authorization from the Minister for Internal Affairs and Communications to engage in new businesses, solicit shares, elect or dismiss directors (Japan Post Holdings Co. only), formulate business plans, amend articles of incorporation, conduct mergers, or split or dissolve companies based on the Act on Japan Post Holdings Co. and Act on Japan Post Co., respectively (however, only notification of new businesses to the Minister for Internal Affairs and Communications is required for Japan Post Co.). Furthermore, the two financial institutions, in addition to regulations based on the Banking Act and the Insurance Business Act, are required to receive authorization from the Prime Minister and the Minister for Internal Affairs and Communications based on the Postal Service Privatization Act to engage in new businesses, hold subsidiaries of financial institutions (Japan Post Bank Co.) and particular subsidiaries (Japan Post Insurance Co.), conduct mergers, split companies, or transfer and receive businesses in order to ensure equal competitive conditions with other companies engaged in similar business. Japan Post Bank Co. may not in itself have banks as subsidiaries and neither may Japan Post Insurance Co. have insurance companies as subsidiaries. In addition, although a review is currently being discussed by the Postal Service Privatization

■ Table: Licensing required by law

License	Related Law	Company	Expiration Date	Reasons for Cancellation, etc.
Bank Holding Company Authorization	Article 52-17, Paragraph 1 of the Banking Act	Japan Post Holdings Co.	None	Article 52-34, Paragraph 1 of the Banking Act
Insurance Holding Company Authorization	Article 271-18, Paragraph 1 of the Insurance Business Act	Japan Post Holdings Co.	None	Article 271-30, Paragraph 1 of the Insurance Business Act
Bank Agency Authorization	Article 52-36, Paragraph 1 of the Banking Act	Japan Post Co.	None	Article 52-56, Paragraph 1 of the Banking Act
Life Insurance Solicitor Registration	Article 276 of the Insurance Business Act	Japan Post Co.	None	Article 307, Paragraph 1 of the Insurance Business Act
Banking Business License	Article 4, Paragraph 1 of the Banking Act	Japan Post Bank Co.	None	Article 26, Paragraph 1; Article 27; Article 28 of the Banking Act
Insurance Business License	Article 3, Paragraph 4 of the Insurance Business Act	Japan Post Insurance Co.	None	Article 132, Paragraph 1; Article 133; Article 134 of the Insurance Business Act

Committee, the two financial institutions are subject to regulations different from other companies in the same industry, such as deposit limit regulations in the banking business and subscription limit regulations in the life insurance business.

(4) World Trade Organization (WTO): Government procurement rules

As successors of government-owned companies, Japan Post Holdings Co., Japan Post Co. and the two financial institutions are required to comply with procedures set forth by international agreements when procuring items subject to government procurement agreements and other international agreements.

Code of Conduct

Japan Post Group is committed to executing honest and fair corporate activities in order to earn even stronger, more solid trust from its customers and every segment of society. Therefore, Japan Post Group uses the following code of conduct as its standard for judgments made by and behavior of employees.

Japan Post Group Privacy Policy

Japan Post Group is committed to providing services that can achieve a high degree of customer satisfaction. Properly protecting and treating personal information is vital to accomplishing this goal. Accordingly, Japan Post Group has established its fundamental policy (hereinafter referred to as the "Privacy Policy") for protecting personal information.

For details, please refer to page 151.

Japan Post Group Conflicts of Interest Management Policy

Japan Post 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 conflicts of interest.

For details, please refer to page 153.

Japan Post Group Information Security Declaration

Japan Post Group understands that information security is essential for customers to use our services with confidence. Our activities reflect this awareness of the importance of information security.

For details, please refer to page 153.

Basic Policy on Antisocial Forces

Japan Post Group endeavors to eliminate any relationships with and prevent damage from antisocial forces, in keeping with the "Japan Post Group Charter of Corporate Conduct" and "Declaration by Top Management regarding the

Elimination of Relationships with Antisocial Forces."

Please refer to page 154 for the "Declaration by Top Management regarding the Elimination of Relationship with Antisocial Forces."

Disclosure Policy

Japan Post Group is determined to fulfill its responsibility to explain its operations by conducting highly transparent business operations and disclosing information in a fair manner to earn the trust of our customers. To achieve sustainable growth and medium- to long-term improvement of our enterprise value, Japan Post Holdings Co. shall disclose information in a fair and accurate manner to its shareholders, investors and other stakeholders. In addition, the management shall make efforts to be active in enabling open communication and sharing among its own staff the requests, expectations and other matters learned through such communication. Japan Post Group also properly responds to the Fair Disclosure Rules introduced by revisions to the Financial Instruments and Exchange Act in April 2018.

For details, please refer to page 154.