

Interview with Outside Director



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Q1 What are the roles and responsibilities required of Outside Directors?

This will be my fifth year serving as an Outside Director. Three years ago, I witnessed the milestone event of the simultaneous listings of three Group companies, namely Japan Post Holdings Co., Japan Post Bank Co. and Japan Post Insurance Co. Japan Post Holdings Co. has adopted a structure of company with nominating committee, etc., under which the majority of directors are independent Outside Directors, and undertakes its management with a clear separation between supervision and business execution. Outside Directors fulfill the roles of supervising the executive bodies and providing advice that contributes to maintaining sustainability and increasing the value of the Japan Post Holdings Co.

Although a new Medium-term Management Plan has begun from the fiscal year ending March 31, 2019, the Japan Post Holding Co.'s principle of aiming to be a "Total Lifestyle Support Group" remains unchanged. Various types of Outside Directors made up of managers and lawyers, including women and foreign nationals, are

required to utilize their respective experiences and specialized knowledge to perform supervisory duties to determine whether executive bodies are making management decisions in accordance with this principle and meeting the expectations of shareholders, and whether employees share this principle and are taking actions that place the customer first. Outside Directors also try to frankly articulate their thoughts from a neutral standpoint. This requires us to deepen our understanding of the post office network that supports the overall postal business. We always make great efforts toward learning about the post office network, such as by attending study meetings that include executive officers and making on-site observation visits. As a result, I am strongly aware of the great depth of the postal business.

Q2 What is your evaluation of the Japan Post Group's governance system and initiatives?

The Board of Directors convenes once a month and the Nominating Committee, Compensation Committee and Audit Committee each convene when necessary. All of

these committees are structured giving preference to outside members. The Nominating Committee and Compensation Committee are each composed of three members, including two Outside Directors and one internal director. The Audit Committee, which I chair, is composed of four Outside Directors and one internal director and convenes around 20 times annually. The Committee's duties are to assure that business is being executed legally and properly and to confirm the effectiveness of the internal control systems. The members monitor the status of business execution while attending important meetings such as the Management Meeting; regularly receiving reports from each executive officer in charge of internal controls, internal auditing, compliance, accounting, finance and risk management; and exchanging opinions with the president and vice president of Japan Post Holdings Co. and the presidents of the main subsidiaries.

The Internal Control General Meeting, composed of executive officers in charge of business planning and internal controls and headed by the Senior Executive Vice President, was established to strengthen internal controls. Each quarter, this Meeting confirms the status of the operation of the internal control systems. Full-time Audit Committee members also attend and share information and organize various improvement points and issues.

Two years ago, we experienced a tense situation when previous president Taizo Nishimuro was hospitalized due to poor health and the Japan Post Holdings Co. was temporarily without a president. However, the Nominating Committee quickly took action and nominated Mr. Nagato, who was serving as president of Japan Post Bank Co., as succeeding president for the Board of Directors' consideration. Meanwhile, the Compensation Committee revised a portion of the compensation for executive officers as performance-based stock compensation. I believe this is one example of how we contribute to the sustainability and growth of the Japan Post Holdings Co..

Management's fundamental policies are expressed in the new three-year Medium-term Management Plan. The plan serves as a start toward sustainable growth and includes measures such as raising earnings power in the postal and logistics business, sophisticating and diversifying asset management, and investing and creating new businesses in growth fields. I foresee an increased importance in the roles of the Group's governance system, and the Board of Directors, Nominating Committee, Compensation Committee and Audit Committee, which form the axis of the Group's governance system.

Q3 Please describe the current status and evaluation of and issues facing the Board of Directors.

Every year, we evaluate the Board of Directors utilizing

methods such as providing questionnaires that ask each director about the effectiveness of the Board. Besides these, we received the opinion of an Outside Director who asked whether the Board of Directors could be operated in a more meaningful and deliberate manner. In accordance with this opinion, we are making improvements for enabling discussions from diverse perspectives for important matters such as new investments, risk management and compliance. Thanks to these improvements, I sense that discussions held by the Board of Directors are now deepening and becoming more energetic.

The Board of Directors is also increasing the time allotted for discussing urgent matters such as the establishment of Japan Post Real Estate Co., JAPAN POST CAPITAL Co. and Japan Post Investment Corporation as well as for the formulation of the new Medium-term Management Plan. We are using creative means through the provision of information and preparation of materials that enable a deeper examination of issues within a limited time frame. For new businesses in particular, the Board of Directors considers responses from a variety of perspectives, such as profitability, including prospective income and expenditures, as well as risks, synergies, personnel and systems.

Q4 Going forward, what must Japan Post Group do to improve corporate value?

The environment surrounding Japan Post Group is becoming increasingly severe while Japan Post Bank Co. and Japan Post Insurance Co. are being affected by ultra-low interest rates. Meanwhile, the downtrend in the volume of mail continues and the Yu-Pack business suffers from the impact of rising personnel expenses and transport costs and difficulty in securing sufficient workers. Despite these challenges, the trustworthiness of Japan Post Group's brand image, "*Post offices that are close at hand and provide a sense of security,*" is deeply rooted.

We will realize secure, stable earnings and growth, and cultivate new businesses as employees maximize their strengths. In doing so, we will utilize the trust cultivated since the Meiji Era and the sincerity handed down to and inherited since then by our employees. We also aim to establish post offices that meet the distinctive needs of every community and thoroughly promote the effectiveness and efficiency of our post office network. Concurrently, we intend to raise awareness of compliance and become an organization that further responds to the trust of our customers. By affirming our origins, along with having the flexibility to accept changes demanded by society and the mettle to take on challenges required for new growth, corporate value will naturally increase. I believe we possess all the strengths required to accomplish this.