

# 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. Notably, in light of the recent issues related to the solicitation quality of Japan Post Insurance products, we are implementing onsite monitoring of post offices and other facilities by Japan Post Holdings and working to enhance the Group internal auditing liaison committee.

Note: For details on the "Report on Issues Related to Solicitation Quality of Japan Post Insurance Products," please see pages 10 to 21.

## 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 Japan Post 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 Co., Ltd. evaluates and examines the audit regulations, audit plans, and internal audit systems of and provides guidance and advice to Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. from the perspective of enhancing the internal audit system framework of the entire Group.

This Internal Audit Department also makes recommendations for improvements and directly undertakes audits when required.

## 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. These departments examine the internal management system, such as ascertaining the state of the execution of management activities and whether mutual supervision is functioning.

### 2. Implementation of Effective Internal Audits

In implementing internal audits, the Internal Audit Department undertakes audits in accordance with IIA's (The Institute of Internal Auditors) *International Standards for the Professional Practice of Internal Auditing (Standards)*. This includes conducting 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, as well as obtaining insights from audit firms and specialists through seminars and other occasions both internally and externally to improve the quality of audits.

### 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 Board of Directors, representative director, Audit Committee, and Board of Corporate Auditors.

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

