

Message from an Outside Director



Japan Post Holdings' Corporate Governance Structure

Japan Post Holdings has a company with a nominating committee structure, and its corporate governance is centered on its Board of Directors and its nomination, compensation, and audit committees. There are a total of 13 directors, four from within the Company and nine from outside; all outside directors are independent directors. The directors come from varied backgrounds and are fully diverse in terms of gender and nationality. All three committees consist of a majority of outside directors, and are chaired by outside directors as well. Under this highly independent and transparent system, the Board of Directors makes decisions on basic management policies and other important matters, supervises execution, and manages risks, while the three committees carry out their respective mandates.

As this shows, the Company's corporate governance system is advanced and its membership is well organized. It goes without saying, however, that simply having the proper structure in place is not enough. It is necessary to thoroughly investigate any issues raised from the perspective of corporate governance, such as the issue of the solicitation of Japan Post Insurance policies that caused serious disadvantages to many of our customers and the major impairment loss booked on the acquired Australian logistics company Toll Holdings Limited.

Discussions on the State of Corporate Governance

Based on this awareness, the Board of Directors has held earnest discussions regarding the Company's corporate governance structure since the beginning of last year. There was also a difficult exchange of opinions with the executive side. I believe the diversity of the Board of Directors contributed greatly to broadening and deepening the horizons of the discussions throughout this process.

One of the key issues is the relationship between the holding company and its Group companies. The Company needs to be involved in the management of its Group companies based on the Japan Post Group Management Agreements. At the same time, a subsidiary is an independent stock company that should be granted management autonomy. The question is what kind of balance should be struck between centralized and autonomous decentralized management systems. Although it is difficult to clearly delineate between the two, in my opinion the basic division should be that the holding company takes a fairly centralized stance on matters that affect the entire Group or that may impact its corporate value, while aiming for as much autonomy and decentralization as possible on other matters. Since last year, the Board of Directors has been engaged in detailed discussions on the management of Group companies based on this understanding.

Another major issue is how to ensure that important information, including the realities at the front lines of Group companies that are developing diverse businesses, reaches the holding company or the Board of Directors. No matter how splendid the structure is or how open the discussion is, it is meaningless if important information does not reach the appropriate parties. Serious discussions were held between the executive departments of the Company and those of Group companies in this regard, and various meeting bodies and information communication frameworks were established. As a result, I feel that key information for the entire Group is now much easier to share than before.

Naturally, it would be difficult for the Company to get the complete picture of everything that is going on in such a massive corporate group, and that should not be a requirement. What is important is to recognize these limitations and to remain vigilant as to ensure communication channels of important information are not clogged. The Board of Directors also recognizes it has the responsibility to do so.

Formulation of “JP Vision 2025”

Firmly recognizing its role, the Board of Directors has been deeply involved in the formulation of the Medium-Term Management Plan starting in 2021. The plan embodies the vital mission of charting a growth strategy for the Japan Post Group amid a rapidly changing environment, while restoring confidence in the Group as a whole as a major underlying prerequisite. Each director has presented his or her ideas from various perspectives since the Board of Directors began discussing the formulation of the plan in September 2020. At times, revisions were requested to the executive side's proposals, and opinions were expressed on how they should be formulated. In such interactions, it was pointed out that the process of formulating a management plan is of great significance, and accordingly, a wide range of opinions were sought and gathered from senior executives through to young employees within the Group. We also received proposals for the Group's growth from the JP Reform Execution Committee, and had a close exchange of opinions with YAMAUCHI Hirotaka, then chair of the committee. There were also in-depth discussions on a broad range of issues, including the state of Group

management, human resource policy, sustainability, ESG, DX, capital policy, and risk management. A total of 10 meetings of the Board of Directors were held as well as roundtable discussions with directors regarding the plan. In May 2021, the final decisions were made and the plan was announced as “JP Vision 2025.”

Toward the Creation of New Value

The vision begins with the statement, “The Japan Post Group aims to build a ‘Co-Creation Platform’ to support customers and local communities.” To this end, the Group is striving to embody the concepts of “Network of Physical post offices x Digital post offices” and “Core businesses x New businesses.” By doing so, it will do its utmost to create value by providing lifelong support to our customers in this era of the 100-year lifespan, supporting local communities across Japan, enhancing shareholder returns, creating friendly workplaces for employees, and realizing a sustainable society.

The Group's greatest strengths in realizing this vision are its 24,000-strong nationwide network of post offices, the 400,000 people who work in the Group, and the trust that it has earned from our customers over its long history.

The Group must also humbly accept the severe criticism that it has received from society. This is why it is critical for all Group members to work positively and proactively to create new value now. I am convinced that the direction set out in JP Vision 2025 is worthy of proudly publicizing to the world. I would like the employees to have a sense of pride and responsibility in being involved in making this happen. As one of the outside directors, I will do all I can to help the Group realize its vision.