

## **Fundamental Policy for Establishment of Internal Control Systems**

### **1. System for ensuring execution of duties by the Executive Officers and employees of the Company are in compliance with laws and regulations and the Articles of Incorporation**

- (1) In addition to the formulation of management philosophy and management policy, the Company shall ensure thorough understanding of all Executive Officers and employees of the compliance with laws and regulations in every aspect of its business activities, in accordance with the Japan Post Group's Charter of Corporate Conduct established by Japan Post Holdings Co., Ltd. Furthermore, the Company shall establish its compliance framework by formulating compliance rules.
- (2) The Company shall establish a department that supervises compliance to promote compliance within the Company. Meanwhile, a Compliance Committee shall be established to deliberate on the management policies concerning compliance, specific compliance operations and response to various issues, and report important matters to the Executive Committee and the Audit Committee.
- (3) The Company shall prepare a Compliance Manual that serves as a guide to the laws and regulations and other rules concerning its corporate activities, while carrying out trainings on laws and regulations as well as internal regulations that must be observed by Executive Officers and employees, in order to ensure thorough implementation of compliance.
- (4) For the purpose of establishing compliance framework and ensuring sound business management, the Company shall set up a liaison meeting, comprised of the President, CEO, Representative Executive Officer and others, with Japan Post Co., Ltd., which serves as the Company's insurance agent, to discuss matters related to the enhancement and reinforcement of the internal control systems of Japan Post Co., Ltd., and shall take measures necessary for guidance and management of Japan Post Co., Ltd.
- (5) The Company shall set out response as an organization to anti-social forces in the internal rules for dealing with anti-social forces, and cut off and exclude any relationship with anti-social forces that may threaten social order and sound corporate activities by firmly refusing their undue demand, while regularly cooperating with external expert bodies including the police.
- (6) In order to ensure adequacy of the documents related to financial accounting and other information, the Company shall strive to secure credibility of its financial reporting, and report important matters to the Executive Committee, the Audit Committee and the accounting auditor, as appropriate.
- (7) The Company shall establish rules for reporting for any violations or suspected violations of compliance, and set up points of contact for whistleblowing both inside and outside the Company, the use of which shall be thoroughly informed to all Executive Officers and employees.
- (8) The Company shall formulate internal audit rules and develop an internal audit framework. Meanwhile, the internal audit department independent of all departments to be audited shall conduct effective internal audits of compliance in the Company's business activities and report the status of internal audits to the Executive Committee and the Audit Committee.

### **2. System for retaining and managing information concerning the execution of duties by the Executive Officers**

In the Executive Committee rules and the document management rules, the Company

shall define the methods and system for retaining and managing various documents concerning the execution of duties by the Executive Officers, such as the minutes of the Executive Committee meetings and approval documents, in order to appropriately retain and manage such information. Documents shall be accessed or copied at the request of the Audit Committee or the internal audit department.

**3. System and rules for managing the risk of loss to the Company**

- (1) Through formulating basic risk management policies and other risk management rules, the Company shall present to Executive Officers and employees the basic matters related to risk management such as basic principles, the management framework and management methods, and implement risk management based on such basic policies and others.
- (2) The Company shall establish a department that supervises risk management, identify the status of risks, and analyze and manage such risks. Meanwhile, a Risk Management Committee shall be established to deliberate on the policies concerning risk management, matters related to the development and operations of risk management system and matters related to the implementation of risk management and report important matters to the Executive Committee and the Audit Committee.
- (3) The Company shall formulate crisis management rules and develop a crisis management framework to promptly and appropriately address and take necessary countermeasures in cases where risks that have a significant impact on the management arise.

**4. System for ensuring the efficient execution of duties by the Executive Officers**

- (1) The Company shall, in principle, hold a meeting of the Executive Committee, comprised of Executive Officers, on a weekly basis, and discuss matters delegated from the Board of Directors and matters to be approved by the Board of Directors. Furthermore, specialized committees shall be established as advisory bodies to the Executive Committee as appropriate.
- (2) The Company shall formulate organization rules and administrative authority rules and define the duties of each organizational unit, administrative authority and responsibility of each Executive Officer, and the procedures for approvals on business decisions, with a view to ensuring the efficient execution of duties by the Executive Officers.

**5. System for ensuring proper operations within the corporate group comprising the Company and Japan Post Holdings, and subsidiaries of the Company**

- (1) The Company shall conclude the Japan Post Group Agreement with Japan Post Holdings Co., Ltd., Japan Post Co., Ltd. and Japan Post Bank Co., Ltd., while concluding an agreement on the operations of the Japan Post Group and a memorandum of understanding on the rules for such operations with Japan Post Holdings Co., Ltd., whereby prior consultation or reports shall be made over the matters necessary for proper and smooth operations of the Group.
- (2) The Company shall formulate rules concerning the management of subsidiaries, and establish a framework for appropriately managing business operations of subsidiaries as follows.
  - (i) The Company shall have subsidiaries take measures based on the Japan Post Group Agreement, etc. which serves as a basis for the Group management.

- (ii) The Company shall carry out management analysis, guidance on business operations, risk management, guidance on compliance, audits, etc., for subsidiaries.
- (iii) Formulation of management policies, business plans and other important matters by subsidiaries shall be subject to the prior approval of the Company.
- (iv) Matters filed to the authorities by subsidiaries, monthly business results, and the results of external audits shall be reported to the Company.
- (3) The Company shall formulate rules concerning the management of intra-Group transactions and ensure proper transactions with the Group companies based on the arm's-length rule.

**6. Matters concerning employees who are to assist the duties of the Audit Committee**

The Company shall establish the Office of Audit Committee as an organization that provides assistance to the Audit Committee in performing its duties, and assign full-time employees with knowledge and ability necessary to assist the duties of the Audit Committee.

**7. Matters related to maintaining the independence of employees who are to assist the duties of the Audit Committee from the Executive Officers, and matters related to ensuring the effectiveness of instructions given by the Audit Committee to these employees**

The employees assigned to the Office of Audit Committee shall assist the duties of the Audit Committee under its sole direction. In addition, matters relating to recruitment, transfer, personnel evaluation or disciplinary actions involving the employees assigned to the Office of Audit Committee shall be subject to the approval of the Audit Committee or of a member of the Audit Committee appointed by the Audit Committee.

**8. System for the Executive Officers and employees to report to the Audit Committee, and other systems of reporting to the Audit Committee**

- (1) The Executive Officer in charge of internal controls shall regularly report to the Audit Committee on the status of the performance of duties related to internal controls of the Company and its subsidiaries.
- (2) Executive Officers and employees shall promptly report to the members of the Audit Committee on important matters that are likely to have a significant impact on the management of the Company or its subsidiaries.
- (3) The Executive Officer in charge of internal audits shall regularly report to the Audit Committee on the status and results of the internal audits of the Company and its subsidiaries, and report to the members of the Audit Committee on the important matters that are likely to have a significant impact on the management.
- (4) Executive Officers and employees shall report the matters related to the business execution of the Company or its subsidiaries, as required by the Audit Committee. In this case, the Audit Committee shall request an investigation to the Executive Officer in charge of internal audits or give specific instructions concerning the officer's execution of the duty, whenever the Audit Committee deems necessary.
- (5) Executive Officers and employees shall promptly report to the members of the Audit Committee on any significant compliance violation (including any suspected matters) of the Company or its subsidiaries discovered through whistleblowing or by other means.
- (6) Any person who reported to the Audit Committee or any whistleblower within the Company shall not be subject to disadvantageous treatment on the ground of such report or whistleblowing.

**9. Procedures for making advanced payment or reimbursement of expenses to be incurred in the execution of duties by the members of the Audit Committee, and matters concerning a policy for the handling of expenses or debts to be incurred in the execution of such duties**

Executive Officers and employees may not deny a request for payment made by the members of the Audit Committee for expenses incurred in the course of audits carried out as part of the execution of duties of the Audit Committee, including fees for advice they sought from attorneys, certified public accountants or other external experts, or duties they outsourced for investigation, appraisal or others, unless the Company proved that the aforementioned expenses were not necessary for the execution of duties of the Audit Committee.

**10. Other systems for ensuring effective audits by the Audit Committee**

- (1) The President, CEO, Representative Executive Officer shall strive to exchange opinions with the Audit Committee regularly in an effort to enhance mutual understanding over the important management matters including basic management policy, issues to be addressed and the functional status of the internal control system.
- (2) The Executive Officer in charge of internal audits shall formulate or amend the audit plan upon providing prior explanation about the audit plan to the Audit Committee and obtaining its consent.
- (3) The Audit Committee shall cooperate with the Executive Officer in charge of internal audits such as by exchanging opinions whenever necessary in order to stay abreast of important points of audit.
- (4) The Audit Committee shall receive prior explanation about the audit plan from the accounting auditor and regular reports on the status of audit implementation, and shall cooperate with the accounting auditor through exchange of opinions as appropriate in order to be acquainted with important points concerning accounting audit at all times.
- (5) In executing its duties, the Audit Committee shall cooperate with the Audit Committee of Japan Post Holdings Co., Ltd., through measures such as regular exchange of opinions.
- (6) Important personnel appointments of the Executive Officer in charge of internal audits and the Senior General Manager of the Internal Audit Department shall be subject to the approval of the Audit Committee or of a member of the Audit Committee appointed by the Audit Committee.

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