

Japan Post Group Medium-Term Management Plan 2020

Review of Medium-Term Management Plan - New Japan Post Group Network Creation Plan 2017 (2015-2017)

Japan Post Group achieved most of its key numerical targets during the three-year period from the fiscal year ended March 2016.

Moreover, in keeping with the intent of privatization, we promoted Group strategies for attaining growth and development including the simultaneous listings of three companies, namely Japan Post Holdings Co., Japan Post Bank Co. and Japan Post Insurance Co., and the acquisition of Australia-based Toll Holdings Limited.

Three-year Business Targets		Results
Group consolidated net income (including income attributable to non-controlling interests)	Approx. 450.0 billion yen	including income attributable to non-controlling interests 512.0 billion yen
		excluding income attributable to non-controlling interests 460.6 billion yen
Japan Post Co.		
Consolidated net income	Approx. 30 billion yen	58.4 billion yen
Number of Yu-pack handled	Approx. 680 million	Approx. 880 million
Real estate business	Stable operating income of 25.0 billion yen	28.5 billion yen

Overview of Medium-Term Management Plan 2020 (2018 – 2020)

Aim for securing stable income and a start toward sustainable growth in a difficult environment.

Basic policies

- 1 Development of business that supports the total lifestyles of customers
- 2 Securing stable income for the Group
- 3 Development of environment that enables employees to demonstrate their full capabilities
- 4 Development of new businesses aimed at future growth

Basic policies by business

Business fields

1 Postal and domestic logistics business

Basic policies

Comprehensive review of product and operations systems and strengthening of service infrastructure to support an expansion in parcel

2 Post office business

Coexistence with local community by maintaining, strengthening and maximally utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

3 International logistics business

Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll

4 Banking business

Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation

5 Life insurance business

Reversal/Growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

Numerical targets for FY2021/3 and dividend policy

Group consolidated

Earnings per share of at least **100 yen***

Dividend per share of at least **50 yen**
(Implementation of stable dividends)

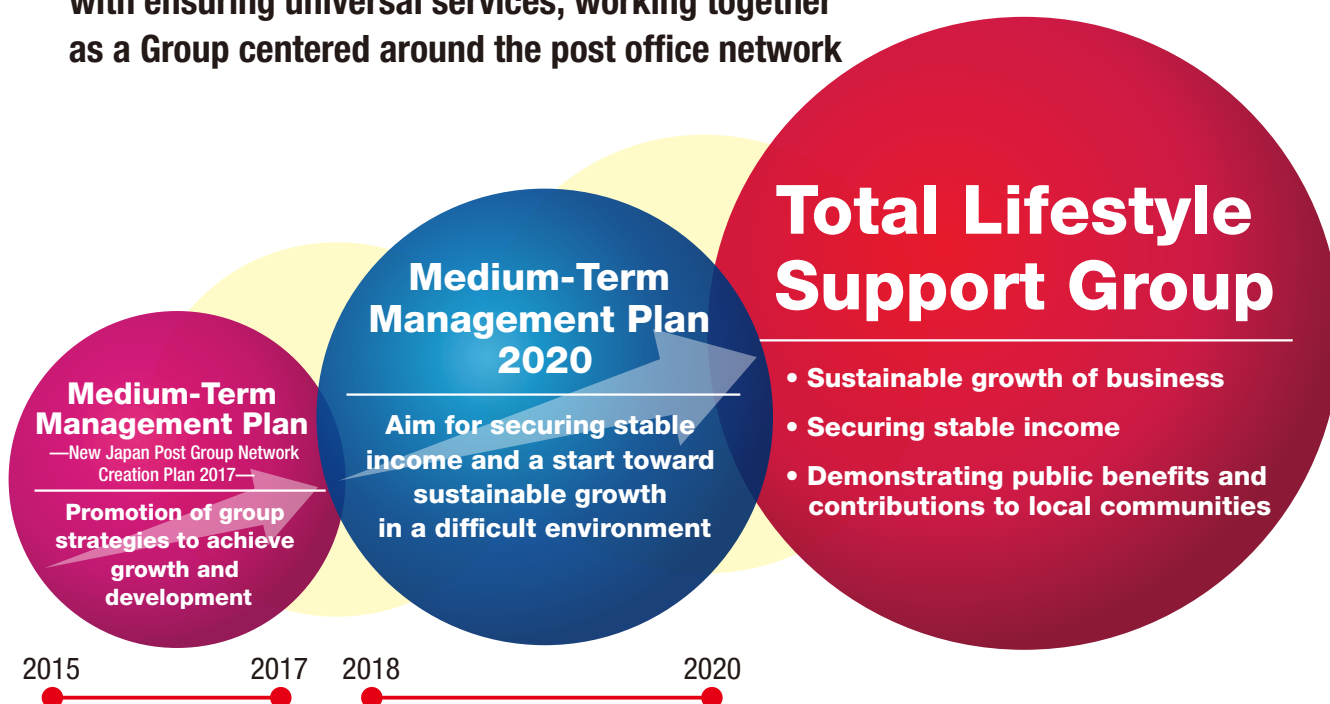
* Assuming the current number of issued shares (excluding treasury stock), net income attributable to Japan Post Holdings Co. of approximately 405 billion yen

Japan Post Co.

- Consolidated net operating income 90 billion yen
 - Postal and logistics business 40 billion yen
 - Post office business 30 billion yen
 - International logistics business 20 billion yen
- Consolidated net income 65 billion yen
- Number of Yu-pack handled Approx. +200 million (compared to FY2018/3)

Three-year Business Targets		Results
Japan Post Bank Co.		
Net income	Approx. 330.0 billion yen	352.7 billion yen
Expand assets under management (three years)	Deposits +3 trillion yen	+2.3 trillion yen
	Asset management products +1 trillion yen	+1.4 trillion yen
Japan Post Insurance Co.		
Net income	Approx. 80.0 billion yen	104.4 billion yen
Expand premiums for new policies	Achieve the 50 billion yen level in FY2017/3 and expand further	[FY2017/3] 55.3 billion yen

Aim to become a Total Lifestyle Support Group as Team JP with ensuring universal services, working together as a Group centered around the post office network



Japan Post Bank Co.	
• Consolidated net ordinary income	390 billion yen
• Consolidated net income	280 billion yen
(Reference) earnings per share	74 yen
• Secure capital adequacy ratio of about 10%	
* After consideration of strengthening of financial regulations	
• Assets under management (compared to FY2018/3)	Approx. +1.8 trillion yen
including Investment trusts balance Approx. +1.7 trillion yen	
Secure dividends per share of 50 yen (implementation of stable dividends)	
* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis).	

Japan Post Insurance Co.	
• Annualized premiums for policies in force	Approx. 4.9 trillion yen
• Earnings per share	155 yen
(Reference) Consolidated net income	93 billion yen
• Aim to increase dividends to 76 yen per share while ensuring the soundness of management	

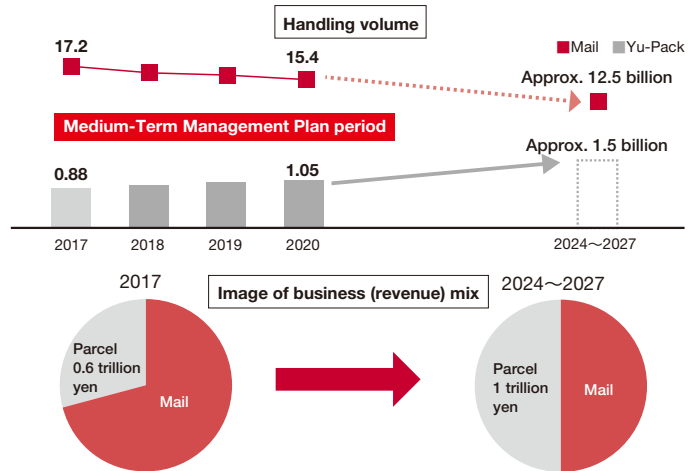
Note: Interest rates, foreign exchange rates stock prices which are the premise of each numerical target, are set based on the situation at the end of December 2017.

Basic policies by business

Postal and domestic logistics business

Conduct comprehensive review of product and operations systems, and strengthen service infrastructure to support an expansion in parcels in order to respond to a decrease in mail usage and expansion of e-commerce markets.

- ◆ Shift management resources to parcel field through review of services and operations, etc.
- ◆ Review of services and creation of high added value in consideration of changes in lifestyles
- ◆ Strengthen service infrastructure to support expansion of parcels
- ◆ Improvements in convenience and productivity through active use of IoT and new technologies such as AI and automatic driving



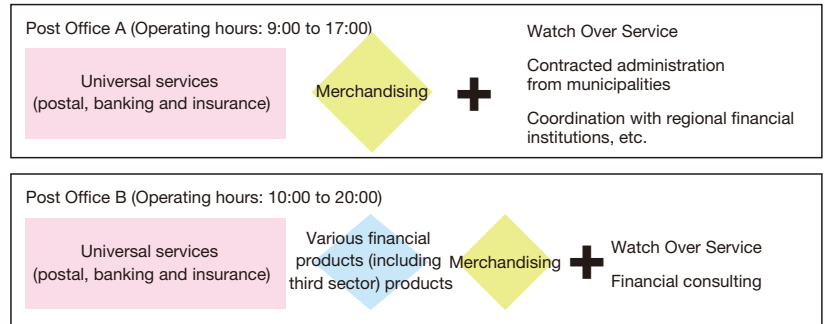
Post office business

Coexist with local community by maintaining, strengthening and maximum utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

- ◆ Enhancement of products and services using post office network (Watch Over Service, contracted administration from municipalities, etc.)
- ◆ Provision of products and services in accordance with regional needs, and diversification of counter business hours, etc.
- ◆ Improvements in sales productivity/efficiency of counter operation, etc.

(Provision of products and services in accordance with regional needs, and diversification of counter business hours, etc.)

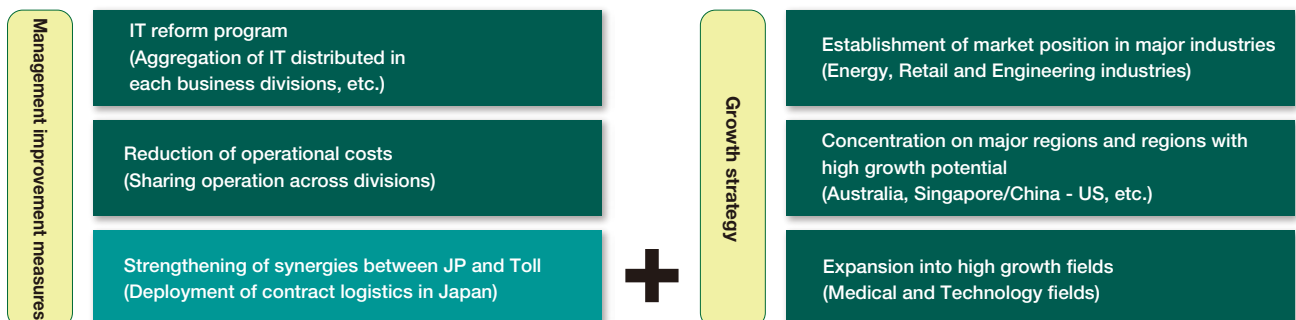
(Image)



International logistics business

Improve management of Toll and deploy contract logistics in Japan through strengthening synergy between JP and Toll to provide integrated solutions through the development of comprehensive logistics business in Japan and overseas

- ◆ Steadily implement management improvement measures while improving revenue through growth strategies
- ◆ Deploy contract logistics in Japan through strengthening synergies between JP and Toll



Banking business

Work toward sophistication and diversification of investment management, expansion of non-interest revenue, and efficient resource allocation to secure stable profits

Ensuring secure living

- ◆ Contribution to asset building

Investment trusts balance

+ 1.7 trillion yen* (FY2018/3→FY2021/3)

FY2018/3: 1.6 trillion yen → FY2021/3: 3.4 trillion yen → **FY2028/3: 10 trillion yen**

* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis)

More convenience in everyday life

- ◆ Provision of "New Convenience"
 - Enhancement of payment services
 - Channel enhancement
 - Enhancement of product lineup
 - Expansion of ATM network
- ◆ Steady provision of existing services
 - Deposit, settlement services

Net fees and Commission +30% (FY2018/3→FY2021/3)

Securing stable, income over medium-to long term through diversification and sophistication of investment management

- ◆ Promotion of international diversified investments through effective utilization of capital

Risk assets* **Approx. 87 trillion yen** (2021/3) (2018/3: 79 trillion yen)

Outstanding amount in Strategic investment area ** **Approx. 8.5 trillion yen** (2021/3) (2018/3: 1.6 trillion yen)

* Assets other than yen interest-bearing assets (JGB, etc.) (existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)

** Existing alternatives (PE, HF, real estate funds (equity)) + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds

Redistribution of management resources

Front operations: Consulting services, Transaction operations, Back office operations (JC, PTC, etc.)

Utilization of Fintech and digital technology

Allocation of resources to growth field (around +800 people)

Improvements in operational efficiency and productivity

Existing costs* -30 billion yen (2018/3→2021/3)

Improvements in operational efficiency Equivalent to 2,000 people (2018/3→2021/3)

* Operating expenses excluding expenses related to the hike in the consumption tax rate and the allocation of resources to growth fields

Life insurance business

Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality to attain sustainable profit growth

Strengthening of sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation

Annualized premiums for policies in force (trillion yen)

Annualized premiums for policies in force Approx. 4.9 trillion yen (FY2021/3 numerical target)

Improvement of customer service and enhancement of efficiency in back-office administration through use of ICT

- ◆ Introduction of screen notification/automated assessment system and insurance procedure support system
- ◆ Introduction of billing procedures utilizing digital technologies
- ◆ Digitalization of paper forms at Service Centers
- ◆ Saving labor in policy maintenance administration process

Reduction of administrative workload equivalent to 1,000 people

Diversification of asset management and sophistication of risk management

- ◆ Diversification of investment scope
- ◆ Expansion of in-house investment
- ◆ Cooperation with other life insurance companies including joint investment, etc.
- ◆ Advancement of ALM and risk management
- ◆ Strengthening of specialized human resources

Return-seeking assets 12.3% → Approx. 15% (2017→2020)

Development of real estate business

Japan Post Real Estate established to more effectively develop the assets held by the Group and secure new sources of revenue through joint ventures participation and acquisition of profit-making properties, etc.

Operating income and net operating income for real estate business overall

- ◆ Increase in rented building occupancy rates and increase in rent income from rental houses, etc. are expected
- ◆ Total investments (FY2019/3 to FY2021/3): 180 billion yen

	FY2018/3	...	FY2021/3
Operating income	28.5 billion yen		33.0 billion yen*

* Total operating income of Japan Post Real Estate and real estate business of Japan Post Co.

Large-scale scheduled development projects through assets held by the Group

- ◆ Gotanda project (formerly U-Port) Construction completion: FY2023/3 (planned)
- ◆ Toranomom/Azabudai project (Japan Post Co. Tokyo Regional Office, Azabu Post Office) Construction completion: FY2024/3 (planned)
- ◆ Osaka station-front project (formerly Osaka Central Post Office) Construction completion: FY2024/3 (planned)

Image of operating income target

(Billion yen)