

Japan Post Group is aiming to further enhance profit by increasing earnings through the expansion of new business in addition to existing business, accelerating revenue in the real estate business and conducting capital alliances and mergers and acquisitions in a wide array of fields. To this end, we are further developing comprehensive logistics business in Japan and overseas through JP TOLL LOGISTICS Co. and enhancing sophistication of asset management through private equity investment via Japan Post Investment Corporation. Besides these endeavors, we are conducting the following initiatives to raise profitability. Going forward, we aim to secure new revenue through new businesses that lead to the growth of the Group as a “Total Lifestyle Support Group.”

## Investment in Aflac Incorporated – Aiming to Boost the Group’s Profit

Under the Japan Post Group Medium-term Management Plan 2020, we will consider capital alliances and M&A in a broad range of fields that lead to the growth of Japan Post Group as a “Total Lifestyle Support Group.” We also aim to contribute to profit by considering investments of several hundred billion yen up to the fiscal year ending March 31, 2021.

Against this backdrop, Japan Post Holdings Co., Aflac Incorporated and Aflac Life Insurance Japan Ltd. (Aflac Japan) concluded a “Strategic Alliance Based on Capital Relationship” on December 19, 2018.

Japan Post Holdings Co. and Aflac Japan have established a strong relationship of trust as business partners over the years through the various initiatives regarding cancer insurance undertaken together with Japan Post Co. and Japan Post Insurance Co. This strategic alliance reaffirms the cancer insurance initiatives undertaken thus far and, through an investment by Japan Post Holdings Co. in Aflac Japan’s parent company Aflac Incorporated, aims to create a sustained cycle of growth for both companies by which Aflac Japan’s business growth will contribute to Japan Post Holdings Co.’s earnings.

Through this, Japan Post Holdings Co. will acquire through a trust approximately 7% of Aflac Incorporated’s outstanding common shares (excluding treasury shares) to establish the capital relationship. Upon voting rights reaching at least 20%\* four years after acquisition of the shares, Japan Post Holdings Co. will aim to reflect a portion of Aflac Incorporated earnings in its consolidated earnings via application of the equity method of accounting.

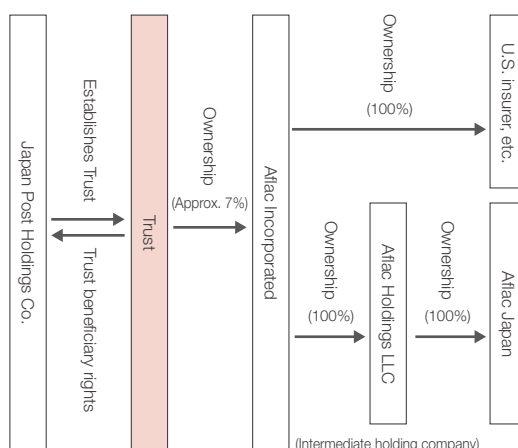
Japan Post Holdings Co. and Aflac Japan will reaffirm the initiatives regarding cancer insurance that have been implemented among Japan Post Co. and Japan Post Insurance Co. and shall make reasonable efforts to further develop them. In addition, Japan Post Holdings Co. will consider new initiatives for cooperation, including leveraging digital technology, cooperation in new product development, domestic and/or overseas business expansion and joint investment in third party entities, and cooperation regarding asset management.

\* The Articles of Incorporation of Aflac Incorporated, in principle, stipulate each share is entitled to 10 votes after continuous holding of Aflac Incorporated common shares for 48 months by the same beneficial owners.



December 19, 2018  
Joint press conference concerning the “Strategic Alliance Based on Capital Relationship”

### ● Trust structure to establish capital relationship



The purpose of this capital relationship is not for Japan Post Holdings Co. to acquire rights to control, manage or intervene in the management of Aflac Incorporated. The purpose is to create a sustained growth cycle for both companies in which Aflac Japan’s business growth contributes to Japan Post Holdings Co.’s earnings.

# Initiatives for New Profit-Making Business

## Real Estate Business Development – Accelerate Growth in Real Estate Earnings

Japan Post Real Estate Co. was established on April 2, 2018. Through this, we seek to grow the real estate business into a pillar of future Group revenue by accelerating efforts to further increase efficiency in real estate development utilizing former sites of post offices and company housing, engaging in joint participation in future real estate development with other companies and securing profit-making properties.

Under the Japan Post Group Medium-term Management Plan 2020, a target of ¥33 billion has been set for operating income in the fiscal year ending March 31, 2021. In addition, a total of ¥180 billion has been earmarked for investment in real estate development between the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2021.

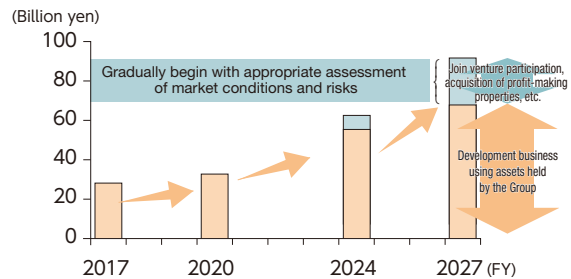
### ● Future development projects for the Group's real estate

- ◆Osaka station-front project (formerly Osaka Central Post Office)  
Total floor area: 213,000m<sup>2</sup> (planned)  
Main uses: Offices, commercial, etc.  
Construction completion: Fiscal year ending March 31, 2024 (planned)
- ◆Hiroshima station south exit project (tentative) (Hiroshima-higashi Post Office)  
Total floor area: 44,800m<sup>2</sup> (planned)  
Main uses: Offices, commercial, etc.  
Construction completion: Fiscal year ending March 31, 2023 (planned)
- ◆Toranomon/Azabudai project (participation in regional redevelopment project) (former Japan Post Tokyo Regional Branch, Azabu Post Office)  
Total floor area: 862,000m<sup>2</sup> (planned) (portion scheduled to be obtained by Japan Post)  
Main uses: Offices, residential, commercial, etc.  
Construction completion: Fiscal year ending March 31, 2023 (planned)
- ◆Gotanda project (formerly U-Port)  
Total floor area: 68,700m<sup>2</sup> (planned)  
Main uses: Offices, hotel, etc.  
Construction completion: Fiscal year ending March 31, 2024 (planned)

### Secure new sources of revenue

Japan Post Real Estate will progressively start looking to secure new sources of revenue upon appropriate assessment of market conditions and risks, including joint venture participation in real estate development and acquisition of profit-making properties.

### ● Image of operating income target



## Comments from Director in Charge of Real Estate Division



**Yoshifumi Iwasaki**  
Executive Vice President  
(Representative Executive Officer),  
Japan Post Holdings Co., Ltd. and  
President, Japan Post Real Estate  
Co., Ltd.

Established in April 2018, Japan Post Real Estate Co. has focused on the development of real estate held by Japan Post Group over the past year.

The book value of the Group's properties is ¥2.7 trillion and the founding of this company provided a great opportunity to review the way the real estate business

operates. It gave us a chance to study the optimal usage method for land in consideration of how to divide up real estate for development without impeding mainstay postal operations. No two items of real estate are exactly the same. It's necessary to consider what's required in a region and what will bring customers the most joy. We maintain sustainability in the business by unearthing the real needs of people.

Going forward, we aim to contribute to regional advancement through real estate development that maximizes local characteristics more efficiently. We have already started looking into securing new sources of revenue as well. Our mission is to drive growth in the real estate business so that it becomes a future pillar of earnings for Japan Post Group.

Japan Post Group's post office network is Japan's preeminent real network with sites dotted all over the country. We will use this real network as an open platform and collaborate with other companies, rather than rely solely on our own capabilities, to resolve issues and raise corporate value.

### Create Added Value for Our Post Office Network through Collaboration

By providing new services to customers through collaboration with other companies based on our post office network, Japan Post Group will further enhance the value of its network. Over the years, we have sold

non-life insurance and cancer insurance in conjunction with other entities and we will continue to provide various services through our post offices so that we can deliver more value to customers.

#### Providing new services from our post office network

Japan Post Group is providing new services to customers through use at our post offices and introductions from our post offices.

We teamed up with eco Inc., which runs "ecbo cloak," a sharing service for luggage storage, to trial a temporary luggage storage service at post offices for travelers, businesspeople, students taking exams or looking for employment and others to resolve the issue of finding somewhere to store small items. The service is being trialed at 32 post offices in Tokyo, Kanagawa Prefecture and Kyoto. Registration on the ecbo cloak app and reservations are required for use.

We are also conducting a trial for the provision of "end of life" services such as nursing care, inheritance and funeral arrangements in Tokyo in collaboration with other businesses offering these services.



#### Expanding delivery service and mail receiving locations

Amid an increase in online shopping, we are striving to make it easier for customers to receive their purchases by teaming up with various companies. Products bought at Rakuten Market provided by Rakuten, Inc. can now be picked up at convenience stores or post offices or received via anonymous delivery in which users can keep their personal information concealed through Rakuma. Japan Post Group has also connected systems with Estore Corporation's "Shop Serve" to enable use of a pickup service at convenience stores and post offices via the e-commerce site used by Shop Serve.

**Rakuten**

ONLINE MARKETING AND SYSTEMS  
**Estore**

# Collaboration with Business Partners

## Joint Initiatives to Maintain Local Sites and Revitalize Society

Japan Post Group leverages the strengths of other companies that it teams up with to jointly develop business, maintain local sites and revitalize society.

In addition to the collaboration with East Japan Railway Company outlined below, we lease sections of the post office network to other companies for such

purposes as loaning space for ATMs, and also work in conjunction with local governments on different projects based on agreements. Going forward, we will continue with initiatives to maintain local sites and revitalize society through collaboration with other companies.

## Collaboration with East Japan Railway Company

Japan Post Co. and East Japan Railway Company (“JR East”) concluded an agreement to strengthen initiatives aimed at revitalizing regional areas and society on June 12, 2018. The networks of both companies, which carry out many community-based activities, will be leveraged to promote active exchanges of people, materials and information inside and outside a region in a joint effort to contribute to further revitalization of regions and society.

In terms of urban settings, JP Financial Lab was opened on May 10, 2019 as a new type of store specializing in financial product consultation on the third floor of the Ecute Tachikawa facility at Tachikawa Station to promote a functional tie-up between post offices and train stations. In local communities, the companies are considering unified management of post office counters and local train station counters, which will include moving post offices to station buildings.

Other measures aimed at regional revitalization include a logistical trial for selling agricultural produce from Miyagi Prefecture at Tokyo Station by making use of Japan Post Co.’s transport network and JR East’s bullet train (November 2018) and jointly holding an exhibition of products from Tohoku and Shin-Etsu (Nagano and Niigata) at KITTE Nagoya and Nagoya Station (March 2019).



## Collaboration through Investment from JAPAN POST CAPITAL Co.

JAPAN POST CAPITAL invests in high-growth companies and makes collaborations between these companies and Japan Post Group in order to generate and develop new businesses which correspond to latest social trends and our seeking to be a “Total Lifestyle Support Group.”

Leveraging some strengths of Japan Post Group such as the nationwide post office network, brand power and trust in relationships with regional communities, JAPAN POST CAPITAL pursues growth acceleration of the investee companies and increase in profitability of the Group in the medium to long-term.

JAPAN POST CAPITAL endeavors to contribute to the development of regional communities through its investment business aimed at ensuring better lives and brighter futures for people all around Japan.



\* Some of the companies invested in as of July 31, 2019

## Collaboration with Local Financial Institutions Including through Regional Vitalization Funds

In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional revitalization funds. We invested in six funds, mainly focused on supporting business succession and entrepreneurship in the fiscal year ended March 31, 2019.



Fund name	Participation as of	Fund total
① Kyushu Wide Area Reconstruction Assistance Investment LP	July 2016	Approx. ¥11.7 billion
② KFG Regional Enterprise Support Investment LP	November 2016	¥2.5 billion
③ Hokkaido Growth Companies Support Investment LP	November 2016	¥200 million*1
④ Chubu / Hokuriku Region Vitalization Investment LP	April 2017	Over ¥5.0 billion*2
⑤ Shiga Bank Core Business Support Investment LP	June 2017	¥600 million
⑥ Toho Business Succession Investment LP	August 2017	¥500 million
⑦ Kyushu Setouchi Potential Value Investment LP	October 2017	¥2.3 billion*1
⑧ MIYAKO Kyoto University Innovation LP	November 2017	Approx. ¥2.0 billion*1
⑨ MBC Shisaku 1 LP	December 2017	Approx. ¥2.0 billion*2
⑩ Michinoku Regional Vitalization Investment LP	March 2018	¥500 million
⑪ Fukui Future Business Support Investment LP	March 2018	Approx. ¥500 million*1
⑫ Ehime Regional Vitalization Investment LP	March 2018	¥300 million
⑬ Healthcare New Frontier Investment LP	August 2018	¥1.25 billion
⑭ Tokyo SME Support 2 LP	August 2018	¥2.0 billion
⑮ Succession Investment LP, I	October 2018	¥3.0 billion
⑯ TOKYO Relationship No.1 Investment, L.P.	December 2018	¥3.4 billion*1
⑰ Kyoto-University-Venture NVCC No.2 Investment LP	March 2019	¥5.4 billion
⑱ Aomori Bank Regional Vitalization LP	March 2019	Approx. ¥300 million

\*1 As of date of establishment

\*2 Final targeted investment amount

\*3 Received Minister of State for Regional Revitalization's Award for a "Characteristic Example of Initiatives by Financial Institutions, etc. Contributing to Regional Revitalization" (March 2019)

We are also actively promoting partnerships with regional financial institutions using the Japan Post ATM network.

April 2018	The Juroku Bank, Ltd. (Free ATM charge nationwide up to four times a month for customers who make a certain number of transactions)
October 2018	The Bank of Kyoto, Ltd. (Free ATM charge during the day on weekdays in Osaka, Shiga, Nara, Hyogo, Aichi and Tokyo)
March 2019	The Kagoshima Bank, Ltd. (Free ATM charge during the day on weekdays in Okinawa)
April 2019	The Ehime Bank, Ltd. (Free ATM charge nationwide up to 4 times a month during the day on weekdays) The Bank of Nagoya, Ltd. (Free ATM charge nationwide up to 4 times a month during the day on weekdays for customers who make a certain number of transactions)

In addition, we have been gradually replacing all existing ATMs at Aozora Bank with Japan Post Bank ATMs since August 2018.

Going forward, we will continue to promote relationships with regional financial institutions mainly by using our ATM network.

### Strengthen Collaboration in Asset Building Field with Daiwa Securities Group

Japan Post Holdings Co., Japan Post Bank Co., Daiwa Securities Group Inc. and Daiwa Securities Co. signed a Memorandum of Understanding to enter a partnership to strengthen collaboration in supporting asset building on May 15, 2019.

Japan Post Group and Daiwa Securities Group will look into collaboration in developing new consulting services which meet the lifestyle and needs of each customer such as discretionary

investment management services\*1,2. This will support the shift from savings to asset formation in Japan and contribute to the realization of more enriched lives by leveraging each Group's fields of expertise and management resources.

\*1 Japan Post Bank needs the approval of regulatory authorities to provide new services, such as discretionary investment management services.

\*2 Discretionary investment management services are a form of investment management in which buy and sell decisions are fully or partially made by a portfolio manager for the client's account based on investment discretionary contracts.

Japan Post Group will leverage fast-advancing technology to respond appropriately to changes in the business environment and promote business.

**Japan Post’s Open Innovation Initiatives**

**Implementation of POST LOGITECH INNOVATION PROGRAM**

Since the fiscal year ended March 31, 2018, Japan Post Co. has been implementing the POST LOGITECH INNOVATION PROGRAM as an open innovation program with the aim of realizing a more enriched society through the provision of postal and logistics services befitting a new era.

In the second program in the year ended March 31, 2019, the theme was “transform the entire postal and logistics value chain through technology” with the aim of shifting to the optimum format for all operations from the acceptance to delivery of mail and packages, as well as for the last one mile of logistics, by way of cutting-edge technology.

Rapyuta Robotics Co. and A\*Quantum Inc. were selected in October 2018 from 70 start-up companies that applied to the program and worked on co-creation. A Demo Day was held on February 5, 2019 to announce results and Rapyuta Robotics won the top POST LOGITECH INNOVATION AWARD.



POST LOGITECH INNOVATION PROGRAM Demo Day (fiscal year ended March 31, 2019)

**Co-creation with other start-up companies**

Japan Post actively advances co-creation with other start-up companies.

**Examples of co-creation**

- Yper Inc.: Reduction in redeliveries via use of delivery bags
- OPTIMIND Inc.: Optimization of delivery routes using artificial intelligence
- Autonomous Control Systems Laboratory Ltd.: Transport of parcels, etc., between post offices using drones

**●Rapyuta Robotics Co.**

Rapyuta Robotics undertook an initiative to automate operations at post offices by using a robotic arm to take down small parcels from a cart and put them on a supply line for sorting. In addition, the rapyuta.io platform was used in a process to transport the carts that had been taken down from a truck to the various workstations. Demonstration trials were implemented toward the practical viability of a system combining an automated guided vehicle (AGV) and a robotic arm.



Rapyuta Robotics performs a demonstration at Demo Day.

**●A\*Quantum Inc.**

Amid a decline in the number of truck drivers, we have been aiming to optimize our transport network primarily in terms of vehicle fleet, cost and load efficiency by leveraging the quantum computer software development technology held by A\*Quantum. We are conducting a demonstration test in the eastern area of Saitama Prefecture where there are around 30 post offices and have started to see the effects, notably being able to reduce the number of vehicles operating transport services in the evening and at night.



Screen on a tablet showing optimized delivery route (OPTIMIND Inc.)

## Start of Yucho Pay

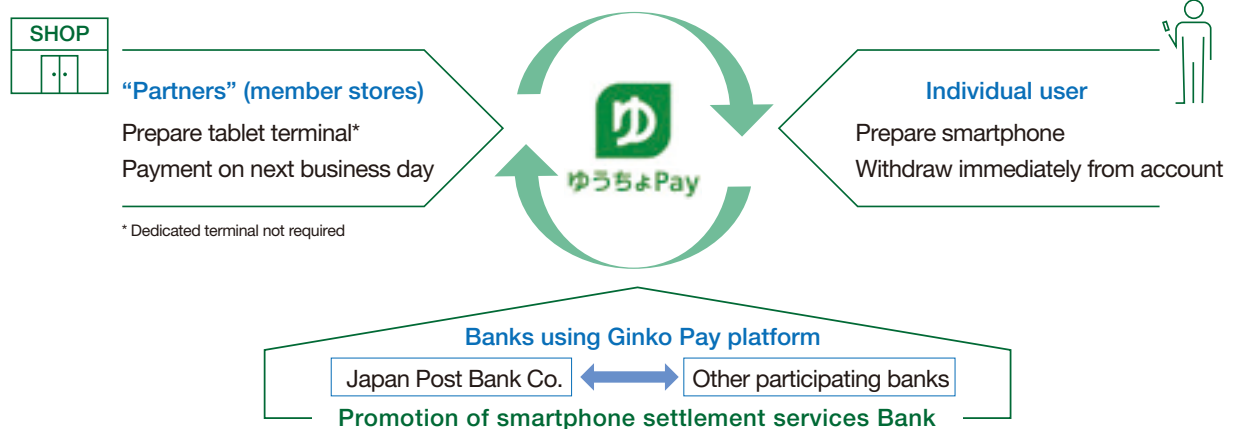
Japan Post Bank teamed up with GMO Payment Gateway, Inc. on May 8, 2019 and started handling “Yucho Pay,” a new smartphone settlement service that aims to provide “new convenience” to customers by enhancing lifestyles through new technology.

Customers with a Japan Post Bank account can withdraw money from a pre-registered account by operating a dedicated smartphone app when settling a bill at a merchant, for instance, that has agreed to

introduce the service.

In addition, we have connected with financial institutions that have introduced the same settlement system provided by GMO Payment Gateway through “Ginko Pay,” which is interoperable (“multi-bank”), so that customers can use this settlement service irrespective of the bank they use and the region they live in.

### ● “Yucho Pay” system



In addition to payment settlement at merchants, users will be able to pay charges simply by reading the QR code or barcode printed on the bank’s payment handling slip or convenience store’s payment slip with the “Yucho Pay” app. This eliminates the need to head to a convenience store or ATM to withdraw money, enabling payment regardless of time and place.

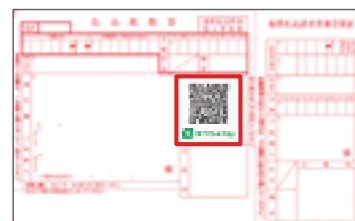
The service also allows the withdrawal of bank savings at train stations simply through the use of a

smartphone, which is a first for Japan. Users can withdraw a designated amount of cash from ticket vending machines at stations along Tokyu lines (85 stations on six lines, excluding Kodomonokuni Line and Setagaya Line) just by hovering a QR code displayed on their smartphone app, either Japan Post Bank Co.’s “Yucho Pay” or The Bank of Yokohama, Ltd.’s “Hama Pay.”

### ● Example of using a cash out service



### ● Sample payment handling slip



## Improvement of Customer Service and Enhancement of Efficiency in Back-Office Administration through the Use of ICT at Japan Post Insurance Co.

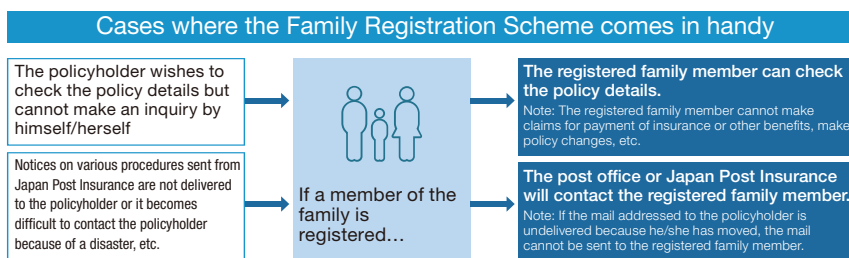
The social environment continues to change each year, characterized by diversifying customer needs on the back of changing lifestyles, a decline in the working population and evolution of information and

communications technology (ICT). In order to respond to such a social environment, Japan Post Insurance Co. is striving to improve customer service and enhance efficiency in back-office administration.

### Improvement of customer service

In the fiscal year ended March 31, 2019, we implemented initiatives to improve customer service in terms of the scheme and the IT system, including introduction of the Family Registration Scheme in readiness for aging of policyholders and in the event of disaster. In addition, we introduced an “insurance procedure support

system” for certain claims that prints the necessary information for various claim documents in advance and automatically determines the documents needed at the time of a claim so as to offer “simple, easy-to-understand claim procedures.”



### Enhancement of efficiency in back-office administration

Since March 2017, we have introduced decision support for insurance claim payment examination work using artificial intelligence (AI). By inputting past payment cases in the AI system, we are able to obtain judgment materials based on the results obtained by machine learning. Using AI enables us to make quick assessments at a level on par with employees with sophisticated knowledge and experience regarding our products,

policy conditions, and medicine, and to gain benefits such as faster payment processing. Going forward, we will examine the possibility of using AI in other fields as well, which includes enhancing customer contact by expanding scope of usage to inquiries concerning administrative procedures from post offices and enhancing the efficiency of back-office administration through the utilization of digital technology.

## Comments from the Director in Charge of IT Systems Division



**Toshihide Komatsu**  
Executive Vice President  
(Representative Executive Officer)  
Japan Post Holdings Co., Ltd.

The Japan Post Group Medium-term Management Plan 2020 sets out three IT strategies: (1) Promote IT to support new business development for future growth; (2) Promote work style reform and productivity improvement; and (3) Reinforce our management base in order to support sustainable growth. These strategies aim to promote business transformation using IT in response to changes in the business environment, including customer needs.

Based on recent advancements in digitization, we are

actively utilizing AI, the Internet of Things (IoT), financial technology and other new technologies, and working to strengthen customer contact, expand new products and services, and implement working style reforms as well as systematically develop human resources who can take on key roles in this era of digitization.

In addition, we are establishing a framework and posture to ensure business continuity and safeguard customer assets in response to the threat of increasingly sophisticated and elaborate cyber attacks as the use of the Internet spreads. We are also striving to reduce costs through stable operation of IT foundations and by optimizing the Group as a whole. This includes maintaining our communications network connecting around 24,000 post offices as well as a PC environment with guaranteed security, and expanding the cloud environment in-house to increase Group-wide resource efficiency.