
Message from the President



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**We will listen to our customers
with simple honesty, sincerity, and humility,
and aim to provide services
that truly put customers first.**

Introduction

I would like to begin by offering my prayers to those who have passed away from COVID-19 and by expressing my condolences to those who have lost loved ones, and to everyone who has suffered hardship during this time. I do hope that all affected by this pandemic will be able to return to their normal lives before long.

I would also like to offer a sincere apology to our customers and others affected by the improper sale of insurance products. We are taking steps to recompense customers as quickly as possible. Going forward, the Japan Post Group will make a concerted effort to further strengthen internal management and compliance to prevent a recurrence, with the goal of regaining the trust of customers.

I believe that to restore customer trust step by step, it's important for all employees to share a sense of crisis, have a feeling of tension, and act sincerely to do what needs to be done.

To overcome the greatest crisis that the Japan Post Group has ever faced, we will listen to our customers with simple honesty, sincerity, and humility, always remembering to retain a sense of gratitude, and continue to strive to be a company supporting the lives of our customers.

Ensuring customer-oriented services

I believe that a particularly important element in providing customer-oriented services is reform of the corporate culture. Beyond just overcoming the improper sale of insurance products, we need to act as a corporate group to instill the philosophy of the Japan Post Group and reform our culture. To achieve this, it's important for each and every member of the Group, both management and employees, to be conscious of overcoming the greatest crisis since our founding, and share a desire to transform into a company truly trusted by customers, coming together as one.

That is why, in January 2020, we established a cross-company task force under my direct leadership. This task force comprises members from employees of Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., as well as Japan Post Holdings. We are working together as a corporate group to prevent a recurrence of the insurance sales issue, regain trust, and instill the Japan Post Group Management Philosophy and change our corporate culture.

Furthermore, on April 2, 2020, we established the JP Reform Execution Committee. The purpose of this committee is to receive advice on measures to realize customer-oriented services and to restore trust in the Group from outside experts and a strict evaluation for the measures from a standpoint of fairness and neutrality. The committee comprises five members. Along with experts in the areas we need to strengthen at present, such as compliance, governance, consumer relations, and finance, the committee includes an attorney who simultaneously confirms the progress on matters advised by the Special Investigation Committee.

When people are with an organization for a long time, they tend to become colored by it, and their thinking turns inward. It's our hope that the committee members will unhesitatingly point out those aspects that would seem unreasonable from a general or public perspective, and that we will then incorporate reform measures into our management.

To ensure that we don't become complacent in implementing reform measures, it's extremely important that we utilize external opinions from outside directors and the JP Reform Executive Committee, and foster an organization in which ideas can be discussed freely throughout the Company. To achieve this, we are making improvements to our everyday operations as necessary.

Business environment facing the Japan Post Group and evaluation of results of the fiscal year ended March 31, 2020

Along with realizing customer-oriented services and restoring trust in the Group, it's extremely important that a listed company continually enhance its enterprise value. While the operating environment for all our businesses continued to be difficult during the fiscal year ended March 31, 2020, with a decline in mail volume and ultra-low interest rates, as a corporate group we focused on regaining customer trust.

In the postal and domestic logistics business segment, earnings rose on an increase in the handling volume for Yu-Packet, unit price revisions for parcels, and a decline in personnel and transport and delivery outsourcing expenses as a result of cost control measures.

In the post office business segment, despite a decrease in commission income from Japan Post Insurance due to the suspension of active sales activities for Japan Post Insurance products (from December 27, 2019 to March 31, 2020), personnel and other expenses decreased, primarily as a result of the suspension. Consequently, we managed to secure earnings.

In the international logistics business segment, earnings declined with a decrease of handling volume affected by the economic slowdowns in Australia and China, and the impact from the spread of COVID-19. While the business environment remains harsh, we are continuing efforts to reduce personnel and other costs and improve management.

In the banking business segment, while business conditions are strained by continued low interest rates and the deterioration in the market environment due to the spread of COVID-19, we managed to secure earnings through cost cutting and other measures. Going forward, we will continue efforts for flexible fund management and lowering administrative costs in order to secure earnings.

In the life insurance business segment, despite a decline in insurance premiums due to a decline in contracts and suspension of active sales activities, we managed to secure earnings as a result of lower business expenses during the suspension period. We will continue to work to regain customer trust.

As a result of these efforts, for the Group overall, consolidated ordinary income in the fiscal year ended March 31, 2020, amounted to ¥11,950.1 billion, with net ordinary income of ¥864.4 billion and net income attributable to Japan Post Holdings of ¥483.7 billion.



Looking to the future for the Japan Post Group

■ Addressing business challenges

I expect the business environment facing the Group to become more challenging due to structural issues such as the decline in mail volume and persistent low interest rates, as well as the improper insurance products sales issue, and the impact the spread of COVID-19 has had on all businesses. The dramatic social and economic changes brought about by COVID-19 in particular feel as if the world is entering an entirely new dimension. I believe that how we cope with this will be an important key to the future.

The COVID-19 pandemic has strongly underlined the urgency of adapting to digitization, but at the same time reaffirmed the importance of the Group's physical network of post offices and delivery system. I think the ideal form for our corporate group is a robust business entity that combines the real and the virtual.

There are currently four main challenges facing the Group: 1) adapting to digitization and other changes in the business environment, 2) establishing new financial sales in light of the improper insurance products sales issue and other factors, 3) adapting to low interest rates, and 4) formulating investment and capital policies for the future.

For the first challenge of adapting to digitization and other changes in the business environment, we need to expand non-face-to-face and contactless services and measures in every business situation. In the postal and domestic logistics business segment, for example, these changes include the expansion of the e-commerce market and greater need for a service for leaving parcels in designated areas, and in the financial sector, digital banking, along with telework and other workstyle reforms.

To adapt to these environmental changes, I think it's important to have a framework for both responding to digitization and enhancing the value of the post office network that is a physical point of contact with customers.

While pursuing digitization, I want to improve the functions of the physical network, and through mutual complementation achieve a level of strength for the Group that other companies are unable to match.

The second challenge is establishing new financial sales. The business improvement plan adopted in response to the improper insurance products sales issue is currently our highest priority, but to conduct financial sales, Japan Post, Japan Post Bank, and Japan Post Insurance each have to ensure that they conduct business that truly puts customers first.

Japan Post is in the process of "transitioning to comprehensive consulting services" in order to provide the products and services that meet customer needs, while Japan Post Bank is seeking to offer "new convenience" and "security" by utilizing new technologies to provide consulting to support the lives of customers and meet their lifestyle needs, thus contributing to high-quality asset buildup. Japan Post Insurance is working to rebuild trusting relationships with customers with management to establish and instill proper sales methods based on a thorough understanding and instilling of the "standard of Japan Post insurance sales," along with regular and attentive after-sales support. As the parent company, Japan Post Holdings, based on the principles of the Postal Service Privatization Act, is taking steps to



steadily dispose of shares in the two financial firms as quickly as possible, in order to enhance their degree of management freedom and allow them to introduce new products and services.

The third issue is adapting to the low interest rates that have directly hit the financial division. The persistent state of low interest rates, along with the impact from the spread of COVID-19, has made market management of capital increasingly difficult. Japan Post Bank, with an eye on current trends, is at present managing its portfolio in a way that mitigates risk, while at the same time making preparations to respond flexibly when market conditions change. Japan Post Insurance is also managing assets to accurately assess changes in the market environment, and at such moments act flexibly with the necessary response and decisions.

The final challenge is formulating investment and capital policies for the future. The Group currently faces an extremely harsh business environment, but we are moving forward with the investments needed for growth. Of course, any new investments are conducted by examining the results of past investments, verifying them according to strict cost-effectiveness standards, and assessing the risks.

In terms of capital policy, since the outlook for the business environment surrounding the Japan Post Group remains unclear due to COVID-19 and other factors, we have decided to leave our dividend forecast for the fiscal year ending March 31, 2021, as undecided for the time being. While carefully monitoring business performance and considering the final figure, we will aim to maintain our standard of at least ¥50 per share.

■ Enhancing the value of the post office network

The greatest strength of the Japan Post Group is its network of post offices, which are important points for interaction with customers. I believe that we need to increase the value of that network to its fullest extent.

Specifically, when a post office is relocated or rebuilt, we enhance customer convenience by opening it in marketable locations, such as inside large commercial complexes, where they have value-enhancing potential.

We work to diversify post office operations to meet community needs, such as comprehensive administrative work contracts from local governments and cooperation with local banks. In November 2019, Japan Post concluded a partnership agreement with The Nanto Bank, Ltd. and ATM Japan, Ltd. to place Nanto Bank ATMs inside certain post offices from March 2020, and began handling banking procedures under contract. Japan Post also concluded a similar agreement with The San-in Godo Bank, Ltd. in June 2020, and is currently making preparations to handle banking procedures, with the aim of further increasing convenience for local residents.

At the same time, the post office network plays a role as part of the national safety net. In the period of the COVID-19 pandemic, the postal network has helped support the lives of citizens, with Japan Post delivering masks to all households throughout the country, and Japan Post Insurance extending the grace period for premium payments.

These are difficult circumstances that we've never experienced before, but while ensuring the safety of employees we will continue to carry out our public mission of providing universal services, meet the demands of society, and earn the trust of communities and customers.



■ The Japan Post Group's sustainability

To enhance the enterprise value of the Group, it's important for us to pursue measures that directly boost profitability, while at the same time actively fulfill our social responsibilities.

There are approximately 24,000 post offices in Japan. This network serves as a social infrastructure that stably and uniformly provides all communities throughout the country with the services that support the foundation of life, including postal deliveries, savings, and insurance. Steadily fulfilling this role, conscientiously facing the challenges and needs that change with the times, and developing and sharing with society the value (products and services) to meet those challenges, are sustainability for the Group. I believe that these measures are essential for the Group's sustainable growth.

In terms of environmental initiatives, the Group is actively pursuing business activities that reduce the load on the global environment. We are cutting CO₂ emissions through the introduction and expanded use of electric vehicles (EVs) for postal and package delivery and reducing the frequency of re-delivery by expanding our service for leaving parcels in designated areas. We are also making investments in green bonds and the solar power generation business. In April 2019, Japan Post Holdings, Japan Post Bank, and Japan Post Insurance declared their support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and going forward will deepen their analysis of the Group's business activities on climate change and provide more extensive disclosure.

In conclusion

I would like to once again express our deepest apologies to customers, shareholders, employees, and all stakeholders for the trouble caused by the improper sales of insurance products.

I believe that steadily implementing the business improvement plan to remedy as quickly as possible the disadvantages experienced by customers and working to ensure accurate and fair disclosure of information, along with constructive dialogue and incorporating the requests conveyed through those discussions into management practices, will allow us to restore trust in the Japan Post Group, achieve sustainable growth, and enhance our enterprise value over the long term.

Looking ahead to the post-COVID-19 society, we will make a consolidated effort as a corporate group to adapt to the dramatic changes in society and the economy, and be of even greater benefit to customers. We appreciate your continued support.