



# Postal and Domestic Logistics Business Segment

Efforts to establish competitive operations and expand earnings in the field of parcel delivery



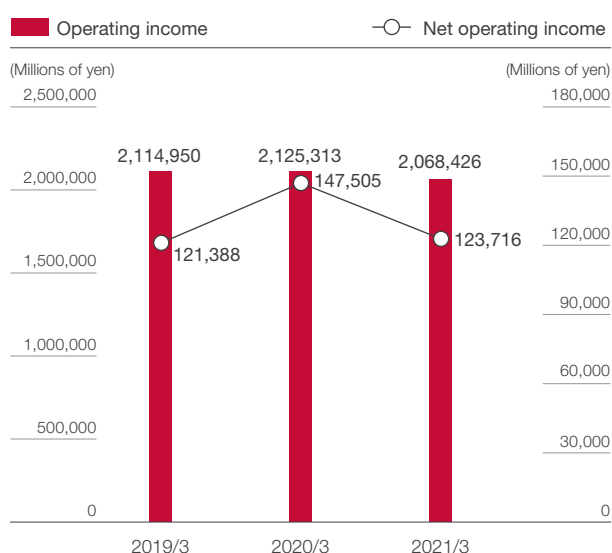
## Business Overview

In addition to providing postal services at the fairest possible rates across Japan, Japan Post Co., Ltd. is commissioned by the Japanese government to sell documentary stamps and issues donation-added New Year's postcards. Japan Post provides Yu-Pack, Yu-Mail, and other parcel delivery services as well as logistics services from the design, proposal, and formation to operation of an optimal logistics strategy for customers in order to meet diverse customer needs in line with growth in the e-commerce market.

## Financial Results for the Fiscal Year Ended March 31, 2021

In the postal and domestic logistics business for the fiscal year ended March 31, 2021, ordinary income from parcels rose with the increase in use of Yu-Pack to meet the growth in e-commerce due mainly to stay-at-home consumption, but this was insufficient to compensate for the decrease in income from international and standard mail, among others. As a result, ordinary income amounted to ¥2,071,877 million (down ¥56,310 million year-on-year) and net ordinary income amounted to ¥126,587 million (down ¥22,598 million year-on-year). In addition, operating income amounted to ¥2,068,426 million (down ¥56,887 million year-on-year) and net operating income amounted to ¥123,716 million (down ¥23,788 million year-on-year) in the postal and domestic logistics business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

### Operating income / Net operating income



### Strengths, challenges, and future policy in the postal and logistics business

Strengths	<ul style="list-style-type: none"> <li>Transport network with nationwide coverage capable to deliver to 31 million locations daily</li> <li>Efficient delivery of small parcels utilizing motorcycle mobility for the last one mile of logistics</li> <li>Consistently providing high-quality delivery service to our customers</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>A continued decline in the volume of mail and escalating competition in the parcel delivery sector due to further digitalization, etc.</li> <li>Securing labor and response to rising labor unit costs</li> <li>Realization of DX through utilization of data we possess</li> </ul>
Future policy	<ul style="list-style-type: none"> <li>Data-driven reform of the postal and domestic logistics business</li> <li>Boosting competitiveness through a strategic review of products, services, and operations</li> <li>Utilization of latest technologies to create a more sophisticated delivery network</li> </ul>

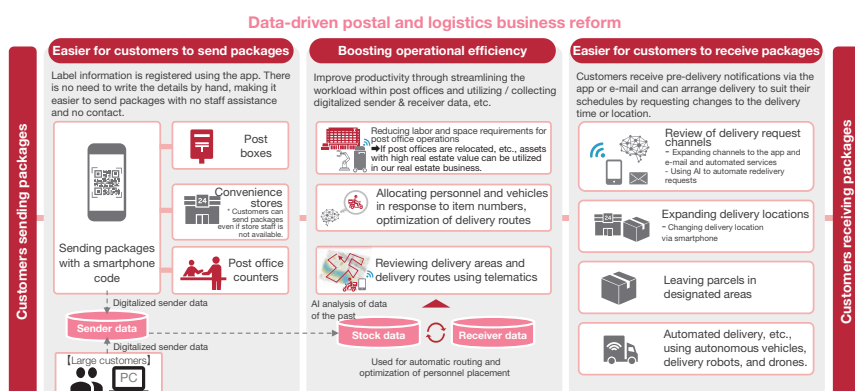
## Forthcoming undertakings

### ■ Data-driven reform of the postal and domestic logistics business

We will work to boost operational efficiency based on digitalized data, while striving to create a system that makes it easier for customers to send and receive packages.

More specifically, we will work to improve productivity in such ways as automatic routing and optimization of personnel placement by utilizing and collecting digitalized sender and receiver data, etc. In

addition, label information may be registered using an app so that there is no need to write the details by hand, making it easier to send packages with no staff assistance and no contact. Furthermore, customers receive pre-delivery and other notifications and can arrange delivery flexibly according to their schedules by requesting changes to the delivery time or location.



### ■ Boosting competitiveness through a strategic review of products, services, and operations

An integrated, strategic review of products, services, and operations according to customer needs and changes in the social environment will ensure that we can take full advantage of the growing e-commerce market and online flea market sectors. In addition, we will expand Third-Party Logistics (3PL) which provides total contracted logistics services including not only parcel deliveries but also inventory management and freight handling by promoting expansion of warehouses, etc., to assist in resolving issues faced by customers running e-commerce businesses.

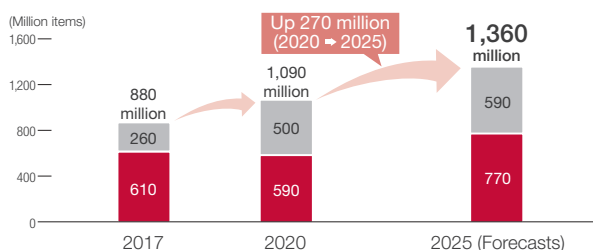
### ■ Utilization of latest technologies to create a more sophisticated delivery network

We will improve productivity by driving operations, etc., that utilize full digitalization and cutting-edge technology and provide high-quality services.

More specifically, we will work to review delivery areas and delivery routes using telematics, allocate personnel and vehicles in response to item numbers, optimize delivery routes, and reduce labor and space requirements for post office operations through utilization of robotics (unmanned transport vehicles, piece-picking robots, etc.).

In addition, we will work on practical application of automated delivery, etc., using autonomous vehicles, delivery robots, and drones.

**Trends in volume of items such as Yu-Pack** ■ Yu-Pack ■ Yu-Packet



## TOPIC

### Non-face-to-face delivery service “Yu-Packet Post”

Yu-Packet Post is a service used in conjunction with “Yu-yu Mercari Bin,” a delivery service provided through a partnership between Mercari and Japan Post to allow senders to post parcels anonymously using specialized packaging material and via mailboxes.



# Post Office Business Segment

We focus on regaining customer trust to ensure that we conduct customer-oriented business operations.



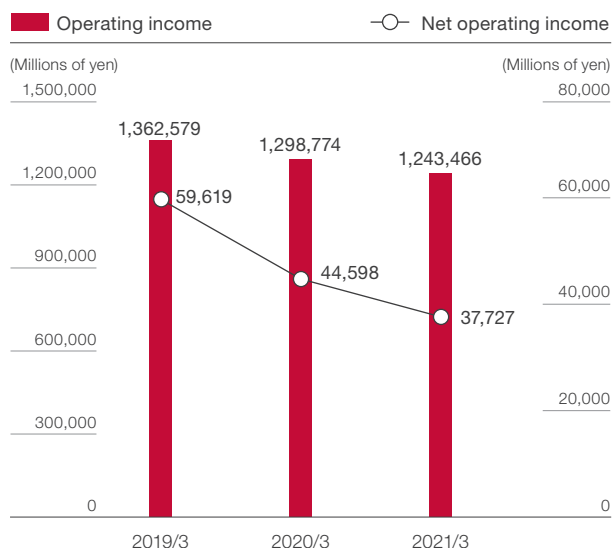
## Business Overview

In the post office business, in addition to counter operations related to postal and logistics business, we provide banking counter operations commissioned from Japan Post Bank Co., Ltd. and insurance counter operations commissioned from Japan Post Insurance Co., Ltd. as well as merchandise business, real estate business, affiliated financial services, and administrative work commissioned from local governments at post offices nationwide, which serve as sales hubs for providing services to customers.

## Financial Results for the Fiscal Year Ended March 31, 2021

In the post office business for the fiscal year ended March 31, 2021, due to a sharp decline in insurance commissions income, as post offices refrained from making proactive sales proposal activities of Japan Post Insurance products, ordinary income amounted to ¥1,245,179 million (down ¥54,751 million year-on-year) and net ordinary income amounted to ¥38,796 million (down ¥6,290 million year-on-year). In addition, operating income amounted to ¥1,243,466 million (down ¥55,307 million year-on-year) and net operating income amounted to ¥37,727 million (down ¥6,871 million year-on-year) in the post office business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

### Operating income / Net operating income



### Strengths, challenges, and future policy in the post office business

Strengths	<ul style="list-style-type: none"> <li>A post office network of over 24,000 locations throughout Japan</li> <li>Provision of diverse products and services inside and outside the Group</li> <li>Customer base based on which our services are used by many customers in their daily lives</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Regaining customers' trust</li> <li>Response to a decrease in handling volume due to population decline and the switch to digital channels</li> <li>Enhance the value of our post office network</li> </ul>
Future policy	<ul style="list-style-type: none"> <li>Implementation of "Pledge to Regain Customers' Trust"</li> <li>Promoting digitalization of post office operations</li> <li>Development of a diverse range of products and services satisfying regional needs</li> </ul>

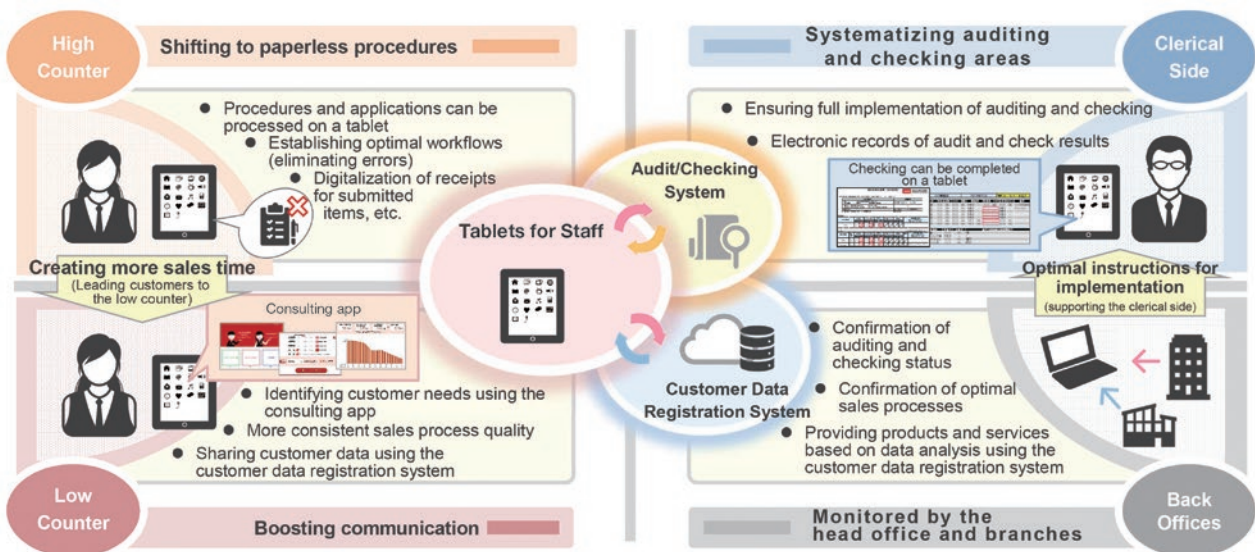


## Forthcoming undertakings

### ■ Promoting digitalization of post office operations

We will digitalize a range of procedures at post office counters by using tablets to ensure more effective operations and, at the same time, develop services which can only come from physical post offices.

More specifically, we will work to shift to paperless procedures to enable various procedures and applications to be processed on tablets and create systems for auditing, checking, etc. Consulting apps and digitalized sales activity records will be utilized to provide consulting services that suit customers' needs.



### ■ Development of a diverse range of products and services satisfying regional needs

We will leverage our network of post offices, the Group's greatest strength, to provide integrated services of the Group while seeking partnership with a diverse range of companies, etc., outside the Group. Through such efforts, we will increase the value of our network of post offices, which are physical offices serving as regional service hubs.

More specifically, we will utilize the unique advantages of post offices including the trust in post offices that exist in local communities to expand our services through winning administrative work contracts from local governments, strengthening our partnership with regional financial institutions, and winning contracts for station ticket office services, etc.

## TOPIC

### Providing services of regional financial institutions at post offices

As part of our efforts to further increase convenience for local residents, we have placed ATMs of regional financial institutions inside 10 post offices across Japan, and we also accept and handle banking procedures such as address changes for customers of regional financial institutions at customer counters of nine post offices across Japan (as of the end of March 2021).

We will continue working to increase the value of our network of post offices in partnership with regional financial institutions and explore efforts to further increase convenience for local residents with the aim of fulfilling our role as a hub of local communities.



An ATM of The Nanto Bank, Ltd.  
(At the Miminashi Post Office in Nara Prefecture)



Customer counter for banking procedures of  
The Nanto Bank, Ltd.  
(At the Oritachi Post Office in Nara Prefecture)

We will work to improve the business performance of Toll Holdings Limited and will provide one-stop solutions through comprehensive logistics business domestically and internationally, by making a transition to an Asia-focused business model and expanding domestic contract logistics through JP Toll Logistics Co., Ltd.



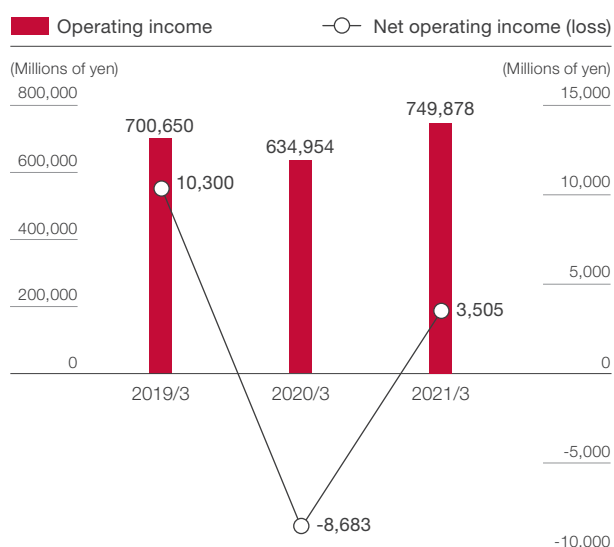
## Business Overview

Toll Holdings and the companies under its umbrella provide a full line of international freight forwarding services, chiefly import and export to and from Asia and Oceania, and other logistics services to sectors of natural resources industry and governmental operations as a 3PL provider in the Asia-Oceania region including transport and warehousing services.

## Financial Results for the Fiscal Year Ended March 31, 2021

In the international logistics business, although revenue of global express business declined, revenue rose in the Asia division of the global logistics business on large-scale handling of supplies for preventing the spread of COVID-19, which along with cost-cutting measures that kept ordinary expenses below the increase in ordinary income. As a result, ordinary income amounted to ¥750,069 million (up ¥114,874 million year-on-year), net ordinary loss amounted to ¥7,003 million (net ordinary loss of ¥21,447 million in the previous fiscal year). In addition, operating income amounted to ¥749,878 million (up ¥114,923 million year-on-year) and net operating income amounted to ¥3,505 million (net operating loss of ¥8,683 million in the previous fiscal year) in the international logistics business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

### Operating income / Net operating income (loss)



### Strengths, challenges, and future policy in the international logistics business

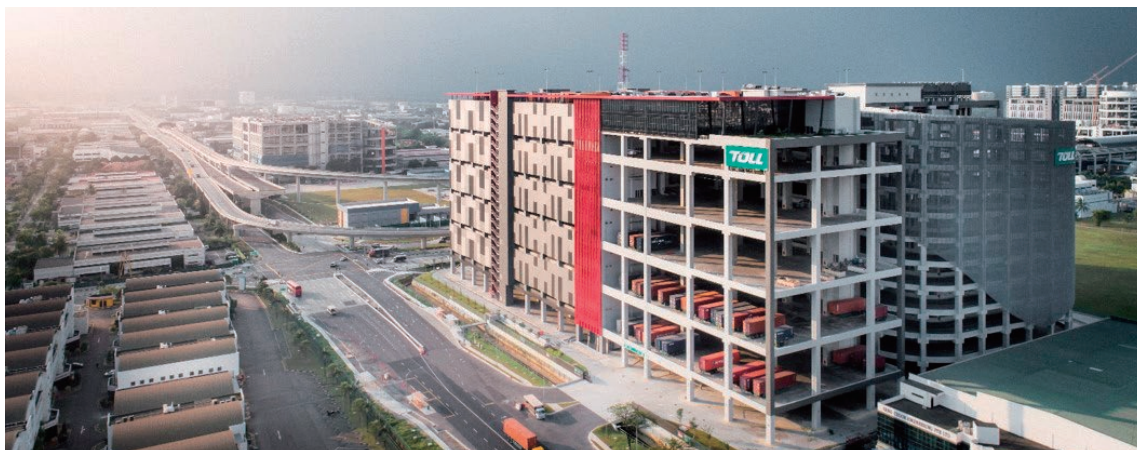
Strengths	<ul style="list-style-type: none"> <li>Number of countries included in the international logistics network Approx. 150 countries</li> <li>"Toll City" that features cutting-edge logistics technologies, such as precision temperature control and smart logistics control systems, and other equipment</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Overcoming Australia-dependent management structure</li> <li>Toll Holdings' business performance improvement</li> <li>Exercise of the synergy between Japan Post and Toll Holdings</li> </ul>
Future policy	<ul style="list-style-type: none"> <li>Transition to an Asia-focused business model</li> <li>Thoroughly implement efforts to improve the business performance of the Toll Holdings</li> <li>Advancement of the synergy between Japan Post and Toll Holdings, and expansion of revenue</li> </ul>

## Forthcoming undertakings

### ■ Transition to an Asia-focused business model

We will expand business by focusing on a small number of countries with high growth potential in the Asian region, such as Singapore and Vietnam, and on industries where Toll Holdings has an edge, such as

retail and industrials, and take other measures to move away from a business structure dependent on Australia and aim to grow by shifting to a business model focused on Asia including Japan.



The logistics facilities in Singapore's "Toll City"

### ■ Thoroughly implement efforts to improve the business performance of Toll Holdings

The express business has continued to suffer deficits due to such factors as not only the slowdown in Australia's economy and an environment with fierce competition but also an impact of the spread of COVID-19 and targeted cyber attacks, and such deficits were the main cause of the stagnant business performance of Toll Holdings as a whole. This led to our conclusion in April 2021 of an agreement to sell the business to companies under the umbrella of Allegro Funds Pty Ltd.

In order to proceed with the business expansion with a focus on the Asian region, we will work to improve the profitability of the remaining logistics and forwarding businesses through streamlining of personnel placement and other means.

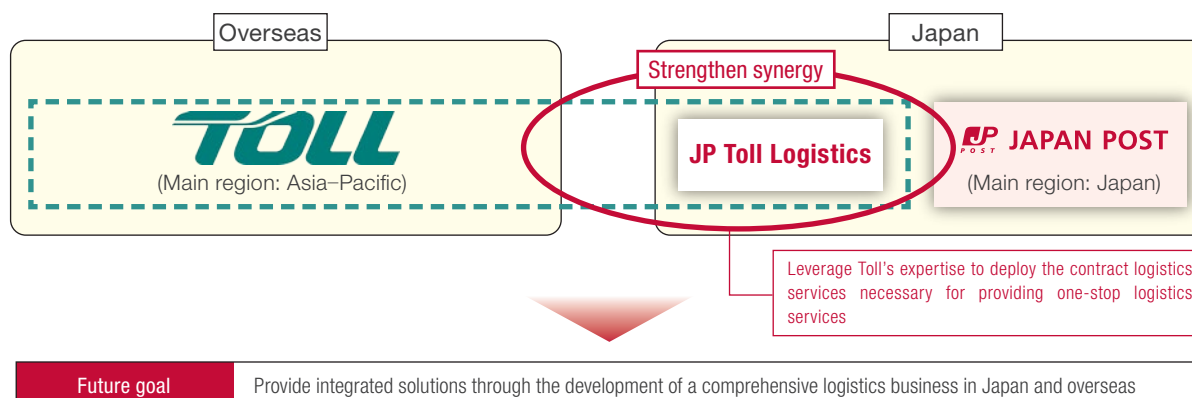
### ■ Strengthen synergy between Japan Post and Toll and expand revenue

We will promote provision of seamless solutions through the development of a comprehensive logistics business in Japan and overseas, by enhancing the synergy between Toll Holdings, which offers BtoB logistics services overseas, and Japan Post Co., Ltd., which has a strong customer base in Japan, and by rolling out domestic BtoB logistics services, especially contract logistics services. Specifically, we will provide one-stop logistics services by offering contract logistics services through JP Toll Logistics Co., Ltd., which was founded in October 2018, with Toll's know-how.

Engage in contract logistics services in Japan by strengthening synergies

Key initiative within the Medium-Term Management Plan period

Strengthen synergy between Toll, which mainly engages in BtoB logistics operations overseas, and Japan Post, which has a strong customer base in Japan, and expand BtoB logistics in Japan, particularly contract logistics





Japan Post Bank Co., Ltd. aims to innovate our business model and enhance business sustainability, based on the slogan “Deepening trust, and taking on the challenge for financial innovations.”



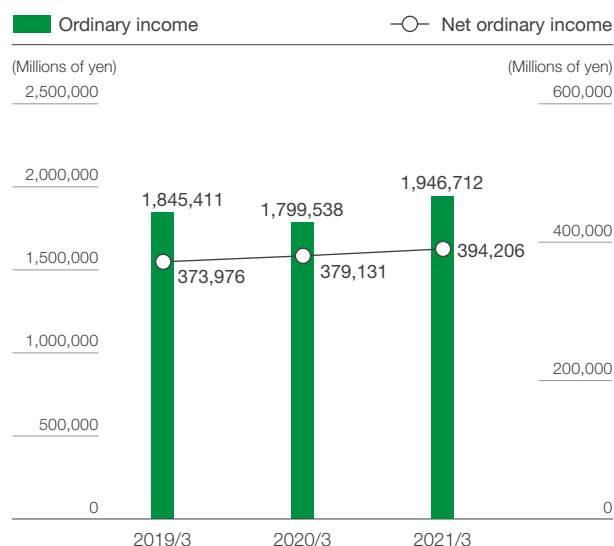
## Business Overview

Under the Banking Act, Japan Post Bank and its subsidiaries engage in the deposits, lending, securities investment, remittances, and credit card businesses as well as counter sales of Japanese Government Bonds (JGBs), intermediary services including mortgages, investment trusts, and insurance products.

## Financial Results for the Fiscal Year Ended March 31, 2021

In the banking business for the fiscal year ended March 31, 2021, the deposits balance of Japan Post Bank as of March 31, 2021 totaled ¥189,593,469 million (up ¥6,588,736 million year-on-year). Under difficult business conditions including continued low interest rates, interest income fell owing to a decline in interest from securities, but this was offset by a gain in other operating income from a decrease in foreign currency funding costs. As a result, ordinary income amounted to ¥1,946,712 million (up ¥147,174 million year-on-year), while net ordinary income was ¥394,206 million (up ¥15,074 million year-on-year).

### Ordinary income / Net ordinary income



Note: The graphs show ordinary income and net ordinary income of the banking business segment of the Japan Post Group.

### Strengths, business environment and business issues, and future policy in the banking business

Strengths	<ul style="list-style-type: none"> <li>Japan's largest customer bases</li> <li>Post office and ATM networks encompassing all of Japan</li> <li>Japan's largest assets</li> <li>Diverse and expert human resources</li> </ul>	
Business environment and business issues	Business environment	Business Issues
	Shrinking population, super-aging society	Providing customer-oriented services
	Diversification of lifestyles	Expanding products and services
	Local economic downturns	Contributions to vitalization of communities
	Digital innovation	Creating new value
		Addressing the digital divide problem
Future policy	Changing to new lifestyles	Addressing no-contact and non-face-to-face needs
	The demands of realizing a sustainable society	Security enhancements
		ESG management
	Low interest rates becoming long term, and increased risk of stress events manifesting	Deepening market operations and risk management
Future policy		Enhancing the capital base
	<ul style="list-style-type: none"> <li>Innovating retail business into a new form by realizing complementarity between the physical and the digital</li> <li>Business reforms and productivity improvement through the active utilization of digital technology</li> <li>Enhancing funds flow to regional communities and the regional relationship functions through various frameworks</li> <li>Deepening market operations and risk management with an awareness of stress tolerance</li> <li>Strengthening the management base to become a more trusted bank</li> </ul>	

## Forthcoming undertakings

### ■ Innovating retail business into a new form by realizing complementarity between the physical and the digital

Placing top priority on safety and security, we will expand digital services that are easy for all customers to use, and promote the spread of digital services by utilizing our post office network.

In addition, we will endeavor to build an open “Co-creation Platform” that leverages our customer base to provide optimal services through collaboration with a wide range of businesses.

In the asset building support business, based on customer-oriented businesses operations, through “our face-to-face channel,” we will offer a lineup of asset management products to suit our customer base, while we will mainly offer cumulate-type investments to beginner investors.

In addition, in the digital channel, we will strive to develop an asset management platform that is easy for everyone to use by expanding services on our website and apps using competitive fee levels.

### ■ Business reforms and productivity improvement through the active utilization of digital technology

At our branches, we will expand the system to enable self-processing of routine transaction by introducing the teller tablet system, and enhance the digital channel to improve the efficiency of counter operations while expanding the options of transaction channels for our customers.

At Operation Support Centers, we will promote comprehensive business automation of operations by combining digital technologies, such as expanding AI-OCR <sup>\*1</sup> and RPA <sup>\*2</sup> as well as introducing BPMS <sup>\*3</sup>.

In addition, while we make investments in priority areas such as promotion of DX proactively, we will reduce overall expenses by reducing predetermined expenses including commission fees to Japan Post drastically.

<sup>\*1</sup> AI-OCR: An optical character recognition (OCR) that utilizes artificial intelligence (AI) to enhance increase the recognition rate of ad hoc ledgers, handwritten characters, etc.

<sup>\*2</sup> RPA: Acronym for Robotic Process Automation. Technology to shorten work time and improve quality through such measures as the automation of terminal and other operations, which used to undertake manually using a mouse or keyboard

<sup>\*3</sup> BPMS: Acronym for Business Process Management System. This system automatically activates RPAs, and systematically control work flows that require human confirmation work, etc., and conducts automatic process management.

### ■ Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

In order to flow precious customer funds entrusted by our customers to regional communities, we will strive to contribute to the vitalization of regional communities by supplying funds through various frameworks. In particular, we will respond to the risk money needs of regional communities by supplying equity funds through “regional vitalization funds” as well as through the actions of “Japan Platform of Industrial Transformation, Inc. (JPiX)” and “Japan Post Investment Corporation.”

In addition, as the core of a “regional financial platform,” we will work with regional financial institutions to meet the financial needs of each region by utilizing our ATM network and cooperation in administrative work.

With regard to these efforts to revitalize regional communities, we established the new Regional Relations Division in April 2021 to promote these efforts while further strengthening our relationships with local governments and regional financial institutions.

### ■ Deepening market operations and risk management with an awareness of stress tolerance

Amidst a severe business environment where interest rates remain low, we will expand our global asset allocation based on a “risk appetite framework,” clarifying the types and levels of risks to be taken, while being conscious of returns against risks and aiming to improve profitability. More specifically, we will build up the balance of risk assets, mainly in the investment grade (IG) area. In addition, we will selectively invest in strategic investment areas with the aim of increasing the balance among risk assets.

In addition, in preparation for the occurrence of stress events, we will promote the construction of a stress-resistant portfolio, and make further efforts to deepen our risk management by upgrading stress tests and strengthening monitoring.

## TOPIC

### Strengthening of the management base to become a more trusted bank

We aim to serve as a more trusted bank in which all of our employees realize customer-oriented business operations, and are therefore engaged in organizational culture reforms.

More specifically, we will work to realize sustainable reforms to our corporate culture whereby each of our employees earnestly listens customer feedbacks and implements customer-oriented work operations in their day-to-day activities, with the “Service Improvement Committee” as an expert Committee chaired by the President and Representative Executive Officer playing a central role.

In addition, as social and economic environmental changes continue in their severity, we will improve risk sensitivity and enhance our various management systems, including those of our external partners, while maintaining a prompt and flexible response to changes.





JAPAN POST INSURANCE

## Life Insurance Business Segment

Basing on “reliability” and “trustworthiness,” Japan Post Insurance Co., Ltd. endeavors to enhance corporate value by pursuing customer-first business operations, achieving sustainable growth and maintaining sound business operations.

## Business Overview

Licensed and approved under the Insurance Business Act, Japan Post Insurance engages in the underwriting of life insurance and asset management business, including securities investment and loans.

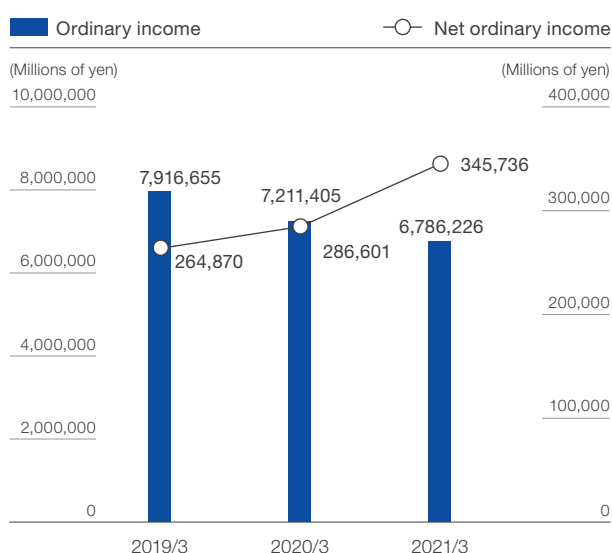
In addition to our own products, directly managed Japan Post Insurance offices also handle other life insurance companies' products on commission, largely to corporate customers. We have also entered into an operations consignment agreement with Japan Post Co., Ltd. to solicit our insurance products through its post offices.

## Financial Results for the Fiscal Year Ended March 31, 2021

In the life insurance business for the fiscal year ended March 31, 2021, ordinary income amounted to ¥6,786,226 million (down ¥425,178 million year-on-year) due mainly to a decrease in the number of policies in force. Net ordinary income amounted to ¥345,736 million (up ¥59,134 million year-on-year) due partly to lower business expenses which are expenses associated with solicitation following decreased new policies sales.

Note: We recognize that the increase in net ordinary income was not the result of favorable progress in our initial management plan, but rather a temporary upswing in profits, which has been materially impacted by the decrease in expenses for sales and underwriting as a result of refraining from sales activities and other factors.

## Ordinary income / Net ordinary income



Notes: The graphs show ordinary income and net ordinary income of the life insurance business segment of Japan Post Group.

## Strengths, challenges, and future policy in the life insurance business

Strengths	<ul style="list-style-type: none"> <li>Extremely large customer base</li> <li>Procedures available at post offices nationwide</li> <li>Products with easy procedures and smaller coverage amounts</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Reconstruction into a company that is truly trusted by its customers</li> <li>Shift to a business model that positions customer experience value as its top priority</li> </ul>
Future policy	<ul style="list-style-type: none"> <li>Continue efforts to regain trust</li> <li>Reinforcement of the business foundations</li> <li>Improvement of customer experience value</li> <li>Promotion of ESG management</li> <li>Corporate culture and work-style reform</li> <li>Reinforcement of governance, capital policy</li> </ul>

## Forthcoming undertakings

### ■ Continue efforts to regain trust

We will thoroughly implement customer-oriented business operations and regain customers' trust.

### ■ Reinforcement of the business foundations

We will improve profitability by responding to the protection needs of customers in all age groups and through efficient business operations.

Establishment of new Japan Post Insurance sales system	We will build a new Japan Post Insurance sales system with specialty and extensiveness and realize a comprehensive consulting service across the entire Group.
Enhancement of insurance services	We will progress the development of insurance services that respond to the protection needs of customers of all generations in an age of 100-year life.
Boosting efficiency of business operations	We will improve customer service, boost the efficiency of operations, and reduce costs by promoting digitalization.
Achieving greater depth and sophistication of asset management	We will achieve greater depth and sophistication of asset management in terms of both portfolio building and each investment field such as alternative investment, while responding appropriately to the introduction of the new solvency regulation.

### ■ Improvement of customer experience value

We will implement a sweeping review of insurance services from the perspective of boosting customer experience value and improve customer convenience and solicitation quality to ensure customers feel truly glad they chose Japan Post Insurance. In addition, we will ensure that customers who are satisfied with the customer experience value will communicate the experience to their family members, friends, regions and society as a whole, expanding our customer base.

### ■ Promotion of ESG management

We will contribute to resolving social issues related to sustainability through fulfillment of our social mission.

In addition, we will provide services that are closely connected to social issues including health promotion, nursing care, inheritance, etc.

### ■ Corporate culture and work-style reform

We aim to be a company where employees and management share the future vision, and each and everyone grows together with the Company while feeling employee satisfaction (ES).

We will also strive to establish an environment that allows diversified human resources to choose various work styles.

### ■ Reinforcement of governance, capital policy

We will conduct strengthening of governance and thoroughly implement customer-first business operation.

In addition, we will position returning profits to shareholders as an important measure for management effectiveness. We will secure revenues while maintaining financial soundness based on ERM, aiming to steadily return profits to shareholders.

## TOPIC

### Launch of new insurance services which meet customers' needs

We started to sell ordinary term insurance and special endowment insurance with longer insurance periods than before in order to more appropriately meet the coverage needs of young and middle-aged customers. In addition, we also started to make available a policy conversion system, so that customers could change coverage without canceling their existing policies.

We will continue developing insurance services that respond to the protection needs of customers of various generations and situations. In addition, we will provide services which connect generations and support our customers' lives.