

Capital Strategy

We will promote postal service privatization and growth of the Japan Post Group through capital strategy.

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Japan Post Holdings Co., Ltd.
Representative Executive Officer,
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In the recently announced JP Vision 2025, Japan Post Holdings Co., Ltd., as a holding company with two financial companies, namely, Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd., under its umbrella together with Japan Post Co., Ltd., presented its policy to reduce its stakes in the aforementioned financial subsidiaries to 50% or less as early as possible in the JP Vision 2025 period (from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2026); and the shareholding ratio in Japan Post Insurance has already reached the targeted level. The shareholding ratios in these financial subsidiaries being 50% or less will relax the additional statutory operational regulations imposed under the Postal Service Privatization Act, allowing the companies to start new operations more flexibly.

This will lead to strengthening of our core business and an increase in profits.

In addition, the Company intends to not only work to increase profits by converting our business portfolio, but also aim to improve ROE by reducing capital costs through flexible acquisition of treasury stock and use of debt financing to increase the financial leverage and improving capital efficiency.

Furthermore, the Company recognizes the importance of shareholder returns. Despite the current adversity of the business environment, the Company aims to continue to pay annual dividend of 50 yen per share stably in the JP Vision 2025 period.

Early Disposal of Shares in the Two Financial Subsidiaries

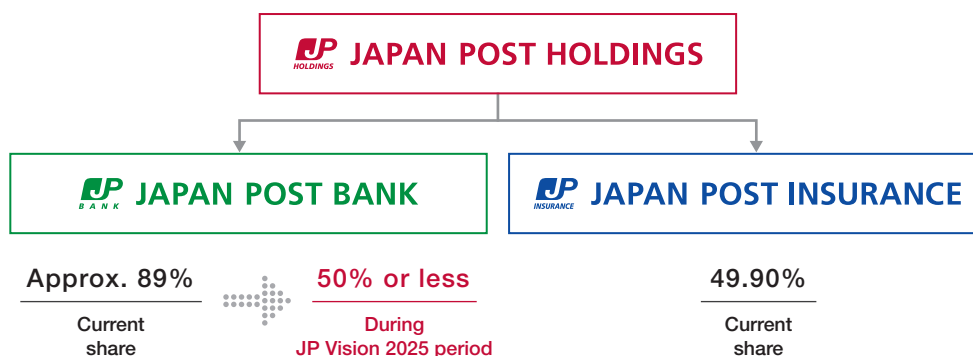
The Postal Service Privatization Act stipulates that all shares in the two financial subsidiaries, namely, Japan Post Bank and Japan Post Insurance, shall be disposed of as early as possible while taking into consideration the status of management of Japan Post Bank and Japan Post Insurance, an impact on their performance of duties to ensure basic services pertaining to the postal business, etc.

The Company aims under the JP Vision 2025 to reduce its stakes in the two financial subsidiaries to 50% or less as early as possible in the JP Vision 2025 period in accordance with the purposes of the Postal Service Privatization Act and from the perspective of enhancing

independence and flexibility of management of these companies. This will relax the additional statutory operational regulations on new operations imposed on these two companies and ensure steady progress in their privatization, including a shift to an advance notification system.

With respect to shares in Japan Post Insurance, as announced in May 2021, through a sale of shares in response to the acquisition of treasury stock by Japan Post Insurance and the Company's establishment of a stock disposal trust, the Company's voting right holding ratio in Japan Post Insurance became 49.90%.

Shareholdings in two financial subsidiaries

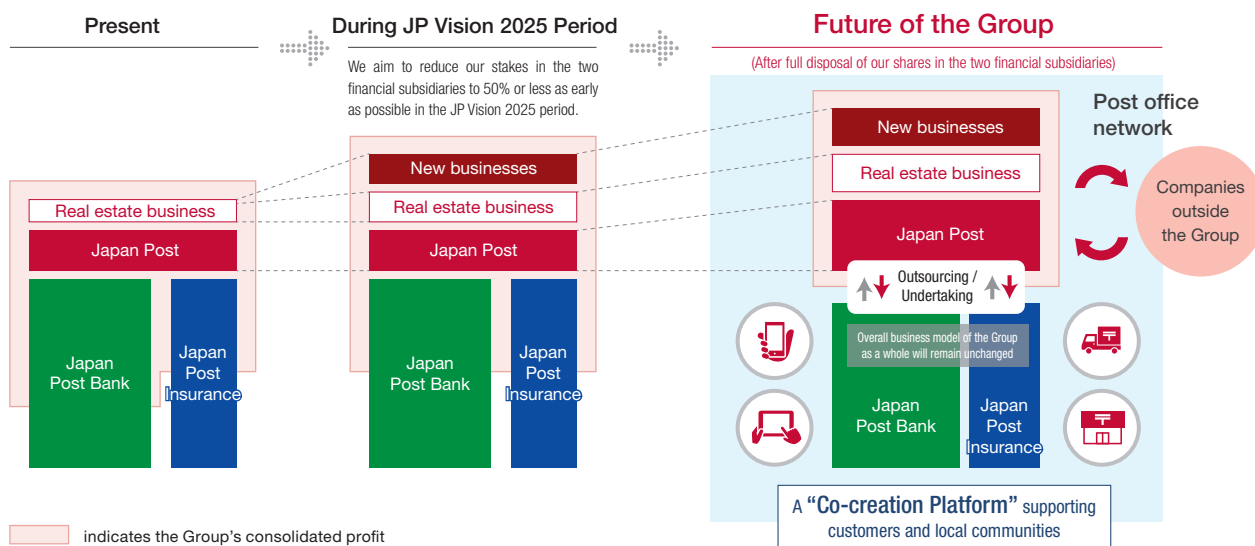


Conversion of Business Portfolio

As a “Co-creation Platform” supporting customers and local communities, we will convert our business portfolio in such ways as securing earnings opportunities by promoting investment in real estate and new business in order to continue contributing to the solution of the SDGs and other social issues and to the sustainable development of society, while improving and strengthening our core businesses, such as the postal and domestic logistics business, the banking business, and the life insurance business.

In making investment, we will proceed with securing new profits while maintaining the soundness of our financial position by undertaking appropriate risk-taking and risk control through the introduction of a new risk appetite framework (RAF) that covers also non-financial business.

The two financial subsidiaries use a business model in which services are provided through post offices, which are the Group's greatest strength; therefore, the group-wide business model with the post office network at the core remains unchanged even if the shares are further disposed of in the future.



Shareholder Returns and Improvement of Capital Efficiency

Shareholder Return Policy during the Period of JP Vision 2025

Japan Post Holdings considers returning profits to shareholders to be an important management measure and sets out its basic policy to continuously provide stable return to shareholders in accordance with the results of operations.

With regard to dividends from retained earnings, the Company aims to provide stable returns to shareholders while maintaining required internal reserves and paying attention to capital efficiency. Accordingly, the Company intends to sustain stable dividends per share with a targeted annual dividend of 50 yen per share until the end of the fiscal year ending March 31, 2026, which is covered by the JP Vision 2025 period. Also, we will flexibly implement acquisition of treasury stock to improve capital efficiency.

As announced in June 2021, we acquired treasury stock of approximately 250.0 billion yen with the aim of improving capital efficiency and strengthening shareholder returns.

The annual dividend for the fiscal year ended March 31, 2021, is decided to be 50 yen per share for common stock based on a comprehensive determination of earnings and other matters. The source of the full amount of dividends for the fiscal year under review is capital surplus.

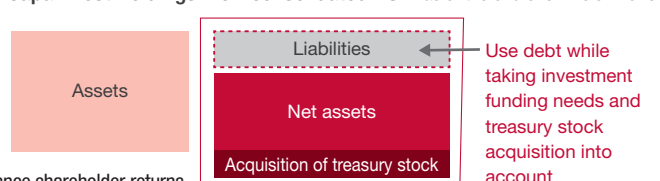
Japan Post's Efforts to Improve Capital Efficiency

In addition to flexible acquisition of treasury stock, we will use debt financing to increase the financial leverage of Japan Post Holdings (non-consolidated) with the aim of reducing capital costs. We will improve capital efficiency (ROE) by reducing capital costs as well as improving profits.

Japan Post Holdings' non-consolidated BS as of March 31, 2021



Japan Post Holdings' non-consolidated BS as of the end of JP Vision 2025



Aiming to improve capital efficiency and enhance shareholder returns