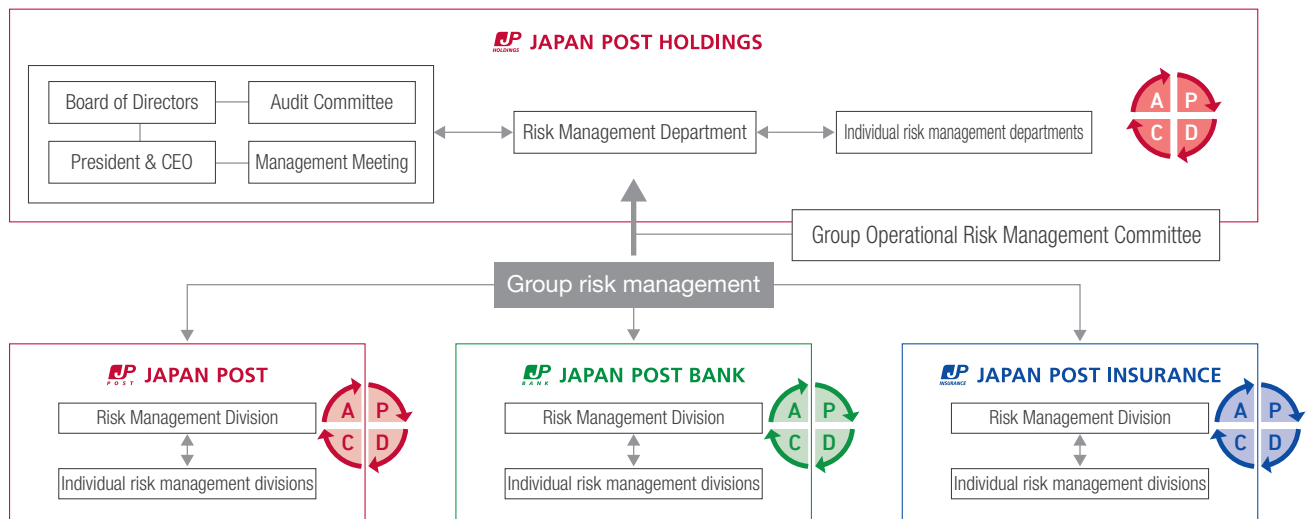


Japan Post Group Risk Management

The Japan Post Holdings Group stipulates basic matters to be observed in risk management, such as risks that are to be managed by each Group company and matters to be reported to Japan Post Holdings, in the Japan Post Group Management Agreements and other documents. In addition, Japan Post Holdings monitors the Group’s risk management and improvement status through the Group Operational Risk Management Committee and other means to manage risk for the entire Group.

Each Group company has designated a department to oversee its own risk management, and proactively identifies, assesses, controls, monitors, and otherwise manages risks according to its own business characteristics and risk profile, as well as reporting necessary matters to Japan Post Holdings.

Group risk management framework of the Japan Post Group

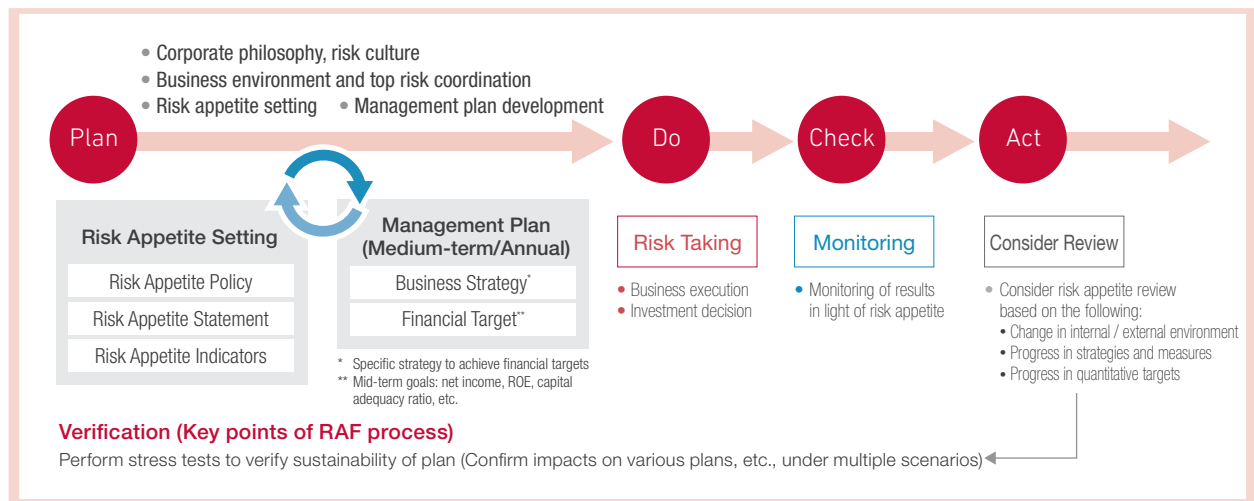


Risk Appetite Framework (RAF)

The Japan Post Group has introduced its Risk Appetite Framework (RAF) from the fiscal year ending March 31, 2022, as a framework to control risks for the entire Group by clarifying the type and amount of risks (risk appetite) to be taken or accepted in order to expand earnings.

Utilizing this framework, the Japan Post Group will approve the risks and types of risks to be taken by its leadership together with the management plan, and aims to enhance corporate value by avoiding unexpected losses, improving the risk-return balance, and ensuring accountability.

RAF operation process



Basic Concept for Risk Appetite by Business

Financial businesses

(Japan Post Bank & Japan Post Insurance)

We aim to secure profits while maintaining financial soundness through appropriate risk-taking and risk control in asset and liability management (ALM), investment operations, and insurance underwriting.

Non-financial Businesses

(Japan Post Holdings & Japan Post)

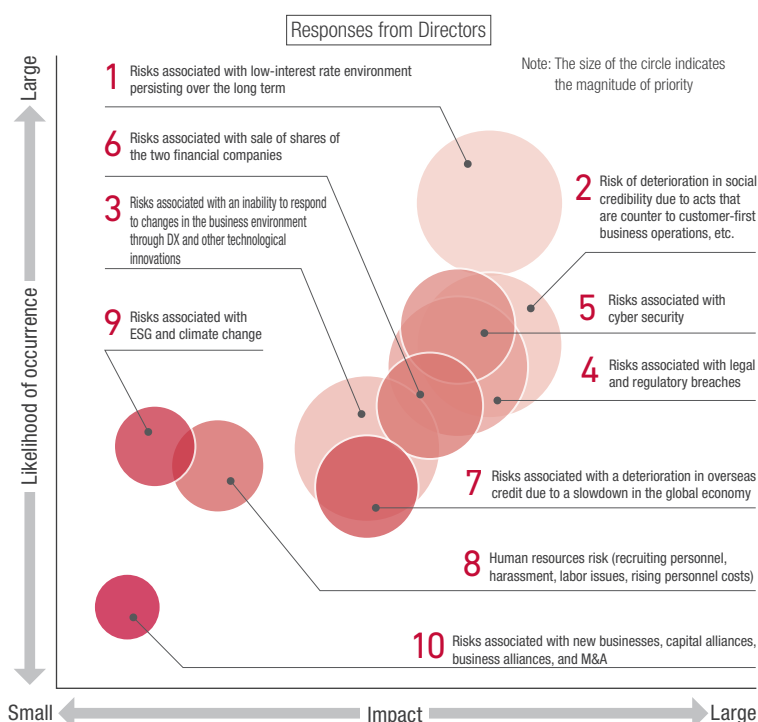
In the postal and domestic logistics business, real estate business, and new businesses, we will aim to secure new earnings while maintaining financial soundness through appropriate risk-taking and risk control within the scope of capital, excluding the financial and existing businesses.

Top Risks

Japan Post Holdings conducts a questionnaire survey of directors and other personnel to identify “risks to the Group’s business and other activities that are of particular importance to management.” As a result, the Company evaluates the magnitude of risks from the perspective of likelihood of occurrence and severity of impact, and designates the most significant risks as “top risks.”

In cooperation with Group companies, Japan Post Holdings monitors the management status of top risks and improvement measures.

In addition, top risks are incorporated into discussions for RAF and management planning.



Top risks and main assumed scenarios for the fiscal year ending March 31, 2022 (Business and other risks of the Group that are of particular importance to the management of the Company)

Top risks		Main assumed scenarios
1	Risks associated with sales of financial products to customers (An integration of risks 2 and 4 in the figure above)	Damage to the Group's social credibility due to the discovery of new cases that are disadvantageous to customers, violations of laws and regulations, or breaches of internal rules
2	Financial risk (Persistent low-interest rate environment and global economic slowdown) (An integration of risks 1 and 7 in the figure above)	A continued decline in the underlying earning power of the two financial companies, whose assets are mainly invested in bonds, or valuation losses arising on assets held by Group companies
3	Risks associated with an inability to respond to changes in the business environment through DX and other technological innovations (An integration of risks 3 and 10 in the figure above)	An inability to respond to changes in the business environment in a timely and appropriate manner resulting in a decline in the competitiveness and efficiency of the Group's operations and products
4	Risks associated with cyber security	Due to the intensification and sophistication of cyber attacks such as targeted attacks, system shutdowns and unauthorized use of various services occur and business operations are suspended or restricted on a large scale and for an extended period of time
5	Risks associated with sale of shares of the two financial companies	An inability to compensate for the profits of the two financial companies reflected in the Company's consolidated financial statements, which will decrease as a result of the ongoing sale of shares
6	Human resources risk (Recruiting personnel, harassment, labor issues, rising personnel costs)	An inability to develop and retain talented human resources, personnel and labor issues, and issues with safety and health management in the workplace lead to an outflow or shortage of human resources and higher personnel costs
7	Risks associated with ESG and climate change	The Group's reputation in the capital markets and other social circles deteriorates when its ESG-related measures are deemed insufficient
8	Risks associated with overseas subsidiaries	Impairment losses are recorded due to lack of improvement in the business conditions of overseas subsidiaries

Note: 8 was added based on events that occurred after the survey was conducted.