#### **UNOFFICIAL TRANSLATION**

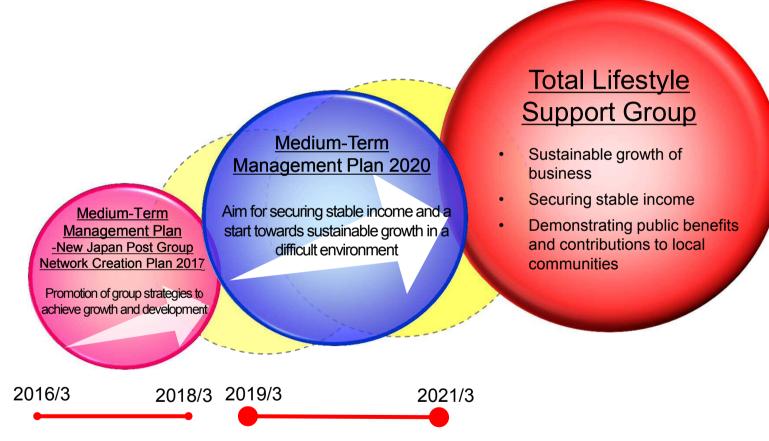
Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

# Japan Post Group Medium-Term Management Plan 2020



#### 1 The Japan Post Group's direction

Aim to become a Total Lifestyle Support Group as Team JP, with ensuring universal services, working together as a Group centered around the post office network



Aim to be a "Total Lifestyle Support Group" that provides various products and services in accordance with the varied lifestyles and life stages of each and every customer, and that supports them to realize safe, secure, comfortable and affluent lifestyles and lives.



#### 2 Basic policies for FY2019/3 to FY2021/3

Aim for securing stable income and a start towards sustainable growth in a difficult environment

#### [Basic policies]

① Development of business that supports the total lifestyles of customers

- 2 Securing stable income for the Group
- ③ Development of environment that enables employees to demonstrate their full capabilities
- 4 Development of new businesses aimed at future growth

#### 3 Basic policies by business

#### **Business fields**

#### Basic policies

Postal and logistics business

Comprehensive review of product and operations systems and strengthening of service infrastructure to support an expansion in parcel

Post office business

Coexistence with local community by maintaining, strengthening and maximum utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

3 International logistics business

Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll

Banking business

Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation

5 Life insurance business

Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

#### 4 Postal and logistics business

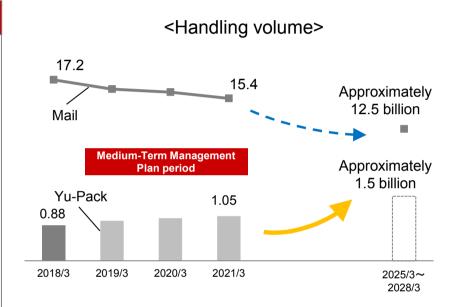
Conduct comprehensive review of product and operations systems, and strengthen service infrastructure to support an expansion in parcel

#### Major measures over three years

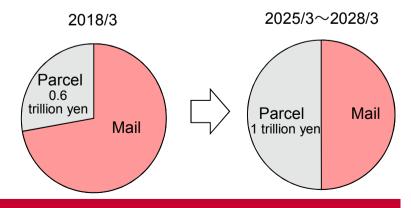
- ♦ Shift management resources to parcel field through review of services and operations, etc.
   ( Implementation of downsizing of parcel, liquidation of management resources, etc. )
- Review of services and creation of high added value in consideration of changes in lifestyles
   (Implementation of designated location delivery service, expansion of desired delivery time frame, etc.)
- ◆ Strengthen service infrastructure to support expansion of parcel
- ◆ Improvements in convenience and productivity through active use of IoT and new technologies such as AI and automatic driving

#### **Future vision**

Provision of last mile logistics network infrastructure through service enhancement and redistribution of management resources



#### [Image of business (revenue) mix]





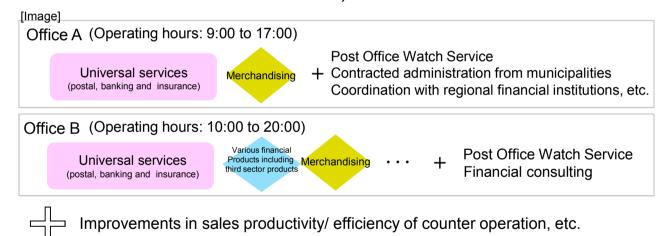
#### 5 Post office business

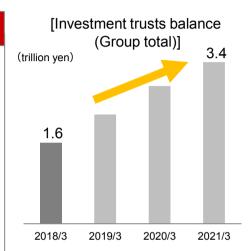
Coexistent with local community by maintaining, strengthening and maximum utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

#### Major measures over three years

- ◆ Enhancement of products and services using post office network

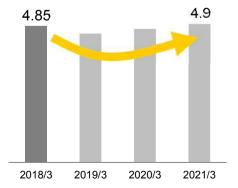
  (Post Office Watch Service, contracted administration from municipalities, etc.)
- ◆ Provision of products and services in accordance with regional needs and diversification of counter business hours, etc.





[Annualized premiums for policies in-force (Group total)]

(trillion yen)



#### **Future vision**

Coexistence with local communities through the maintenance and strengthening of the post office network

(Regular post offices: Approximately 20,000, Contracted post offices: Approximately 4,000)



# Improve management of Toll and deploy contract logistics in Japan through strengthening synergy between JP and Toll

#### Major measures over three years

- ♦ Steadily implement management improvement measures while improving revenue through growth strategy
- ◆ Deploy contract logistics in Japan through strengthening synergy between JP and Toll

Management improvement measures

IT reform program

(Aggregation of IT distributed in each business divisions)

Reduction of operational costs

(Sharing operation across divisions)

Strengthening of synergy between JP and Toll

(Deployment of contract logistics in Japan)



Growth strategy

Establishment of market position in major industries

(Energy, Retail and Engineering industries)

Concentration on major regions and regions with high growth potential

(Australia, Singapore/China – US, etc.)

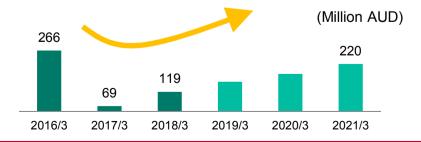
Expansion into high growth fields

(Medical and Technology fields)

#### **Future vision**

Provision of integrated solutions through the development of comprehensive logistics business in Japan and overseas

#### [Toll net operating income (EBIT)]

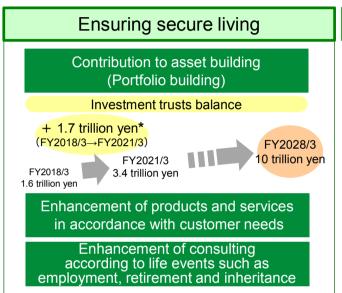


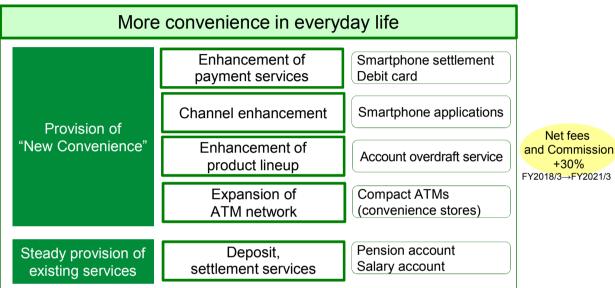


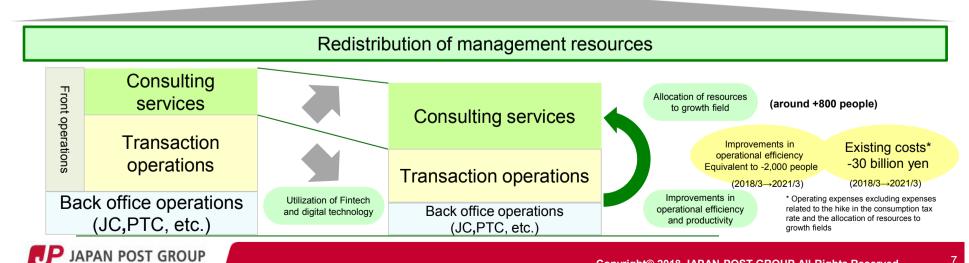
#### 7 Banking business (1)

#### Have more people say "JP Bank, of course"

Provide high-quality customer-oriented financial services while efficiently allocating management resources







#### Diversify and sophisticate investment management while maintaining financial soundness

Securing stable income over medium to long term through diversification and sophistication of investment management Risk taking centered around risk assets Promotion of alternative Promotion of investments international diversified Use of derivatives investments through effective utilization of Portfolio improvements capital Risk assets\* in strategic About 87trillion ven Investment area About 8.5 trillion ven (2021/3)(2018/3: 79trillion yen) (2018/3: 1.6trillion yen) Provision of risk money to Utilization of joint domestic industry investment company Contribution to development of (Japan Post domestic industry **Investment Corporation**) Acquisition of PE investment opportunities

Strengthening of risk governance

Introduction of risk appetite framework (RAF) in ALM and asset management operations Clarification and visualization of risks

Appropriate risk taking and risk control

Advancement of business management systems

Maintain financial soundness while ensuring stable income

Capital adequacy ratio

Establishment of capital adequacy ratio floor from the perspective of financial soundness

Set capital adequacy ratio of about 10%\*\*\*

\* \* \* After consideration of strengthening of financial regulations

- \* Assets other than yen interest-bearing assets (JGB, etc.)(existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)
- \*\* Existing alternatives (PE, HF, Real estate funds (equity))+ real estate funds (debt(non-recourse loans, CMBS), direct lending funds

Ensuring stable profits and providing stable dividends to gain the reassurance and trust from shareholders



#### 8 Life insurance business (1)

"Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being"

Based on assurance and trust, aim for sustainable profit growth by reversing and growing of policies in force by providing life insurance products corresponding to customers' protection needs

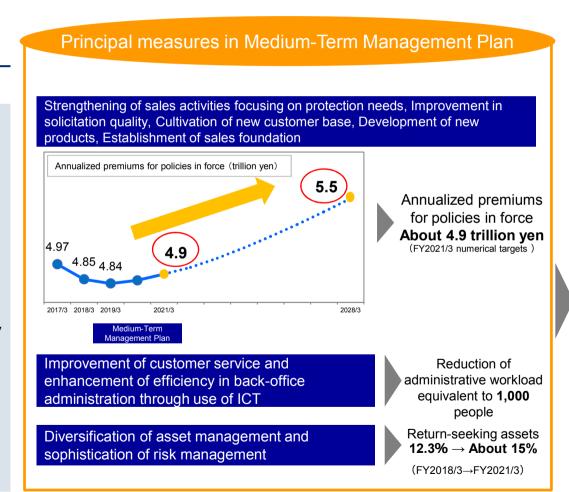
External environment

Advent of super-aging society

Evolution of medical technology and ICT

Continuation of historically low interest rate environment

Diversification of lifestyles



#### Future vision

 Sustainable profit growth and securing of solid business base

Annualized premiums for policies in force
About 5.5 trillion yen
(FY2028/3)

- Further enhancement in convenience and productivity through use of ICT
- Launch of new services and products, which contribute to raising customers' QOL\* through use of AI and big data
- Further improvement in returns on risk under ERM framework

\* Quality of life: Concept for evaluating whether someone lives a humane and satisfying life



#### 8 Life insurance business (2)

Strengthening of sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation

Strengthening of sales activities focusing on protection needs

- Training for post office offsite sales personnel and counter sales personnel
- Cooperation with other life insurance companies in products supply including commissioned sales, etc.

Improvement in solicitation quality

- Ensuring that solicitation materials are easy to understand
- Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.)

Cultivation of new customer base

- Cultivate potential customers who are uninsured and young / Strengthen sales activities at worksite, etc.
- Continue "Feel Secure with Kampo" activities / Launch of health promotion services

Development of new products

- Development and diversification of protectiontype products including third sector products (Annualized premiums from new policies (third sector)
  - : Up over 20% from 2018/3 (59.2 billion yen))

Establishment of sales foundation

- Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing SNS, etc.
- Increase in offsite sales personnel at post office (Number of offsite sales personnel: around 18 thousands (FY2021/3))

Improvement of customer service and enhancement of efficiency in backoffice administration through use of ICT

Improvement of customer service

- Introduction of screen notification/automated assessment system and insurance procedure support system
- Introduction of billing procedures utilizing digital technologies such as "My Page"

Enhancement of efficiency in back-office administration

- Digitalization of paper forms at Service Centers / Saving labor in policy maintenance administration process
- Stepwise introduction of RPA (Robotic Process Automation)

(Reduction of workload equivalent to 1,000 people\* (2021/3))

## Diversification of asset management and sophistication of risk management

Diversification of asset management

- Diversification of foreign bond investment and alternative investment / Expansion of in-house management of stocks
- Cooperation with other life insurance companies including joint investment, etc.

(Ratio of Return-seeking assets : about 15% (2021/3))

Sophistication of risk management

- Actively taking risk of underwriting insurance through products that support both customer needs and profitability
- Taking asset management risk within the scope of risk buffer based on ALM and risk appetite



<sup>\*</sup>Convert the number into personnel expenses : about 3.0 billion yen

#### 9 Development of real estate business

Japan Post Real Estate established to more effectively develop the assets held by the Group and secure new sources of revenue through Joint venture participation and acquisition of profit-making properties, etc.

#### Operating income for real estate business overall

Increase in rented building occupancy rates and increase in rent income from rental houses, etc. are expected

	FY2018/3	 FY2021/3
Operating income	28.5 billion yen	33.0 billion yen*

 Total operating income of Japan Post Real Estate and real estate business of Japan Post

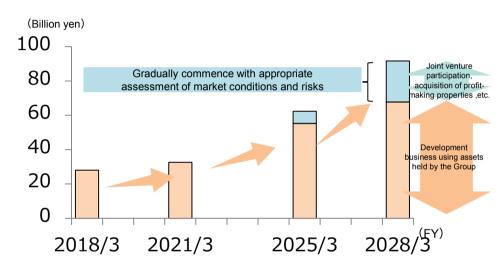
Total investments (FY2019/3 to FY2021/3): 180 billion yen

### Large-scale scheduled development projects through assets held by the Group

- ◆ Gotanda project (formerly U-Port)

  Construction completion: FY2023/3 (planned)
- ◆Toranomon/Azabudai project
  (Japan Post Tokyo Regional Office, Azabu Post Office)
  Construction completion: FY2024/3 (planned)
- ◆ Osaka station-front project (formerly Osaka Central Post Office) Construction completion: FY2024/3 (planned)

#### Image of operating income target



Joint Venture participation	<ul> <li>Assessing market conditions and risks, absorb know-how and gain revenue through participation in redevelopment projects</li> <li>Use the Group's financing capabilities and the network with other companies built through achievements to date</li> </ul>
Acquisition of profit-making properties, etc.	<ul> <li>Gain profits through acquisition of profit-making properties from outside the Group and development of properties</li> <li>Use the Group's brand strength and human resources</li> </ul>



#### 10 Growth investments

Aim to contribute to profits while taking into consideration investments of several hundred billions of yen over a period of three years until FY2021/3, through considering capital partnerships and M&As in a broad range of fields that will lead to the growth of the Group as a "Total Lifestyle Support Group"

#### **Disciplined investments**

 Conduct disciplined investments by making careful judgments in light of investment judgment criteria when conducting investments in consideration of the experience of impairment for Toll

#### **Funds for investments**

Procure funds for investments, giving consideration to existing cash flows as well as borrowings that take advantage of ample borrowing capacity and the use of sales inflows if stocks of Japan Post Bank and Japan Post Insurance were sold

### Capital partnerships and M&As in a broad range of fields

Broadly consider projects that will strengthen the existing business of the Japan Post Group and areas where it will be possible to use management resources including the post office network and customer base, without being constrained by existing businesses

#### Investments for finding the seeds of new business

Conduct investments through JAPAN POST CAPITAL Co., Ltd. in companies for which growth can be expected through the use of networks, brand strength, etc. in order to find the seeds of new business for the Japan Post Group

Aim to contribute to profits while taking into consideration <u>investments of several hundred</u> billions of yen over a period of three years until FY2021/3



#### **Group consolidated**

# Earnings per share of at least 100 yen\* Dividend per share of at least 50 yen

(Implementation of stable dividends)

\* Assuming the current number of issued shares (excluding treasury stock), net income attributable to Japan Post Holdings of approximately 405 billion yen

#### **Japan Post**

Consolidated net operating income 90 billion yen

Postal and logistics business 40 billion yen

Post office business 30 billion yen

International logistics 20 billion yen

business

Consolidated net income 65 billion yen

Number of Yu-pack handled

(compared to FY2018/3)

About +200 million

#### **Japan Post Bank**

Consolidated net ordinary income 390 billion yen

Consolidated 280 billion yen net income

(Reference) Earnings per share 74 yen

Secure capital adequacy ratio of about 10%\*

\* After consideration of strengthening of financial regulations

Assets under management including Investment trusts balance (compared to FY2018/3)

About +1.8 trillion yen \*\* About +1.7 trillion yen\*\*

Secure dividend per share of 50yen (Implementation of stable dividends)

\*\* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis )

#### Japan Post Insurance

Annualized premiums for policies in force About 4.9 trillion yen

Earnings per share 155 yen

(Reference) Consolidated net income

onsolidated net income 93 billion yen

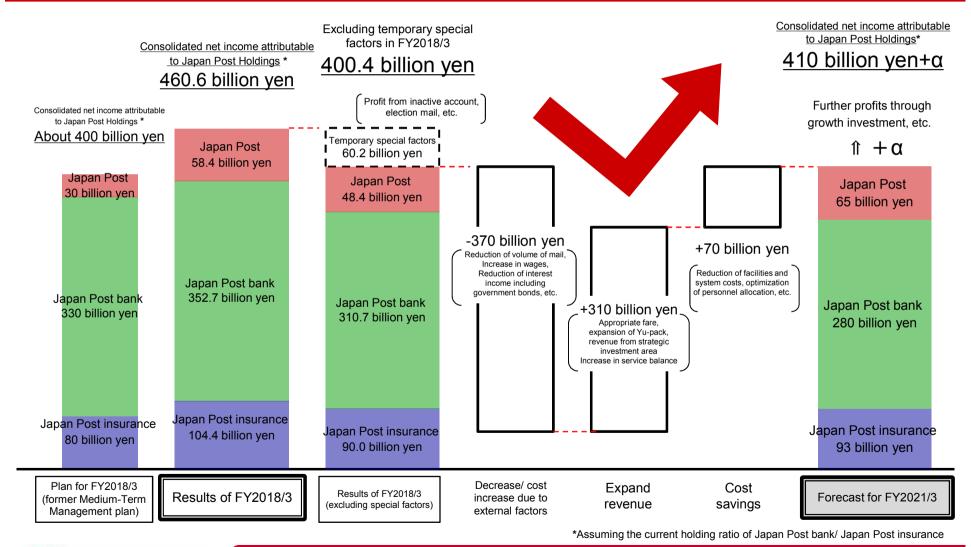
Aim to increase dividend to 76 yen per share while ensuring the soundness of management



<sup>\*</sup>The interest rates, foreign exchange rates, stock prices, which are the premise of each numerical target, are set based on the situation at the end of December 2017.

#### 12 Profit levels for FY2021/3

Overcome reductions in revenue and increased costs due to external factors under a difficult management environment through measures to increase revenue and reduce costs to ensure profit levels that exceed the actual profits of FY2018/3 in FY2021/3





# Japan Post Group Medium-Term Management Plan 2020 Supplement



# Results of the Group Medium-Term Management Plan - New Japan Post Group Network Creation Plan 2017

	FY2018/3 business targets (Announced April 2015)		FY2018/3 financial results (Announced May 2018)
Overall	Consolidated net income	450.0 billion yen	(Including income attributable to non-controlling interests) 512.0 billion yen
	(including income attributable to non-controlling interests)		(Excluding income attributable to non-controlling interests) 460.6 billion yen
	Consolidated operating income 3.1 trillion yer		3.88 trillion yen
Japan Post	Consolidated operating income	3.1 tillion yen	3.17 trillion yen
Japan Post	Consolidated net ordinary income	35 billion yen	85.4 billion yen
	Consolidated net income	30 billion yen	58.4 billion yen
	Deposit balance (compared to FY2015/3)	+3 trillion yen	+2.3 trillion yen
Japan Post	Asset management product balance (compared to FY2015/3)	+1 trillion yen	+1.4 trillion yen
Bank	Net ordinary income	480 billion yen	499.6 billion yen
	Net income	330 billion yen	352.7 billion yen
	Reduction of non-personnel expenses (compared to FY2015/3)	-50 billion yen	-78.5 billion yen
Japan Post Insurance	Contracted monthly premiums for new policies	50 billion yen (FY2017/3)	41.4 billion yen
	Net income	80 billion yen	104.4 billion yen



#### Main external environment

#### Response policies

Logistics industry

- Continuation of declining trend in mail
- Continued expansion of the EC market
- · Strengthening of logistics functions
- Development of comprehensive logistics business in Japan and overseas

Financial industry

- Enduring historically low interest rate environment
- Consideration of strengthening international financial regulations
- Principle of customer-oriented operation of business
- Diversification of settlement methods

- Advancement and diversification of asset management and insurance sales activities focusing on protection needs
- Securing of appropriate financial soundness
- Promotion of fiduciary duty through companywide measures and improvement in quality of insurance solicitation
- Provision of new transfer settlement services (smartphone settlement, account overdraft and debit cards)

Socio-economic Technology

- Advent of declining population and ultra-low childbirth and aging society (decline in productive age population)
- Increase in personnel expenses and social security-related expense burden
- Emergence of new technologies (AI, RPA, automatic driving, drones, Fintech, etc.)
- Improvements in administrative efficiency through use of new technologies and systems
- · Working style reforms
- Use of new technologies aimed at future business development
- · Enhancement of non-face-to-face channel



#### Supplement3 Postal and logistics business (1) Outline of policies and measures

# Awareness of current conditions

# Medium-Term Management Plan

# Future outlook

#### Measures in the previous Medium-Term Management Plan

- · Stimulation of DM demand and promotion of letters
- Start of MvPost and expansion of functions
- · Review of transaction terms for Yu-Pack, etc.
- Expansion of pick up at convenience stores and post offices and deployment of "HAKO POST" receiving lockers
- Promotion of reorganization of postal and logistics network

#### Business environment and challenges

- Continued decrease in mail due to spread of the Internet, etc.
- Increase in re-delivery of parcel, difficulty in securing labor force, increase in unit price of personnel expenses, etc.
- · Decrease in workers for the future

#### **Key indicators**

Volume of Mail: 18.2 billion(2015/3) →17.2billion (2018/3) Volume of Yu-pack: 880million(2018/3)

#### Policies and measures for FY2019/3 to FY2021/3

#### Comprehensive review of service and operations systems

- · Revisions for product characteristics that achieve a balance in terms of services and operations
- · Liquidation of management resources in line with the review of the operations system

#### o Revenue growth

- · Increase through service improvements including improved convenience in the drop off and pick up of Yu-Pack, etc.
- Stimulation of use of mail through stimulation of DM demand and promotion of letters
- Strengthening of service infrastructure to support an increase in parcel
- Augmentation of service supply capacity in preparation for increase in parcel
- Improvements in productivity, review of operation flows, etc.
- Improvements in convenience and productivity in preparation for the future through the use of advanced technologies, etc.
- · Use of AI and deployment of IoT including improvements in efficiency of delivery operations
- · Consideration of transport and delivery using drones and automatic driving

#### Key indicators

Volume of Mail: 15.4 billion(2021/3)

Volume of Yu-pack: 1,050 million(2021/3)

#### **Future vision**

Provision of last mile logistics network infrastructure through service enhancement and redistribution of management resources

#### Key indicators

Volume of Mail: About 12.5 billion (2025/3-2028/3) Volume of Yu-pack: About 1,500 million (2025/3-2028/3)



Implementation of Yu-Pack service improvements in pursuit of easier parcel drop off and pick up for each and every person

#### Accessible drop off

- -Simple drop off service using the web
- Web settlement Yu-Pack
- · Advance settlement with credit card
- Simple issuance of shipping labels online
- Shipping that is cheaper than the basic fare
- Provision of an app for creating the Yu-Pack address label

#### Service for reliable pick up at home

- Implementation of designated location delivery service
- Delivery to location designated by recipient (in front of door at home, garage, etc.)
- Expansion of desired delivery time frame
- Addition of 19:00 to 21:00
- Expansion of services where initial pick up time and location can be designated
- Acceptance of designation or changing of delivery date, delivery time and free transfer to workplace, etc. from emails, etc. sent by mail order companies

#### Accessible pick up service

- Establishment of access points for pick up within 5-minute walking distance
- Establishment of pick up facilities in station coin lockers, commercial facilities, etc. mainly in post offices and convenience stores
- Point granting service for pick up at post offices, etc.





(3) Increase in parcel and strengthening of service infrastructure to support the increase

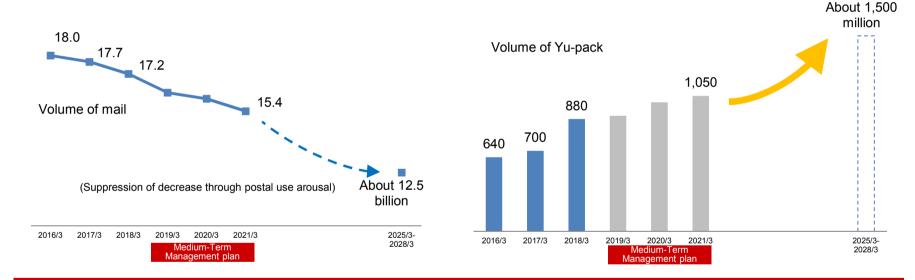
Shift management resources to parcel field through comprehensive review of product and operations systems

Decrease in mail due to spread of the Internet, etc.

Increase in Yu-Pack, etc. through expansion of e-commerce market, etc.

Shift management resources from postal field to parcel field

- ✓ Revisions for product characteristics that achieve a balance in terms of services and operations
- ✓ Liquidation of management resources through review of operations, etc.



Strengthening of service infrastructure to support expansion of parcel

- ✓ Augmentation of capacity through borrowing of facilities
- ✓ Improvements in efficiency and strengthening of transport capacity through review of transport methods for Yu-Pack, etc.
- ✓ Liquidation of management resources through review of operations, etc. (restated)
- ✓ Improvements in productivity and review of operation flows through work centralization, mechanization, etc.
- ✓ Consideration of improvements in convenience and productivity in preparation for the future including drones and automatic driving



#### Supplement 4 Post office business (1) Outline of policies and measures

# current conditions

#### Measures in the previous Medium-Term Management Plan

- Expansion of offices that handle affiliated financial services and revenue
- Expansion of merchandise business lineup and sales
- Steady implementation of real estate business
- Provision and expansion of Post Office Watch Service

#### Business environment and challenges

 Maintaining and strengthening of the post office network in response to the expected decrease in population in the future

#### Key indicators

[FY2018/3]
Assets under management (Banking):
+630 billion yen
Including investment trusts balance
+510 billion yen
Annualized premiums for policies in force

# Medium-Term Management Plan

#### Policies and measures for FY2019/3 to FY2021/3

- o Deployment of unique and diverse post offices in accordance with regional needs
- Enhancement of products and services using post office network
- · Provision of products and services in accordance with regional needs and diversification of counter business hours
- Expansion of Post Office Watch Service
- Strengthening of competitiveness through improvements in sales productivity
- Expansion of assets under management through strengthened cooperation between Japan Post and Japan Post Bank/Japan Post Insurance and improvements in sales productivity, etc. (strengthening of sales of asset-building products and protection-type products, increase in number of offsite sales personnel, etc.)
- Enhancement and utilization of customer database
- o Promotion of improved efficiency for counter operation, etc.

#### **Key indicators**

About 4.85 trillion yen

Assets under management (Banking): +1.8 triillion yen (FY2018/3-FY2021/3)

Including investment trusts balance +1.7 triillion yen (FY2018/3-FY2021/3) (Investment trusts balance: 3.4 trillion yen

Annualized premiums for policies in force About 4.9 trillion yen (FY2021/3)

# Future outlook

#### **Future vision**

Coexistence with local communities through the maintaining and strengthening of the post office network

#### **Key indicators**

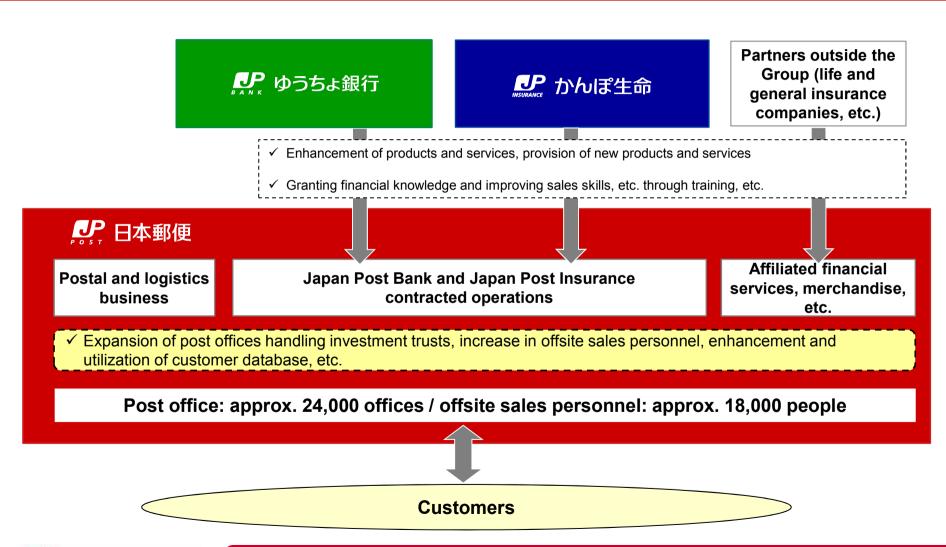
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(FY2021/3))

#### Supplement 4 Post office business

(2) Strengthening of competitiveness through improvements in sales productivity

Expansion of assets under management including asset-building products through strengthened cooperation between Japan Post and Japan Post Bank/Japan Post Insurance and improvements in sales productivity





#### Supplement 4 Post office business (Reference) Use of post office network

#### Measures to improve convenience for customers

Parallel establishment of convenience stores and post offices



Yafuso Post Office (Okinawa Prefecture) (Relocation on September 19, 2017)

Opening of offices in shopping centers



AEON TOWN Yoshikawa Minami Post Office (Saitama Prefecture) (Open on September 20, 2017)

Opening of offices in local government facilities



Kawai Post Office (Tokushima Prefecture) Relocation on March 21, 2017

\* As of the end of March 2018, after privatization

#### Utilization of post office network

#### Expansion of post offices handling/ referring investment trusts

- "Post offices handling investment trusts" Expanded to 1,416 offices\* by adding a total of 101 offices including 13 offices from July 10, 2017 and 87 offices from October 16 2017, 1 offices from February 19 2018
- "Post offices referring investment trusts" Expanded from July 10, 2017 and conducted consultations on asset management and referral of investment trusts at 18,000 post offices\*
  - \* As of the end of March 2018

Establishment of "Multi-Bank-Shared Service Counter"



Image of "Multi-Bank-Shared Service Counter"

- Leased portion of Shinjuku Post Office and established "Multi-Bank-Shared Service Counter" operated by ATM Japan, Ltd. (September 2017)
- Provided account after-sales services (name and address changes, etc.) to individual customers of 27 banks in 16 prefectures that are partnered with ATM Japan, Ltd. (as of March 2018)

### Establishment of Miyazaki Bank ATM corner



Image of Miyazaki Bank ATM (no cash handling function)

Leased portion of Kamishiiba Post Office in Shiiba Village, Miyazaki Prefecture to the Miyazaki Bank, Ltd. as an ATM corner where the bank provides some ATM services from July 2017



#### Supplement 5 International logistics business (1) Outline of policies and measures

current conditions

#### Measures in the previous Medium-Term Management Plan

• Expansion of business with Toll as a platform

#### Business environment and challenges

- Sluggish performance by Toll
- Achieving synergy effects with Toll

#### Key indicators

Net operating income (EBIT): 119 million AUD (FY2018/3)

# Medium-Term Management Plan

#### Policies and measures for FY2019/3 to FY2021/3

- Toll management improvements
- · Focus on major areas and businesses and
- · Expansion into high growth fields
- Strengthening of corporate foundations and supporting advanced technologies
- Continuous improvements in safety (introduction of risk management systems, etc.)
- Updating of IT infrastructure and core systems
- Expansion of advanced business operations systems (use of telematics, etc.)
- Strengthening of synergies and revenue growth
- Deployment of contract logistics in Japan using the know-how of Toll
- Promotion of sales for Japanese companies (use of Japan Desk)

#### **Key indicators**

Net operating income (EBIT): 220 million AUD (FY2021/3)

# Future outlook

#### **Future vision**

 Provision of integrated solutions through the development of comprehensive logistics business in Japan and overseas

#### Key indicators

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#### Steadily implement management improvement measures while improving revenue through growth strategy

Management improvement measures

Growth strategy

Reduction of operational costs

IT reform program

Establishment of market position in major industries

Concentration on major regions and regions with high growth potential

Expansion into high growth fields

<Measures to date>

- Simplification of organization structure
- Personnel reductions

<Future efforts>

- Sharing operations across divisions
- Improvements in operations efficiency by aggregating IT distributed in each business department
- Establishment of efficient IT organization using the latest IT technologies

■ Focus on energy, retail and engineering industries

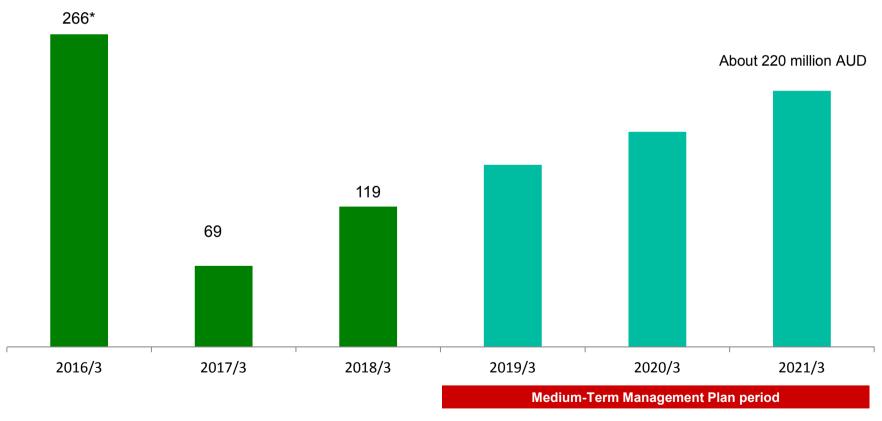
- Focus management resources in the major regions of Australia, Singapore, fast-growing Asia and the US
- Forwarding: Focus on high-growth trade lanes (China US, within Asia, Asia Australia)
- Express: Capture e-commerce growth
- Logistics: Capture the high growth of the medical and technology fields based on areas of specialty such as the government, resources and retail



#### Supplement 5 International logistics business (3) Improvements in Toll performance

Aim to improve performance from FY2017/3
when losses on impairment of fixed assets were recorded as a bottom
through steady implementation of management improvement measures and growth strategy

[Toll net operating income (EBIT)]



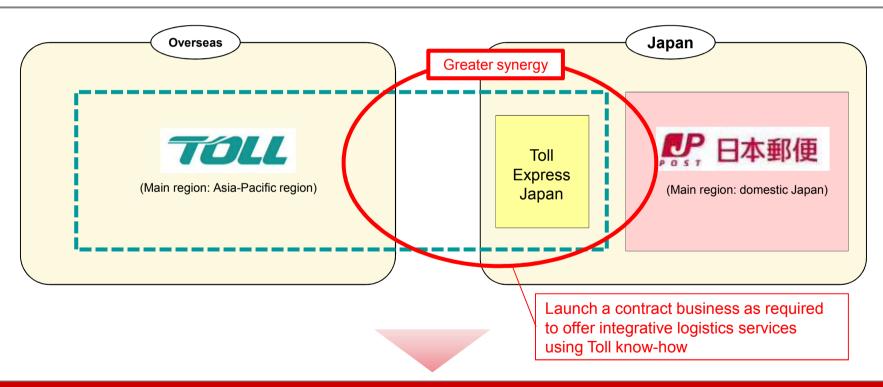
<sup>\*</sup> Toll's EBIT for the FY2016/3 is reflected in the consolidated accounts of Japan Post from July(for 9 months), but converted for 12 months for comparison



#### Deploy contract logistics in Japan through strengthening synergy between JP and Toll

#### Major measures over three years

 Expansion of BtoB in Japan centering on contract logistics through strengthening synergies between Toll, which mainly engages overseas BtoB and Japan Post, which has a customer base in Japan



#### **Future vision**

Provision of integrated solutions through the development of comprehensive logistics business in Japan and overseas



#### Supplement 6 Banking business (1) Outline of policies and measures

current conditions

# Future outlook

#### Measures in the previous Medium-Term Management Plan

- Expansion of service commissions
- Establishment of provision structure of customer-oriented services
- · Advancement of fund management

#### Business environment and challenges

- Decrease in fund balance through prolongation of historically low interest rate environment
- · Changes in and diversification of customer needs

#### Key indicators

#### Assets under management:

+630 billion ven per vear

Including Investment trusts balance: +510 billion yen per year strategic investment area: 1.6 trillion yen

#### Policies and measures for FY2019/3 to FY2021/3

#### Provision of high quality customer-oriented financial services

- · Promotion of consulting operations according to the lifestyles and needs of customers
- Contributions to the building of quality portfolios through the expansion of investment trusts sales, etc.
- Provision of new transfer settlement services, expansion of ATM network and review of existing transfer settlement services

#### Diversification and sophistication of investment management

- Improvements in profitability and portfolio through promotion of alternative investments and the Utilization of derivatives, etc.
- · Securing of a certain shareholders' equity ratio and financial soundness while ensuring stable income

#### Funds flow to regional communities

- Participation in GP operations through cooperation with regional financial institutions and human resources development (consideration of fund management by joint investment companies)
- Creation of new flow of funds through regional vitalization funds
- Strengthened coordination with regional financial institutions through the opening up of platforms, etc.

#### Strengthening of business management systems

- · Securing of the confidence of customers and shareholders
- · Strengthening of handling to financial crime and antisocial forces
- Enhancement and strengthening of post office support to strengthen consulting and development of specialized human resources for the diversification and sophistication of invest management and participation in GP operations
- Reduction of labor required for transaction operations and redistribution of human resources to growth fields and focus fields
- Improvements in efficiency of operations and productivity through utilization of Fintech and digital technology
- Provision of quality financial services through development and expansion of external collaboration platform (API)

#### Key indicators

Assets under management:

+1.8 trillion yen(FY2018/3-FY2021/3)

Including Investment trusts balance:

+1.7 trillion yen\* (FY2018/3-FY2021/3)

(Balance in2021/3:3.4 trillion yen)

Service balance: +30%(FY2018/3-FY2021/3)

Risky asset balance:

About 87 trillion yen (2021/3)

strategic investment area:

About 8.5 trillion yen (2021/3)

Existing costs:-30 billion ven

(FY2018/3-FY2021/3)

Improvements in operational efficiency:

Equivalent to -2,000 people (FY2018/3-FY2021/3)

\*The cumulative total of "sales amount - cancellation amount" for 3 years

#### **Future vision**

- · Provision of "new convenience" and "peace of mind" to customers
- Promotion of international diversified investments and supply of risk money to domestic industry through the effective utilization of capital
- Contributions to the development of the Japanese economy through vitalization of regional economies

#### Key indicators

Investment trusts balance: 10 trillion yen (2027/3)



(2) Provision of added value to customers (High quality customer-oriented financial services)

#### Have more people say "JP Bank, of course"

In addition to enhancement of settlement services, provide added value for customers by contributing to the building of high-quality portfolios for customers

#### **Ensuring secure living**

Contributions to asset building (Portfolio building)

#### Investment trusts



JGBs and variable annuities

- Face-to-face proposals according to the lifestyles stages of individual customers
- Asset building from a medium- to long-term perspective
- Customer-oriented product lineup
- Development and strengthening of sales system



 Vitalization of referrals from investment trust sales support locations by utilizing the nationwide network of post offices to respond to customers' needs

#### Enhancement of products and services

(Provision of products according to customer needs)

Enhancement of consulting according to life events such as employment, retirement and inheritance

Contribution as hub and contact point in local communities



Maintaining and utilizing local community network



Coordinating with and opening to regional financial institutions

#### More convenience in everyday life

Enhancement of settlement service (Provision of liquidity)

#### Steady provision of existing services

Teigaku deposits and time deposit

Ordinary deposits

Receipt of pension payments and transfer of wages

Automatic payments

#### Provision of "new Convenience"

Deployment of services based on a sense of security which is the Bank's strength

#### Enhancement of cashless payments

Smartphone settlement

Debit cards

mijica (prepaid card)

Enhancement of product lineup

Account overdraft service

Expansion of channels

Smartphone app

#### Expansion of ATM network

Compact ATMs (convenience stores)

E-net ATM (Fee-free within business hours)



(3) Provision of added value to customers (expansion of non-interest revenue)

## Growth and expansion of net fees and commission in the medium to long term by providing added value to customers

Further strengthening

of revenue

growth fields

#### Expansion of investment trust sales

- Promotion of consulting operations according to customers' lifestyle needs
- Increases of referrals from investment trust sales support locations
- Improvement of marketing capability and increased operational efficiency through the utilization of tablets, robot advisors, etc.

Investment trusts balance
 FY2018/3: 1.6 trillion yen
 ⇒FY2021/3: 3.4 trillion yen
 (FY2028/3: 10 trillion yen)

Provision of new transfer settlement services

- Deployment of services and channels according to customers' needs
- o Collaboration with Fintech companies, etc.

- Enhancement of smartphone services
- Account overdraft service

Expansion of compact ATM

installations in convenience

#### **Expansion of ATM network**

- o Expansion of installation of compact ATM
- o Making E-net ATM fee-free within business hours
- No. 1 nationwide in terms of the number of ATMs
- Number of fee-free ATMs
   during husiness haves
  - during business hours

stores

⇒ 40,000 units or more

Review of existing settlement services

Review of existing transfer settlement services

o Introduction of corporate direct

- Enhancement and improvement of functions of corporate services
- Improvements in profitability of transfer settlement operations

FY2021/3
Net fees
and
Commission
+30%
(Compared to
FY2018/3)

Enhancement of marketing for better understanding of customers

#### Supplement 6 Banking business (4) Diversification and sophistication of investment management

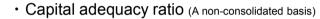
## Aim to secure stable earnings in the medium to long term through promoting the diversification and sophistication of investment management

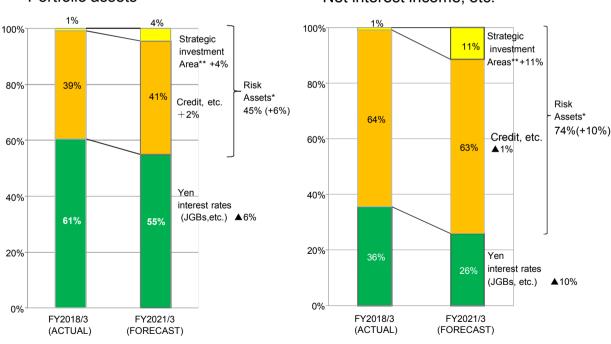
- The earnings from JGBs, etc. that accounted for a large portion of net interest income, etc. initially after privatization are in significant decline due to the decrease in interest rates.
- Aim to secure stable earnings by fully utilizing capital to take risks centered on risk assets such as overseas credit and alternative investments.
- Although the capital adequacy ratio will decline with the increase in risk assets, the capital adequacy ratio will be maintained at a level that can reassure and obtain the trust of customers and shareholders.

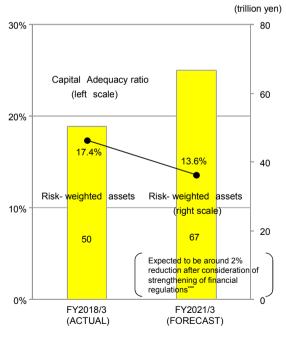
#### Impact on various indicators, etc.



Net interest income, etc.







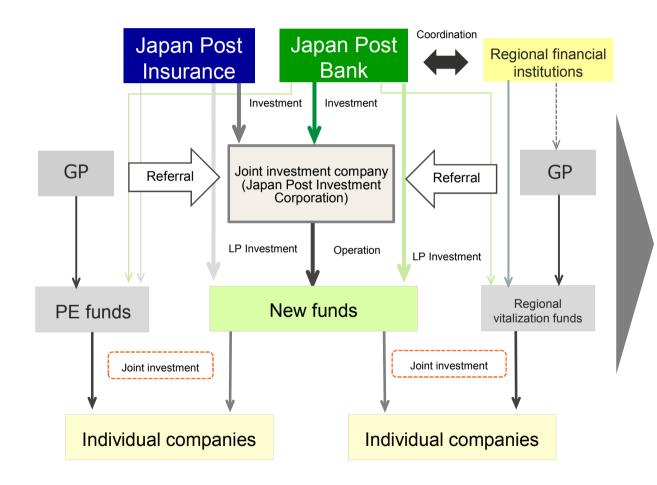


<sup>\*</sup> Assets other than yen interest rates (JGBs, etc.)(existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)

<sup>\* \*</sup> Existing alternatives (PE, HF, real estate funds (equity))+ real estate funds (debt(non-recourse loans, CMBS), direct lending funds

<sup>\*\*\*</sup> Review of standard methods pertaining to credit risks, etc. (Planning for January 2022 and after)

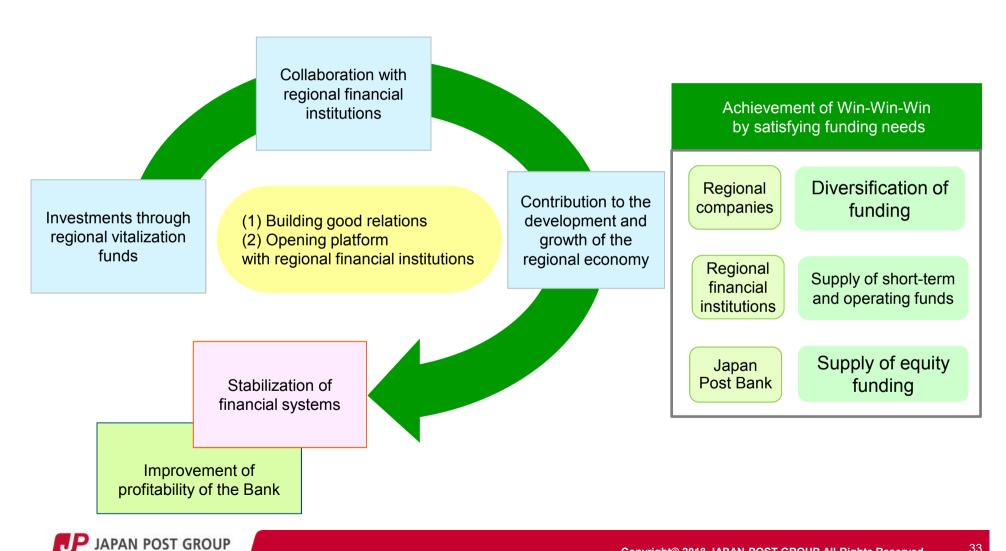
- (4) Diversification and sophistication of investment management: PE investment through joint investment company
- Aim to further expand earnings through the acquisition of private equity investment opportunities through a joint investment company
- o Support the management of portfolio companies through the supply of equity funds



- Contribution to development of domestic industry through the supply of risk money
- Support of growth of businesses through the promotion of investment in technology and venture companies

#### Supplement 6 Banking business (5) Funds flow to regional communities

- o Coordinate and cooperate with regional institutions through regional vitalization funds
- o Contribute to development and growth of regional economies through the supply of equity funding to regional companies
- o Contribute to the stabilization of regional financial systems in the medium to long term through such initiatives



 Support the growth of each employee through the enhancement of human resource development programs such as systematic training

Front line

Customers experienced investment (Asset management tiers)

Customers experienced investment (Asset formation tiers)

Customers without investment experience (potential market)

Post offices handling sales and directly operated branches

Direct online service

investment trust sales support locations

Face-to-face proposals by dedicated human resources (FC)

Improvement of convenience through smartphone services, etc.

Expansion of contact points utilizing investment trust sales support locations (18,000 post offices)

Investment trusts

Strengthening of investment trusts sales system

(Post offices handling sales) (Directly operated branches)

- · Strengthening of sales system
- ⇒Increasing skills of post office employees, increased assignment of personnel in directly operated branch FCs: +400 employees
- Enhancement of education and training for enhancing and strengthening consulting (skill development as experts)
- · Enhancement of sales support for post offices, strengthening of investment trusts sales system utilizing personnel exchanges

Branch tellers

- Implementation of cashless and paperless operations and reduction of workload of transaction operations through the expansion of smartphone services
- Increased efficiency of internal management operations through the introduction of new technologies such as AI and voice recognition

investment trust sales support locations

• Increasing the number of sales support staff at Administration Service Centers(PTC) in order to promote referrals

Non-face-toface channels

- Improvement of efficiency of telephone operations through the utilization of AI
- Establishment of environment for direct online service of investment trusts and active promotion of inducement towards direct online service of investment trusts (from current level of 4% to around 10%)

Head office

Sophistication of asset management

International diversified investment

**GP** operations

- Participation in
- · Hiring of external personnel
- Accumulation of knowledge and know-how from recruited investment professionals through OJT and participation in training sponsored by asset management companies, etc.
  - Practical training through dispatch of personnel to fund investment and management companies
  - Familiarity with information on local companies through coordination with local financial institutions ⇒ contribution to local communities



#### Supplement 6 Banking business (7) Ensuring cost management and strengthening structure

Reallocate management resources to create added value for customers and the Group and to strengthen the corporate structure

#### Promotion of smartphone services

- Implementation of cashless and paperless operations
- Reduction of workload for transaction operations in manned branches

## Promotion of automation through the utilization of RPA, etc.

- Improvements in efficiency of back-office work (centered around Operation Support Centers (JC))
- Reduction of monitoring operations

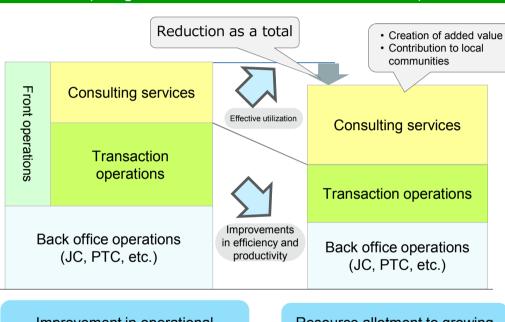
## Improvements in efficiency of internal management through utilization of AI

- Improvements in efficiency of telephone operations
- Improvements in efficiency of monitoring (PTC)

#### Focusing on system investment

- Focused investment on digital channels and external coordination (API, etc.), etc.
- Full utilization of growth areas and software assets
   ⇒ Selective investment
   Effective execution of system investment

## Improvements in operational efficiency and productivity (image of utilization of human resources)



## Improvement in operational efficiency and productivity

Decrease around 2,000 people

#### Resource allotment to growing field

Increase around 800 people

#### Effective utilization of human resources

From transaction operations to consulting services

#### Reduction in the total number of personnel

Reduction in the total number of personnel through reducing the number of new hires\* and improving operational efficiency

\* From FY2020/3



Fintech + digitalization

# Supplement 7 Life insurance business (1) Outline of policies and measures

#### Measures in the previous Medium-Term Management Plan

- Deepen customer base with a focus on the elderly
- · Establish administrative and IT system infrastructure
- · Advancement and diversification of asset management

#### Business environment and challenges

- Advent of super-aging society
- Evolution of medical technology and ICT
- · Continuation of historically low interest rate environment
- · Diversification of lifestyles

### Key indicators

Contracted monthly insurance premiums from new policies:

> ⇒Achieve 50 billion yen (FY2016/3,2017/3)

Ratio of Return-seeking assets:

12.3%(FY2018/3)

#### Policies and measures for FY2019/3 to FY2021/3

- Strengthening of sales activities focusing on protection needs
- Training for post office offsite sales personnel and counter sales personnel
- · Cooperation with other life insurance companies in products supply including commissioned sales, etc.
- Improvement in solicitation quality
- · Ensuring that solicitation materials are easy to understand/ Comprehensive measures to improve solicitation quality
- Cultivation of new customer base
- · Cultivate potential customers who are uninsured and young / Strengthen sales activities at worksite, etc.
- · Continue "Feel Secure with Kampo" activities / Launch of health promotion services
- Development of new products
- Development and diversification of protection-type products including third sector products
- Establishment of sales foundation
- · Introduction of new mobile devices for sales, counter support using TV systems/ Increase in offsite sales personnel at post offices
- o Improvement of customer service, Enhancement of efficiency in back-office administration
- Introduction of screen notification/automated assessment system and insurance procedure support system
- Introduction of billing procedures utilizing digital technologies
   Digitalization of paper forms at Service Centers / Saving labor in policy maintenance administration process/ Stepwise introduction of RPA (Robotic Process Automation)
- Diversification of asset management, Sophistication of risk management
- · Diversification of foreign bond investment and alternative investment/ Expansion of in-house management of stocks
- · Cooperation with other life insurance companies including joint investment, etc.
- · Actively taking risk of underwriting insurances through products that support both customer needs and profitability
- · Taking asset management risk within the scope of risk buffer based on ALM and risk appetite

#### **Key indicators**

Annualized premiums for policies in force: about 4.9 trillion ven (FY2021/3) (Reverse during the Medium-Term Management Plan)

Reduction of administrative workload: equivalent to 1,000 people (FY2021/3)

Ratio of Return-seeking assets: About15%(FY2021/3) (Prospect based on medium term portfolio)

# **Future**

#### **Future vision**

- · Sustainable profit growth and securing of solid business base
- · Further enhancement in convenience and productivity through use of ICT
- · Launch of new services and products, which contribute to raising customers' QOL through use of AI and big data
- Further improvement in returns on risk under ERM framework

#### **Key indicators**

Annualized premiums for policies in force: about 5.5 trillion yen(FY2028/3)

# Supplement 7 Life insurance business (2) Reversal and growth of in-force policies

# Reverse annualized premiums for policies in force during the Medium-Term Management Plan

## Strengthening policy maintenance Securing new policies Strengthening of policy maintenance through Securing of new policies through sales improvement in solicitation quality, etc. activities focusing on protection needs, cultivation of new customer base, etc. Reversal and growth of annualized premiums for policies in force (Trillion yen) About 5.5 4.97 About 4.9 4.85 4.84 2017/3 2018/3 2019/3 2021/3 2022/3 2023/3 2024/3 2025/3 2026/3 2027/3 2028/3 Medium-Term Management Plan period



(3) Sales activities focusing on protection needs and improvement in solicitation quality

#### Strengthening of sales activities focusing on protection needs and policy maintenance for the reversal of in-force policies

Strengthening of sales activities focusing on protection needs

- Training for post office offsite sales personnel and counter sales personnel
- Cooperation with other life insurance companies in products supply including commissioned sales, etc.

Improvement in solicitation quality

- Ensuring that solicitation materials are easy to understand
- Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.)

Cultivation of new customer base

- Cultivate potential customers who are uninsured and young / Strengthen sales activities at worksite, etc.
- Continue "Feel Secure with Kampo" activities / Launch of health promotion services

Development of new products

 Development and diversification of protection-type products including third sector products

Establishment of sales foundation

- Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing SNS, etc.
- Increase in offsite sales personnel at post offices



(4) Improvement of customer service and enhancement of efficiency in back-office administration through use of ICT

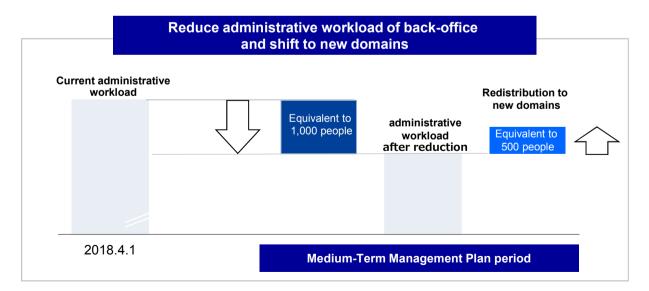
## Improve our customer services and enhance the efficiency in back-office administration through use of ICT

# Improvement of customer service

- Introduction of screen notification/automated assessment system and insurance procedure support system
- Introduction of billing procedures through 'My Page'

# Enhancement of efficiency in back-office administration

- Digitalization of paper forms at Service Centers / Saving labor in policy maintenance administration process
- Stepwise introduction of RPA (Robotic Process Automation)



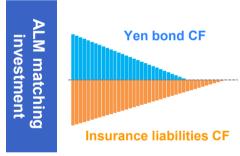


# Diversify asset portfolio within scope of risk buffer under ERM framework

#### **ERM framework**

 Maintenance of appropriate financial soundness and improvements in profitability based on ERM approach

## **Basic approach towards asset management**



Allocate a fixed amount to yen bonds (ultralong-term bonds) for cash flow matching

Foreign bonds

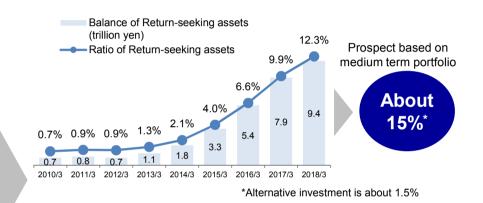
Japanese equities

Foreign equities

Alternative assets

Allocate a fixed amount to Return-seeking assets including foreign bonds, etc. within scope of risk buffer based on risk appetite

# **Balance and ratio of Return-seeking assets**



- Diversification of investment scope
- Expansion of in-house investment
- Cooperation with other life insurance companies including joint investment, etc.
- Advancement of ALM and risk management
- Strengthening of specialized human resources to support the above



# Supplement 8 Group (common) (1) Outline of policies and measures

#### Business environment and challenges

- Decline in the labor population due to declining birthrates and aging population, etc.
- Spread of ESG (environment, social and governance) investment and SDGs (sustainable development goals)
- Need to Secure new sources of revenue
- · Advance of IT and the increased need for cost savings in order to secure profits
- · Listing of three Group companies

#### Policies and measures for FY2019/3 to FY2021/3

- Development of real estate business
- Establishment of real estate subsidiary and investment participation in re-development projects by major real estate companies, etc.
- o Promotion of working style reforms, development of the Group human resources and fostering a sense of unity in the Group
- Appropriate management of working hours and health promotion, establishment of remuneration corresponding to legal revisions regarding equal wages for equal labor and promotion of hiring temporary employees as regular employees
- · Promotion of diversity management
- · Development of human resources to fulfill expected roles, promotion of personnel exchange within the Group and Group joint training
- · Cooperation between companies in training, etc., instilling Team JP, women's athletics team and employee satisfaction surveys common for the Group
- Promotion of sustainable coexistence with regional society and activities to reduce the environmental footprint and preserve the environment
- · Promotion of services to encourage the development and revitalization of regional society and promotion of services to achieve a society where people of all generations can live healthy lives
- · Reductions in greenhouse gas, reductions in consumption and disposal volume of paper resources
- o Investment and partnership strategy
- · Consideration of capital partnerships and M&As in a broad range of fields and investment through JAPAN POST CAPITAL
- Development of IT platforms to support Group management
- · Use of shared Group infrastructure, establishment of integrated data centers and securing of human resources to support digitalization
- o Customer-oriented operation of business, strengthening of governance and thoroughly ensuring compliance

# Future outlook

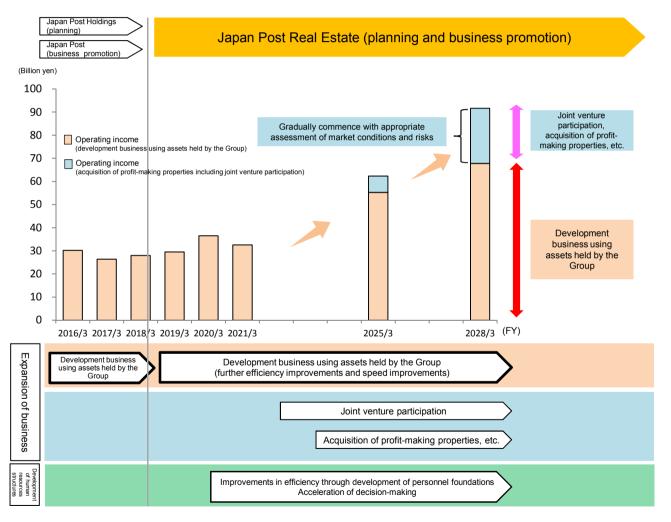
#### Future vision

- Ensuring work-life balance and healthy and flexible working styles for various employees and improvements in satisfaction towards remuneration
- Demonstration of sufficient performance of roles with awareness as members of Team JP by each and every employee
- Establishment of both sustainable growth and a sustainable society and future as a company
- Profits growth through the expansion of other new businesses in addition to existing businesses and development of new sources of revenue including participation in joint projects
- Implementation of efficient IT investment aimed at securing stable income



# Supplement 8 Group (common) (2) Real estate business

Japan Post Real Estate established to more effectively develop the assets held by the Group and secure new sources of revenue



- Large-scale scheduled development projects through assets held by the Group
- ◆ Gotanda project (formerly U-Port)

Total floor area: 66,000 m<sup>2</sup> Main uses: Offices, hotel, etc.

Construction completion: FY2023/3 (planned)

Toranomon/Azabudai project
 (Japan Post Tokyo Regional Branch, Azabu Post

Office)
Total floor area: 864,100 m² (portion scheduled

to be obtained by Japan Post)

Main uses: Offices, residential, commercial, post

office, etc.

Construction completion: FY2024/3 (planned)

 Osaka station-front project (formerly Osaka Central Post Office)

Total floor area: 213,000 m<sup>2</sup>

Main uses: Offices, commercial, post office, etc. Construction completion: FY2024/3 (planned)

secure new sources of revenue

Joint venture participation	Identify market conditions and risks, absorb know-how and gain revenue through investment participation in redevelopment projects     Use the Group's financing capabilities and the network with other companies built through achievements to date
Acquisition of profit- making properties, etc.	<ul> <li>Gain profits through acquisition of profit- making properties from outside the Group and development of properties</li> <li>Use the Group's brand strength and human resources</li> </ul>



# Supplement 8 Group (common) (3) Promotion of diversity management

# Promote diversity management for further productivity improvements and achievement of innovation

- Promoting the active participation of women
  - Targets for ratio of women in management positions (achievement deadline: April 1, 2021)

	Japan Post	Japan Post Bank	Japan Post Insurance	Japan Post Holdings
Targets	10% or more	14% or more	14% or more	11% or more

- Implementation of various training for the promotion of female employees to higher positions including management positions
- Fostering a workplace environment which empowers female employees
- > Support for balance between child care/family care and work
  - Enhancement of systems that exceed the levels required under the Child Care and Family Care Leave Law and enhancement of support measures unique to the Company
  - Promotion of telework
  - Continued certification under the "KURUMIN" mark as a company supporting child raising
- ➤ Promotion of employment of people with disabilities (employment of 6,700 people in the Group (FY2021/3))
  - Use of a special subsidiary (Yusei Challenged) and active hiring of people with disabilities in close cooperation with facilities for people with disabilities, etc.
- Active participation of elderly people
  - (employment of 10,000 people in the Group (FY2021/3))
  - Development of environment that enables the active and motivated employment of elderly people (review of hiring systems, adoption of more flexible working styles, etc.)
- > Supporting gender diversity, etc.
  - Development of an ideal working environment for diverse human resources, prevention of any harassment



# Supplement 8 Group (common) (4) Measures aimed at achieving SDGs

# Develop business that contributes to the creation of a sustainable society in order to achieve the SDGs (sustainable development goals)

Priority issues		Future vision	Measures	FY2021/3 targets
① Provision of universal services	11 住み続けられる まちづくりを	Provide products and services that are necessary for every stage of the lives of customers based on the post office network as an important infrastructure for society by prioritizing the lives of customers	Maintenance of post office network and provision of universal services	Provision of universal services through an ongoing post office network
<ul> <li>(Together with society and local communities)</li> <li>2 Promotion of healthy living</li> <li>3 Development of next generation</li> <li>4 Development and revitalization of regional society</li> </ul>	3 すべての人に 4 質の高い教育を みんなに 11 住み座けられる まちづくりを	Create a secure and prosperous society where everyone can live a safe and healthy life and a sustainable society that will lead this society into the future	Promotion of Post Office Watch Service Promotion of radio exercises Promotion of Kampo Platinum Life Service Promotion of letters Financial education (on-site lessons at elementary schools and Japan Post Bank Piggy Bank Design Contest for Children) Partnerships with local municipal organizations	Continued promotion of Post Office Watch Service, etc.
(Together with the Earth)  5 Reduction of greenhouse gas emissions  6 Effective use of resources and reduction of waste	13 気候変越に 15 特の音かさも 中ろう	Actively contribute to society through corporate activities that take into consideration climate change and global warming	Regeneration of regional communities through provision of green areas     Supporting environmental conservation activities through the expanded use of passbook-less type of general accounts     Implementation of donations accompanying the provision of web version contract guidelines and policy conditions	Reduction of CO <sup>2</sup> emissions by 47,000 tons (4.4%) compared to FY2017/3
(Together with people)  7 Development of human resources  8 Working style reforms	8 動きがいる 経済成長も	Each and every employee are motivated and can actively demonstrate their full potential to empower themselves in the workplace	Training in accordance with the career path (training by level, front line leader training, etc.) Group joint training (training for transferee to major career track, newly appointed executive training, etc.) Promotion of the active participation of female employees (promotion of female employee to higher positions including management) Promotion of the employment of people with disabilities Encouraging an understanding of gender diversity (LGBT) Encouraging the acquisition of child care leave and family care leave Working style reforms (reductions in working hours, etc.) Encouraging physical and mental health maintenance and improvement for employees	Percentage of women in management Japan Post: 10% or more Japan Post Bank: 14% or more Japan Post Insurance: 14% or more Japan Post Holdings: 11% or more     Achieve and maintain the Group target of 2.5% disabled person employment ratio
9 Fair business practices	16 平和と公正を すべての人に	Autonomously require transparent management, comply with regulations and contribute to the development of society and the local community	<ul> <li>Thoroughly ensuring compliance at the Group</li> <li>Elimination of relationships with antisocial forces</li> </ul>	Achievement of zero internal crimes     Continued elimination of relationships with antisocial forces

# Supplement 8 Group (common) (5) IT investments (for entire the Group)

Promote business transformation using IT in response to changes in the business environment including customer needs

Promotion of IT that will support development of new businesses aimed at future growth	Japan Post  ① Strengthening of contact points with cus	Japan Post Bank	Japan Post Insurance
	<ul> <li>Enhancement and utilization of customer database</li> </ul>	<ul> <li>comers (expansion of channels, improvement of strengthening of sales capabilities)</li> <li>Strengthening of consulting (considering use of tablets, robot advisors, etc.)</li> </ul>	<ul> <li>Screen notification/automated assessment system</li> <li>Simplification of billing procedures</li> <li>Adoption of multi-access customer contact points</li> <li>Introduction of My Page (personalized page)/</li> <li>Utilization of Watson</li> </ul>
	<ul> <li>Expansion and improvement of new bunched products and services</li> <li>Yu-Pack service improvements</li> </ul>	New transfer settlement services     (smartphone settlement, account overdraft and partnerships with Fintech companies)	Diversification of protection-type products through new product development corresponding to customer needs     Launch of health promotion services
Promotion of working style reforms and improvements in productivity	<ul> <li>Improvement in convenience and productivity in preparation for the future (use of Al and deployment of IoT including improvements in efficiency of delivery operations, consideration of transport and delivery using drones and automatic driving)</li> </ul>	<ul> <li>Improvements in efficiency of operations and productivity through use of Fintech and digital technology (smartphone services, use of Al/RPA and adoption of cashless and paperless transactions)</li> </ul>	<ul> <li>Enhancement of efficiency in back- office administration through use of digital technologies such as RPA</li> </ul>
Strengthening of management foundations for sustainable growth	Renewal of Toll's IT infrastructure and core systems	Development and expansion of external collaboration platform (API)     (building of open API, supporting the expansion of Zengin System operating hours)	Building of next generation open systems
	Common for the Group  Stable operation of IT infrastructure and reductions in IT costs through overall optimization  Consideration of system structure in preparation for the future (adoption of cloud technologies and digital platforms)  Promotion of shared technologies (use of Group-integrated date centers, etc.)  Strengthening of IT human resources (strengthening systems and strengthening digital human resources)		

# Strengthen management foundations for sustainable growth

(Main IT platform measures/details)

# 1. Next generation PNET (from July 2019)

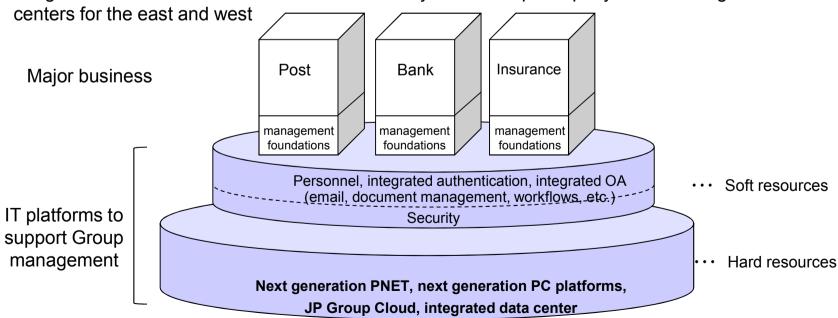
Improve support for audio and video communications and provide mobile access services in response to the needs of each Group company

# 2. Continuation and expansion of the JP Group Cloud

Create mechanisms for use of external cloud services (AI, IoT, security, etc.) in order to support various digital technologies

# 3. Integrated data centers (from October 2019)

Integrate individual data centers owned or used by each Group company into two integrated data





Work to maintain and improve the quality of operations and strengthen the compliance system to secure the confidence of customers and shareholders over the medium to long term

#### Current issues

Implementation of customer-oriented measures

- Company-wide fiduciary duty incorporation and retention
- Quantitative validation of effects and nimble and flexible improvements

Strengthening of risk governance

- Ensuring stable income and financial soundness through appropriate risk taking and risk control
- Improvements in the effectiveness of the risk management function

Enhancement of compliance system, etc

of internal control systems

Prevention of scandals

- Protection from external threats

Strengthening response to financial crime and antisocial forces

> Corporate sustainability

- Establishment of structures for Insurance solicitation Development of appropriate internal control systems corresponding to expanding sales of investment trusts
- Occurrence of crimes including inappropriate collection and
- payment of rates in mail Reduction in burden for front line and improvements in
- Increase in threats regarding cyber security
- Strengthening response to financial crimes (countermeasures against money laundering and provision of funds to terrorism, etc.)
- Deployment of response to antisocial forces

 Strengthening of governance that contributes to improvements in corporate value

#### Future approach

- Improvements in service and convenience in response to the changes in lifestyles and needs of customers
- Improvement and advancement of measures for all contact points with customers
- Quantitatively ensuring execution and improvements ⇒Setting of KPI
- Fulfillment of expectations and gain of trust of customers
- Introduction of risk appetite framework (RAF) (Clarification and visualization of risks, strengthening of risk governance)
- Achieving sustainable growth while ensuring the soundness of business operations based on enterprise risk management (ERM)
- Strengthening of internal control systems in consideration of "three defensive lines"
- Strengthening of the autonomous control of business execution departments
- Enhancement of monitoring function (2nd line) and internal audit function (3rd line)
- Comprehensive measures to improve solicitation quality ((introduction of policy maintenance evaluation, etc.) Achieving both an increase in number of cases handled and maintenance and improvement of
- ⇒Improvements in efficiency of operations and review of management systems
- Prevention of crime including establishment of system for appropriate collection and payment of rates in mail
- Prevention in occurrence of scandals through effective risk control, etc.
- Strengthening of defense measures in consideration of the advance of digitalization and the increasing sophistication of cyber attacks
- Fulfillment of social responsibility as a financial institution in response to financial globalization
- Appropriate disclosure of a governance system that is aware of "the perspectives of investors" and "sustainable development"



# Supplement 9 Investment plan

Plan to invest around 1 trillion yen in 3 years until 2021/3, in order to promote infrastructure improvements that will contribute to the strengthening of management foundations including improvements in customer satisfaction, sales capabilities and efficiency of operations

Business segment  Total investment amount	Details of investment	Investment amount (FY2019/3 to FY2021/4 total)	Investment effect
Postal and logistics (180billion yen)	Construction of post office, etc.	78 billion yen	Development of service environment
	Renewal of postal system	30 billion yen	Regular renewal
Post office	Real estate development	180 billion yen	Expansion of real estate revenue
(270billion yen)	Construction of post office, etc.	60 billion yen	Development of service environment
International logistics	Renewal of ship	15 billion yen	Secure stable business operation
(150billion yen)	Construction of new accounting system	12 billion yen	Updating of IT infrastructure
	Development of total information system	30 billion yen	Improvements in customer convenience, operation efficiency and secure stable business operation
Banking	Renewal of auto cashier	22 billion yen	Strengthening internal control over cash management
(130billion yen)	Rebuilding of operation support centers	20 billion yen	Resolution of the aging/narrowing of the building
	ATM purchase	19 billion yen	Improvements in customer convenience, secure stable business operation
Life	Construction of next generation open system	49 billion yen	Improvement of system infrastructure for utilization of ICT
insurance (150billion yen)	Development of core systems	41 billion yen	Improvements in customer convenience through providing new product and services, operation efficiency
	Introduction of new mobile devices for sales	12 billion yen	Improvements in customer convenience, operation efficiency
Others (120billion yen)	Data center building	34 billion yen	Strengthening of management infrastructure for group
	Next generation PNET	30 billion yen	Strengthening of management infrastructure for group

<sup>\*</sup> Growth investments for capital partnerships, M&As, etc. are not included in this table



Forecasts and other forward-looking statements presented in this document are based on information available to Japan Post Holdings Co., Ltd (the "Company") at present and assumptions that will be achieved or with respect to any other forward-looking statements. The actual future results may vary considerably depending upon various factors, such as interest rate fluctuations, stock price fluctuations, foreign exchange fluctuations, asset value fluctuations, changes in economic and financial environment, changes in competition terms, the occurrence of large-scale disasters, etc. and changes in laws and regulations.

