



Initiatives for the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

November 13, 2023

Japan Post Holdings' PBR

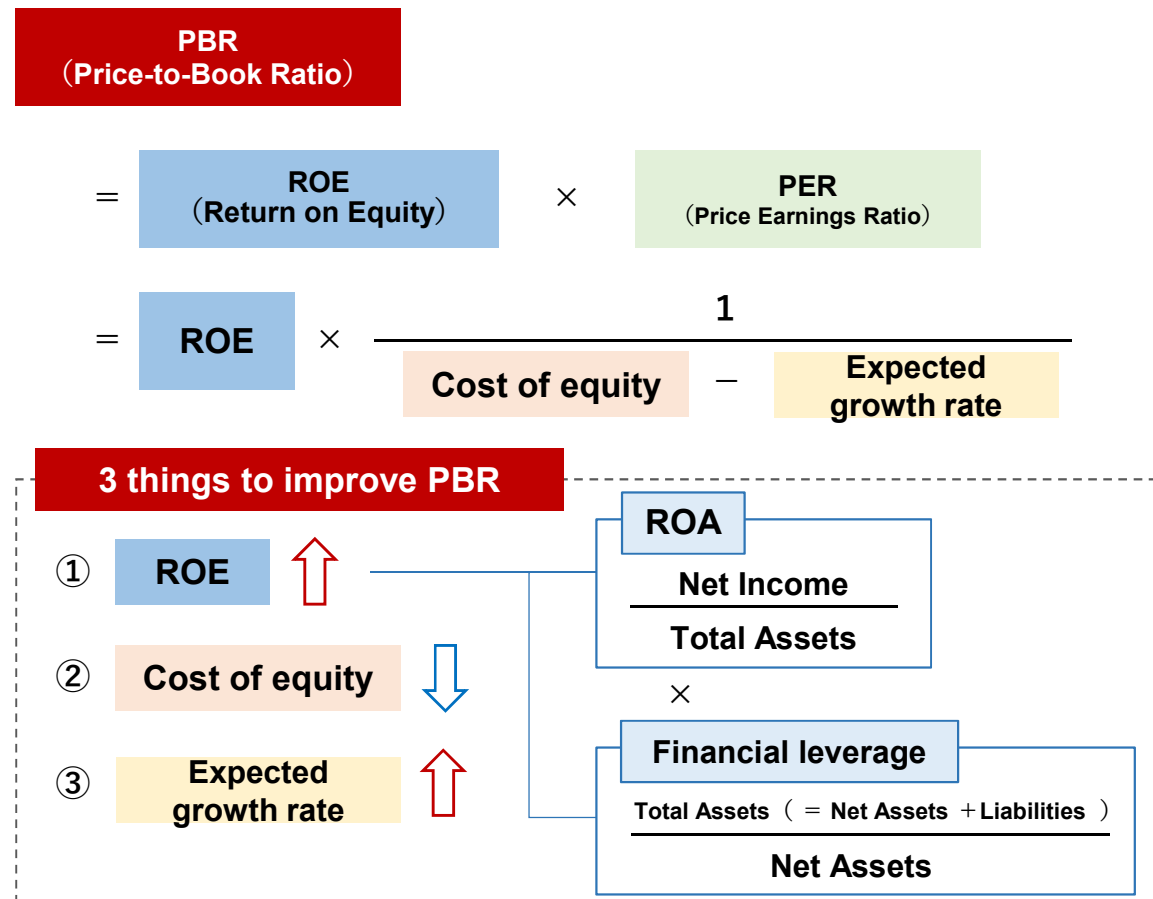
- While the Tokyo Stock Exchange has indicated that approximately half of the listed companies on the Prime Market have a PBR below 1, the Company needs to improve its PBR as **it has a PBR of less than 1 in the past 5 fiscal years.**
- PBR can theoretically be expressed as $PBR = ROE / (\text{cost of equity} - \text{expected growth rate})$. **Improving PBR requires three things: (1) increasing ROE, (2) reducing cost of equity, and (3) increasing expected growth rate.**
- Assuming an expected growth rate of zero, **"ROE \geq cost of equity"** needs to be achieved for PBR to be more than 1.

PBR of the Company*



*Figures as of the end of each fiscal year are calculated

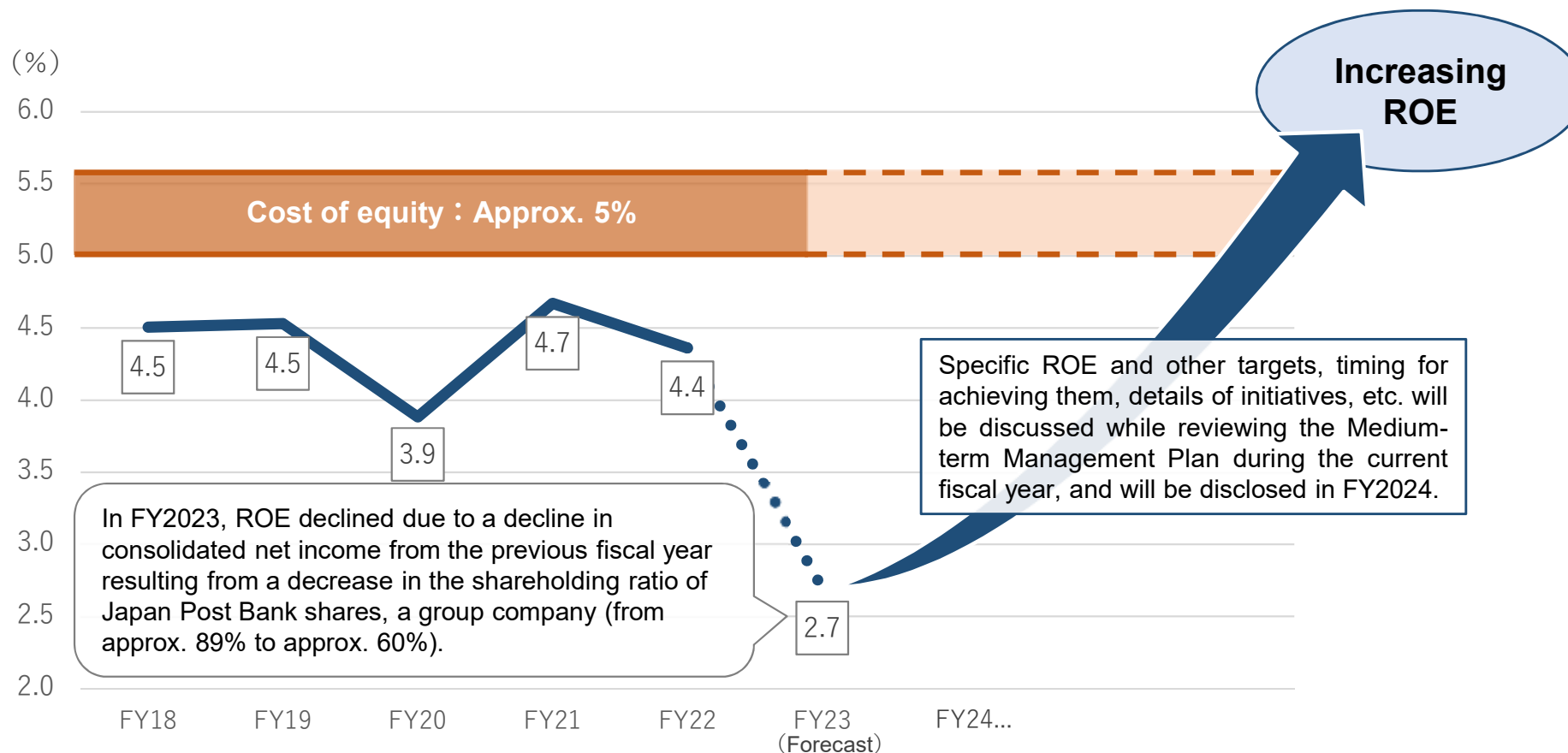
Decomposition of PBR



Japan Post Holdings' ROE and Cost of Equity

- Using CAPM based on the most recent data, the cost of equity is estimated to be **approx. 5%**.
- The Company's ROE is **below the cost of equity**.
⇒ **We aim for a level of ROE that exceeds the cost of equity.**

Trends of the Company's ROE (*1,2) and the cost of equity



※1 ROE on a shareholders' equity basis not affected by net unrealized gains (losses) on available-for-sale securities, taking into consideration our banking business characteristics

※2 Calculated by dividing net income attributable to Japan Post Holdings by the average shareholders' equity during the period (excluding non-controlling interests and net unrealized gains (losses) on available-for-sale securities from net assets) and rounding to the first decimal place

Policy for Initiatives to Improve PBR (Overall Picture)

- Improve PBR by increasing ROE, reducing cost of equity and increasing expected growth rate.
- Details of specific initiatives, etc. will be discussed while reviewing the Medium-term Management Plan during the current fiscal year, and will be disclosed in FY2024.

Increasing ROE	Increasing ROA (profit)	<p>【Profit generation】</p> <table border="1"> <tr> <td style="background-color: #DC143C; color: white; text-align: center; vertical-align: middle;">Japan Post Co.</td> <td> Postal and domestic logistics business: Reinforcing sales capabilities and systems, and increasing the number of parcels, etc. by collaborating with other companies Post office business: Increasing usage by improving sales skills, etc., and improving customer convenience by expanding online and remote services Real estate business: Promoting development of Group-owned real estate, etc. in accordance with their location characteristics </td> </tr> <tr> <td style="background-color: #76C73A; color: white; text-align: center; vertical-align: middle;">Japan Post Bank</td> <td> Market business: Expansion of risk assets, restructuring of yen interest rate portfolio Retail business: Improving earnings of existing businesses, and seizing new revenue opportunities by using apps, etc. Σ business: Developing GP services unique to Japan Post Bank </td> </tr> <tr> <td style="background-color: #0070C0; color: white; text-align: center; vertical-align: middle;">Japan Post Insurance</td> <td> Sales: Strengthening of sales network cooperation, development of sales personnel, enhancement of product lineup Asset management: Expanding asset management earnings by achieving greater depth and sophistication of asset management Securing new revenue: Creating new measures to secure revenue through alliances with other companies </td> </tr> </table>	Japan Post Co.	Postal and domestic logistics business: Reinforcing sales capabilities and systems, and increasing the number of parcels, etc. by collaborating with other companies Post office business: Increasing usage by improving sales skills, etc., and improving customer convenience by expanding online and remote services Real estate business: Promoting development of Group-owned real estate, etc. in accordance with their location characteristics	Japan Post Bank	Market business: Expansion of risk assets, restructuring of yen interest rate portfolio Retail business: Improving earnings of existing businesses, and seizing new revenue opportunities by using apps, etc. Σ business: Developing GP services unique to Japan Post Bank	Japan Post Insurance	Sales: Strengthening of sales network cooperation, development of sales personnel, enhancement of product lineup Asset management: Expanding asset management earnings by achieving greater depth and sophistication of asset management Securing new revenue: Creating new measures to secure revenue through alliances with other companies
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Controlling financial leverage	<p>【Financial strategy and capital policy】</p> <ul style="list-style-type: none"> - Utilization of debt in growth investments to control funding costs - Improve capital efficiency through flexible share repurchases 							
Reducing cost of equity	<p>【Stable share price formation】</p> <ul style="list-style-type: none"> - Stable dividend - Reduce business risk and conduct appropriate control 							
Increasing expected growth rate	<p>【Investor relations activities and information disclosure】</p> <ul style="list-style-type: none"> - Strengthening the transmission of equity stories <p>【Growth strategy】</p> <ul style="list-style-type: none"> - Develop growth strategies to realize the “Co-creation Platform” set forth in the Medium-term Management Plan, and identify seeds in new business fields that will contribute to these strategies 							