

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.

March 30, 2020

Company name: Japan Post Holdings Co., Ltd.

Representative: Representative Executive Officer, President & CEO Hiroya Masuda

Stock Exchange Listing: First Section of the Tokyo Stock Exchange (Code Number: 6178)

**Approval of Business Plan for the Fiscal Year Ending March 31, 2021**

Japan Post Holdings Co., Ltd. and its subsidiary, Japan Post Co., Ltd. hereby announce that on Friday February 28, 2020, an application to the Minister of Internal Affairs and Communications was submitted for approval of the Business Plan for the Fiscal Year Ending March 31, 2021 (hereafter, the "Business Plan"), and that approval was given today, along with requests from the Minister.

The Business Plans for Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. are presented as Attachment 1 and Attachment 2, respectively, while the items requested from the Minister are annexed to each Business Plan.

End

Fiscal Year 2021

From April 1, 2020 to March 31, 2021

16th Term

Business Plan

Japan Post Holdings Co., Ltd.

## Foreword

Japan Post Holdings Co., Ltd. (hereafter, “Japan Post Holdings”) will formulate and ensure execution of the basic management policies of Japan Post Co., Ltd. (hereafter, “Japan Post”), Japan Post Bank Co., Ltd. (hereafter, “Japan Post Bank”), and Japan Post Insurance Co., Ltd. (hereafter, “Japan Post Insurance”; collectively the “business subsidiaries,” together with Japan Post and Japan Post Bank), and exercise its rights as shareholder thereof. Furthermore, Japan Post Holdings will support the businesses of its business subsidiaries, etc. by subcontracting indirect operations that can achieve economies of scale. In addition, by conducting management of hospitals and lodging facilities, Japan Post Holdings will aim to provide customer-oriented service, support the lives of customers in the community, and ensure the happiness of both its customers and employees while demonstrating creativity and efficiency as a private enterprise to the greatest extent possible as the basis of trust and reassurance in the postal network. Also, Japan Post Holdings will conduct management of the company by making efforts to ensure that Japan Post Holdings demands management transparency from itself, follow the letter of the law, and is able to contribute to the development of society and the community. Furthermore, in the operation of these businesses, Japan Post Holdings will fulfill its duty to ensure that postal services, postal savings, remittance and credit settlement services as well as easily-accessible life insurance services, stipulated in Article 5, Paragraph 1 of the Act on Japan Post Holdings Co., Ltd. (Act No. 98 of 2005), can be utilized consistently, universally, and fairly at post offices throughout the country via convenient customer-oriented methods, while striving to make greater use of the post office network with the aim of contributing to local communities.

Furthermore, Japan Post Holdings will develop a crisis management structure to prepare for crises such as natural disasters and pandemics, and will respond promptly and accurately in the event of such a crisis, in order to ensure business continuity. Meanwhile, as a company with a strong public nature, Japan Post Holdings will continue to make efforts to support reconstruction from the Great East Japan Earthquake, the 2016 Kumamoto Earthquake and other natural disasters as a group of companies united as a whole.

### 1. Basic Policy on Business Operations

#### (1) Countermeasures against Improper Solicitation of Japan Post Insurance Products and Other Misconduct

In December 2019, Japan Post Holdings received administrative dispositions pursuant to the Act on Japan Post Holdings Co., Ltd., etc. from the Minister of Internal Affairs and Communications and the Financial Services Agency, mainly regarding the improper solicitations of Japan Post Insurance products discovered in the previous fiscal year. Likewise, Japan Post Insurance and Japan Post received administrative dispositions regarding the same issue. Apart from the above, Japan Post also received administrative guidance from the Ministry of Internal Affairs and Communications, to ensure the steady implementation of measures for preventing the recurrence of the wrongful handling of used stamps, as well as improving the disclosure of information on misconduct. Furthermore, numerous violations of internal regulations were discovered in Japan Post Bank and Japan Post, regarding the sales of investment trusts to elderly customers. Japan Post Holdings and all of the group companies earnestly regret these incidents that were exposed last year, and are committed to not repeating such incidents.

Japan Post Holdings will focus on the implementation of the business improvement plan as the most important management priority, and will primarily undertake the following specific measures.

(i) Fulfillment of Governance Function

In order to develop an infrastructure for prompt information sharing, Japan Post Holdings will strengthen coordination between the group companies, while enhancing the functions of liaison meetings and committees within the group, regarding various management issues such as internal audits, compliance, operational risks, and promoting customer satisfaction.

Japan Post Holdings will enhance the functions of the Group Steering Committee, which has hitherto been utilized as a platform for sharing awareness for better group management, by adding a new function as a forum for discussion by the group senior management.

(ii) Strengthening the Group Compliance Function

Japan Post Holdings will promote the gathering and sharing of information between the group companies of the status of usage of whistleblowing contact points at business subsidiaries (the number and content of reports, results of investigation, etc.). Furthermore, the group's compliance function shall be strengthened through the operation of an external point of contact exclusively for financial services including solicitation of Japan Post Insurance products, as well as a contact point for Japan Post Group employees to consult on issues arising in their daily duties.

In addition, the section in charge of sales and operations was newly established within Japan Post Holdings to engage in collecting information concerning sales and operations at the business subsidiaries and reporting them to the senior management of Japan Post Holdings, while raising alarms and offering coordination to the business subsidiaries.

(iii) Strengthening the Functions of Audit Division

The Audit Division of Japan Post Holdings shall carry out the on-site monitoring of frontline operations at the business subsidiaries, while conducting audits directly, as appropriate.

(iv) Development of a Scheme for Disseminating Management Philosophy and Radical Governance Enhancement for Ensuring Solid Implementation of Various Measures

A task force was set up directly under the President of Japan Post Holdings, to steadily implement the improvement plan for the group as a whole, while receiving third-party monitoring. Furthermore, Japan Post Holdings will receive evaluations and advice from outside experts and take the necessary steps to restore trust and achieve customer-oriented business operations. Meanwhile, Japan Post Holdings will consider the appropriate method for sharing ideas within the Japan Post Group, with a view toward disseminating management philosophy across the group, and implement measures to ensure that every employee practices customer-oriented business operations.

## (2) Measures Related to Other Management Issues

### (i) Compliance and Audit Initiatives and the Practice of Customer-oriented Business Operations

Based on the situation where offenses continue to occur within the Japan Post Group, including the discovery of improper solicitation of Japan Post Insurance products, Japan Post Holdings, as the holding entity of the listed company group, will endeavor to strengthen governance among the group as a whole and execute customer-oriented business conduct to secure transparency, full accountability, and proper operation of businesses.

For this reason, Japan Post Holdings sees the improvement of compliance standards group-wide as an important issue for management in the fiscal year ending March 31, 2021 as well and will provide all necessary support and guidance to each group company by accurately grasping the formulation and promotion status of their compliance programs for the fiscal year ending March 31, 2021 as well as the condition and status of their internal audit systems. Moreover, Japan Post Holdings is committed to the further promotion and management of countermeasures against money laundering and financing of terrorism as one of its top priorities, apart from the measures listed in (1) above, based on an appreciation of the issues concerning the improper solicitation of Japan Post Insurance products.

In addition, Japan Post Holdings will make efforts to ensure the public utility and public natures of the services offered by each group company, and improve customer satisfaction (CS).

### (ii) Strengthening Cyber Security

In order to protect ourselves from the increasing risk of cyber terrorism, Japan Post Holdings will work to enhance its cyber security measures and strengthen governance through information sharing across the group.

### (iii) Commitment to Achieving the SDGs

Japan Post Holdings will work to implement the following measures for achieving the SDGs, with a view toward materializing a sustainable society.

#### - Environmental conservation and enlightenment activities

Japan Post Holdings will remain committed to promotion of the “JP Children’s Tree-Planting Campaign,” which provides nursery and kindergarten pupils across Japan with hands-on foresting experience, as well as activities to reduce CO<sub>2</sub> emissions.

#### - Promotion of diversity (such as employment of persons with disabilities and empowerment of women in the workplace)

With regard to the employment of people with disabilities, Japan Post Holdings achieved the designated employment rate (2.2%) of persons with disabilities required by the Act for Promotion of Employment of Persons with Disabilities in the fiscal year ended March 31, 2020. Japan Post Holdings will continue efforts to promote the employment of people with disabilities to achieve the target in the fiscal year ending March 31, 2021 as well. With regard to promotion of success of women in the workplace, in order to proactively address the promotion of women to management positions, Japan Post Holdings will

enhance the awareness of female employees to increase their motivation to be promoted and systematically develop them with an eye to their expanded appointment. Along with these initiatives, Japan Post Holdings will work to create a workplace culture that can achieve work-life balance and improve various environments for female employees, among other efforts.

(iv) Preparing for the Disposal of Shares in the Group Companies

In accordance with the Postal Service Privatization Act, Japan Post Holdings is required to dispose of its entire equity interest in Japan Post Bank and Japan Post Insurance within the earliest possible timeframe while considering the business conditions of Japan Post Bank and Japan Post Insurance and any impact on the ability of Japan Post Holdings and Japan Post to fulfill their universal services obligation, Japan Post Holdings will make the necessary preparations. Meanwhile, Japan Post Holdings will make the necessary preparations to enable the government to dispose of its shares as required.

(v) Enhancing the Corporate Value of the Japan Post Group

As a means of increasing corporate value of the group, Japan Post Holdings conducts management of the group in such a way that measures for enhancing the profitability, further optimization of management, securing new sources of revenue, and other objectives based on the group's medium-term management plan can be steadily advanced. Specifically, Japan Post Holdings will endeavor to achieve growth in its real estate business, mainly by utilizing the real estate held by the group through the operation of Japan Post Real Estate Co., Ltd. Meanwhile, it will remain engaged for example in the strategic alliance based on a capital relationship with AFLAC Incorporated and AFLAC Life Insurance Japan Ltd. At the same time, with regard to management challenges faced by each company in the Japan Post Group, Japan Post Holdings will provide necessary support and work toward their resolution while deepening the collaboration between each company as the holding entity. The group management strategies shall be discussed during the course of formulation of the Group Medium-Term Management Plan for the next term.

(vi) Contribution to the Olympic and Paralympic Games

In the holding of the Tokyo 2020 Olympic and Paralympic Games, as an official partner, Japan Post Holdings will offer its contribution through the nationwide network of post offices, toward the success of the Olympic and Paralympic Games, the success of Team Japan, and the stimulation of higher morale and spirit throughout all of the events.

Based on the aforementioned basic policies and the opinions of the Postal Privatization Committee, Japan Post Holdings shall carry out business operations focusing on the following items and rapidly and flexibly respond to changes in the business environment.

## 2. Other Matters Relating to Business Operation

### (1) Formulation of Business Subsidiary Basic Management Policy and Assurance of Execution thereof, et al.

Japan Post Holdings will formulate the basic management policies for Japan Post and ensure the execution thereof so that the latter can achieve its company objectives of ensuring universal services of postal, banking and insurance, and providing stable service through the conservation and utilization of the post office network. Specifically, Japan Post Holdings request consultation, approval, or reporting on an individual basis with regard to matters that have a significant impact on the group as a whole or are required to ensure management transparency for group management by concluding the Japan Post Group agreements and the Japan Post Group contracts pertaining to group operations with each business subsidiaries.

### (2) Business Support of Business Subsidiaries

Japan Post Holdings aims to improve the group's management efficiency while supporting the business of its subsidiaries by subcontracting indirect operations can achieve economies of scale.

Specifically, Japan Post Holdings will be entrusted the following indirect businesses from its business subsidiaries, and execute.

#### (i) Provision of Telecommunications and Data Processing Services

Japan Post Holdings will provide telecommunications with telecommunications equipment owned by Japan Post Holdings, and data processing services with data processing system.

#### (ii) Human Resource and Finance Businesses

Through subsidiaries that conduct temporary staffing dispatch and introduction business, Japan Post Holdings will carry out payment of salaries of business subsidiary executives, allowance calculation and income clerical duties (creation/mail-out of invoices requests, bank account transfer requests, credit data reconciliation) as well as expenditure clerical duties (creation/mail-out of payout certificates requests, bank account transfer requests, creation/mail-out of payment notices, credit data reconciliation).

#### (iii) Welfare Benefits-related Businesses

Japan Post Holdings will conduct recreation facility provision businesses for executives and employees, etc. of business subsidiaries and the Organization for Postal Savings, Postal Life Insurance and Post Office Network.

Furthermore, through subsidiaries that conduct temporary staffing dispatch and introduction business, Japan Post Holdings will conduct health management business based on the stipulations set forth in the Industrial Safety and Health Law for executives and employees, etc. of business subsidiaries and the Organization for Postal Savings, Postal Life Insurance and Post Office Network.

(iv) Real Estate Management-related Businesses

Japan Post Holdings will conduct support of management, improvement planning, operational upkeep and design/construction supervision or transaction/leasing related to real estate such as land and buildings as well as equipment associated with said real estate that is either currently owned or leased by business subsidiaries or will be owned or leased by them in the future.

(v) Temporary Staffing and Introduction Businesses

Through subsidiaries that conduct temporary staffing dispatch and introduction business, Japan Post Holdings will conduct solicitations for and employment of staff and introduce and dispatch them to each group member company. Also, the company will be entrusted with the human resource-related businesses of each group company.

(vi) Call Center-related Businesses

Through subsidiaries that conduct telemarketing business, Japan Post Holdings will carry out the provision and management of call center facilities and systems to business subsidiaries.

(vii) Talent Development-related Businesses

Through the Postal College, Japan Post Holdings will execute cross-group training and aim for the improvement of employee capabilities in each group company.

(3) Hospital Operation

Japan Post Holdings will proceed with administrative improvement through revenue-increasing measures by coordinating with community healthcare and enhancing emergency medicine, and engaging in cost-cutting through the enhancement of operational efficiency and reviews including the handover of business, as well as operate Teishin Hospital as a company-founded hospital. Also, it will promote the improvement of medical services, response to local healthcare needs, and patient satisfaction.

(4) Lodging Facilities Operation et al.

With regard to former postal life insurance subscriber facilities, Japan Post Holdings will steadily promote revenue-increasing measures such as increasing the number of users of lodging facilities, thorough management of food costs, and optimization through reviews of the distribution of facilities based on changes in the external environment such as the economic trend in recent years and future forecasts. In so doing, Japan Post Holdings shall plan for administrative improvement with the aim of achieving single-fiscal year profitability.

Also, as part of its community contribution measures, Japan Post Holdings will continue to lend part of its former postal life insurance subscriber facilities to preventative long-term care providers and engage in preliminary trials of businesses to provide opportunities designed to improve the physical functioning of individuals certified as requiring support.



■ Financial Plan

The financial plan for the fiscal year ending March 31, 2021 is as follows.

Unit: 100 mil JPY

Item	Amount
Cash inflow	
Balance carried over from previous term	3,144
Dividend income	2,513
Former savings accounting subsidy	3
Brand royalty fees	148
Indirect business commissions	364
Hotel business income	194
Medical business income	145
Other income	1,262
Total	7,773
Cash outflow	
Personnel expenses	797
Non-personnel expenses	630
Taxes and dues	40
Investment expenses	351
Loans	399
Other expenses	2,228
Balance carried forward to next term	3,328
Total	7,773

N.B.: 1) Total figures do not match due to rounding.

■ Income and Expenditure Budget

The income and expenditure budget for the fiscal year ending March 31, 2021 is as follows.

Unit: 100 mil JPY

Item	Amount
Ordinary Income/Loss Section	
Operating Income/Loss Section	
Operating revenue	2,742
Dividend income	1,944
Former savings accounting subsidy	3
Brand royalty fees	134
Indirect business commissions	340
Hotel business income	175
Medical business income	146
Operating expenses	758
Personnel expenses	7
Non-personnel expenses	576
Depreciation costs	136
Taxes and dues	38
Operating Income	1,985
Non-operating Income/Loss Section	
Non-operating Income	91
Ordinary profit	2,076
Extraordinary gain and loss section	
Extraordinary gains	4
Extraordinary losses	84
Income before income taxes	1,996
Income taxes current	-207
Net income	2,203

N.B.:1) Total figures do not match due to rounding.

1. Japan Post Holdings shall constantly strive to restore national confidence through the steady implementation of the business improvement plan concerning the improper solicitation of Japan Post Insurance products, mainly through the development of the governance framework within the group. Furthermore, through the implementation of such initiatives, Japan Post Holdings shall further enhance its corporate value and steadily promote privatization.
2. Japan Post Holdings shall remain committed to the stable provision of universal services, while taking appropriate measures for emergencies such as disasters and pandemics, as well as to ensure cyber security preparedness, thereby ensuring business continuity across the entire group.
3. Japan Post Holdings shall appropriately handle the disposal of shares of Japan Post Bank and Japan Post Insurance while ascertaining the impact on their ability to fulfill their obligation to provide universal services.
4. Regarding the hotel business, Japan Post Holdings shall engage in a radical review in order to improve its management soundness. As for the hospital business, Japan Post Holdings shall continue to proceed steadily with initiatives for improving management.

Fiscal Year 2021

From April 1, 2020 to March 31, 2021

14th Term

Business Plan

Japan Post Co., Ltd.

## Foreword

Japan Post Co., Ltd. (hereafter, “Japan Post”) conducts its business operations with the responsibility to ensure that customers can use basic services related to the postal business (hereafter, “universal services”) consistently, universally and fairly at post offices throughout the country.

Going forward, efforts will be made to maintain the level of the post office network, which is a shared asset of the Japanese people, and to fully ensure major public benefits and contribute to local communities, while raising the value of the post office network by making post office services even more convenient and promoting initiatives to comprehensively support the daily lives of local customers.

## Part 1 Basic Policy on Business Operations

### I. Company-wide Enhancement of Governance and Reformation of Corporate Culture

Japan Post, as the sales agent of Japan Post Insurance Co., Ltd. (hereafter, “Japan Post Insurance”), has been engaged in improving solicitation quality, in cooperation with Japan Post Insurance, based on the recognition that the enhancement and strengthening of the insurance solicitation management framework is one of its critical management priorities.

However, Japan Post failed to detect and prevent in advance a situation which was riddled with policy rewriting and other improper and questionable solicitations, from the perspective of customer protection and other administration issues.

In view of the facts discovered after the announcement on September 30, 2019 of the report on the investigation by the Special Investigative Committee, consisting exclusively of Japan Post Holdings Co., Ltd. (hereafter, “Japan Post Holdings”), Japan Post, Japan Post Insurance, and independent third party experts with no interest in the Japan Post Group, as well as the investigation into the specified cases of policy rewriting by Japan Post Insurance, the aforementioned situation is recognized to have arisen due to the following structural factors, along with the absence of adequate actions to address these factors.

- The framework for managing sales promotion (sales targets and sales allowances)
- The solicitation management framework (inadequate system and structure)
- Issues regarding governance (lack of information sharing, poor coordination between organizational units, and insufficient functioning of each of the three lines of defense)
- The corporate culture (insufficient awareness of the customer-oriented principle and misguided incentivization under an excessive focus on an all-or-nothing drive to achieve targets)

As Japan Post has formulated a business improvement plan that mainly addressed the structural factors behind the issue of improper solicitation, which was submitted on January 31, 2020 to the Minister of Internal Affairs and Communications and the Financial Services Agency, all executives and employees shall work together to ensure that such a situation is never repeated, by implementing the said plan as the most important management priority for the fiscal year ending March 31, 2021.

Moreover, Japan Post will work to eliminate the disadvantages caused to its customers in coordination with all group companies, while striving to restore confidence in Japan Post among both customers and communities.

Japan Post also received administrative guidance in the fiscal year ended March 31, 2020, from the Ministry of Internal Affairs and Communications, to ensure the steady implementation of measures for preventing the recurrence of the wrongful handling of used stamps, as well as improving the disclosure of information on misconduct.

Japan Post will promptly disclose all incidents of misconduct, if any, that occur during the fiscal year ending March 31, 2021, with the exception of those cases under police consultation or investigation, while solidly implementing recurrence prevention measures mainly through the development of an appropriate business process framework, including a review of workflows, provided, however, that certain considerations shall be made including in cases involving a minor, such as ensuring a higher degree of anonymity, as appropriate.

Governance and the corporate culture are recognized to have been the two common factors behind the issues of improper solicitation of Japan Post Insurance products and the wrongful handling of used stamps.

Therefore, Japan Post will implement the following improvement measures across the company, taking such issues into account.

#### 1. Thorough Compliance

Compliance has been interpreted in Japan Post based on a narrow definition of the term, namely compliance with laws and regulations. In the future, however, Japan Post believes that this term should be interpreted in a broader sense, in order to keep pace with changes and an expansion of the corporate social responsibility that is expected of all businesses.

Thus, in the compliance program for the fiscal year ending March 31, 2021, Japan Post has decided to address issues such as customer protection (in terms of conduct) and countermeasures against money laundering (prevention of the abuse of financial functions), in addition to prevention of internal crime and employee misconduct, through the establishment of appropriate targets, indicators, etc. for each of these items, which shall serve as basis for the implementation, progress management, verification, evaluation, etc. of each initiative, subject to periodic and continual review.

#### 2. Development of a Workplace with an Open Culture

Head office personnel had become complacent in a historically developed corporate culture in which they tended to believe that once an instruction document had been transmitted, all post offices were automatically notified of the message. Combined with an atmosphere of dislike toward reporting that such instructions were not being followed, this created an environment in which the head office could not be easily informed of issues arising at the front line.

Based on reflection on such circumstance, Japan Post will establish a forum that allows head office executives to listen to opinions and requests from the front line, and engage in a broad range of discussions, from customer requests to the everyday concerns of employees, with a view toward creating a workplace with an open culture, at all levels throughout the organization.

#### 3. Strengthening of Coordination with the Group Companies

Having appreciated the fact that the coordination between divisions was inadequate due to a traditional bureaucratic mindset resulting from a vertically divided operational framework, Japan Post will strengthen coordination between the group companies by promoting discussions at various meetings, including the liaison meetings of the group, regarding various management

issues such as internal audits, compliance, operational risks, and promotion of customer satisfaction.

Meanwhile, the Group Steering Committee, comprising the senior management of the group companies, which has hitherto been utilized as a platform for sharing awareness for better group management, shall serve as a forum for discussion among the senior management of the group companies, as well as hearing reports on developments regarding important issues, such as those confronting us at present.

## II. Steady Implementation of the Business Improvement Plan

With regard to the improper solicitation at Japan Post Insurance, Japan Post will be engaged in the steady implementation of the following initiatives, according to the business improvement plan.

### 1. Initiative for Customer-oriented Business Operations

#### (1) Establishment of a Customer-oriented Solicitation Management Framework

Although Japan Post was engaged in eliminating improper solicitation and reduction of complaints from elderly customers, in close coordination with Japan Post Insurance, including the establishment in January 2017 of the Emergency Headquarters for Solicitation Quality Improvement of Japan Post Insurance Products, the respective roles of Japan Post and Japan Post Insurance were not adequately defined, and the structure of the cooperation between the two was not appropriately designed from a customer-oriented perspective, in terms of verifying the insurance policies at an appropriate point in time.

Based on reflection on the above, Japan Post will be taking the following measures in the fiscal year ending March 31, 2021.

#### (i) System for Deterring Improper Solicitation and its Operation

##### a. Countermeasures against multiple policies and policies inadequately reflecting the customer's intentions

- Japan Post will ensure transparency of the solicitation process by recording and keeping a voice record of the solicitation process using the mobile devices carried by external sales personnel, in order to develop a system that can verify whether sales personnel's proposals have met the customer's intentions in the case of a customer complaint and conduct a trial implementation.
- Japan Post will, in cooperation with Japan Post Insurance, introduce a policy conversion system that does not involve cancellation of the existing policy.

##### b. Measures for solicitation of elderly customers, etc.

- For insurance applications received from an existing or prospective policyholder aged 70 or older, in cases where the policyholder and insured person are different individuals, a procedure to ensure that valid consent can be obtained in advance will be made compulsory.

c. Handling of insurance products provided by insurance companies other than Japan Post Insurance

- Japan Post will develop a framework whereby employees with potentially questionable solicitation quality are identified and monitored, by integrating all data concerning policy cancellation and new policy inception with all insurance companies we represent, who will then be subject to further guidance and discipline if actually found to have been involved in questionable policy rewriting.

(ii) Complaint Management Framework

Japan Post will analyze the background and causes behind the complaints concerning actions, etc. amounting to improper solicitations, based on all data provided concerning complaints, etc. including the voice of the customers received by the Japan Post Insurance Call Center, and report to the Management Committee as well as the Board of Directors on the cases of complaints, and how they are being dealt with including initiatives to prevent recurrence.

(2) Review and Rectification of the Framework for Managing Sales Promotion, Which is Currently Excessively Focused on the Acquisition of New Policies

While Japan Post has gradually been lowering sales targets since the fiscal year ended March 31, 2018, in view of the decreasing appeal of “savings-type” products following the revision of insurance premiums, the scale of this reduction was found to be insufficient, as it was based on an inadequate grasp of the actual market conditions, among other factors.

The main factors behind the cases of improper policy rewriting are believed to have been the fact that sales targets consisted solely of contracted monthly premiums for new policies, and that policy rewriting based on internal rules was reflected in sales performance, insofar as such rewriting was accepted as equivalent to cases of policy conversion.

Based on the above, Japan Post will carry out the following initiatives in the fiscal year ending March 31, 2021.

(i) Sales Targets

Sales targets for financial products will not be established for the fiscal year ending March 31, 2021.

As for the fiscal year ending March 31, 2022 and onwards, Japan Post will establish appropriate targets with a view toward materializing customer-oriented business operations, including a shift from the heretofore adopted sales targets that were focused on new sales amounts (flow), to those that are focused on policies in-force (stock), while introducing indexing of the number of new customers and working age customers.

(ii) Organizational Performance Evaluation

We have newly set “solicitation quality” as a separate criteria, along with objectifying criteria concerning misconduct incidents and void/agreed cancellations.



(iii) Sales Allowance

Japan Post reviewed the standards for payment of sales allowances (ratio between basic salary and the allowances) to external sales personnel, while a sales allowance shall no longer be paid for policy rewriting (those equivalent to policy conversions).

2. Strengthening Governance

(1) Fulfillment of the Function of the Board of Directors, etc.

Neither an insurance solicitation management framework nor insurance solicitation quality has been submitted for deliberation at the Board of Directors; hence, there has been no in-depth discussion on these subjects in the past.

Based on reflection on the aforementioned, Japan Post will engage in the following initiatives in the fiscal year ending March 31, 2021.

(i) The Board of Directors, etc.

Issues concerning solicitation quality shall, in principle be discussed at the forum for consultation between the group companies, comprising members with expertise, such as the Compliance Committee and other specialized committees that serve as advisory bodies to the Management Committee, and the Partner Meeting. However, issues of particular importance, such as those concerning the actual status of questionable solicitation that can result in disadvantages to customers, shall be submitted for deliberation at the Management Committee or the Board of Directors as appropriate, in order to ensure in-depth discussion.

The progress of the improvement measures listed in the business improvement plan shall be monitored by a third party, and shall further be submitted to the Board of Directors and announced on a regular basis.

In addition, questionable points and problems to be addressed shall be identified through measures such as the hearing from the responsible head office department conducted by the Corporate Auditors, while the Board of Corporate Auditors shall request reports on such items as appropriate or on a regular basis, in order to engage in in-depth discussions regarding the grasp of the actual situation, as well as countermeasures and their effectiveness, with the aim of ensuring sound corporate governance.

The aforementioned framework is not restricted to issues of operational quality, and shall fulfill its function through adequate discussions on all important management issues at the Management Committee or the Board of Directors.

(ii) Compliance Committee

The “Proper Solicitation Promotion Meeting” was newly established in January 2020, as a body for reporting and discussing initiatives and other agendas for improving solicitation quality, in which concerned departments coordinate and discuss solicitation quality control, to ensure an effective process for contributing to sound management decision on this subject. Matters of particular importance shall be discussed also at the Compliance Committee, and the results shall be reported to the Management Committee and the Board of Directors.

## (2) Management of the Three Lines of Defense

The role of each line of defense in governance has hitherto not been clearly defined in light of the concept of “three lines of defense,” thus failing to establish an autonomous internal control system, while the examination and verification undertaken at the first line was no more than a process involving a perfunctory checking of documents, in the absence of a customer-oriented perspective.

Based on the aforementioned recognition, Japan Post will implement the following measures in the fiscal year ending March 31, 2021.

### (i) The First Line of Defense

Since September 2019, Japan Post has strengthened the process to verify the appropriateness and reasonableness of this line, and this effort shall further be pursued going forward.

Specifically, a function has been installed to allow post offices to check the record of policy cancellations within the past two years, not only on an insured-basis, but also on a policyholder-basis, in an effort to deter undue policy rewriting by verifying, at the point of receipt of new applications, whether each policy cancellation was enforced at the request of the customer.

Furthermore, in order to strengthen the prevention of circumvention of required periods for policy rewriting, Japan Post will be implementing measures such as the extension of the policy rewriting qualifying period, while enabling the computer system to display alerts regarding policies having policy periods in close proximity to the policy rewriting qualifying period, in an effort to deter undue policy rewriting.

### (ii) The Second Line of Defense

In addition to prevention of criminal conduct, Japan Post will implement measures for promoting sales activity management focused on solicitation quality.

Specifically, Japan Post will reinforce its solicitation quality instruction specialists, as well as the staffing and organizational structure at regional office Financial Operations Divisions, in order to strengthen the solicitation management framework at branches, with a view toward enforcing measures for improving solicitation quality and strengthening the framework for guidance and checking at post offices.

In the meantime, employees of the Regional Auditors Offices are currently engaged in “verifying the insurance contract solicitation quality control scheme” at all post offices, with a view toward eradicating improper solicitation and improving solicitation quality at post offices, which shall be implemented continuously in the fiscal year ending March 31, 2021.

### (iii) The Third Line of Defense

Japan Post will be enhancing the framework for implementing risk-based audits of the functioning of the PDCA cycle at the first and second lines of defense, including personnel reinforcement and appointment of staff responsible for risk analysis.

### 3. Creating a Customer-oriented Corporate Culture

#### (1) Management and Human Resources Development for Thoroughly Disseminating Customer-oriented Business Attitude

Despite the announcement, in March 2018 of the “Basic Policies for Customer-first Business Operations,” sales activities still remained that assigned priority to the interests of the sales personnel themselves, rather than to the well-being of the customers.

Japan Post must admit that behind such selfish sales attitudes lay questionable issues to be addressed in the areas of management and human resources development, reflecting a management style at each organizational unit that enforced an all-or-nothing drive to achieve targets, involving little instruction or guidance regarding the specific methodology for achieving such goal.

Based on the above recognition, Japan Post will implement the following measures in the fiscal year ending March 31, 2021.

- (i) Japan Post will revise both the “Sales/Services Policy” and the “Basic Policies for Customer-first Business Operations,” in order to expressly clarify that products and services shall be provided not only in compliance with laws and social norms, but also in the best interest of the customers, through sales activities based on customer-oriented principles, while ensuring that all employees share these principles.
- (ii) Japan Post will clearly define basic principles for customer-oriented solicitation (including a standard sales conduct model that reinforces the solicitation processes, such as the identification and confirmation of customer intentions, along with a verification of conformity thereto), and will continuously implement training to share an awareness of such principles among all employees.
- (iii) Japan Post will review and revise the existing training system and its contents, with a view toward enabling post office employees to align more closely with customers’ future life plans and provide a wide range of products and services that meet their objectives.

Specifically, Japan Post will endeavor to shift its direction from a training system that is focused on individual products, to a training system that is geared toward developing the capabilities necessary to provide consulting services, in order to enhance the process for imparting the knowledge, skills, and mindset necessary for such service, while also stepping up theme-based training to help each employee address individual challenges.

- (iv) Japan Post will also implement training for managers to help them learn a management/instruction method adopting coaching techniques (including solicitation quality management, guidance for developing the capabilities necessary to make adequate proposals, sales activities management, and instructions for providing knowledge on matters regarding finance), with a view toward eliminating conventional management with excessive focus on sales promotion control.
- (v) Japan Post will work on rectifying inappropriate training by developing a system whereby post office personnel can directly feed back their opinions on the training they receive (including reports on questionable training).

Meanwhile, Japan Post will review the status of so-called voluntary workshops, defined as independent study sessions voluntarily organized by employees, and introduce

training with contents designed by Japan Post at the request of employees, providing a training opportunity in which individual employees participate of their own accord.

- (vi) Japan Post will appoint Consulting Advisors as instructors capable of providing instruction on comprehensive consulting service, in an effort to review and improve the method for instructing post office staff. Furthermore, the Sales Capabilities Development Institute shall be renamed as the “Consultant Training Center,” supervised directly by the head office, with a view toward offering consulting service training with a standard established across Japan.
- (vii) Japan Post decided to implement an organizational change to rename the Financial Services Division at post offices as the “Financial Consulting Division,” while newly establishing the “Financial Consulting Administration Division” at each regional office with a view to developing a customer-oriented management framework

## (2) Incentive Measures

Japan Post recognizes that incentives offered by the head office and regional offices, primarily as a motivation for sales promotion, were the factors behind the insufficient emphasis on ensuring solicitation quality based on customer-oriented principles, resulting in a drive toward sales activities focused solely on sales performance.

Based on the above recognition, Japan Post will not organize sales personnel commendations for the fiscal year ending March 31, 2021, while conducting a review of evaluation items and evaluation standards, in favor of customer-oriented sales activities.

Meanwhile, incentives shall also be reviewed to make them function as effective measures to encourage customer-oriented sales activities, while enhancing motivation among sales personnel.

## (3) Personnel Evaluation and Treatment

Japan Post has hitherto not included cancellations within the cooling-off period as a separate evaluation item in the personnel evaluation for external sales personnel and counter sales personnel.

Cancellations within the cooling-off period was an evaluation item that failed to achieve an adequate deterrence effect in the personnel evaluation for managers.

Based on the above recognition, in the fiscal year ending March 31, 2021, Japan Post will also newly establish solicitation quality evaluation items and evaluation standards in the personnel evaluation for counter sales personnel and managers, in an effort to promote initiatives to deter improper solicitation and improve solicitation quality.

## (4) Genuine Information Sharing

Head office personnel had become complacent in a historically developed corporate culture in which they tended to believe that once an instruction document had been transmitted, all post offices were automatically notified of the message. Combined with an atmosphere of dislike toward reporting that such instructions were not being followed, this created an environment in which the head office could not be easily informed of issues arising at the front line.

Furthermore, Japan Post must also appreciate that given the inadequate information sharing with Japan Post Insurance, the corporate division had a limited grasp of the actual status of the frontline through customer voice, audits, inspections, monitoring, and other means, let alone the status of sales promotion and solicitation management, and that Japan Post reacted to issues only when they materialized, while critical information regarding the issues and causes involving hidden or suspected cases of improper solicitation failed to reach the senior management who were truly in need of such information.

Based on the aforementioned appreciation of the problems in the past, Japan Post will, in the fiscal year ending March 31, 2021, establish an external whistleblowing contact point in Japan Post Holdings exclusively for financial sales issues, in addition to the existing general purpose whistleblowing contact point, in order to develop a framework for facilitating the flow of information from the frontline to the head office, to ensure that critical information is grasped regarding issues and causes involving hidden or suspected cases of improper solicitation, while encouraging all employees to utilize these contact points, as necessary.

As for grasping the true state of solicitation quality, Japan Post will engage in even closer information sharing with Japan Post Insurance, and make sure that each concerned department is fully aware of the situation at the frontline, while submitting all solicitation quality issues to the Board of Directors or the Management Committee, to ensure that they become known to the senior management without fail.

As Japan Post has previously been aware of the necessity of reforming the corporate culture not only in financial services, but across the company, Japan Post would like to seize this opportunity to create workplaces with an open culture at all levels within the organization, presenting a forum for voices to be heard, including opinions and requests from the frontline, by the executives at the head office, as well as for broad-based discussions on topics ranging from customer requests to the everyday concerns of employees.

### III. Initiatives for Sustainable Growth

The social environment surrounding Japan Post continues to change, characterized in particular by a decrease in the volume of mail due mainly to the widespread use of the Internet, an increase in parcel demand as a result of the expansion of the electronic commerce (EC) market, and diversification of customer needs related to service quality, in addition to the increasing need for regional revitalization due to population decline and further globalization of the economy, while personnel expenses per employee are continuing to rise due mainly to the tight conditions in the labor market.

In the meantime, Japan Post is witnessing rapid changes in the market, such as technological innovations including AI, robotics, and FinTech, progress in the digitization of our daily lives, not least of which are increasing opportunities for cashless payment, expansion of sharing services, and the growing importance of the SDGs.

To ensure that Japan Post can smoothly and reliably provide customers with services in the future from the customers' viewpoint, Japan Post recognizes responding properly to such a business environment and promoting initiatives to realize work style reforms, as well as establishing stable management as important management issues.

## 1. Utilization of Advanced Technologies

Japan Post understands that in the logistics business, which has shown remarkable growth in line with the expansion of the EC market, it is vital to increase productivity by reviewing and renovating the operation system through the utilization of advanced technologies.

Based on the aforementioned understanding, Japan Post will engage in the following initiatives in the fiscal year ending March 31, 2021.

- Increasing the number of post offices with service counters that can accept cashless payments
- Promotion of safety, business process optimization, and a review/readjustment of postal zones and delivery routes through the utilization of telematics (the latter has already been implemented at some post offices)
- Streamlining of pickup and delivery operations for Yu-Pack and other services by utilizing smartphone applications such as for routing, tracking, and electronic signatures for parcels (some are already implemented at some post offices)
- Full-scale roll-out of automated re-delivery requests system using voice-recognition AI

Along with the aforementioned, Japan Post will be engaged in trials and experiments over the medium to long term, for the introduction of robotics (such as automated delivery vehicles) and advanced delivery (via drones, delivery robots, and automated vehicles), toward commercial application in the future.

Japan Post will also remain engaged in the study of digital transformation, with a view toward materializing dramatic operational streamlining, in line with changes in the business environment and technological trends, creation of added value products and services from a customer perspective by utilizing digitized sending information, and transformation of organizational administration by utilizing stock data.

## 2. Initiatives to Enhance the Value of the Post Office Network

The number of users of, and mails/products handled by post offices has been decreasing, largely due to a declining birthrate and an aging and decreasing population, as well as a digitization-induced detachment from postal services primarily among younger generations, which is believed to accelerate in the future.

Sustainable growth under such circumstances is believed to require an enhancement of the value of the post office network, through the promotion of network optimization and a roll-out of diversified post office operations in response to local needs.

Based on such recognition, Japan Post will, in the fiscal year ending March 31, 2021, tackle the task of enhancing the value of the post office network by rolling out post office diversification in response to local needs, namely by rolling out services in collaboration with local governments and businesses in different sectors, such as comprehensive consignment of administrative work from local governments, collaboration with regional banks, establishment of post offices within train station premises, and enhanced engagement in regional revitalization.

## 3. Enhancement of the Commitment to the SDGs

In a business environment in which a commitment to the SDGs is becoming increasingly relevant and important for the business continuity of corporations, Japan Post is determined to actively contribute to society through its corporate activities in general.

Specifically, Japan Post will be committed to a reduction of CO<sub>2</sub> emissions, thus mitigating the environmental burden, through a shift to electric vehicles and electric motorcycles, renewal into energy-saving facilities through an acceleration of the LED switchover, and a reduction of redelivery by expanding electronic delivery assistance service.

While Japan Post will be committed to the continuous promotion of diversity and inclusion by increasing the ratio of female managerial staff, and the implementation of enhanced training to encourage an understanding and acceptance of diversified values, with a view toward allowing each employee to enthusiastically demonstrate their individual talents, Japan Post will also engage in work style reforms including support for a better balance between work and child-rearing/nursing care, and initiatives to encourage male workers to take childcare leave.

## Part 2 Plans Regarding Operations Stipulated in Article 4, Paragraph 1 through 3 of the Japan Post Co., Ltd. Act

Japan Post ensures implementation of operations including postal operations, banking counter operations, and insurance counter operations stipulated in Article 4, Paragraph 1 of the Japan Post Co., Ltd. Act (Act No. 100 of 2005), in addition to conducting operations as stipulated in Paragraph 2 and Paragraph 3 of the same Article.

The essential details of the plan are as follows.

With regard to operations stipulated in Article 4, Paragraph 2, Item 3 and Paragraph 3 of the Japan Post Co., Ltd. Act, the plan is formulated based on provisions of Article 92 of the Postal Service Privatization Act (Act No. 97 of 2005) which stipulates that special care should be taken not to unfairly harm the interests of businesses engaged in the same type of operation as Japan Post.

1. Postal Operations (including sales of documentary stamps and issuance of New Year's lottery postcards, etc.)

While the quantity of mail is decreasing, largely due to growing use of the Internet, Japan Post will strive to maintain use of the postal service through SNS tie-up services using smartphones for New Year's cards and other products, and by carrying out activities that convey the pleasure of letter-writing.

Japan Post will also promote the sales of special stamps and postcards, while issuing medalist framed stamps as well as host town framed stamps, in celebration of the Tokyo 2020 Olympic and Paralympic Games. Furthermore, Japan Post will operate its vehicles appropriately, in complete conformity with the temporary road traffic regulations imposed during the period of the Games.

As for abandonment or concealment of mail, Japan Post, taking its responsibility to reliably deliver mail seriously, will remain committed to employee development focused on enhancing staff training and adequate communication, as well as aiming to firmly establish priority rules for crime prevention by making them fully aware to employees and providing them thorough instruction.

## 2. Domestic Distribution Operations

In response to a growing number of parcels handled (particularly for small parcels) due to an expansion of the EC market, Japan Post will strive to increase revenue through solution-focused sales activities that provide solutions to the challenges facing customers and by capitalizing on

our mobility, while also engaging in a review/renovation of our operation system, as well as cost control.

Meanwhile, Japan Post will further popularize and expand a service for leaving parcels in designated areas, with a view toward enhancing operational efficiency and reducing the rate of redeliveries due to the absence of a sendee, while reviewing/renovating our operation system by utilizing advanced technologies.

### 3. Banking Counter Operations, etc.

In the fiscal year ended March 31, 2020, violations of internal regulations were discovered in which sales of investment trust products to elderly customers (aged 70 or older) proceeded without the prior approval of a manager.

In view of such violations, Japan Post carried out after-sales follow-ups for all elderly customers in collaboration with Japan Post Bank, while conducting training to enforce a thorough awareness of the sales rules, in an effort to prevent recurrences.

In the fiscal year ending March 31, 2021, Japan Post will remain committed to after-sales follow-ups focused on investor protection, without establishing sales targets, while engaging in the development of an adequate sales framework.

### 4. Insurance Counter Operations, etc.

In the fiscal year ended March 31, 2020, Japan Post failed to detect and prevent in advance a situation which was riddled with policy rewriting and other improper and questionable solicitations, from the perspective of customer protection and other administration issues. In order to rectify this situation, Japan Post formulated the business improvement plan, which was submitted on January 31, 2020 to the Minister of Internal Affairs and Communications and the Financial Services Agency.

In the fiscal year ending March 31, 2021, Japan Post will remain committed to the steady implementation of the business improvement plan, and also to assigning the greatest priority to apologizing to the affected customers, as well as follow-up activities (verification of the details regarding the policies), without establishing sales targets.

### 5. Administrative Work Consigned from Local Governments

Japan Post believes that the social mission of post offices is to provide universal services, while staying in close contact with, working together with, and providing all-around support to the communities Japan Post serves, all based on the trust of customers and communities that has been cultivated over the years since the foundation of the postal service in Japan.

Amidst a situation in which it is increasingly difficult to maintain social infrastructure, including administrative services and privately run services, Japan Post will remain engaged in expanding comprehensive consignment of administrative work from local governments, as well as pursuing the conclusion of comprehensive partnership agreements in the fiscal year ending March 31, 2021.

Japan Post will also continue supporting the government's initiative for popularizing the Individual Number Card.



## 6. Real Estate Operations, etc.

In our real estate business, Japan Post will remain engaged in the property leasing business at office building and commercial complexes, such as JP Tower (which accommodates the KITTE commercial complex), JP Tower Nagoya (which accommodates the KITTE NAGOYA commercial complex), and KITTE HAKATA, along with the leasing of residential properties, nurseries, and nursing homes, as an enterprise for effectively utilizing land in residential areas.

In addition, in the fiscal year ending March 31, 2021, Japan Post is scheduled to invest in development projects comprising the Hiroshima Station South Exit Project (provisional name), the Toranomon-Azabudai District Category 1 Urban Redevelopment Project, and the Umeda 3-chome Project (provisional name), with a view toward expanding new revenue opportunities and effectively utilizing our existing real estate portfolio.

Apart from the above, Japan Post is engaged in the business of leasing land and buildings to external businesses, as well as running parking lots on the post office premises and other unused land, while also considering the disposal of property with no prospects for commercial exploitation.

## 7. International Logistics Operations

Japan Post appreciates that the business environment surrounding Toll Holdings Limited is extremely severe, primarily due to the impact of a decelerating Australian economy, as well as trade friction between the U.S. and China.

In the fiscal year ending March 31, 2021, Toll will be engaged in management improvement initiatives under the new management team appointed in January 2020, including thorough implementation of cost cutting measures and a review of existing business domains, along with an implementation of initiatives to improve profitability in the express business, and a strengthening of sales capabilities targeting Asian customers.

## 8. Other Business Operations

Japan Post will be providing products by catalogue-based distribution, along with the post offices' Watch Over Service, with a view toward materializing a Total Lifestyle Support Group that helps customers to achieve comfortable and fruitful lives and lifestyles in safety and security, while studying the launch of new products and services, including those involving an expansion of investments and alliances.

### Part 3 Basic Plan for Establishment and Elimination of Post Offices and Company Offices for which Notification is Required under the Stipulations of Article 6, Paragraph 2 of the Japan Post Co., Ltd. Act

#### 1. Establishment of Post Offices, etc.

With regard to establishment of post offices, etc., Japan Post makes it a policy to maintain the level of the post office network in underpopulated areas based on Article 6 of the Japan Post Co., Ltd. Act and Article 4 of the Ordinance for Enforcement of the Japan Post Co., Ltd. Act (Ordinance of the Ministry of Internal Affairs and Communications No. 37 of 2007), and thereby ensure steady provision of universal services.

As for contracted post offices that are temporarily “out of service,” Japan Post will continue with our efforts to promptly reopen these facilities regardless of whether they are in underpopulated areas as stipulated in Article 4, Paragraph 5 of the Ordinance for Enforcement of the Japan Post Co., Ltd. Act.

When temporary measures are needed, Japan Post will make efforts to provide counter services through “mobile post offices,” according to the local situation and status of use by customers.

Japan Post will continue to ensure that the level of the post office network, which is a shared asset of the Japanese people, is maintained by utilizing subsidies and contribution systems for the support the maintenance of this network.

## 2. Establishment of New Post Offices, etc.

With the aim of improving customer service and expanding the products and services handled at post offices, etc., in response to diverse customer needs, Japan Post will press ahead with efforts to open post offices in areas where an increase in customer use is expected as a result of regional changes and other factors.

Japan Post will also engage in initiatives for opening shops that meet changing customer needs amid the changing social environment, as well as shops that provide solutions to the challenges faced by local communities, with a view toward staying in close contact with, working together with, and providing all-around support to the communities Japan Post serves.

Specifically, Japan Post will promote measures such as the establishment of post offices within train station premises and expansion of post office shops specializing in consulting services, in an effort to enhance the value of post offices as a “pivot of the community.”

## 3. Elimination of Post Offices, etc.

Japan Post will review the location of post offices in line with resolving issues such as decreasing customer demand and aging facilities.

In addition, Japan Post will revise the operational format of post offices which require improvement in management in terms of operational efficiency, such as those post offices with limited user groups and limited services in need.

Regarding contracted post offices that have been “out of service” for a long period of time, Japan Post will review the situation in light of local demand and location of other post offices, and make adjustments in cases where other post offices can be easily used given the movement of residents in their daily lives.

## Part 4 Operation of Other Businesses

### 1. Support for Reconstruction from Disasters, Including the Great East Japan Earthquake and the 2016 Kumamoto Earthquake

In terms of support for reconstruction from disasters, including the Great East Japan Earthquake and the 2016 Kumamoto Earthquake, post office services including mail, deposits, and insurance are indispensable for the maintenance of daily lives by those affected by the disaster. Japan Post will therefore continue to deepen ties between Japan Post Group companies

to contribute to supporting the daily lives of people affected by the disaster by reopening post offices and other efforts.

2. Response to Emergencies Including Disasters

Japan Post has prepared a business continuity plan to be used in the event of emergencies, including natural disasters such as earthquakes and pandemics that may seriously impact our corporate activities, which clarifies the important operations that must be resumed with priority, and to formulate a framework as well as prior countermeasures to achieve smooth business continuity and restoration.

In addition to the aforementioned, Japan Post has formulated business operation plans based on the provisions of Article 39, Paragraph 1 of the Basic Act on Disaster Management, Article 36, Paragraph 1 of the Act on Measures to Protect the People in Armed Attack Situations (Act on Measures to Protect the People), as well as Article 9, Paragraph 4 of the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, respectively.

3. International Harmony and Collaboration

In addition to steadily fulfilling its obligations based on the Universal Postal Convention, Japan Post will promote international harmony and collaboration and seek to improve the quality of the international postal services by playing an active and leading role in the 27th Universal Postal Congress organized by the Universal Postal Union (UPU), which is scheduled to be held in the Republic of Côte d'Ivoire in the fiscal year ending March 31, 2021. In addition, Japan Post will use its world-class knowhow and related technologies with regard to the post and post office networks to actively cooperate with postal business entities in other countries.

Appendix	Financial Plan
	Income and Expenditure Budget

## Financial Plan for the Fiscal Year Ending March 31, 2021

Unit: 100 mil JPY

Item	Amount
Cash inflow	
Balance carried over from previous term	10,154
Income from postal business	14,111
Documentary stamps income	13,605
Income from deposits and insurance outsourced operations	6,225
Subsidies	2,934
Other operating income	8,932
Other financial income	-
Borrowings	-
<b>Total</b>	<b>55,961</b>
Cash outflow	
Personnel expenses	21,535
Non-personnel expenses	6,968
Taxes and dues	3,242
Investment expenses	1,350
Documentary stamps payment	13,624
Redemption of borrowings	-
Balance carried forward to next term	9,242
<b>Total</b>	<b>55,961</b>

N.B.: 1) Total figures do not match due to rounding.

2) “-” means that the figure does not exist.

## Income and Expenditure Budget for the Fiscal Year Ending March 31, 2021

Unit: 100 mil JPY

Item	Amount
Operating income	29,928
Postal service business income	13,291
Documentary stamps outsourced operations income	410
Commissions for banking and insurance business consignment	5,659
Subsidies	2,935
Other operating income	7,634
Operating costs	27,488
Personnel expenses	20,260
Costs	7,228
Non-personnel expenses	5,856
Depreciation costs	1,116
Other costs	256
Sales, general and administrative costs	1,953
Personnel expenses	872
Non-personnel expenses	691
Other costs	390
Net operating income (loss)	487
Other income	47
Other expenses	17
Net ordinary income (loss)	518
Extraordinary gains	79
Extraordinary losses	94
Income (loss) before income taxes	502
Income taxes current	283
Net income (loss)	219

N.B.: 1) Total figures do not match due to rounding.

1. Japan Post shall constantly strive to restore national confidence, by engaging in tasks to enhance governance and reform its corporate culture in cooperation with the group companies, while steadily implementing the business improvement plan concerning the improper solicitation of Japan Post Insurance products, and conducting thorough information disclosure in the event of the discovery of incidents of misconduct.
2. Japan Post shall work on the improvement of managerial efficiency and enhancement of user convenience by utilizing state-of-the-art technologies such as IoT and AI, while reinforcing its management basis for the future, in view of changes in the social environment, such as progress in ICT, and the further advance of a declining birthrate and an aging and decreasing population.
3. Japan Post shall actively promote initiatives including the promotion of the spread of the Individual Number Card, consignment of administrative work from local governments, and collaboration with regional banks, by utilizing the post office network, with a view toward contributing to the development of sustainable local communities.
4. Japan Post shall remain committed to the stable provision of universal services, while taking appropriate measures for emergencies such as disasters and pandemics, as well as to ensure cyber security preparedness, thereby ensuring business continuity.