

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 31, 2022

Company name:	Japan Post Holdings Co., Ltd.
Representative:	MASUDA Hiroya
	Director and Representative Executive Officer,
	President & CEO
	(Code number: 6178, First Section of the
	Tokyo Stock Exchange)
Contact:	IR Office (Phone: +81-3-3477-0206)

Approval of Business Plan for the Fiscal Year Ending March 31, 2023

Japan Post Holdings Co., Ltd. and its subsidiary, Japan Post Co., Ltd. hereby announce that on Monday February 28, 2022, 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, 2023 (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.

Attachment 1

Fiscal Year 2023

From April 1, 2022 to March 31, 2023

18th 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, follows 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 engage in initiatives that serve public interest, such as support for reconstruction from the Great East Japan Earthquake and other natural disasters, the continuous provision of services amid the ongoing COVID-19 pandemic and promotion of the spread of the Individual Number Card.

In May 2021, Japan Post Holdings announced its Group Medium-term Management Plan, "JP Vision 2025" (FY2021 - FY2025), and set out a "Co-creation Platform" to support customers and local communities, as its vision for the future. Utilizing its network of post offices, the group's greatest strength, Japan Post Holdings will provide integrated services of the group while seeking partnerships with a diverse range of companies and others outside the group, which the group has never had. Such efforts will help local customers enjoy safe, secure, comfortable, and prosperous lives.

1. Basic Policy on Business Operations

(1) Increasing the Corporate Value of the Japan Post Group

As a means of increasing corporate value of the group, 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.

In the fiscal year ending March 31, 2023, Japan Post Holdings will in particular promote cross-organizational, group-wide integrated DX measures, the development of the group's DX human resources, and the creation of new businesses that contribute to addressing

social issues, with a view toward realizing “digital post offices” that aim to provide new value to customers of a wide range of ages and regions.

Moreover, Japan Post Holdings will help enhance and strengthen its core businesses (postal and logistics, banking, and life insurance) including universal services, expand collaboration with companies outside the group and local governments, and develop the real estate business including the utilization of real estate held by the group. Japan Post Holdings will also explore the use of data that post offices possess.

(2) Strengthening Governance and Compliance Functions

In the fiscal year ended March 31, 2020, Japan Post Holdings received administrative dispositions from the Ministry of Internal Affairs and Communications and the Financial Services Agency, mainly regarding the improper solicitations of Japan Post Insurance products. In order to address the situation, Japan Post Holdings formulated a business improvement plan in January 2020, focusing on the implementation of the improvement measures listed in the plan as the most important management priority.

In the fiscal year ended March 31, 2021, it was discovered that some sales activities for crosscutting sales of Japan Post Insurance products and investment trusts were not conducted from a customer-oriented perspective, while new issues were additionally discovered including misuse of a cashless payment service at Japan Post Bank.

In April 2020 Japan Post Holdings established the JP Reform Execution Committee, which consists of external experts to verify the initiatives from a fair and neutral standpoint. Having received evaluations and advice from the Committee on the key measures listed in the business improvement plan and its response to the issues that emerged in the fiscal year ended March 31, 2021, Japan Post Holdings has steadily implemented the business improvement plan, by enhancing the governance function through means such as detecting conduct risk at an early stage, as well as the group compliance function and the internal audit function.

In the fiscal year ended March 31, 2022, incidents emerged including the improper distribution of calendars for New Year's greetings and the embezzlement of spoiled stamps exchanged for new postcards.

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. Reflecting on the problems that occurred in the past, Japan Post Holdings sees the improvement of compliance standards group-wide as an important issue for management in the fiscal year ending March 31, 2023 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, 2023 as well as the condition and status of their internal audit systems. In particular, Japan Post Holdings will continue to promote initiatives to grasp the implementation status of measures to prevent recurrence, which were formulated by Japan Post, and strengthen the group compliance function in order to address the issues that were discovered in the fiscal year ended March 31, 2022, in addition to the steady implementation of the business improvement plan in response to the issues concerning the improper solicitation of Japan Post Insurance products.

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.

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).

(3) Commitment to Achieving the SDGs

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

- Environmental initiatives

In light of the latest trend under the government-led initiative for “Achieving Carbon Neutrality in 2050,” Japan Post Holdings will also proactively work on reducing its environmental footprint through business services, such as the expanded introduction of EVs across the group and a gradual switch to electricity with a low carbon emission factor with a view toward reducing CO₂ emission.

- 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 (2.3%) of persons with disabilities required by the Act for Promotion of Employment of Persons with Disabilities in the fiscal year ended March 31, 2022. Japan Post Holdings will continue efforts to further promote the employment of people with disabilities to achieve the target in the fiscal year ending March 31, 2023 as well. With regard to the 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 employees to increase the motivation of female employees 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.

(4) Measures Related to Other Management Issues

(i) 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.

(ii) 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.

(iii) Countermeasures against COVID-19

Amid the ongoing COVID-19 pandemic, the group has, in an effort to fulfill its social mission as a corporate group of strong public nature, been engaged in initiatives to prevent the spread of the infection, such as placing plastic shields at the counters of post offices and the introduction of non-face-to-face delivery of mails and parcels, thereby ensuring the safety of the employees, while being committed to the continuation of postal and domestic logistics business and financial businesses.

In the fiscal year ending March 31, 2023, Japan Post Holdings will remain committed to the initiatives to prevent the spread of the infection in order to ensure the safety of the employees, as well as the continuation of business operations.

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, and data processing services to business subsidiaries and contracted post offices.

(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-organizational 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 proceed with the swift transfer of the business, among other measures, based on changes in the external environment such as economic trends in recent years and future forecasts.

Appendix Financial Plan Income and Expenditure Budget

Appendix

■ Financial Plan

The financial plan for the fiscal year ending March 31, 2023 is as follows.

Item	Amount
Cash inflow	
Balance carried over from previous term	1,576
Dividend income	2,225
Former savings accounting subsidy	2
Brand royalty fees	140
Indirect business commissions	525
Hotel business income	16
Medical business income	128
Other income	1,784
Total	6,396
Cash outflow	
Personnel expenses	637
Non-personnel expenses	572
Taxes and dues	76
Investment expenses	43
Loans	1,539
Other expenses	1,885
Balance carried forward to next term	1,645
Total	6,396

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

Appendix

■ Income and Expenditure Budget

The income and expenditure budget for the fiscal year ending March 31, 2023 is as follows.

Unit: 100 mil JPY

Item	Amount
Ordinary Income/Loss Section	
Operating Income/Loss Section	
Operating revenue	2,492
Dividend income	1,748
Former savings accounting subsidy	2
Brand royalty fees	127
Indirect business commissions	480
Hotel business income	9
Medical business income	126
Operating expenses	820
Personnel expenses	132
Non-personnel expenses	513
Depreciation costs	141
Taxes and dues	33
Operating Income	1,672
Non-operating Income/Loss Section	
Non-operating Income	111
Ordinary profit	1,783
Extraordinary gain and loss section	
Extraordinary gains	90
Extraordinary losses	0
Income before income taxes	1,873
Income taxes current	-187
Net income	2,060

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

Annex 1

1. Japan Post Holdings shall constantly strive to restore national confidence and user trust by stepping up initiatives such as enhancing compliance and strengthening the governance framework within the group through the provision of appropriate guidance to group companies, taking into account the recent incidents of misconduct within the group, such as the improper solicitation of Japan Post Insurance products.
2. In addition to actively promoting the spread of the Individual Number Card, Japan Post Holdings shall develop multifaceted and flexible services that keep pace with the changes in the social environment, and shall accelerate the creation of new growth areas by promoting DX at group companies to effectively use data obtained and held by the group while protecting personal information, and actively pursuing initiatives that contribute to the realization of the Vision for a Digital Garden City Nation, and the group's commitment to SDGs and ESG.
3. Japan Post Holdings shall remain committed to the reliable provision of universal services, while taking appropriate measures for emergencies such as COVID-19 and disasters, as well as to ensure cyber security preparedness, thereby ensuring business continuity across the entire group.
4. 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.

Attachment 2

Fiscal Year 2023

From April 1, 2022 to March 31, 2023

16th 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 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.

In the Group Medium-term Management Plan “JP Vision 2025” announced in May 2021, the Japan Post Group (hereafter, the “Group”) set out a “Co-creation Platform” to support customers and local communities as its vision for the future.

Leveraging its network of post offices, the Group’s greatest strength, Japan Post will provide integrated services of the group while seeking partnerships with a diverse range of companies and others outside the Group, which the Group has never had. Such efforts will help local customers enjoy safe, secure, comfortable, and prosperous lives.

Part 1 Basic Policy on Business Operations

1. Initiative for Regaining Customer Trust

Following the discovery in the fiscal year ended March 31, 2020 of the improper solicitation of the products of Japan Post Insurance Co., Ltd. (hereinafter the “Japan Post Insurance”), Japan Post has formulated the business improvement plan that mainly addressed the structural factors behind the issue of improper solicitation, and 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.

In the meantime, multiple incidents were discovered where post office managers embezzled post office money and customers’ deposits. Furthermore, incidents such as the abandonment or concealment of mail, which may lead to the loss of customer trust, repeatedly emerged.

In the fiscal year ending March 31, 2023, Japan Post will remain committed to the steady implementation of the business improvement plan, while being fully and earnestly engaged in the initiatives for regaining customer trust and ensuring thorough compliance.

(1) Initiative for Customer-first Business Operations

Japan Post has pushed forward with various initiatives across the Group to fulfill the “Pledge to Regain Customer Trust” announced in the fiscal year ended March 31, 2021. In September 2021, Japan Post received commentary from the JP Reform Execution Committee consisting of external experts, which evaluated that the activities to regain customer trust conducted by the Japan Post Group has gained some traction.

In the fiscal year ending March 31, 2023, as a corporate group with one of the largest number of customers in Japan, Japan Post will make continued efforts to build customer trust by performing thorough customer-oriented business operations in the true sense of the word through the implementation of the Management Philosophy, Charter of Corporate Conduct, and Basic Policies for Customer-first Business Operations.

Furthermore, Japan Post will tackle all challenges across the Group, by promoting coordination between the Group companies to ensure that customers can use all products and services with peace of mind.

Meanwhile, with a view toward creating a “workplace with open communication,” Japan Post will be engaged in reforming the work style at the head office and improving communication between the front line, the branches, and the head office, while effectively reflecting the voice from customers and employees for improving management, sales, and operations.

Furthermore, Japan Post will give each branch more independence and flexibility as well as strengthen the branch function to enhance governance.

(2) Ongoing Initiatives for Eliminating Improper Solicitation

As in the fiscal year ended March 31, 2022, Japan Post will remain committed to improving solicitation quality and strengthening governance, by ensuring verification at the point of receipt of new policies in order to eliminate improper solicitation, while enhancing guidance to sales personnel as well as risk management through the establishment of a foundation to manage solicitation quality data.

Based on the recognition that a framework for managing sales promotion that was excessively focused on new policy acquisition was one of the structural factors behind the improper solicitation, Japan Post focused on creating contact points with customers in the fiscal year ended March 31, 2022, and in this connection, an “activities target” was newly introduced for the purpose of evaluating employees’ activity process.

In the fiscal year ending March 31, 2023, Japan Post will establish “net increase-based targets” to evaluate both new sales and cancellation and shift to a new evaluation system based on the two factors, “activities targets” and “net increase-based targets.”

Meanwhile, in the area of personnel evaluation system, the hitherto adopted sales-oriented personnel evaluation system shall be reformed into a system that is more customer-oriented.

(3) Promotion of Compliance to Ensure Customer Trust

In the fiscal year ended March 31, 2022, multiple incidents were discovered where post office managers embezzled post office money and customer’s deposit. Furthermore, incidents of misconduct such as the abandonment or concealment of mail and loss of customer information at post offices emerged.

In the fiscal year ending March 31, 2023, to ensure customer trust, Japan Post will thoroughly implement measures to prevent the recurrence of these incidents while continuing and enhancing the initiatives including the prevention of internal crime, employee misconduct and improper solicitation, as well as customer protection and countermeasures against money laundering. Japan Post will also work to further inculcate compliance in employees mainly by providing guidance to make them reconfirm the objective and significance of compliance.

As in the fiscal year ended March 31, 2022, Japan Post will promptly disclose all incidents of misconduct, with the exception of those cases under police consultation or investigation,

provided, however, that certain considerations shall be made including in cases involving a minor, such as ensuring a higher degree of anonymity, as appropriate.

In light of the discovery of an incident of improper distribution of calendars for New Year's greetings, Japan Post will strive to prevent the recurrence of such incident by taking preventive measures such as continued guidance for all officers and employees on the strict division between business activities and activities outside business, and the implementation of training on relevant laws and regulations including the Political Funds Control Act. Moreover, Japan Post will raise awareness of the protection of personal information while improving the environment to prevent the inappropriate handling of personal information.

2. Initiatives Aiming at Renewed Growth

Japan Post is in the midst of an extremely difficult business environment with a decreasing number of post office users and handled mail/products due to the progress of digitization, and a continuation of the low interest rate regime.

Spurred by the spread of COVID-19, digitization is accelerating, and needs for non-physical contact/non-face-to-face services are on the rise. The whole concept of society, including lifestyles and workstyles, is greatly changing.

In such a business environment, Japan Post is determined to drive the digital transformation (hereinafter "DX"), while solidifying its basis of business operation by pursuing initiatives to enhance the value of the post office network.

(1) DX Promotion

Japan Post recognizes that it needs to reform itself with insight into future trends regarding societal and environmental changes as well as state-of-the-art technologies, if Japan Post is to continue providing its core services such as postal/logistics services, banking, and life insurance constantly and sustainably into the future.

Japan Post shall, therefore, endeavor to materialize enhanced services/functions and operational reform by fully utilizing the data accumulated through full-scale digitization of various data, while promoting initiatives for reforming business operation itself, organization, processes, and corporate culture.

In the fiscal year ending March 31, 2023, Japan Post will continue to strengthen the initiatives to materialize low-cost operations in the postal and logistics business.

Specifically, Japan Post will utilize the data acquired by using telematics to ensure employee safety, support each other between deliveries, and review delivery routes and delivery areas. In addition, Japan Post will pursue the streamlining of pickup and delivery operations for Yu-Pack and other services by using AI-based automatic delivery route determination, as well as reductions in manpower and workload at post offices by taking measures such as the introduction of automated guided vehicles (AGVs).

In collaboration with other companies, Japan Post will be engaged in developing a new logistics platform that enables the development of an efficient delivery system, as well as the provision of services that allow convenient receipt of deliveries.

Moreover, Japan Post will also conduct continuous trials and experiments on robotics (involving picking robots, etc.) and enhanced delivery methods (involving drones, delivery robots, etc.) for practical application in the future.

In post office operation as well, Japan Post will pursue operational streamlining by driving digitization and develop services unique to physical post offices by utilizing resources thus generated.

Specifically, Japan Post will work to shift to paperless procedures, such as the introduction of the system for electric application of cancer insurance policies while working to expand non-physical contact/non-face-to-face services, such as online consultation on investment trusts. Japan Post will also provide consulting services that suit customer needs, utilizing consulting apps and digitized sales activity records.

Furthermore, Japan Post will explore the possibilities of using the data it holds to solve local issues and to create new businesses while ensuring the appropriate handling of personal information and security.

(2) Initiatives to Enhance the Value of the Post Office Network

In regions faced by an aging population combined with low birthrates and depopulation, the continued vitality of their local economies has become a more pronounced social issue, due to the withdrawal of various companies from these regions, among other factors. In this situation, post offices may provide greater value or play a greater role in those regions.

To achieve sustainable growth, Japan Post believes that it must enhance the value of the post office network by leveraging the physical presence of post offices while promoting digitization.

With such belief, Japan Post will be engaged in a wide scope of administrative work consigned from local governments, including issuing certifications, the reception of various notification regarding national pension-related services and National Health Insurance, consigned counter services such as the sales of premium gift certificates, and administrative work related to electronic certificate-related services for Individual Number Cards. Japan Post will also provide a wide variety of products and services that meet needs of local communities and local customers in collaboration with other businesses, including enhanced collaboration with regional financial institutions and integrated operation of post offices and station ticket counters.

Furthermore, Japan Post will focus on optimizing arrangement of post office locations considering customer convenience, and make operating hours more flexible at post offices based on the needs of local communities.

(3) Enhancement of the Commitment to the SDGs

As increasing importance is being attached to the SDGs (Sustainable Development Goals), a set of globally shared goals endorsed by all member states of the United Nations at its General Assembly in 2015, Japan Post formulated the Japan Post Basic Sustainability Policy in the fiscal year ended March 31, 2022.

In the fiscal year ending March 31, 2023, Japan Post will continue to strive to achieve sustainable growth and enhancement of corporate value over the medium to long term by

contributing to addressing social issues related to sustainability through the whole range of its corporate activities.

In an effort to contribute to “Achieving Carbon Neutrality in 2050,” proposed by the Japanese government as part of its initiatives to reduce the environmental burden, Japan Post will endeavor to drive the introduction of electric vehicles (EVs), switch to LED lighting, and reduce redelivery. Japan Post will also continue to conduct demo tests, such as giving local EV users access to charging equipment for delivery vehicles.

Moreover, Japan Post will work to build “+eco post offices” that are more environmentally friendly by applying cross laminated timber (CLT) to post offices and using renewable energy such as the introduction of private solar power generation systems.

In order to make progress in various initiatives, Japan Post believes that nothing is more important than developing a working environment that allows each employee to work energetically and demonstrate their individual talents sufficiently.

As such, Japan Post will be actively committed to creating comfortable workplaces by implementing support measures for a better balance between work and child-rearing/nursing care as well as reducing overtime work. Japan Post will also strive to promote diversity such as empowerment of women and promotion of senior employment, and train human resources capable of providing customer-oriented services.

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 the promotion of letter writing by providing education regarding its enjoyment, such as by supporting the Letter Writing Workshop Program and providing services to assist users' preparation of New Year's cards using smartphones.

In the fiscal year ended March 31, 2022, Japan Post reviewed its present postal services upon the enforcement of the Act for Partial Amendments to the Postal Act and the Act on Correspondence Delivery by Private Business Operators (Act No. 70 of 2020), and suspended the delivery of ordinary mail on Saturdays and extended the number of days needed to deliver

ordinary mail. In making the change, Japan Post kept its users fully informed of the developments to ensure that no disruption is caused to the provision of services. In addition, Japan Post drove work style reforms such as minimizing late-night/week-end work.

In the meantime, incidents were discovered such as the abandonment or concealment of mail, transport of mail by employees' personal vehicles, and embezzlement of stamps distributed in exchange for spoiled postcards.

Japan Post, taking its responsibility to reliably deliver mail seriously, will remain committed to raising compliance awareness, employee development focused on enhancing staff training and adequate communication, and will make employees fully aware of priority rules for crime prevention and provide thorough instruction.

Furthermore, in response to the recent breakout of incidents involving the abandonment or concealment of mail, Japan Post has established the Countermeasures Headquarters for Preventing Abandonment and Concealment of Mail at the head office, branches, and post offices and will strive to prevent the recurrence of such incidents by analyzing incident cases according to position and examining preventive measures.

As for the embezzlement of stamps distributed in exchange for spoiled postcards, Japan Post instructed all post offices to ensure that they strictly follow the proper procedures, and now requires a branch staff or a manager attend exchanges of large volumes.

Going forward, Japan Post will strive to prevent the recurrence of such incidents by revising the procedures for exchange.

2. Domestic Distribution Operations

Japan Post will increase revenues by providing products and services that meet customer needs, such as enhancing convenience in both sending and receiving to steadily capture the growing EC market and online flea markets, while expanding the range of logistics solutions utilizing warehouses, and enhancing B2B logistics services.

With a continued decline in the quantity of mail, Japan Post will accelerate a shift of resources to the parcels field, which is one of the growth markets, while increasing productivity through the full-scale pursuit of work load-based cost control and DX promotion.

3. Banking Counter Operations, Insurance Counter Operations, etc.

As in the fiscal year ended March 31, 2022, Japan Post will remain committed to the steady implementation of the business improvement plan, as well as efforts to offer products and services that meet customer needs, focusing on "customer-oriented sales activities".

As part of those efforts, Japan Post will encourage employees to receive training and obtain qualifications to help them offer financial products that meet needs through customer contact.

The Group will start a new sales system at Japan Post Insurance in the fiscal year ending March 31, 2023. Consultants with a high degree of mobility and specialist knowledge who are seconded to Japan Post Insurance and staff at post office counters responding to a diverse range of customer needs will demonstrate their respective skills to the greatest extent. Under this system, "comprehensive consulting services" with deeper expertise and a wider facade will be implemented across the Group.

In the fiscal year ended March 31, 2022, multiple incidents were discovered where post office managers embezzled post office money and customers' deposits.

Japan Post takes the discovery of these major financial crimes seriously and will make employees fully aware of priority rules for crime prevention and provide thorough instruction while implementing a training program to inculcate awareness of crime prevention in employees.

Japan Post will strengthen check and control over post office managers and other personnel in managerial positions, such as a review of the business practice of having them work at another post office for long periods of time, and enhancement of inspection and examination by a manager in charge of crime prevention. In addition, Japan Post will continue its efforts, including a prohibition, as a rule, of the handover/receipt of cash outside post offices in banking counter operations, and collection of customer feedback and employee insight to prevent or early discover internal crime.

Furthermore, in the fiscal year ended March 31, 2022, there were incidents involving the loss of "financial products brokerage sub-ledger" for transactions of investment trusts and government bonds within the office at approximately 30% of post offices.

To prevent the loss of documents, Japan Post will provide continued guidance to employees to fully ensure the protection of personal information while reducing the amount of paper documents stored at post offices, and digitizing documents step-by-step.

4. Administrative Work Consigned from Local Governments

Japan Post believes that the social mission of post offices is to provide universal services of postal business, while staying in close contact with and working together with 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.

Amid a situation in which it is increasingly difficult to maintain social infrastructure, including administrative services and privately run services, Japan Post will strive for broad-based undertaking of administrative work consigned from local governments, including the issuance of public certificates and the reception of various notification regarding national pension-related services and National Health Insurance, and consigned counter services such as the sales of premium gift certificates. Japan Post will also seek comprehensive administrative work contracts.

In the meantime, Japan Post will remain engaged in various ongoing initiatives for popularizing the Individual Number Card, such as the installation of terminals for creating ID required to use the Individual Number Card Points, while also striving to obtain consigned work related to electronic certificate-related services for Individual Number Cards, which is administrative work that is now open to post offices following the amendments to the Act on Handling of Certain Services of Local Governments at Postal Offices (Act No. 120 of 2001) introduced in the fiscal year ended March 31, 2022.

Furthermore, Japan Post will consider expanding the use of the Individual Number Card at post offices, in addition to the active utilization of the Individual Number Card in general.

At the same time, Japan Post will work to promote the conclusion of comprehensive partnership agreements with local governments, focusing on patrol activities in the community, provision of information on tourism and prefectural government policies, spreading the appeal of local products and improving their recognition, as a means to revitalize the region.

5. Real Estate Operations, etc.

As in the fiscal year ended March 31, 2022, Japan Post will be engaged in the property leasing business at JP Tower (which accommodates the KITTE commercial complex) and other properties, along with the leasing of residential properties, nurseries, and nursing homes, as an enterprise for effectively utilizing land in residential areas.

In addition, Japan Post will promote development projects comprising the Hiroshima Station South Exit Project, the Toranomon-Azabudai District Category 1 Urban Redevelopment Project, and the Umeda 3-chome Project, with a view toward expanding new revenue opportunities and effectively utilizing our existing real estate portfolio, and will turn its real estate business into one of the main revenue sources.

To enhance the core businesses, Japan Post will consolidate and streamline its business facilities by improving their operational efficiency while leveraging them in the real estate business.

6. International Logistics Operations

In the fiscal year ended March 31, 2022, Japan Post disposed of the global express business at Toll Holdings Limited, which had reported losses over the years.

Japan Post will work to reduce costs by promoting measures to improve operational efficiency such as the streamlining of the Australian business. Japan Post will also aim to achieve growth in this business by shifting to a business model focused on Asia including Japan, such as business development focused on countries and industries with growth potential in the Asian region.

7. Other Business Operations

Japan Post will be providing products by catalogue-based distribution, along with the post offices' Watch Over Service utilizing smart speakers, with a view toward helping customers achieve comfortable and fruitful lives and lifestyles in safety and security, while studying the launch of new products and services through 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 of postal business.

In addition, as for contracted post offices that are temporarily "out of service," Japan Post will continue with 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 while utilizing subsidies and contribution systems for the support the maintenance of this network.

2. Establishment of New Post Offices, etc.

Japan Post will press ahead with efforts to open post offices in areas where an increase in customer use is expected, while remaining engaged 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.

3. Elimination of Post Offices, etc.

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

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.

In addition, 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 the Great East Japan Earthquake and Other Disasters

In terms of support for reconstruction from the Great East Japan Earthquake and other disasters, post office services including postal services, banking, and life 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, and based on the plan, it clarifies the important operations that must be resumed with priority, in the event of emergencies, including natural disasters such as earthquakes and pandemics that may seriously impact our corporate activities, and formulates 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 (Act No. 223 of 1961), Article 36, Paragraph 1 of the Act on Measures to Protect the People in Armed Attack Situations (Act No. 112 of 2004), as well as Article 9, Paragraph 1 of the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response (Act No. 31 of 2012), respectively.

Besides, Japan Post formulated and announced in the fiscal year ended March 31, 2021, the “Guidelines for Preventive Measures against COVID-19 in the Postal and Logistics Business,” while Japan Post is in the process of formulating the “Basic Policies on Preventive Measures against COVID-19 at Japan Post.” Based on the policies, Japan Post will protect customers and employees from the infection and contribute to the welfare of the nation through its business activities.

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 activities of the Universal Postal Union (UPU).

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, 2023

Item	Amount
Cash inflow	
Balance carried over from previous term	11,518
Income from postal business	13,472
Documentary stamps income	10,575
Income from deposits and insurance outsourced operations	5,253
Subsidies	2,808
Other operating income	8,981
Other financial income	-
Borrowings	-
Total	52,607
Cash outflow	
Personnel expenses	19,238
Non-personnel expenses	7,142
Taxes and dues	3,077
Investment expenses	1,863
Documentary stamps payment	10,590
Redemption of borrowings	-
Balance carried forward to next term	10,696
Total	52,607

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, 2023

Item	Unit: 100 mil JPY
	Amount
Operating income	28,303
Postal service business income	12,391
Documentary stamps outsourced operations income	328
Commissions for banking and insurance business consignment	4,812
Subsidies	2,808
Other operating income	7,963
Operating costs	25,575
Personnel expenses	18,392
Costs	7,183
Non-personnel expenses	6,026
Depreciation costs	862
Other costs	295
Sales, general and administrative costs	1,792
Personnel expenses	839
Non-personnel expenses	676
Other costs	277
Net operating income (loss)	936
Other income	46
Other expenses	15
Net ordinary income (loss)	967
Extraordinary gains	116
Extraordinary losses	102
Income (loss) before income taxes	982
Income taxes current	353
Net income (loss)	629

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

Annex 2

1. In light of recent incidents of misconduct such as the improper solicitation of Japan Post Insurance products, Japan Post shall constantly strive to restore national confidence and user trust as well as ensure thorough compliance by steadily implementing the business improvement plan and thoroughly taking recurrence prevention measures, in cooperation with the Group companies.
2. Japan Post shall develop multifaceted and flexible services that keep pace with changes in the social environment by actively pursuing initiatives such as the promotion of DX, initiatives that contribute to the realization of the Vision for a Digital Garden City Nation, and its commitment to SDGs and ESG.
3. With regard to the data obtained and held by Japan Post, Japan Post shall conduct a study toward a wider use of the data in public and other fields while ensuring the appropriate handling of personal information and security.
4. Japan Post shall strive to undertake a wide range of administrative work consigned from local governments, including those that are now open to post offices following the amendment to the Act on Handling of Certain Services of Local Governments at Postal Offices, while being actively engaged in the promotion of the spread of the Individual Number Card, in coordination with the Group companies.
5. Japan Post shall remain committed to the reliable provision of universal services, while taking appropriate measures for emergencies such as COVID-19 and disasters, as well as to ensure cyber security preparedness, thereby ensuring business continuity.
6. Japan Post shall strive to secure a stable transportation capacity for international mail and ensure the provision of international mail services to the maximum possible extent under circumstances such as an epidemic or growing geopolitical tension worldwide.