

UNOFFICIAL TRANSLATION

Although the “Bank” 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.

Medium-term Management Plan (FY2022/3 through FY2026/3)

~ Deepening trust, and taking on the challenge for financial innovations ~

May 14, 2021



JAPAN POST BANK



Table of Contents

The Mission of Japan Post Bank	P3
Basic Policies of the Medium-term Management Plan	P4
5 Key Strategic Points	P5
Financial Targets	P6
Profit Roadmap	P7
Retail Business Innovations	P9
Work Reforms and Productivity Improvement	P12
Enhancing funds flow to regional communities and the regional relationship functions	P14
Deepening market operations and risk management	P17
Strengthening the Management Base	P19
Advancing ESG Management	P22
Capital Policy	P29
(Reference) Reviewing our previous medium-term management plan	P31

The Mission of Japan Post Bank

The Management Philosophy of Japan Post Group

We aim for the happiness of customers and employees, and will contribute to the development of society and the region.

The Management Philosophy of Japan Post Bank

We aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.

The Mission of Japan Post Bank

Providing “reliable and thorough” financial services “safely and securely” to anyone and everyone throughout Japan.

Contributing to the development of regional community economies by enhancing funds flow to, and relationships with, communities using various frameworks.

As one of the largest institutional investors in Japan, Japan Post Bank will work to both realize sound and profitable operations, and contribute to the realization of a sustainable society.

Realizing both the enhancement of corporate value, and contributing to the solution of social issues such as SDGs (ESG management)

Basic Policies of the Medium-term Management Plan

■ Based on our reassessment of the previous mid-term management plan, our awareness of the business environment and business issues at hand, and our strengths and resources, we will position the next 5 years under the new Mid-term Management Plan as a period for “deepening trust in our Bank, and taking on the challenge for financial innovations,” advance our 5 key strategies, and aim for innovations to our business model and enhancements to business sustainability.

Reviewing our previous medium-term management plan (FY2019/3 through FY2021/3)

Even under challenging management environments, we steadily worked toward solidifying the foundation necessary to realize our ideal state

Provision of High-quality Customer-oriented Financial Services	Advanced efforts such as “savings and asset formation,” and thoroughness of payment services, and service transactions, etc. Net fees and commissions increased by 32% compared to FY2018/3	Strengthening of Business Management Systems
Funds Flow to Regional Communities	In collaboration with regional financial institutions, advance investments into regional vitalization funds (cumulative total of 32), etc.	
Diversification and Sophistication of Investment Management	Increase risk asset balance to ¥ 91tn, strategic investment area* balance to ¥ 4.2tn	

*Private equity, real estate, etc.

Awareness of the business environment and business issues

Shrinking population, ageing society, diversification of lifestyles	Providing customer-oriented services Expanding products and services
Local economic downturns	Contributions to vitalization of communities
Digital innovation	Creating new value Addressing the digital divide problem
Changing to new lifestyles	Addressing no-contact and non face-to-face needs Security enhancements
The demands of realizing a sustainable society	ESG management
Low interest rates becoming long-term, and increased risk of stress events manifesting	Deepening market operations and risk management Enhancing the capital base

Basic Policies of the Medium-term Management Plan (FY2022/3 through FY2026/3)



Japan Post Bank’s strengths and resources

Japan's largest customer base (120 million ordinary deposit accounts)	Post offices and ATM networks encompassing all of Japan
Japan’s largest deposit base	Diverse and expert human resources

* Although the target period for the Mid-term Management Plan is 5 years, we will revise the plan in around 3 years as necessary depending on changes in the business environment

* DX is an abbreviation of “digital transformation.” Refers to the innovation of work and business models into superior forms through the active use of data and digital technology

5 key strategic points

① Innovating retail business into a new form by realizing complementarity between the physical and the digital

- In addition to expanding digital services that put safety and security first, and can be readily used by all customers, we will promote the dissemination of digital services by actively utilizing our post-office network
- We will develop an open, “Co-creation Platform” that actively utilizes our customer base and provides optimized services through collaborations with various business operators, including companies outside of the Group
- After organizing our asset-management product line-up in our face-to-face channels into products suitable for Japan Post Bank’s customer base, we will utilize post-office network to primarily promote cumulate-type investments to our beginner-level investment customers
- In addition to providing transaction channels and methods that take into account our customers’ needs, we will review and newly establish our fees from the perspective of providing stable services

② Business reforms and productivity improvement through the active utilization of digital technology

- We will establish self-processing of routine transactions (the teller tablet system, etc.), and, in tandem with our expansion of digital channels, we will advance the expansion of options for customer choices in transaction channels and the optimization of branch teller’s work.
- We will reform work at our operation support centers by automating work operations in a comprehensive manner by combining digital technologies
- In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses, including commissions paid to Japan Post and drastically reduce expenses overall

③ Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

- We will contribute to the vitalization of regional communities by supplying assets (particularly equity funds) via various frameworks
- We will address financial needs suited to the real conditions of each community as a “regional financial platform”
- We will work to develop new business opportunities that enhance regional relationship functions and actively utilize regional information

④ Deepening market operations and risk management with an awareness of stress tolerance

- While remaining aware of risk-adjusted return, we will expand our risk asset balances and strategic investment area balances
- In order to prepare for the occurrence of stress events, we will develop stress-resistant portfolios and deepen our risk management systems
- We will contribute to the realization of a sustainable society via ESG investments

⑤ Strengthening the management base to become a more trusted bank

- In order to become a bank that enjoys even greater trust from customers, we will advance sustainable reforms to our organizational culture and enhancements to our internal control systems
- While maintaining a high quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT

Advancing DX

Advancing ESG management

Financial targets

- We will strive for a consolidated net income of ¥350.0bn or greater by FY2026/3.
- In addition to fulfilling our duty^{*1} to provide universal services in finances, we will advance our efforts to improve profitability and efficiency.
- We will set a capital adequacy ratio (domestic standard) of approximately 10%, and a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

^{*1} Japan Post Bank has certain obligations as a bank related to the provisions of the Japan Post Company Act, and provides “simple savings, remittance and payment services” via our nationwide post-office network.

<Consolidated Basis>		FY2021/3 Performance	FY2024/3 targets	FY2026/3 targets
Profitability	Consolidated net income (attributable to owners of parent)	¥ 280.1bn	¥ 280.0bn or greater	¥350.0bn or greater
	ROE (based on shareholders' equity)	3.06%	3.0% or greater	3.6% or greater
Efficiency	OHR (Basis including gains (losses) on money held in trust) ^{*2}	72.34%	72% or less	66% or less
	General and administrative expenses (compared to FY2021/3)	—	¥(25.0)bn	¥(55.0)bn
Soundness	Capital adequacy ratio (Domestic standards)	15.53%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)
	CET1 (Common equity tier1 capital) ratio (international standards) ^{*3}	14.09%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)

^{*2} Keeping in mind that Japan Post Bank manages securities that utilize money held in trust of a considerable scope, we will establish OHRs as targets that include in the denominator operational profit/loss pertaining to money held in trust.

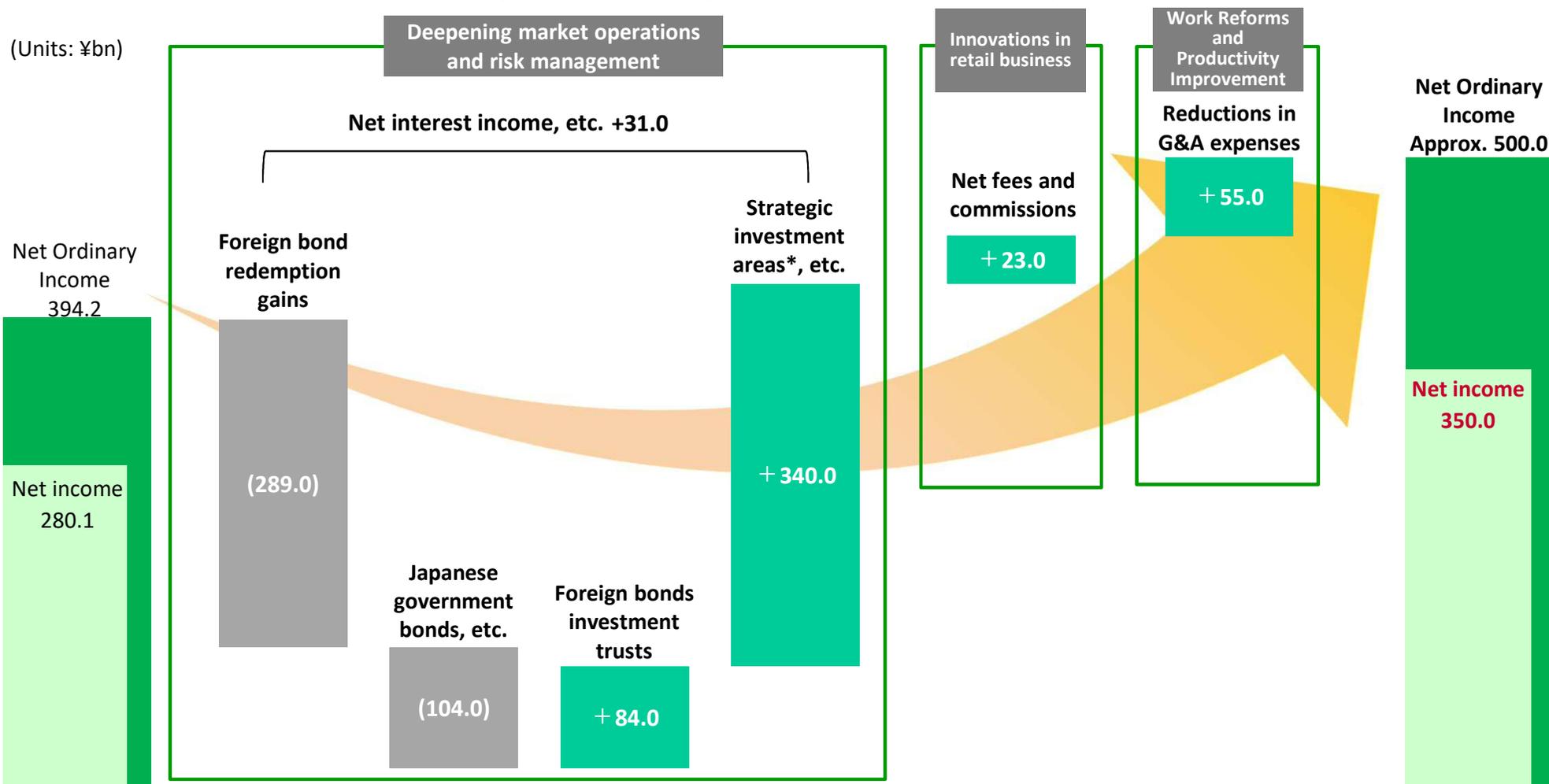
Calculated as general and administrative expenses ÷ (net interest income, etc. + net fees and commissions). Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales etc.).

^{*3} Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

Profit roadmap

- Due to reductions in redemption gains on foreign bonds, and revenue from redemption of Japanese government bonds, the plan for FY2022/3 sees a decrease in income compared to FY2021/3. Thereafter, our plan is to improve profits toward FY2026/3 through full-scale realization of profits in strategic investment areas (J-curve effect), expansion of net fees and commissions, and reductions in general and administrative expenses, among other efforts.
- In addition to enhancement of corporate value via the 5 key strategies, we will strive to thoroughly provide value to our customers, regional societies, shareholders and employees, etc.

(Causes of changes in net ordinary income)

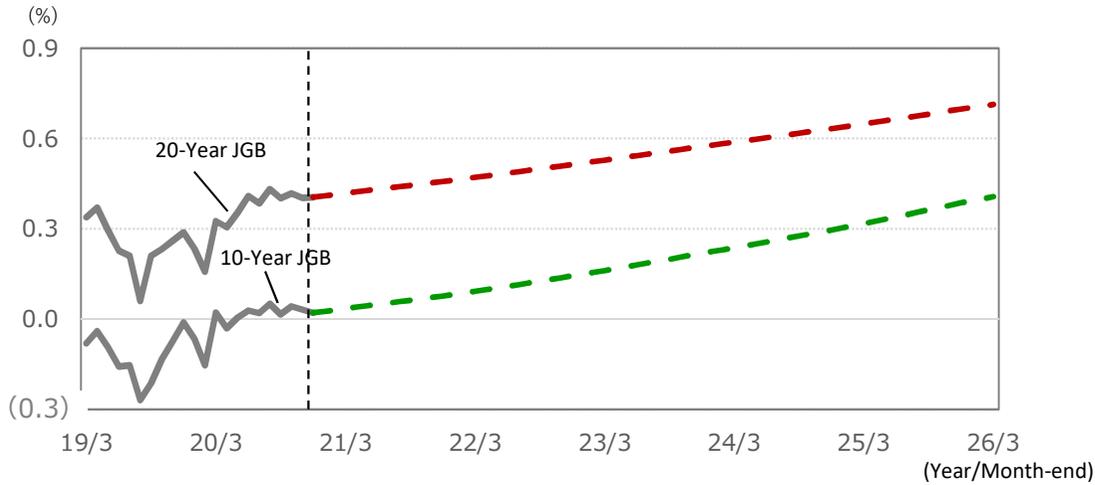


*Strategic investment areas: alternative assets (private equity funds and real estate funds, etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

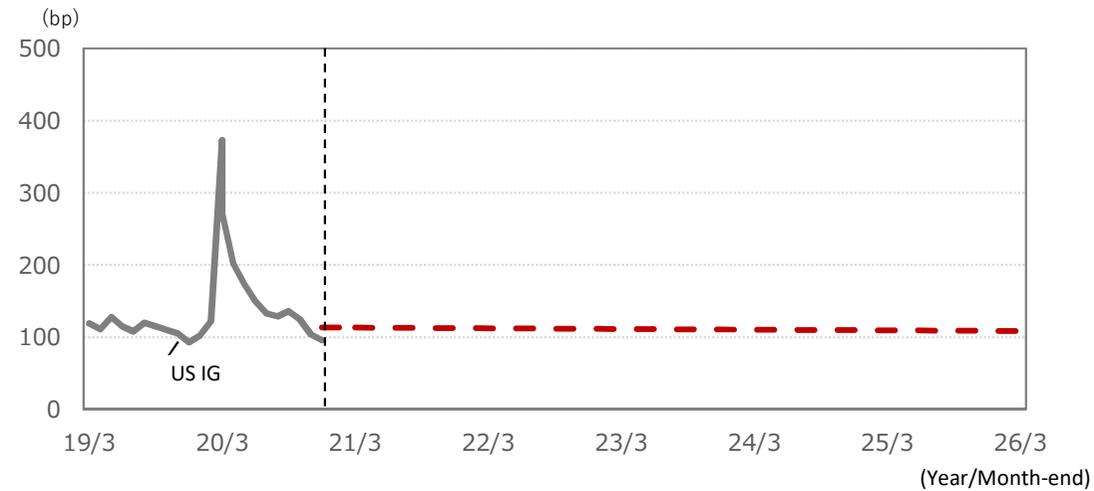
(Reference) Assumptions for profit plan

- Domestic and foreign market interest rates are based on the Implied Forward Rates*¹ as of December 31, 2020
- Foreign credit spreads*² are the levels as of December 31, 2020, and are expected to remain largely stable.

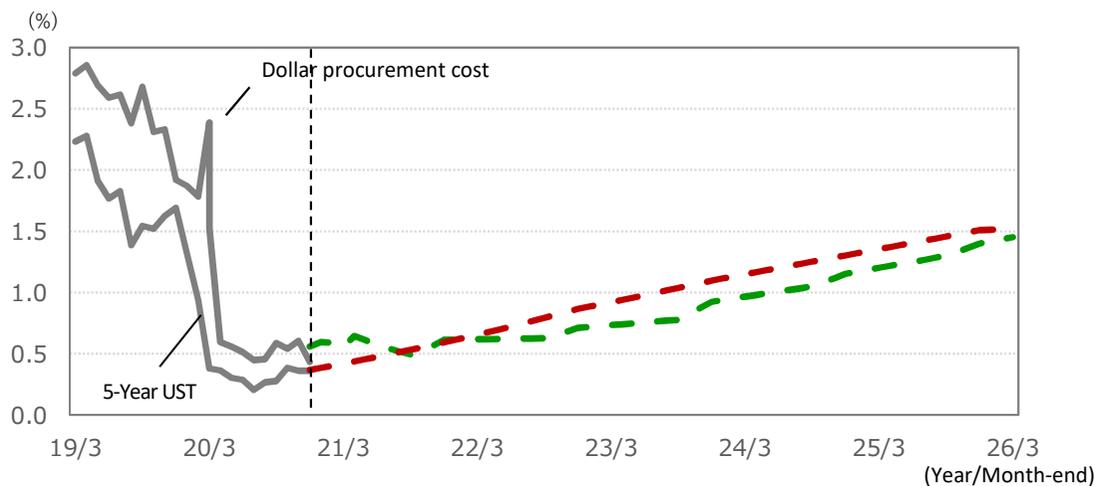
Yen interest rate



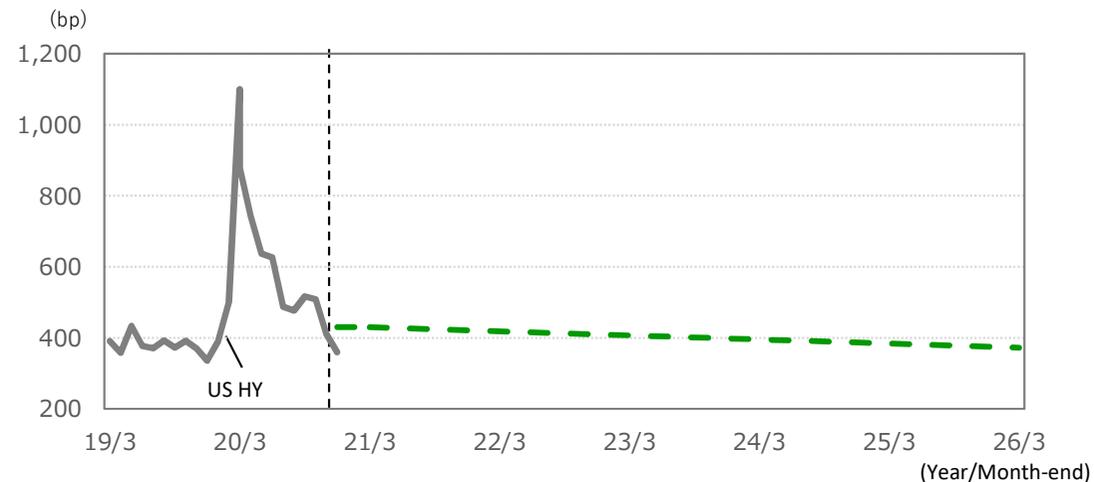
US IG corporate bonds credit spreads



US interest rate / Dollar procurement cost



US HY corporate bonds credit spreads



*1 Future projected interest logically calculated based on market interest rates (yield curve) as of December 31, 2020

*2 Interest rates added, according to the issuer's ability to repay debt, to the standard interest rate of government bonds, etc.

Retail business innovations ① Digital services strategy

- In addition to expanding digital services that put safety and security first, and can be readily used by all customers, we will promote the dissemination of digital services by actively utilizing post-office network.
- We will develop an open, “Co-creation Platform” that actively utilizes our customer base and provides optimized services through collaborations with various business operators.

Customers choose their optimal channels

Physical channels



- Provision of services through the post-office network
- Guide customers to channels optimal for them
- Intimate support for digital services
- While enhancing Group cooperation, enhance businesses such as digital services to corporate clients

Utilize network of approx. 24,000 post offices across the country

Support Channel



- Enhance posture and implement expert support

Enhance call centers, etc.

Digital channels



- Continually improve UI/UX*1 while putting safety and security foremost, and expand digital services that all customers can readily use

Expand functions and usage of bankbook app
(Include basic banking functions)

Apps for household accounting and household finance consulting (newly developed)

Apps that allow customers to personally confirm the present and future conditions of their household finances, and choose products and services that align with their intentions

Providing optimal services through cooperation with various business operators



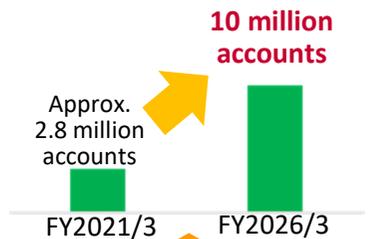
Cooperate with the Group platform app*2 as well

Complementarity of the physical and the digital



Reflect customer opinions in service improvements

KPI
Number of accounts registered in the bankbook app



Japan's largest customer base (120 million ordinary deposit accounts)

Database utilization image

Integrated database



Proposing optimal products and services to customers
(Propose using app-based publications and push notifications, etc.)

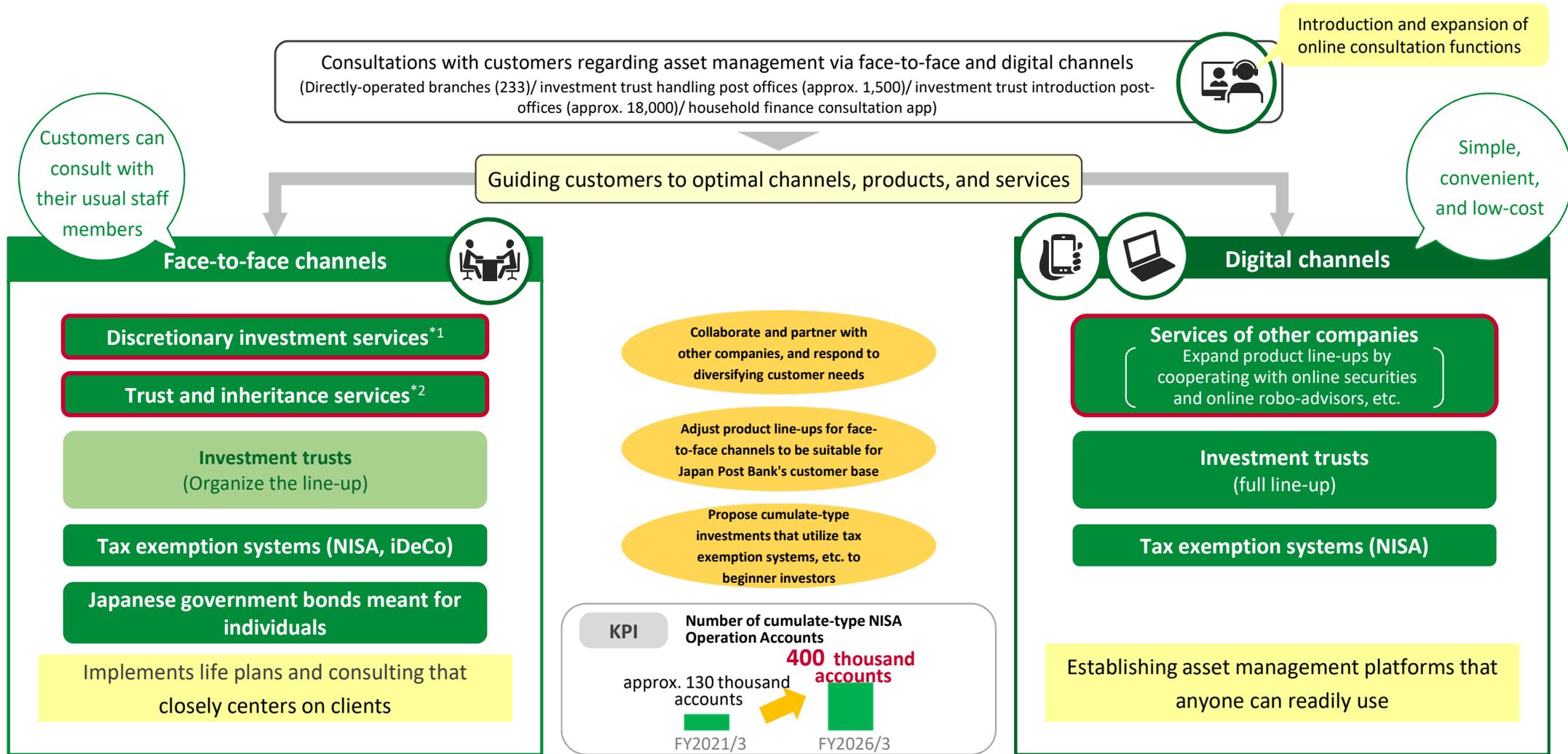
Establish and utilize customer databases that integrate transactions, etc. of various channels

*1 Abbreviations of User Interface/User Experience. In addition to making the services easier to operate and use, we will work to improve the value of the experience customers gain from using services.

*2 Based on the concept of “Post-Office in Hand,” this singular platform app allows users to use the various products and services offered by the Japan Post Group in a cross-sectional manner (under development).

Retail Business Innovation ② Asset building support business

- After organizing our asset-management product line-up in our face-to-face channels into products suitable for Japan Post Bank's customer base, we will utilize post-office network to primarily promote cumulate-type investments to our beginner-level investment customers.
- In the digital channels, we will develop web and app-based environments that anyone can easily use under competitive fee levels.



Note) Products and services in red frames are planned for introduction during the mid-term plan period

*1 This service has Japan Post Bank accept discretion from the customer to make investment decisions, and mediates products that have the Bank conduct everything from sales to management of investments based on such investment decisions (authorization required).

*2 This service conducts mediation for products handled by trust banks that engage in testamentary trusts, inheritance trusts, and inheritance adjustment business (authorization required).

- By cooperating with various business operators, we will expand new services that respond to customer needs.

Services in support of a long life

Flat 35 direct handling (service started May 2021)

We will address customer needs by expanding our residential loan product line-up. By strengthening our sales capabilities and personnel, we will strive to achieve sound increases to executed residential loan amounts.

Discretionary investment services^{*1}

Services for elderly customers

Trust and inheritance services^{*1}

Investment trust dissolution delegation services^{*2}

Services that heighten convenience

Account Overdraft services (service started May 2021))

By expanding payment services, we will work to improve convenience for customers.
We will also advance the development and utilization of credit assessment models and marketing models that utilize big data and AI.

Cooperation with the Rakuten Group
(Collaboration in fields such as cashless payment)

International remittance services via partnerships with fund transfer businesses

New brand debit cards
(Integration with cash cards)

Consider advancement into the digital currency field

We will expand new products and services that actively utilize our customer base, and involve collaborations with various business operators, including companies outside of the Group (an open “Co-creation Platform”)

We will consider establishing a FinTech subsidiary (companies that increase the sophistication of banking businesses, etc.)

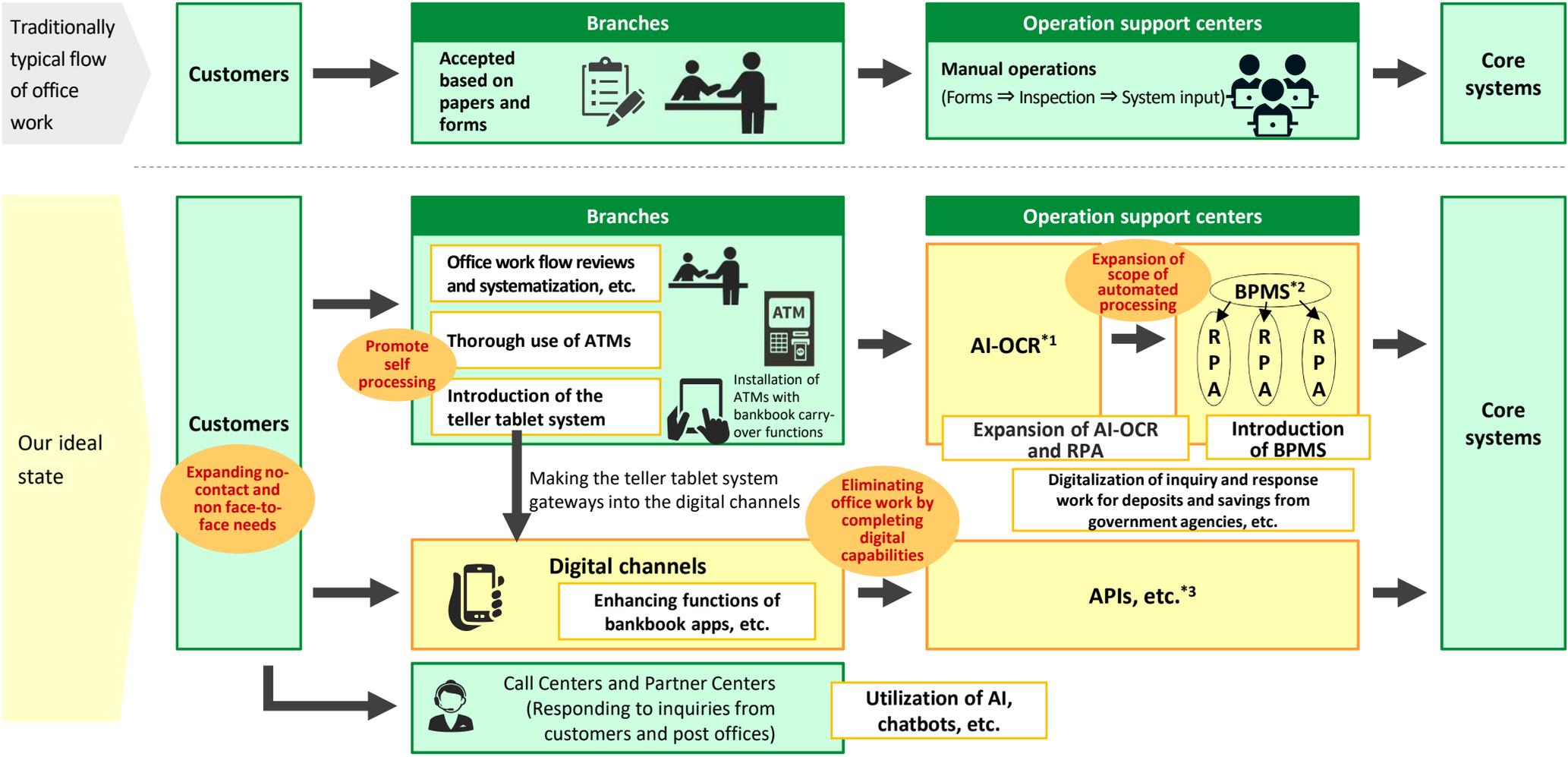
We will provide optimal products and services via optimal channels through cooperation with various business operators, and complementarity of the physical and the digital

^{*1} Authorization required

^{*2} A service that delegates the dissolution of investment trusts retained by customers to designated family members

Work reforms and productivity improvements ① Work reforms for directly-operated branch tellers and operation support centers ,etc.

- We will establish self-processing of routine transactions (the Teller Tablet System, etc.), and, in tandem with our expansion of digital channels, we will advance the expansion of options for customer choices in transaction channels and the optimization of branch teller’s work.
- We will reform work at our operation support centers by automating work operations in a comprehensive manner by combining digital technologies.



*1 OCR that utilizes AI to enhance recognition rates of handwritten characters, etc.

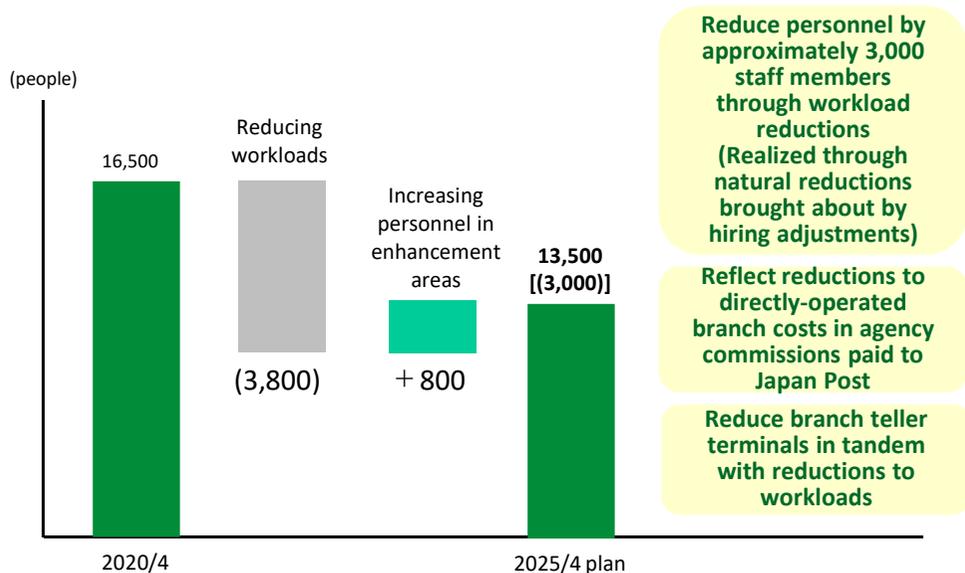
*2 Abbreviation of Business Process Management System. This system automatically activates RPAs, and systematically controls work flows that require human confirmation work, etc., and conducts automatic process management.

*3 Abbreviation of Application Programming Interface. Standard technology that links together digital channels such as smartphone apps and external systems with the internal systems of banks.

Work reforms and productivity improvements ② Productivity improvement through shifts in management resources

- In addition to increasing personnel in enhancement areas such as our digitalization response, etc. through planned skill increases, we will drastically reduce workloads through work reforms and plan for a reduction in overall personnel of 3,000 individuals.
- In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses and drastically reduce expenses overall by ¥55bn.

Personnel plans



Reducing workloads

- Work optimization at directly-operated branches and operation support centers via the utilization of digital technology and the expansion of digital service use, etc.
- Work optimization throughout the company via work reviews, etc.

Increasing personnel in enhancement areas

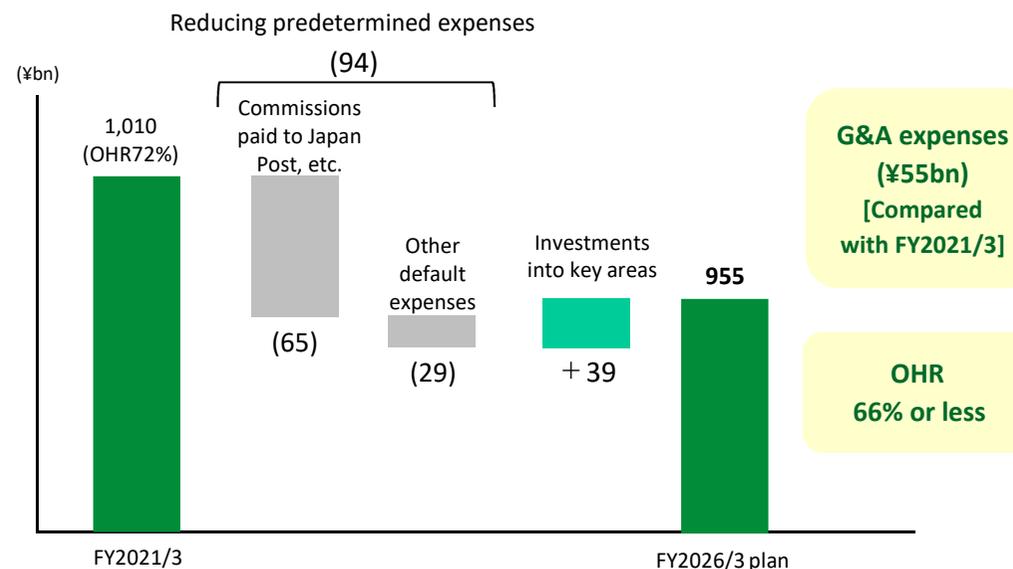
- Strengthening loans and corporate sales of directly managed branches, and increase the number of senior life advisors*1
- Personnel enhancements, etc. for specialized areas such as markets, GP*2, DX, cyber security, etc.

Improving productivity

*1 Employees who provide more delicate and sophisticated responses to elderly customers.

*2 GP(General Partner) : a fund operator that selects projects and makes investment decisions.

Reductions in G&A expenses, and OHR*3 improvements



Reducing predetermined expenses

- Reductions in commissions paid to Japan Post
- Personnel reductions through workload reductions
- Efficient distribution of ATMs outside branches
- Reductions to costs associated with deposits and bankbooks
- Reductions to various non-personnel expenses, etc.

Investments into key areas

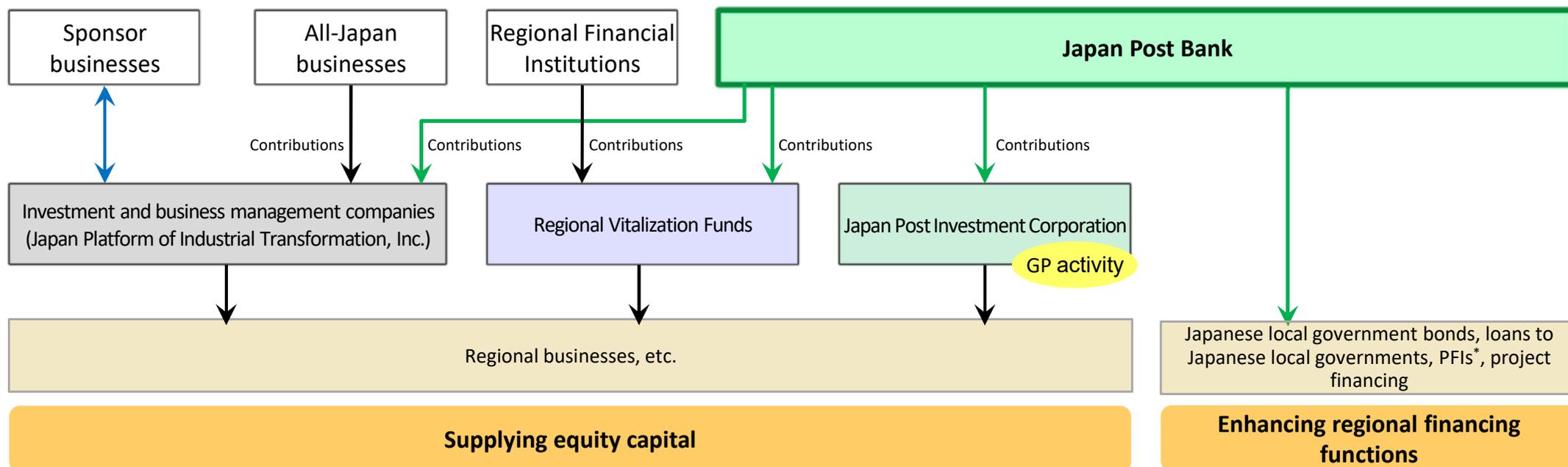
- Increasing personnel in enhancement areas
- Investments in DX advancements
- Security enhancements
- Enhancements to AML/CFT*4
- New business advancements, etc.

*3 Basis including gains (losses) on money held in trust

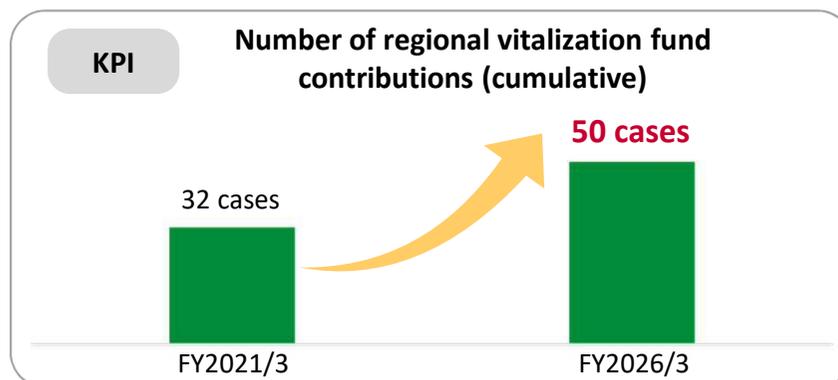
*4 "anti-money laundering" and "combating the financing of terrorism"

- We will contribute to the vitalization of regional communities by supplying assets via various frameworks
- In particular, we will respond to the equity funding (risk money) needs of communities by capital supplies through funds, etc.

(Policy regarding Funds Flow to regional communities)



Considering, among other matters, investment schemes that circulate capital through regions by using regional funds to finance regional projects



* Abbreviation of Private Finance Initiative.
A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public.

(Reference) Balance of financing to regions:
approximately ¥ 7tn (as of the end of FY2021/3)

■ By cooperating with regional financial institutions, we will act as a “regional financial platform” to respond to financial needs suited to the actual conditions of each region, by utilizing Japan Post Bank's ATM network and aggregation of operational processes, among other efforts.

Use of JP Bank's ATM Network

Japan's largest ATM network

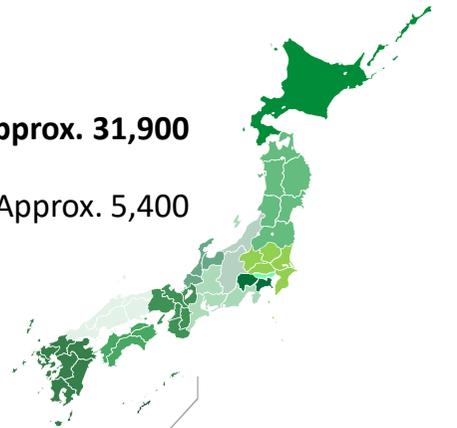
Total No. of ATMs

Approx. 31,900

Of which are small ATMs*
*Installed in FamilyMart convenience stores, etc.

Approx. 5,400

No. of partner financial institutions: Approx. 1,300



(As of March 31, 2021)

Developing platforms for Japan Post Bank ATMs*

*A partnership arrangement for waiving fees when an ATM card of a regional financial institution is used at a JP Bank ATM. Terms and conditions for waiving fees are set by each financial institution.

<Banks developing platforms> (As of March 31, 2021)

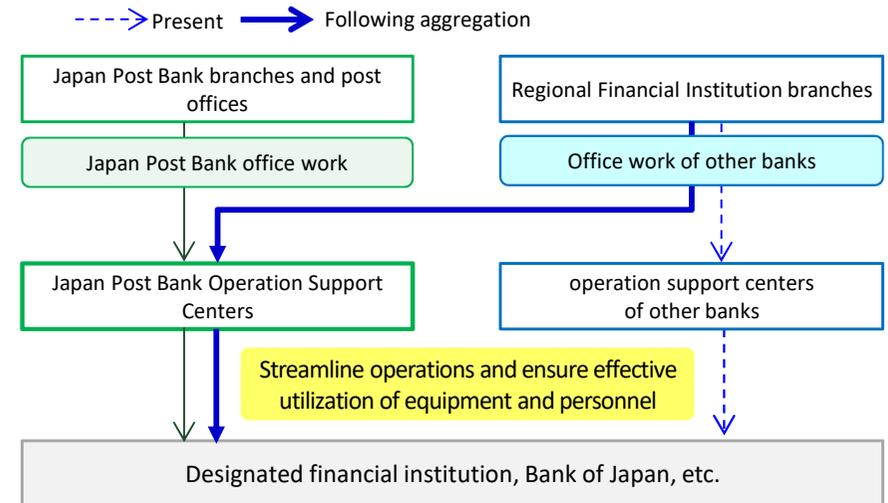
Free of fees across the country	11 banks
Limited to certain regions, conditionally free of fees	5 banks
Total	16 banks

Promotion of additional expansions

Aggregation of Operational Processes

■ We will advance the aggregation of each respective financial institution's operational processes by utilizing excess capacity in the 11 Japan Post Bank operation support centers.

<Image of the aggregation of operational processes encompassing tax and public money collection>



Forming “Regional financial platforms” by promoting the aggregation of operational processes, which is a “non-competitive area” in the banking industry

KPI

Number of financial institutions that have implemented the aggregation of operational processes

FY2021/3

FY2026/3

3 financial institutions
(2 Operation Support Centers)

Expanded to approx. 20 financial institutions
(11 Operation Support Centers)

- In order to enhance our efforts regarding our mission of “contributing to the development of regional community economies,” and to advance ESG management, we newly established a “regional relations division.”
- We will work to develop new business opportunities that enhance Group cooperation and actively utilize regional information

The 3 Missions of Japan Post Bank

Providing “reliable and thorough” financial services “safely and securely” to anyone and everyone throughout Japan.

Contributing to the development of regional community economies by enhancing funds flow to, and relationships with, regional communities using various frameworks.

As one of the largest institutional investors in Japan, Japan Post Bank will work to both realize sound and profitable operations, and contribute to the realization of a sustainable society.

Business departments that address our missions

Marketing Division

Regional Relations Division
(Newly established April 2021)

Investment Division

Business work processing systems that foment customer trust, such as high quality system bases and operation support centers

Compliance and internal control systems that ensure customer-oriented business operations

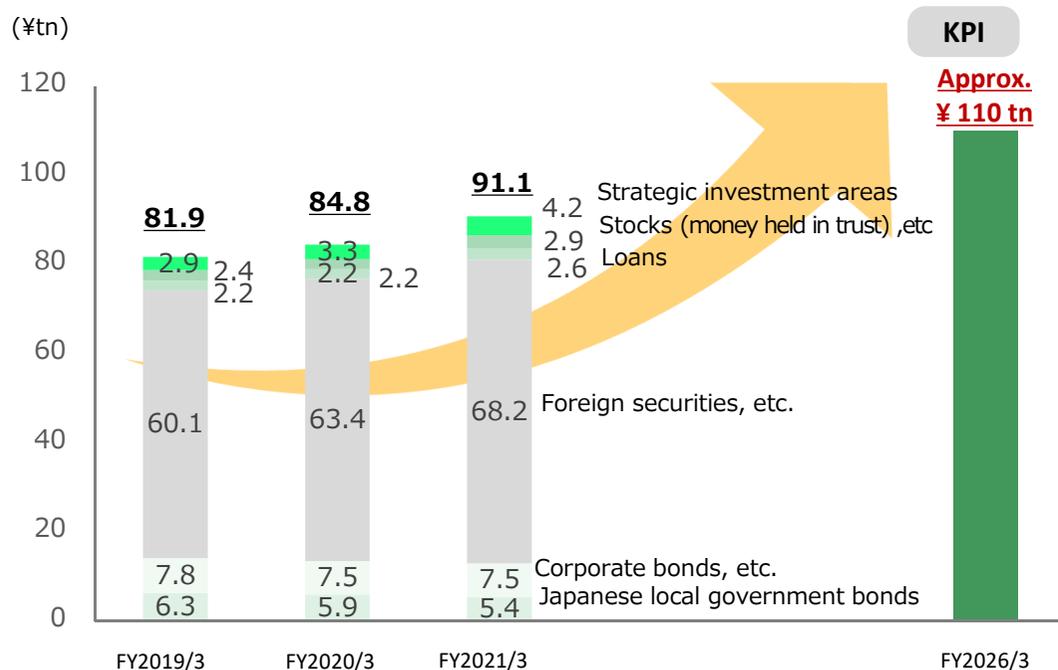
Deepening market operations and risk management ① Advancement of global asset allocation

- In accordance with the risk appetite framework*, and after clarifying the types and levels of risks to be acquired, we will expand global asset allocations while staying aware of risk-adjusted return. As the low-interest environment continues, we will work to ensure stable core revenues.
- We will build up balances of risk assets to approximately ¥ 110tn around the investment grade (IG) area. For strategic investment areas among risk assets, we will build up balances to approximately ¥ 10tn by selectively advancing investments.

*A business management framework used as common language between banks pertaining to all aspects of risk-taking policies, including the capital distribution and profit maximization of risk appetites (the type and total quantity of risks a company should willingly take on to fulfil its business plans after taking into account the unique aspects of the company's own business model).

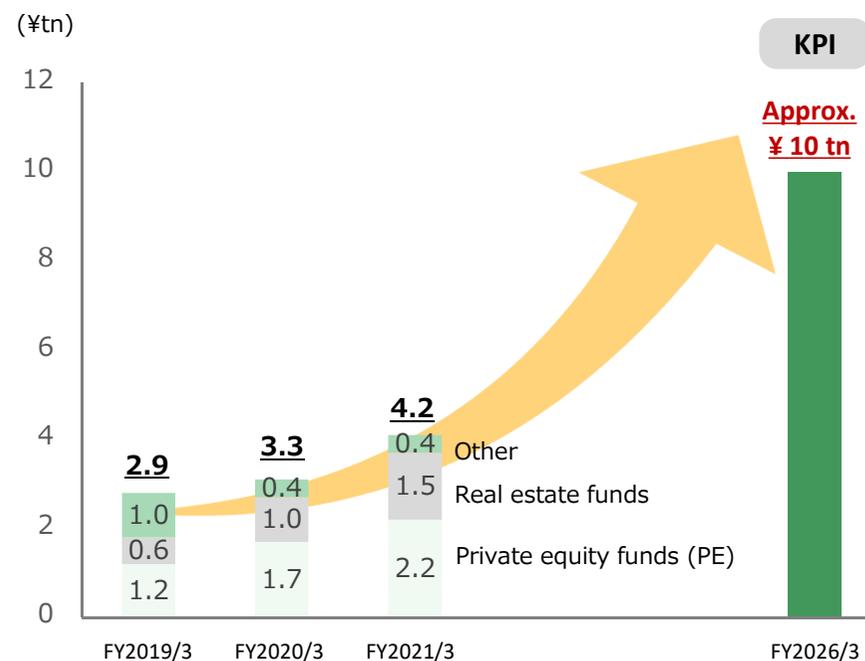
Balance of risk assets

Risk assets : assets other than yen interest rates (JGBs, etc.)



Balance of strategic investment areas (among risk assets)

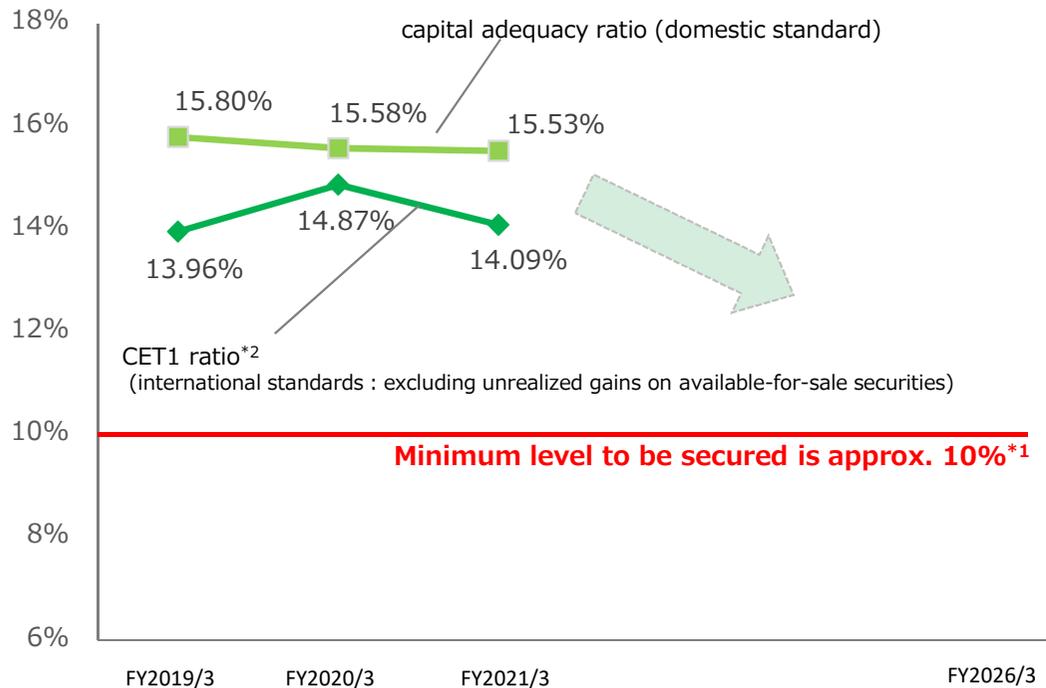
Strategic investment areas: alternative assets (private equity funds and real estate funds, etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.



As profits from redemptions of foreign bonds and revenues from Japanese government bonds have decreased, there has been a full-scale realization of revenues from strategic investment areas (J-curve effect)

- In order to prepare for the occurrence of stress events, we will advance the development of stress-resistant portfolios and deepen our risk management systems.
- We will set a capital adequacy ratio (domestic standard) of approximately 10%, and a CET1 ratio of approximately 10%*1 as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

Trends in capital adequacy ratio and CET1 ratio



*1 Excluding unrealized gains on available-for-sale securities. The FY2026/3 CET1 ratio is based on full implementation of Basel III.

*2 Although Japan Post Bank is a domestic standard bank, we set targets for CET1 ratio, which is an internationally unified standard, while taking into consideration the increased importance of international finance systems, etc. that come along with the proliferation of global asset allocations.

Various policies oriented toward the deepening of market operations and risk management

- Developing a stress-resistant portfolio
- Sophistication of stress tests, monitoring enhancement, and enhancement of tail risk capture
- Responding to the finalization of Basel III
- Variegated risk/return analyses
- Sophistication of foreign currency liquidity risk management (includes consideration of diversification of foreign currency acquisition methods)
- Enhancement of expert personnel for market operations and risk management
- Establishing infrastructure necessary to continue operations during crises (remote environments, etc.)

- We will work to realize sustainable reforms to our corporate culture whereby each of our employees earnestly listens to customer opinions, and implements customer-oriented work operations in their day-to-day activities.
- As social and economic environmental changes continue in their severity, we will improve risk sensitivity and enhance our various management systems, including those of our external partners, while maintaining a prompt and flexible response to changes.

Organizational culture reforms



Improving internal control systems

Enhancements to risk management systems, etc.

- We will make enhancements to the voluntary management of the 1st line (Marketing Division, Operation Division)
- We will make internally cross-sectional enhancements to control systems in the 2nd line (Management Division) and 3rd line (Internal Audit Division) pertaining to the 1st line
- We will analyse customer opinions and establish efforts to connect those opinions to improvements of services and business

Ensuring safety and security

- In addition to implementing sophisticated security measures, we will enhance IT governance and security verification systems suited for new risks
- We will provide prompt compensation whenever damages arise
- Risk sensitivity will be enhanced via enhanced personnel development and personnel interaction within and between the 1st, 2nd, and 3rd lines, and risk-related information will be aggregated and shared internally
- Information will be disclosed at appropriate times and to appropriate degrees

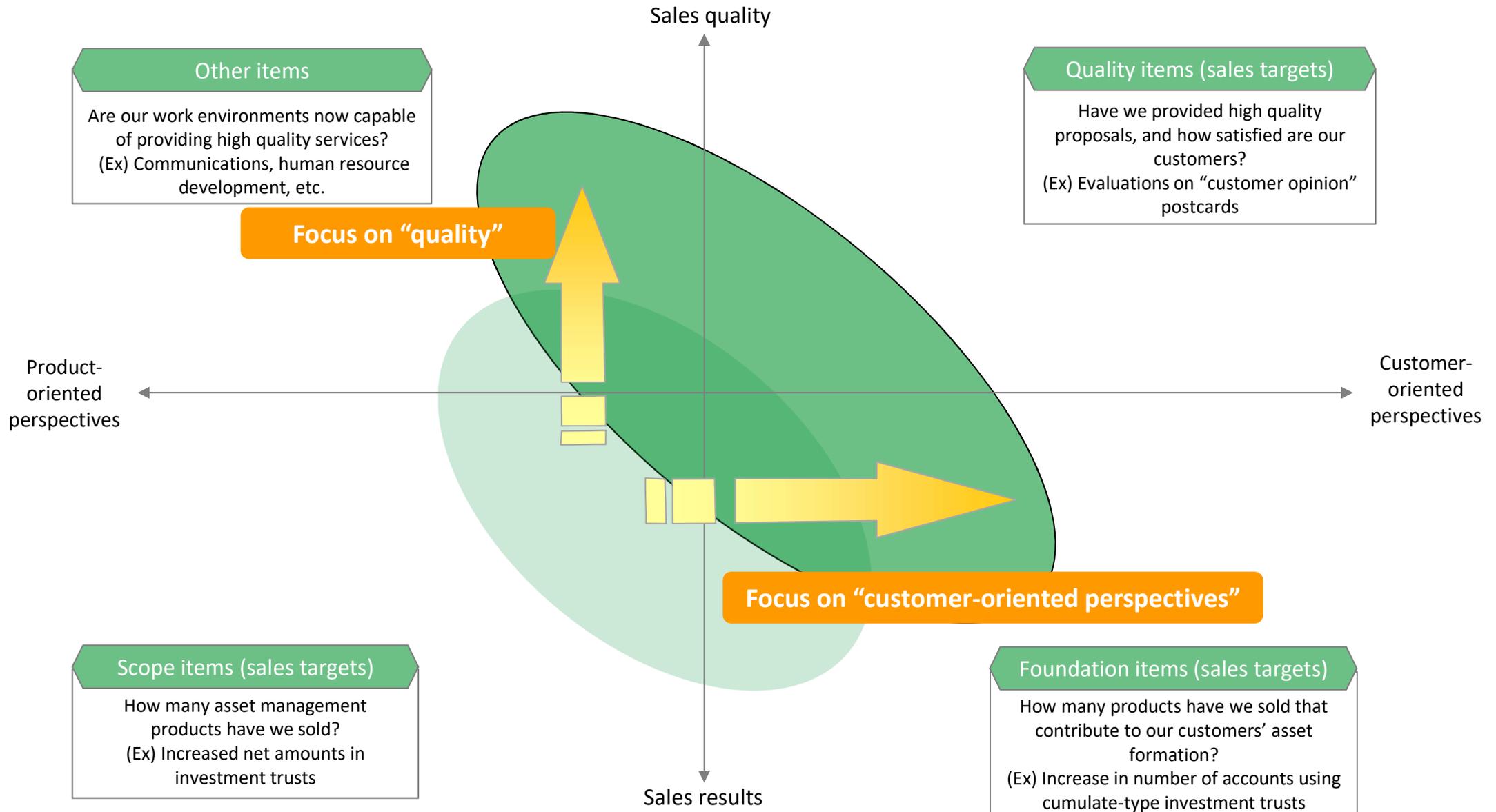
The sophistication of “anti-money laundering” and “combating the financing of terrorism” will be enhanced

Enhancements of compliance systems

All employees will work to realize “customer-oriented business operations,” and work to make Japan Post Bank an even more trusted bank among our customers

(Reference) Reviewed sales targets and personnel evaluation systems

- In order to advance customer-oriented sales, we will focus on “sales quality” over “sales results,” and continually revise sales targets and personnel evaluation systems so that they put greater emphasis on “customer-oriented perspectives” rather than “product-oriented perspectives.”



Strengthening the Management Base ② IT investment plan

■ During the 5 year period of the Mid-term Management Plan, we plan a total of approximately ¥ 630bn in IT investments*. Approximately ¥ 500 bn is planned for “IT investments to realize stable and sustainable business operations,” while another ¥ 130bn is planned for “strategic IT investments to realize new growth.”

* Facilities investments + expenses cash flow basis

Strategic IT investments to realize new growth

Advancing DX

Innovations in retail business

While putting safety and security foremost, we will expand digital services that all customers can readily use

Work reforms and productivity improvement

Fundamental business reforms and productivity improvement to tellers and operation support centers, etc. through the active utilization of digital technology

Security system enhancements

Establishing sturdy security systems that adhere to international standards

AML/CFT system enhancements

Establishment of AML/CFT systems that adhere to standards equivalent to those of major domestic banks

Deepening market operations and risk management

Further sophistication of functions such as revenue management, simulation of the future, and risk level measurements

Strategic IT investments of **approx. ¥ 130bn** over 5 years are planned

IT investments to realize stable and sustainable business operations

Definitive renewals and maintenance of core systems, etc.

Renewals and improvements to branch teller terminals/ATMs of post offices throughout the country, etc.

IT investments of **approx. ¥ 500bn** over 5 years are planned

While maintaining a high-quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT

Total: **approx. ¥ 630bn**

Advancing ESG management ① Solving social issues in unison with business activities

- In order to realize a sustainable society, and prompted by the management philosophies and missions of the Japan Post Group and the Japan Post Bank, we established 4 priority issues (materialities) to be addressed both in terms of importance to stakeholders, and the impact of Japan Post Bank's business activities.
- We connected the 4 materialities to management strategies and specific initiatives, and advanced ESG management after setting KPIs.

Materiality	Key initiatives taken to solve issues	Target KPIs (FY2026/3)	Realizing SDGs
<p>Providing “safe and secure” financial services to anyone and everyone throughout Japan</p>	<ul style="list-style-type: none"> - Utilizing post offices networks across the country - While putting safety and security foremost, we will expand digital services that all customers can readily use - Developing an open, “Co-creation Platform” - Consulting that closely centers on clients 	<ul style="list-style-type: none"> - Number of accounts registered in the Bankbook app: 10 million accounts - Number of Cumulate-type NISA Operation Accounts: 400 thousand accounts 	
<p>Contributing to regional economic expansions</p>	<ul style="list-style-type: none"> -Flow of funds to regional communities via various frameworks -We will address financial needs suited to the real conditions of each regional community as a “regional financial platform” -Enhancing relationship functions of regional communities 	<ul style="list-style-type: none"> - Regional vitalization fund participation cases : cumulatively 50 cases - Number of financial institutions that have aggregated operational processes: roughly 20 financial institutions 	
<p>Reducing environmental impact</p>	<ul style="list-style-type: none"> - Enhancing initiatives based on TCFD*1 proposals - Advancement of shift to paperless transactions, reductions in CO2 emissions - Advancement of ESG investment 	<ul style="list-style-type: none"> - CO2 emissions reduction rate: (46%) (FY2031/3 targets/FY2020/3 comparison) - ESG themed investment balance: ¥ 2tn 	
<p>Advancement of work style reforms, and sophistication of governance</p>	<ul style="list-style-type: none"> - Make work more worthwhile for employees - Advancement of diversity management - Expand flexible work styles, eliminate harassment - Board of directors that balances independence, diversity, and expertise 	<ul style="list-style-type: none"> - Ratio of women in managerial positions : 20%*2, 3 - Rate of employees taking childcare leave: 100% (Regardless of gender) - Rates of employee with disabilities : 2.7% or more 	

*1 Abbreviation of Task Force on Climate-related Financial Disclosures. An organization established at the proposal of the Financial Stability Board for the purpose of thoroughly realizing corporate information disclosure pertaining to climate change, in which the representatives of the central banks and financial supervisory authorities, etc. of key nations participate.

*2 Goals for achievements by April 2026

*3 (Japan Post Group targets) Ratio of female managers of 30% at headquarters by April 1, 2031

- Utilizing our massive network base, we will provide “safe and secure” financial services to everyone throughout Japan.
- We will endeavour to maintain and enhance the stability and robustness of system bases that support massive financial settlements, and continue to secure the trust of customers.

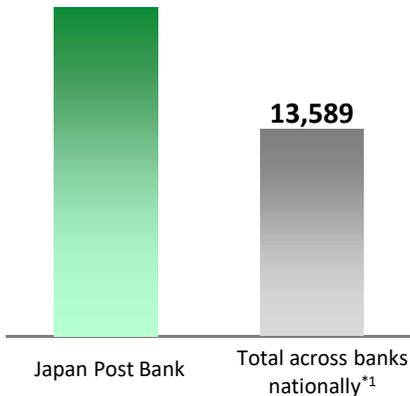
Network bases

Total No. of branches

Approx. 24,000 branches

<Domestic store network branch>

Approx. 24,000



Total No. of ATMs

Approx. 31,900 units

Of which are small ATMs*

*Installed in FamilyMart convenience stores, etc.

Approx. 5,400 units

Partner financial institution cards usable at ATMs

Approx. 1,300 companies

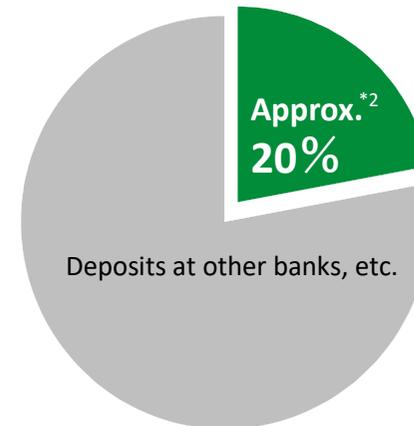
Customer bases

No. of ordinary deposit accounts (Total deposit balance)

Approx. 120 mn accounts

(Approx. ¥ 190 tn)

<Proportion of deposits with Japan Post Bank attributable to deposits and savings with the household financing division>



Digital services

▶ Accounts registered with Yucho Direct

Approx. 9.3 mn accounts

▶ Number of accounts registered in the bankbook app

Approx. 2.8 mn accounts

⇒ To 10 million accounts ^{*3}

Asset building

▶ Number of investment trust accounts

Approx. 1.2 mn accounts

▶ Number of cumulate-type NISA Operation Accounts

Approx. 130 thousand accounts

⇒ To 400 thousand accounts ^{*3}

High quality system bases that support massive settlement amounts

Note) The above figures represent totals as of March 31, 2021, excluding the figures for *1 through 3 below

*1 Source: Japanese Bankers Association HP “National Bank Financial Statement Analysis (National Bank Capital, Number of Stores, Number of Bank Agents, Number of Officers and Employees List),” total domestic head offices and branch offices (as of the end of September 2020)

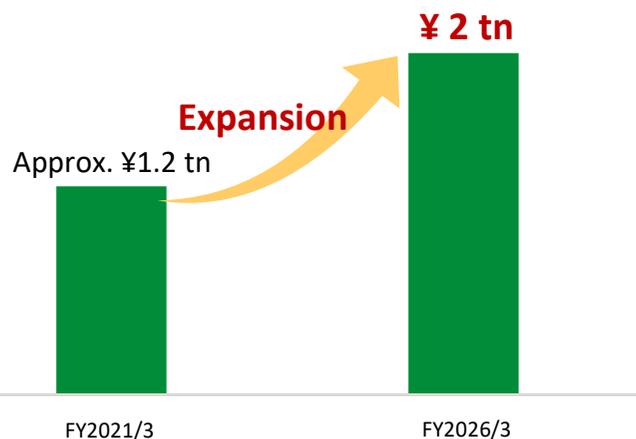
*2 This figure represents Japan Post Bank personal savings (as of Sept. 30, 2020) divided by the total amount of household deposits in the Bank of Japan's “funding circulation statistics” (as of Sept. 30, 2020)

*3 Target KPI figures for the end of FY2026/3

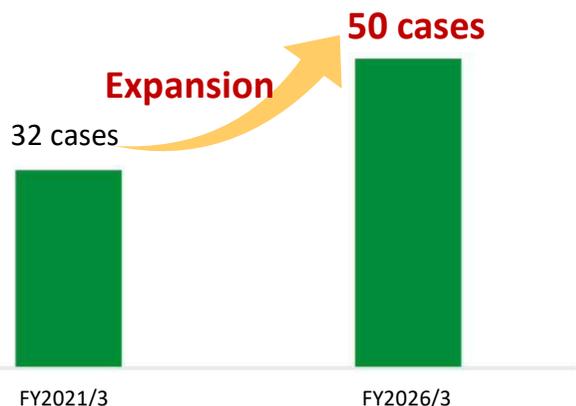
- In addition to making investments based on ESG investment policies, we will expand ESG themed investment balances*¹, and contribute to the realization of a sustainable society.
Furthermore, we will enhance funds flow to various regions via contributions to regional vitalization funds.
- With respect to market operations, we will take ESG elements into further consideration, such as ESG integration*².

ESG investment advancement

KPI Balance of ESG-themed investments



KPI Cumulative number of regional vitalization fund contributions



ESG Investment Policy

- Advancement of global asset allocations based on various international agreements, etc.
- Assertively supplying risk money to various regions
- Further sophistication of ESG investment policies based on international circumstances and partnership with stakeholders, etc.

Expansion and sophistication of ESG integration

- Expansion of investment management that conducts investee evaluations, including ESG factors
- Calculation of investee CO2 emissions and application of such calculations to investment decisions, etc.

*1 ESG bonds (green bonds, social bonds (including pandemic bonds), sustainability bonds), loans to the renewable energy sector, and regional vitalization funds, etc.

*2 Refers to analysis and evaluation, during the investee selection process, of not just financial information, but also of non-financial information, such as the effects of the investee's business activities on ESGs

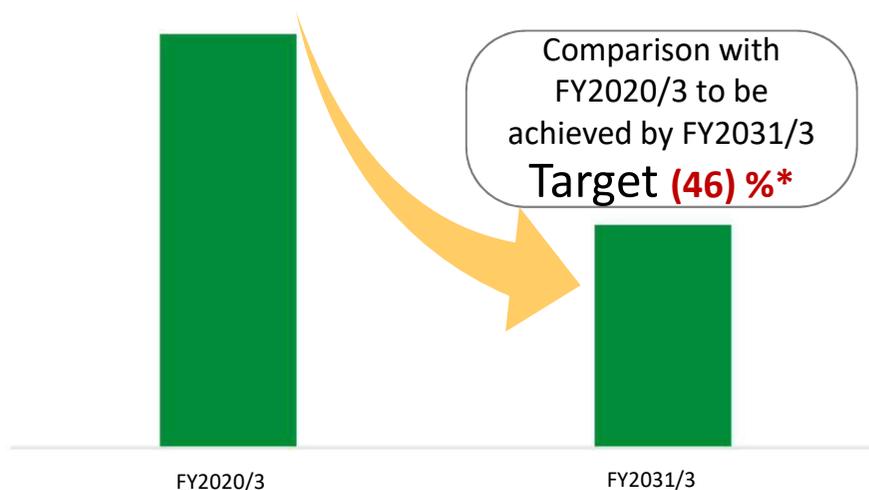
Advancing ESG management ④ Reducing the environmental impact of regional economies

- In order to realize carbon neutrality by 2050, we will strive for CO2 emission rates of (46%) compared to FY2020/3 by FY2031/3.
- In addition to advancing conversions to renewable energy in the electricity contracts for each of Japan Post Bank's facilities, we will boost CO2 emission reductions for the company and society as a whole through engagements with investees.
- We will enhance initiatives based on the proposals of TCFD through climate change risk scenario analyses and further sophistication of management systems.

Reduction of Japan Post Bank's CO2 emissions

Conversion renewable energy in the electricity contracts for each of Japan Post Bank's facilities

KPI Reduction of CO2 emissions



*Levels that will allow Japan to reach its targets (goal of carbon neutrality by 2050, (46%) compared to FY2014/3 by FY2031/3). Presumes that renewable energy dissemination and shifts toward carbon neutrality have advanced significantly in Japan. Japan Post Bank will boost efforts to achieve carbon neutrality in Japan and throughout the world through the application of the resources available to us.

Advancement of engagement with investees

- Engagements with investee companies
 - ✓ Select parties to engage with based on the CO2 emission quantities of investee companies, etc.
- Boost CO2 emission reduction efforts of parties with which we engage

Enhancement of initiatives based on proposals by TCFD

- Sophistication of scenario analyses
 - ✓ Implementation of quantitative analyses
 - ✓ Utilize analyses and evaluation results in engagements with investees, etc.
- Sophistication of climate change risk management systems

Advancing ESG management ⑤ Advancement of work style reforms

- We will develop an environment where employees can voluntarily and independently grow and challenge themselves, and make work more worthwhile for each individual employee.
- We will promote working environments so that employees have an easier time working by advancing diversity management and expanding flexible work styles.

Make work more worthwhile for employees

- Human resource development (career development support)
 - ✓ New development of age-based career designs
 - ✓ New development of selectable training (expansion of choices for active learning)
 - ✓ Human resource development toward the provision of services that respond to customer expectations and trust
- Utilization of human resources
 - ✓ Voluntary and ambitious job selection and expertise improvements through in-house recruitment
 - ✓ Selection of young employees to serve as managers for bases of operation (thorough implementation of training)
- Securing and training human resources for specialized fields*
 - ✓ New graduate hires through specialized courses, mid-career hires of specialized human resources
 - ✓ Advancement of training through dispatches to other companies and programs to help employees obtain qualifications, etc.

Advancement of diversity management

- Empowerment of Women
 - Introduction of role models, development of next generation of management candidates, etc.
- Assertive promotion of health management
 - Prevention of lifestyle-related diseases, mental health measures, etc.
- Support the work activities of generations providing childcare and nursing care, and those treating diseases (utilization of online tools)
- Promoting the hiring of employee with disabilities

Expansion of flexible work styles, elimination of harassment

- Expansion and promotion of flexible work styles
 - ✓ Expansion of telecommuting, promotion of flex-time systems, etc.
- Elimination of harassment
 - ✓ Enhancement of consultation systems, further dissemination of understanding

Various actual results (FY2021/3)

● Ratio of women in managerial positions (April, 2021)	15.7%
● Rate of employees taking childcare leave (Regardless of gender)	99.5%
● Rates of employee with disabilities	2.7%
● Ratio of women in corporate officer (July, 2020)	14.2%
● Average monthly overtime working hours	7.4 h.
● Rate of employees taking annual leave *1	93.1%

Target KPIs (FY2026/3)

● Ratio of women in managerial positions (April, 2026)	20%*2
● Rate of employees taking childcare leave (Regardless of gender)	100%
● Rates of employee with disabilities	2.7% or more

*1 Proportion of paid leave taken annually compared to number of days of paid leave acquired annually

*2 (Japan Post Group targets) Female management membership ratio of 30% at headquarters by April 1, 2031

*Markets, ALM, and risk management, GP, cyber security, digitalization advancement, analytics (data analysis), marketing, etc.

(Reference) External evaluations

■ Our previous ESG efforts were evaluated, and we were selected as an SRI Index Brand. Our efforts to create employee-friendly working environment were also well-received.

Inclusion in Indices

MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF JAPAN POST BANK CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JAPAN POST BANK CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

MSCI Japan Empowering Women Select Index (WIN)

An index composed of companies that are leading in promoting and maintaining gender diversity, created by MSCI



Euronext Vigeo Eiris World 120 Index

An index composed of the best 120 companies as evaluated by Vigeo Eiris in terms of corporate social responsibility

External evaluations



Platinum Kurumin

Ministry of Health, Labour and Welfare: Certification as a childcare support company when certain conditions are met



Tomonin

Ministry of Health, Labour and Welfare: Certification as a nursing care support company



Health and Productivity Management Organization

Ministry of Economy, Trade and Industry /Nippon Kenko Kaigi: Certification for corporations and other organizations that provide health management for employees (this system was designed by METI)



“PRIDE Index” Gold

work with Pride (private organization): Assessment index for initiatives targeted at LGBT and other sexual minorities in the workplace



Nikkei Smart Work Management Survey 3.5 Stars

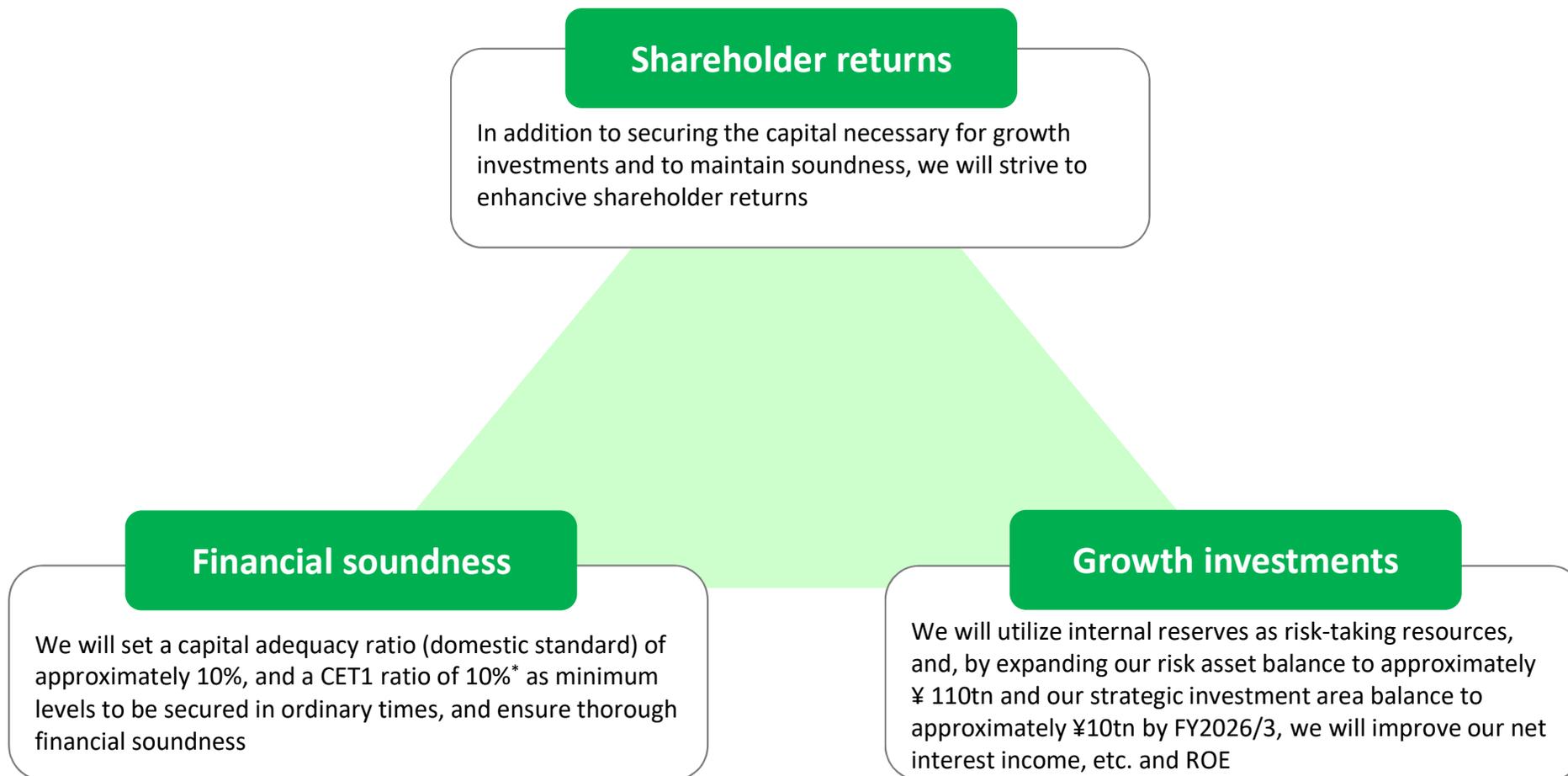
During the 4th Nikkei Smart Work Management Survey, which selects companies leading advances in productivity innovation through work style reforms, JAPAN POST BANK received 3.5 stars



Nikkei “SDG Management” Survey 3.5 Stars

Japan Post Bank has been recognized as a 3.5 star entity under the Nikkei SDGs Management Survey. The survey is a comprehensive examination of corporate attitudes towards solutions to environmental, social, and economic issues (contributions to the SDGs), as well as the details of SDGs-related businesses

- Our capital policy is operated by balancing shareholder returns, financial soundness, and growth investments.
- As a Japan Post Group policy, Japan Post Holdings Co., Ltd. aims to make its shareholding ratio in Japan Post Bank 50% or less as soon as possible during the mid-term management plan. Japan Post Bank has been steadily driving forward the privatization process in line with the policy.



* Excluding unrealized gains on available-for-sale securities. *FY2026/3 figures are based on full implementation of Basel III.

Capital policy (2) Shareholder return policies, etc. in the Mid-term Management Plan

Shareholder return policy

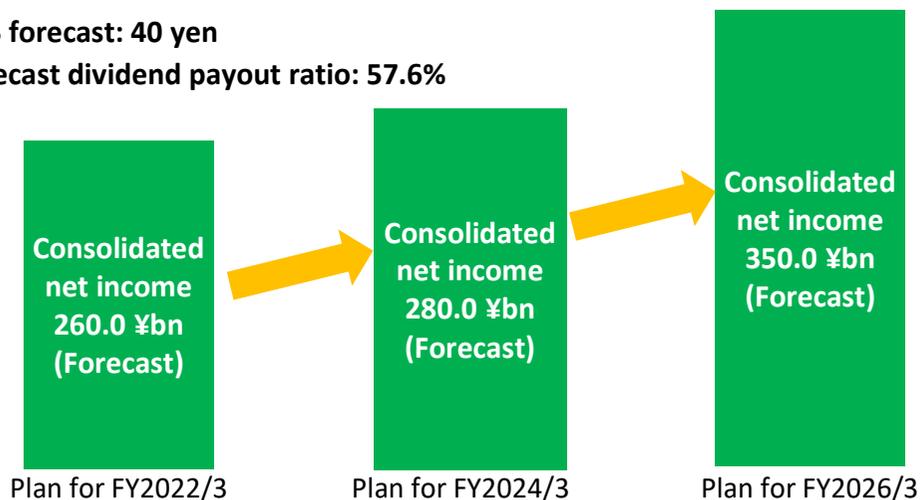
- Taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan (FY2022/3 through FY2026/3), the basic policy is to maintain a dividend payout ratio of approximately 50%.
- However, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends and we will target increases to dividends per share (DPS) compared to projected dividend levels for FY2022/3.

Basic thought process behind the shareholder return policy

- We will strive for thorough shareholder returns through the expansion of medium-to-long-term income via our corporate efforts.
- Even as the market environment remains opaque, we will strive to secure financial soundness, utilize internal reserves as risk-taking resources, and, in order to maintain sustainable revenue improvements and corporate value enhancements, our policy will be to set a dividend payout ratio of approximately 50%.

DPS forecast: 40 yen

Forecast dividend payout ratio: 57.6%



Other policies pertaining to shareholder returns, etc.

- We will also consider implementing additional shareholder return policies depending on future expansions in income, the repleteness of internal reserves and the status of regulatory trends, etc.
- In order to express our gratitude to our shareholders for their daily support, enhance the appeal of investing in Japan Post Bank's shares and thereby increase the number of our shareholders, among other reasons, throughout the duration of the Medium-term Management Plan period (FY2022/3 through FY2026/3), we will also consider providing shareholder benefits (details will be disclosed following a decision on the matter).
- As for the frequency of dividends, taking into consideration the status of Japan Post Bank's investment portfolio, our policy will be to issue annual dividends once each year while the market remains significantly opaque due to the effects of COVID-19, among other factors.
- With respect to presently retained treasury stock (approximately ¥1.3tn), our policy will be one of cancellation (details will be disclosed following a decision on the matter).

(Reference) Reviewing our previous medium-term management plan (FY2019/3 through FY2021/3)

■ Even under challenging environments, we steadily worked toward solidifying the foundation necessary to realize our ideal state. Largely achieved target totals.

	Items	Mid term targets (FY2021/3)	Results (FY2021/3)	Review
Profit targets	Ordinary income (consolidated basis)	¥390.0bn	¥394.2 bn	<ul style="list-style-type: none"> • Even as low interests have continued, and under the harsh environment created by the spread of COVID-19, etc., we have advanced in each initiative, and achieved our profit targets.
	Net income (consolidated basis (attributable to owners of parent))	¥280.0bn	¥280.1bn	
Retail	Assets under management	Around ¥+1.8tn in 3 years	¥+9.0tn in 3 years	<ul style="list-style-type: none"> • Advanced efforts such as “asset formation from savings” and enhancement of payment services, and net fees and commissions have increased by +32% compared to FY2018/3. • Going forward we will need to work to ensure thoroughness of services while also working to further disseminate customer-oriented business operations.
	Balance of investment trusts	Around ¥+1.7tn in 3 years	¥+0.9tn in 3 years	
	Net fees and commissions (compared to FY2018/3)	+ 30%	+ 32%	
Investment	Balance of risk assets	Around ¥90 tn *	¥91.1tn	<ul style="list-style-type: none"> • In order to compensate for decreases in revenue from Japanese government bonds, we have been steadily building up our risk asset balance and our strategic investment areas balance. As the risk of stress events being realized has increased, a key issue is enhancing stress resistance.
	Balance of strategic investment areas	Around ¥4 to 5 tn *	¥4.2 tn	
Costs	Predetermined expenses (compared to FY2018/3)	¥ (30.0)bn	¥ (58.2)bn	<ul style="list-style-type: none"> • Work reforms and productivity improvement are progressing. FY2021/3 general and administrative expenses were reduced by ¥ 33.6bn compared to FY2018/3. Going forward it will be necessary to further advance DX, and strive for further productivity increases.
	Administrative efficiency (compared to FY2018/3)	Equivalent to (2,000) people *	Equivalent to (2,533) people	
Shareholder returns	Dividends per share	Secured 50 yen in 3 years	Implemented 50 yen dividends	<ul style="list-style-type: none"> • Implemented shareholder returns in accordance with policies from previous mid term management plan.
Capital Adequacy Ratio	Capital Adequacy Ratio	Approx. 10% (Levels to be secured)	15.53%	<ul style="list-style-type: none"> • We ensured financial soundness while advancing risk-taking to secure profit.
Funds Flow to Regional Communities		<ul style="list-style-type: none"> • In addition to advancing contributions to regional vitalization funds in collaboration with regional financial institutions (cumulative total of 32 cases as of the end of FY2021/3), we advanced the flow of funds to regional communities by making decisions on contributions to investment and business management companies (Japan Platform of Industrial Transformation, Inc.), etc. • Advanced collaborations with regional financial institutions that utilize ATM networks, and aggregation of operational processes that utilizes Operation Support Centers. 		
Strengthening of Business Management Systems		<ul style="list-style-type: none"> • Advanced customer-oriented business operations, risk governance enhancements, enhancements of anti-cyber attack systems, enhancements of compliance systems, enhancements of anti-money laundering and combating the financing of terrorism responses, and enhancements of ESG initiatives, etc. 		

*Values following review changes published in May 2019.

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