

Σ 3rd Engine: Σ Business

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



Kenji Aono
Executive Officer

Main Business

The Σ (Sigma) Business is a new corporate banking business that aims to realize a “co-creation platform” for the development of regional financial institutions, society, and local communities. The Σ Business has two main focuses. It promotes investments (GP business) in a JAPAN POST BANK-appropriate manner, providing equity funds to regional companies. In addition, through such investments, the Σ Business seeks to uncover potential investee companies that will serve as the cornerstone of new businesses (deal sourcing), as well as introduce and serve as intermediary for the products and services of the investee companies (marketing support). We will contribute to the further development of regional economies by supporting the growth of regional companies and addressing issues in local communities.

External Environment and Social Issues

- Local economic downturns
- Diversification of channels
- Lack of equity funds in the regions
- Relaxation of duties such as regional vitalization by revision of the Banking Act
- Government initiatives for regional vitalization
- Demand to address sustainability management

Σ Business Strengths and Resources

Scale

- Physical network
23,557 Branches
- Total Number of ATMs
Approx. 31,200
- Number of partner financial institutions (ATMs)
Approx. 1,200 companies

Deposit/Capital Bases

- Deposit balance
¥192.8 trillion
(Retail deposit ratio: Approx. 97%)
- Financial soundness (consolidated)
Capital adequacy ratio (domestic standards)
15.01%
- Common equity tier1 (CET1) capital ratio (International standards)*
13.23%

* Based on excluding unrealized gains on available-for-sale securities.

Diverse Human Resources

- Number of employees
11,345
- Dispatched to other companies (in relation to the Σ Business)
24 persons
(as of 1 April 2023)

Trusted Brand

- Trust, Brand strength, and know-how built since the Bank's founding
- Regional relationship functions
- Private equity investments commenced in 2016

OUTPUT

Flow of funds to regional communities

- ▶ GP business-related investments (based on investment commitments)
¥48.9 billion

OUTCOME

Shareholders/Investors

- JAPAN POST BANK's sustainable growth through sustainability management
- Acquisition of new revenue sources through domestic GP business, etc.

Regional communities

- Vitalization of regional economies through the supply of equity funds to regions

Environment

- Contribution to the realization of a sustainable society through ESG investment and financing

Strategy (Medium-term Management Plan / full-scale launch of the Σ Business)

- 1 Basic policy for the Σ Business
- 2 Investment Commitment Targets, Income Roadmap, etc.

FY2024/3 Results and Future Initiatives

In FY 2024/3, JAPAN POST BANK established a long-term vision for the Σ Business with a view to the next Medium-term Management Plan and beyond, as well as implemented initiatives for the full-scale launch of the Σ Business. In addition to steadily building up GP business-related investments, the Bank will continue to actively promote the flow of funds to regional communities by developing a system for sourcing investment targets and promoting marketing support mainly for investee companies.

Σ Business

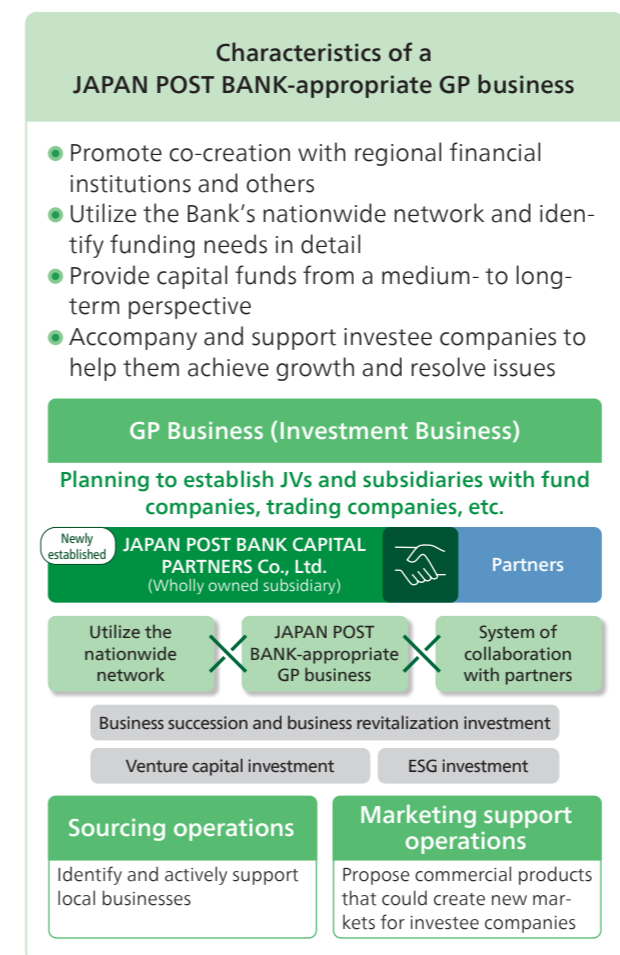
Basic Policy for the Σ Business

The Bank initiated a preparation period for Σ business, its new corporate banking business, from October 2022. In the Σ Business, we will not only provide the capital strength necessary for local companies and support them through investment means, but we are also committed to the marketing

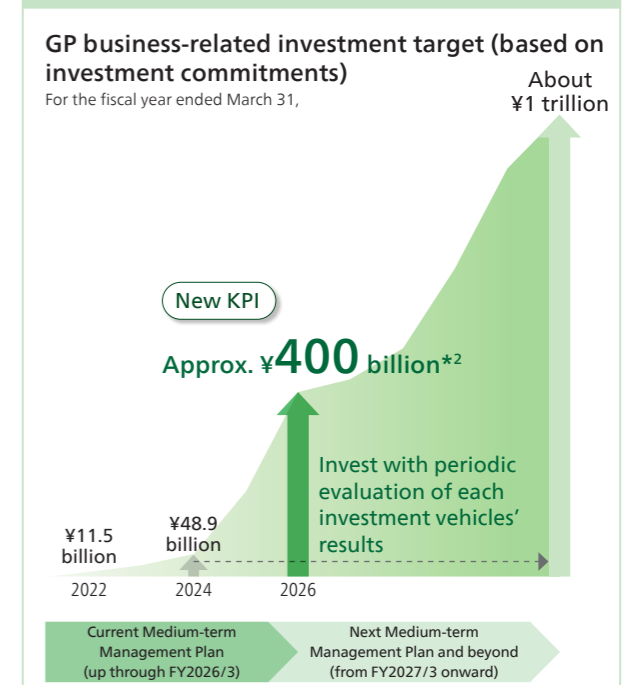
Utilization of ATM network

Working with regional financial institutions, JAPAN POST BANK responds to regional financial needs as a regional financial platform. To date, the Bank has allowed its network of ATMs to be used by the customers of more than 20 regional financial institutions free of usage fee charges (including partially free).

support and even management aspects of investee companies, while contributing to the vitalization and development of local communities and economies. While deepening its ties with local communities, the Bank will create new business models and aim for further development.



Assuming steady performance, strive for investment commitments of ¥1 trillion during the period of the next Medium-term Plan and later*1.



*1 Assumption that the domestic PE market will grow to the same level as in Europe and the U.S. in the future. Average annual flows as a percentage of GDP, 2014-20: Japan (0.2%), U.S. (1.3%), U.K. (1.5%).
*2 The amount of investment commitment currently planned; the amount may increase or decrease depending on future investment performance and evaluation, market conditions, risk-return ratio, and other factors.

1 GP Business (Investment Business)

We will phase in partners and investment vehicles to promote a JAPAN POST BANK-appropriate GP business which leverages the Bank's strengths.

We will carefully identify local funding needs and provide capital funds from a medium- to long-term perspective through co-creation with regional financial institutions

centered on JAPAN POST BANK CAPITAL PARTNERS Co., Ltd., which was established as a wholly owned subsidiary in May 2024. In addition, we will more strongly promote the “JAPAN POST BANK's unique GP business,” which accompany and support the growth of investee companies to help them resolve issues.

2 Deal sourcing business

Utilizing the Bank's nationwide network covering every corner of the country, JAPAN POST BANK will partner with regional financial institutions to carefully identify (sourcing) local funding needs through proposals to local businesses that are potential Σ Business investment candidates. We have conducted sourcing activities at regional headquarters since FY 2025/3.

In addition, we are pursuing the development of systems that accumulate and use investment business information.

3 Marketing support business for investee companies

JAPAN POST BANK supports the growth of investee companies by introducing and mediating (marketing support) their commercial products that may create new markets for which demand has yet to materialize.

In FY 2024/3, JAPAN POST BANK began proposing the introduction of premium digital gifts for regional communities by signing a collaborative agreement with Tokai Tokyo Digital Platform. The Bank also signed a collaborative agreement with Rehab for JAPAN and began proposing the introduction of rehabilitation support software related to Rehab for JAPAN day care services to relevant local nursing care facilities.

Fostering a Corporate Culture/Developing Human Resources

Concerning the fostering of a corporate culture and the development of human resources, which will be important in promoting the Σ business, we believe that it is necessary to build sustainable systems. As a human resource development measure, we have utilized the Σ Business Booklet, which covers the significance of and the Bank's aims for the Σ business as well as basic knowledge about investment operations. At the same time, we are also fostering a corporate culture and developing human resources by means of job-level based employee training programs as well as e-learning.

In addition, as part of the development of professional human resources related to investment operations, we are advancing preparations toward the full-scale launch of the Σ Business by gaining experience in equity operations, including fund investments, and dispatching employees to partner companies that engage in GP operations.

Also including marketing support and sourcing operations, the Σ business has the regions as its major theme, and thus it will be important to develop human resources who have close associations with those regions. Serving as forums where employees can realize their desire to contribute to the regions, we are utilizing the "Career Challenge" system, which is our internal recruitment system, while employees at directly operated branch offices and the regional headquarters in each region are also actively participating in the Σ business and working hard to gain knowledge, experience, and know-how. Going forward, they are expected to become active human resources in their respective areas.

Through these efforts, all employees are working together as one to contribute to regional communities, which represent the raison d'être of the Σ business.



Establish JAPAN POST BANK CAPITAL PARTNERS Co., Ltd.

To take the Σ Business initiatives one step further and better meet the various needs of our customers and of local communities, we have established JAPAN POST BANK CAPITAL PARTNERS Co., Ltd. to engage in full-fledged GP Business initiatives that can be managed in line with Bank policy.

Our medium- to long-term goal is to invest and provide post-investment support on the scale of ¥1 trillion to businesses throughout the country. First, we will cultivate human resources to carry out GP businesses, including by dispatching JAPAN POST BANK employees to partners (companies that jointly invest in GP businesses). In the medium term, for each joint GP fund, JAPAN POST BANK CAPITAL PARTNERS will take a more proactive role in expanding the scale of funds or launching stand-alone GP funds, aiming to manage a cumulative total of ¥400 billion. Over the long term, our goal is to manage a cumulative

total of ¥1 trillion in investments as a stand-alone GP company. While collaborating with regional financial institutions as a co-creation platform, we will support the growth of customers throughout Japan from a medium- to long-term perspective, contributing to social and regional development as a community-based bank.



Kei Mizukami
JAPAN POST BANK CAPITAL PARTNERS Co., Ltd.
President and Representative Executive Officer



Soutaro Nishihara
Regional Relations Division

I joined JAPAN POST BANK in 2010 as a new graduate, and after working in Oita and Kumamoto prefectures I was involved in establishing financial structures in preparation for the public listings of JAPAN POST BANK and JAPAN POST HOLDINGS. Starting in 2017, I worked in foreign currency management and division-wide portfolio management in the Investment Division, which at the time was promoting international diversification. Under the banner of the Σ Business, I am currently working on the establishment and operation of a new subsidiary that will use investment to meet

regional financing needs.

I was born and raised in a regional area of Japan, so uncertainties over the future for the regions here is something I can relate to personally. So, I really wanted to explore ways in which JAPAN POST BANK can leverage its unique characteristics to contribute to regional economies.

My hope is to realize this goal by working with various local businesses, financial institutions, and other stakeholders in the regions through our newly established subsidiary, JAPAN POST BANK CAPITAL PARTNERS Co., Ltd.



China Sadaoka
Regional Vitalization and New-Growth Business Development Department

I joined JAPAN POST BANK in 2018 as a new graduate, and have been in charge of marketing support in the Σ Business within the Regional Vitalization and New-Growth Business Development Department since FY 2024/3.

This involves employees of the Bank supporting the development of franchisees and the expansion of sales channels for the products and services of our investee companies, aimed at revitalizing local communities and addressing social issues. So far, we have realized three collaborative projects.

We recently signed a collaborative

agreement with Rehab for JAPAN, in January 2024. Through collaboration with Rehab for JAPAN, we aim to help improve operational efficiency in the nursing care industry, which is facing serious labor shortages, to extend the healthy life expectancy of senior citizens.

We will continue to deepen our knowledge of a wide range of industries, hone our marketing techniques, and collaborate with various investee companies to enhance corporate value, revitalize local communities, and address social issues, as well as secure new sources of earnings for the Bank.

Σ Business locations nationwide

COLUMN

To date, regional headquarters have worked to establish relationships with regional financial institutions, local governments, and economic organizations as important regional hubs. Looking ahead, we will work with regional financial institutions to

identify specific local funding needs. In addition, we will engage in sourcing operations to maintain relationships between JAPAN POST BANK and local companies by providing solutions and follow-up services to meet their various needs.

