

Example of emerging risks recognized by Japan Post Bank (As of April 2023)

	Risks related to securing human resources	Risks related to cyber-attacks, etc.
Description	<p>The Bank has a network of approximately 24,000 branches, far more than the total number of head offices and branches of all banks in Japan, giving it an overwhelming advantage in terms of accessibility to individual customers. The Bank has the largest customer base of any Japanese bank, with approximately 120 million ordinary deposit accounts, equivalent to the entire population of Japan, and a total savings balance of approximately 195 trillion yen (approximately 20% of all individual deposits and savings in Japan).</p> <p>The Bank has a unique business model in which it provides community-based financial services through its branch network and stably manages securities, mainly bonds, using personal savings and other assets as a source of funds. The human resources that support this network and business model are a source of competitiveness and value creation and an asset. In recent years, we have positioned not only fixed income investments but also private equity funds, real estate funds, and direct lending funds as strategic investment areas, and have been selectively investing in quality deals to increase our balance, requiring more human resources with specialized knowledge than ever before. However, competition for human resources with other industries and other financial institutions has recently intensified, making it increasingly difficult to secure and retain competent personnel. There is a risk that a shortage of human resources or other factors may make it difficult to maintain the branch network or impair business competitiveness and operational efficiency, particularly in specialized areas.</p>	<p>The Bank is enhancing its digital and other channels in line with its basic policy of “complementarity between the physical and the digital.”</p> <p>In recent years, in addition to its existing Internet banking services, the Bank has been expanding its services through new smartphone applications. In addition to expanding the functions of the “Yucho Bankbook App”, which enables basic banking transactions such as checking current amounts and deposit/withdrawal details and remittances, we are promoting the DX set forth in the medium-term management plan and other plans, including the release in February 2023 of the “Yucho Reco” household accounting app that enables customers to check financial assets and monthly income and expenditures.</p> <p>With such an increase in transactions using the Internet and smartphones, cyber-attacks and system failures could have a greater impact on the Bank’s management than ever before. At the same time, cyber-risks are increasing as cyber-attack methods are becoming more sophisticated.</p>
Impact	<p>A good working environment is essential for attracting and retaining human resources, but if this is not sufficient, or if we are unable to recruit, retain, and train competent personnel in a competitive environment with other financial institutions, which hinders our ability to recruit personnel, particularly in specialized fields, our business competitiveness and operational efficiency may be impaired, which may affect our business, performance, and financial condition.</p>	<p>The suspension of operations due to system failures, etc. may cause economic and emotional damages to customers, suspension of operations and the resulting losses and damages, administrative penalties and punishments, loss of trust from customers and the market, etc., which may affect the business, performance, and financial position of the Group.</p>

<p>Mitigating actions</p>	<p>The Bank strives to prevent and mitigate human rights issues including harassment, personnel and labor issues such as personnel treatment and work management, and health and safety management issues in the workplace through various training programs and the establishment of a consultation service, etc. In addition, the Bank promotes the review of work-life balance by providing monthly feedback on the status of each department in order to reduce long working hours and encourage employees to take leave.</p> <p>In order to acquire and quickly develop professional human resources in the market management business, we have introduced course-based recruitment for new graduates and are focusing on hiring students with advanced expertise. In addition, in fields that require a high level of expertise, such as market operations and risk management, we also conduct career recruiting by utilizing direct recruiting and alumni. Furthermore, we have introduced a performance-linked compensation system for employees with advanced and specialized knowledge, and are actively working to secure human resources.</p>	<p>To mitigate cyber risks, the Bank has established a dedicated cyber security department and assigned a Chief Information Security Officer (CISO). We have also assigned personnel with expertise and collaborated with external specialized agencies to analyze and respond to new attack methods while maintaining defense in depth and detection measures.</p> <p>In addition, to ensure that our customers can use the services we provide through digital channels more safely and securely, we are working daily to strengthen our cybersecurity posture and defend against cyber-attacks by enhancing identification and identity verification (introduction of eKYC, etc.), taking measures against viruses, vulnerabilities, analyzing threat trends, detecting cyber attacks and monitoring unauthorized transactions, etc.</p>
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