

Example of emerging risks recognized by Japan Post Bank (As of April 2025)

	Risks Related to Natural Capital and Biodiversity	Risks Related to Economic and Social Conditions, and Market Environment
Description.	As a financial institution that plays the role of a provider of funds to companies involved with natural capital and that operates throughout Japan through a network of approximately 23,000 branches, we are committed to analyzing and managing our investments and financing, and we recognize the importance of engaging in community-based nature conservation and restoration efforts to promote the sound development of Japanese society and local communities. In recent years, the risks that natural capital and biodiversity pose to economic activities have been recognized as enormous*, and with the adoption of the Kunming-Montreal Biodiversity Framework, the publication of the National Biodiversity Strategy 2023–2030, and the finalization of the TNFD Disclosure Framework in September 2023, corporate action has become urgent. However, delays in these efforts, including those in the supply chain, could result in the erosion of corporate value of the Bank and its investees, which could affect the Bank's business, public trust, performance, and financial position. *In the World Economic Forum report, about half of the world economy's GDP (\$44 trillion) was considered at risk of loss.	A significant portion of our bank's earnings generated through our business operations comes from raising deposits within Japan and managing securities both domestically and internationally. Economic and social conditions, such as domestic and international economic trends, credit situations, demographic changes, and fluctuations or deterioration in interest rates and exchange rates, may have a material impact on our business performance and financial position. For example, concerns arise from the increase in consumption tax leading to a decrease in households' disposable income, the rise in inflation causing a decline in real income, and the decrease in savings rates and deposit levels due to an aging population and declining birth rates. Additionally, the Bank of Japan is at a turning point in its monetary policy, such as raising policy interest rates. If there are disruptions in domestic and international financial markets stemming from future monetary policy trends of central banks in various countries, economic policies of the U.S. administration, or worsening situations in Ukraine and the Middle East, it could significantly affect our group's performance and financial condition.
Impact	Many of the Bank and its investees depend on natural capital such as forests, soil, water, air, biodiversity, and biological resources to support their businesses and societies, and the depletion of such natural capital could make it difficult for the Bank and its investees to continue their operations, which could affect the Bank's business, public trust, performance, and financial position.	The increase in consumption tax may lead to a decrease in households' disposable income, while rising inflation could reduce real income. In addition, demographic trends such as population aging and declining birth rates may contribute to a decline in Japan's savings rate and deposit levels, potentially resulting in a reduction in our bank's deposit balances. Furthermore, if disruptions in domestic and international financial markets occur—triggered by factors such as the U.S. administration's economic policies or escalating geopolitical tensions in Ukraine and the Middle East—our group may face a downturn in business performance, deterioration in asset quality, and reduced funding capacity and asset liquidity. In such circumstances, efforts to enhance and diversify investment strategies aimed at securing medium- to long-term earnings may fail to produce outcomes aligned with their intended objectives.

Mitigating actions	The Bank participates in the TNFD Forum to raise awareness of natural capital and biodiversity conservation and is further promoting initiatives that contribute to the realization of a sustainable society. Specifically, in our market operations, we make biodiversity-conscious investments and financing in accordance with our ESG investment and financing policies, and we also engage with investees on issues related to natural capital and biodiversity. In April 2024, we revised our ESG policy to clarify risk recognition for specific sectors with significant biodiversity impacts—such as deforestation and palm oil plantation development—and now assess the implementation of environmental and social considerations when making investment and financing decisions. In addition, our policy stipulates that we do not provide financing for projects that adversely affect Ramsar Convention-designated wetlands or violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Furthermore, we are promoting paperless operations and, as part of the revised medium-term management plan announced in May 2024, have established new KPIs related to paperless initiatives to actively mitigate negative environmental impacts in our business activities.	In response to rapid changes in the market environment driven by economic and social conditions, we will continue to strengthen the risk tolerance of our portfolio, maintain a risk-averse approach to portfolio management and selective investments, and enhance our specialized talent in operations, risk management, and Asset Liability Management (ALM). Furthermore, we will work to maintain and sustain our customer base through the consistent implementation of strategies and initiatives outlined in our medium-term and annual management plans.
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