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.

Japan Post Group

Basic Approach to the Group Medium-term Management Plan (2021 – 2025)

November 13, 2020

JAPAN POST GROUP

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Main points of the Basic Approach

1. About the Basic Approach

○ Basis of the next Medium-term Management Plan

- We aim to release the next Medium-term Management Plan of the Japan Post Group in May 2021, and it will include quantitative targets based on the Basic Approach (the same applies to the Medium-term Management Plan for each business)
- Going forward, we will proactively incorporate the views of Group employees including front line employees to formulate a Medium-term Management Plan for the entire Group

○ The period of the next Medium-term Management Plan will be five years (to be revised as necessary in light of changes in the business environment after two to three years)

- We will give consideration to the recent rapid changes in the business environment in light of the impact of the novel coronavirus disease, and the time span for the future conversion of the business portfolio

2. Main points of the Basic Approach

We aim to become a true Total Lifestyle Support Group through the following initiatives.

○ The first step is to regain customers' trust ("Everything for customers")

- Promote initiatives to regain customers' trust and transform into a truly customer-oriented corporate group

○ Create new value through real post offices and digital transformation(DX)

- Combine the real network of physical post offices with DX to create new value for customers through the fusion of real and digital

○ Contribute to local communities

- Aim for the Group's sustainable growth and the creation of medium- to long-term corporate value by contributing to local communities through our business

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I Aims of the Japan Post Group

Aim for the Group's sustainable growth and enhancement of corporate value by leveraging our network of post offices to contribute to local communities through our business

Business environment

Society and economy

- Population decline
- Population decrease, ultra-declining birthrates, and aging population
- Labor shortage
- Increase in social security cost burden
- Digitalization of communication
- Calls for the realization of a sustainable society
- Diversification of lifestyles
- New lifestyle (With and post-coronavirus society)

Logistics industry

- Decrease in the number of mail items
- Expansion in e-commerce (EC) markets

Finance industry

- Low interest rate environment on a global level
- Global fiscal and monetary stimulus measures in the wake of the COVID-19 pandemic
- Diversification of settlement methods

Recognition of issues

- Customer-oriented business operations
- Creation of new value
- Contributions to local communities
- Expansion of services and functions
- Non-contact/non-face-to-face service provision
- Enhancement of security
- Enhancement of productivity
- Strengthening governance
- Eco-friendly business operations
- Training and securing human resources

Next Medium-term Management Plan 2021 to 2025

Regaining customers' trust

Everything for customers.

Aiming for new growth

Total Lifestyle Support Group

Creating value for the Group as a whole through the integration of each business

Providing lifelong support in an age of 100-year life

Supporting local communities across Japan

- **[Customers]** Providing high-quality customer-oriented services
- **[Local communities]** Contributing to the development and revitalization of the region
- **[Shareholders]** Enhancing shareholder returns
- **[Employees]** Creating friendly workplaces for employees
- **[Environment]** Creating a sustainable society

Strengths of the Group

Nationwide network of post offices	Universal services	Large number of customers	Post office brand	Abundant human resources	Sound financial base

Japan Post Group Management Philosophy

Stressing the security and confidence of Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible, and will provide customer-oriented services, support the lives of customers in local communities and aim for the happiness of customers and employees. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

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II Efforts by the Japan Post Group to regain customers' trust

1. The first step is to regain customers' trust

- We will faithfully do our utmost to regain customers' trust which has been greatly damaged by the scandals related to products and services of our financial subsidiaries.
- By returning to our origins and delivering on the "Pledge to Regain Customers' Trust," the Group will transform into a truly customer-oriented corporate group

Pledge to Regain Customers' Trust

[Pledge for our vision]
We pledge to remain close beside each and every one of our customers, giving top priority to customer satisfaction and peace of mind, and to be a company that they can trust.

[Pledge for our activities]
○ We are committed to customer-oriented business operations and providing satisfying and courteous services for customers.
○ We will carefully listen to feedback from customers in order to reflect it in the improvement of our services.
○ We will enhance the expertise of our employees so that they can provide accurate and easy-to-understand explanations to satisfy our customers.
○ We will comply with laws and regulations and provide high-quality services that our customers can use with a peace of mind.
○ We will provide products and services that will bring joy to our customers based on their needs.

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II Efforts by the Japan Post Group to regain customers' trust

2. Provide customer-oriented services

- Develop and provide attractive products and services that meet customer needs (Strategic review of the product lineup)
- Reform into a customer-oriented services provision style, and establish a customer-oriented check function and other systems
- Ensure the peace of mind, safety, and security of customer service

3. Corporate culture reformation

- Thoroughly implement a customer-oriented approach throughout the Group's management as a whole
- Utilize customer feedback (opinions and requests) and employee feedback as a Group for management including business improvements
- Review sales targets, allowances and post office management, and reform the personnel evaluation system (move from a sales-oriented perspective to a customer-oriented perspective, with a focus on mutual aid and subordinate training)
- Promote personnel exchanges to improve open communication within the Group (between the head office, branches, the front line, between Group companies, and with those outside the Group)
- Strengthen the Group governance function by exercising cross-organizational functions as a holding company and introducing a risk appetite framework (RAF)

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III Efforts by the Japan Post Group aimed at new growth

1 Improving and strengthening the Group's core businesses and creating new businesses

- As a valuable real network in local communities with a declining birthrate, aging population, and declining population, the post office will contribute to solving the various issues faced by local communities by providing a wide variety of services that meet the needs of the community, in addition to basic services for living such as postal and domestic logistics services, banking, and life insurance.

(1) Improving and strengthening core businesses

- The postal and domestic logistics business, the banking business, and the life insurance business, including universal services are the core businesses of the Group, and we will continue to enhance and strengthen them in the future

- We will further strengthen our business base by innovating it in line with the latest technologies and social environment in order to provide these core businesses in a stable and sustainable manner

(i) Promote digital transformation in a with- and post-coronavirus society

- Promote creation of new value and expansion of services and functions through digital transformation (DX)
- Promote expansion of non-contact and non-face-to-face services in line with lifestyle changes in a with- and post-coronavirus society
  (Develop online procedures and consultations, etc., shift to self-processing by customers using tablets and ATMs, expand smartphone-supported services, and strengthen UI/UX*)
  *UI/UX is an abbreviation for user interface/user experience. The aim is to improve operability and ease of use, as well as the value of the customer experience.
- Data-driven* postal and domestic logistics business reforms
  *Reviewing the operations of the postal and domestic logistics business by making maximum use of the data we acquire and possess, including utilizing the data acquired at the time of acceptance for optimal routing and staffing in delivery operations
- Eliminate unnecessary stamps and seals (switch to electronic signage, etc.), and promote paperless operations
- Give top priority to safety and security and continuing to improve security standards when promoting digital transformation

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(ii) Improve profitability
- Postal and domestic logistics business: Strengthen competitiveness through strategic review of products, services, and operations
- Banking business: Enhance investment operations and risk management in light of the experience of the coronavirus pandemic
- Life insurance business: Maintain and secure policies in force as a source of revenue and improve profitability within an enterprise risk management (ERM) framework

(iii) Improve efficiency and productivity
- Make operations more flexible and efficient at post offices and directly managed branches by Japan Post Bank and Japan Post Insurance
  (Optimization of personnel assignment, diversification of counter business hours, improvement of sales personnel skills, etc.)
- Expand the use of tablets at counters and by sales personnel
- Review personnel and assignment in back offices and administrative departments
  (Improving efficiency through the use of digitalization, AI, RPA, etc.)
- Postal and domestic logistics business: Achieve low-cost operations through operational reform (Setting up delivery areas in accordance with cargo volume, automatic creation of delivery routes, practical application of advanced technologies, and promotion of services for leaving parcels in designated areas)
- Banking business: Expand the scope of automation in operation centers
- Life insurance business: Restructure the operating cost structure (appropriate management of operating costs and improving efficiency of infrastructure and system costs)

(2) Expand the real estate business

➢ We will grow our real estate business it into one of the pillars of revenue by anticipating changes, etc. in social conditions and real estate usage and closely watching market trends
- Maximize the value of the Group's real estate holdings
  → Maximize the value of the Group's real estate by focusing on making effective use of the real estate in the urban area from the perspective of strengthening the core business, taking stock of our real estate, and promoting the use of unused and underutilized assets in the real estate business
- Increase investment in real estate outside of the Group
- Contribute to community building in cooperation with local governments

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(3) Promote new businesses, etc.

- Expand business to provide total support for people's lives and explore new products and services (*including those that require authorization)

  (i) Respond to changes in the business environment and customer needs

  - A wide variety of products and services to meet community needs (comprehensive administrative work contracts from local governments, strengthening of cooperation with regional financial institutions, unified management of post office and local train station, etc.)
  - Provide an account overdraft service (also consider using AI as a basis for credit decisions)
  - Consider providing capital support to companies across the country affected by the spread of COVID-19 and reinforce the GP* structure to manage funds that supply equity capital

    *GP is an abbreviation for General Partner. It is a fund manager that selects deals, makes investment decisions, etc.

  (ii) Provide total support for the life stages of customers

  - Enhance the housing loan product lineup (start direct handling of Flat 35), introduce discretionary investment services, and introduce services for the elderly (support for people with dementia, trust and inheritance services, etc.)
  - Enhance protection-type products to meet the needs of young and middle-aged customers and others (reviews of term insurance and endowment insurance, reviews of medical care riders, etc.)



- Create new businesses, etc. aimed at solving social issues
  - Identify the potential needs of customers
  - Study and execute Group-wide new businesses utilizing networks with a Group-wide structure (e.g. Achieve a business platform, centering on postal and logistics, and financial networks)
  - Promote co-creation with venture companies and start-ups, and digital transformation
  - Conduct M&As as necessary
- Convert the business portfolio by promoting the selection and concentration of businesses and services

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III Efforts by the Japan Post Group aimed at new growth

2 Capital strategy, HR strategy, and ESG management

(1) Capital strategy of Japan Post Holdings (improvement of the management flexibility through early disposal of shares in the two financial subsidiaries and shareholder returns

- In accordance with the Postal Service Privatization Act, Japan Post Holdings aims to dispose of its entire equity interests in the two financial subsidiaries as early as possible, upon consideration of the condition of business of the two financial subsidiaries, impact on the fulfilling its obligation to secure universal services of Japan Post Holdings and Japan Post Co., and other factors
- Firstly, Japan Post Holdings will hold around 50% of the shares of the two financial subsidiaries and aim for the shift to an advance notification system for new operations
- We will continue to consider returning profits to shareholders to be one of important management measures

(2) HR strategy (promote work style reform from the perspective of employees)

- Employees are the driving force behind the development of the Japan Post Group, and we promote work style reform from the perspective of employees as a company that values our employees
- We aim to enhance labor productivity by improving the human resources capabilities (ability and motivation) of employees, achieve new growth for the Group, and further contribute to the community and society
  - (i) Create a comfortable workplace (reduce overtime work, eradicate harassment, etc.)
  - (ii) Promote diversity (create an organization where diverse human resources can play active roles)
  - (iii) Human resource development (train human resources capable of providing customer-oriented services, etc.)

(3) ESG management

- By actively contributing to the SDGs, we aim for sustainable growth of the Japan Post Group and the creation of medium- to long-term corporate value
- We conduct environmentally responsible business operations and use the Group's resources to address various issues, including contributions to local communities
- When managing funds, we give due consideration to the public and social nature of funds and actively contribute to the revitalization of the community
- We promote systematic management efforts and proactive information disclosure to live up to the expectations of stakeholders

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The next Medium-term Management Plan is aimed to be released in May 2021, and its contents may vary from this document.
The company disclaims any responsibility to update any forward-looking statements contained herein to the extent permitted by law or stock exchange rule.

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