

3rd Engine: Σ Business (Regional Vitalization)



Kenji Aono
Executive Officer

Business Mission

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

Main Business

By building and strengthening relationships with regional financial institutions, etc., we are promoting our role as a regional financial platform, for example in investments in regional vitalization funds, ATM collaborations, and the aggregation of operational processes.

By promoting the Σ business, supplying equity funds, using the Bank's own network for deal sourcing, and engaging in marketing support for investee companies even after investment, we will contribute to the further development of local economies by supporting the growth of local companies and solving problems in local communities.

Σ BUSINESS

Strategy Outline

Business Strengths

- Excellent management resources built up through retail business/market business
 - Our unique nationwide network
 - Database of approx. 120 million accounts
 - Human resources developed through secondment to companies that engage in GP operations, etc.
- Investment business base centered on Japan Post Investment Corporation
- Know-how cultivated through investments in regional vitalization funds, etc.

Business Environment

- Various government initiatives for regional vitalization
 - The Vision for Digital Garden City Nation
 - Regional vitalization SDGs/ Concept of "Future City" initiative
 - Society 5.0 regional vitalization promotion model, etc.
- Relaxation of duties such as regional vitalization by revision of the Banking Act
- Lack of equity funds in the regions
- Population decline, acceleration of declining birthrate and aging population
- Realization of a sustainable society in regions in the post-COVID era
- Social demand for consideration of the global environment

Basic Policies

- Utilizing excellent and useful management resources (financial strength, human resources, information, etc.), making investments that contribute to solving problems in local communities, strengthening profitability, and realizing ESG management

Value Creation



Regions/Society

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



Shareholders/Investors

- Sustained growth of the Bank through active contributions to quantitative/qualitative regional vitalization
- Acquisition of new revenue sources through domestic GP business, etc.



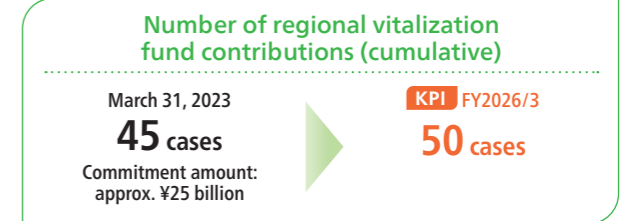
Environment

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

FY2023/3 Results and Future Initiatives

Investment in regional vitalization funds

To circulate the flow of our customers' precious funds around the regions, we are promoting participation in regional vitalization funds through cooperation with regional financial institutions. In FY2023/3, we participated in six new regional vitalization funds, including the Japan Post Investment Regional Development and Impact Fund I, ILP established by our consolidated subsidiary Japan Post Investment Corporation. We will continue to actively facilitate the flow of funds to local communities.



Utilization of ATM network and aggregation of operational processes

Working with regional financial institutions, JAPAN POST BANK responds to regional financial needs as a regional financial platform.

Utilizing its nationwide ATM network, the Bank commenced ATM cooperation (partially free) with The Yamanashi Chuo Bank and The Hokkaido Bank in

FY2023/3.

We are also implementing an "operational process aggregation" project, in which the Bank insources some of the work from each regional financial institution. Through these efforts, we will provide multifaceted support for regional vitalization throughout Japan in our capacity as a regional financial platform.

Σ Business

The Bank initiated a preparation period for Σ business, its new corporate banking business, to run for two years from September 2022. In this new corporate banking 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 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.

Three Elements of Σ Business

① GP Business (Investment Business)

Previously, the Bank had been engaging in a variety of investment activities by means of investing in funds, for instance for regional companies. Leveraging the knowledge and know-how that the Bank has cultivated to date, the Bank will make a full-scale entry into GP (General Partner) Business, providing capital to companies with growth potential in Japan and bringing about their accelerated growth.

In FY2023/3, having invested in Japan Post Investment Corporation's JP Investment Regional Impact No. 1 Fund, we supported the growth of companies that contribute to the vitalization of local economies and the creation of the social impact needed to achieve the SDGs. In a joint venture with regional financial institutions we also invested in Frontier Capital Inc. and contributed to the efforts the company makes to resolve the various management issues with which regional core companies are beset from a long-term perspective. By facilitating the flow of equity in the form of capital funds in a quantitative and qualitative manner, the Bank will underpin the vitalization of local economies while continuing to contribute to the development of entire local communities.

② Deal sourcing business

While utilizing its own network and cooperating with regional financial institutions, the Bank will source potential investment targets on a nationwide basis.

To build a sourcing system, we will develop the human resources and put in place systems as well as expand our contact points with regional companies during the Σ business preparation period.

③ Marketing support business for investee companies

From the convenient products and services of venture companies and other investees, the Bank will select those products that will contribute to regional vitalization. Through our own network, we will introduce and mediate (market) those products all over the country, thereby supporting the growth of venture companies and other investees.

As part of our marketing support operations, having concluded a business partnership agreement with Pie Systems Japan Co., Ltd., which provides simple, smartphone-based electronic services for tax exemption procedures for foreign visitors to Japan, we have launched a member store development business.

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Fostering a corporate culture/developing human resources toward full-scale launch of Σ business

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 also included in the two-year preparation period, we have compiled a 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. During that period, we are also fostering a corporate culture and developing human resources by means of employee training programs for each year of their employment and e-learning.

In addition, as part of the development of professional human resources related to investment operations, we are

advancing preparations toward full-scale GP operations by having young employees gain experience in financing operations such as fund investment by dispatching them to companies that conduct 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.

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.

VOICE Initiatives geared toward regional vitalization

I want to help solve the problems of people living in the regions by facilitating the flow of funds into those regions.



Ichiro Kobayashi

Regional Vitalization and New-Growth Business Development Department
(Currently seconded to Japan Post Investment Corporation)

Investing in a venture company engaged in resolving regional transportation issues

After working in the Bank's Investment Division and Regional Relations Division, I am currently seconded to Japan Post Investment, where I am mainly involved with activities relating to investments in unlisted companies.

In March 2023, we invested in Tokushima-based venture company dennokotsu Inc., a company that is working to resolve regional transportation issues through the digital transformation of taxi operations and related means. In addition to providing a cloud-based taxi dispatch system with excellent user interface/user experience (UI/UX) design features requiring only a small upfront investment affordable by small- and medium-sized local taxi companies, dennokotsu is a company that provides support for introducing local on-demand transportation services (shared taxis, etc.). By contributing to the improved profitability of taxi companies which represent essential transportation infrastructure in areas where public transportation is in decline, and alleviating human resource shortages, the business plays a major role in securing regional transportation infrastructure and contributes to regional vitalization, which is one of the Bank's key strategic goals. Following the investment, I have been participating as an observer at board of directors' meetings. I

would like to contribute to the growth of dennokotsu in collaboration with the management team.

Toward core human resources responsible for "regional vitalization" x "investment"

There are many people who think that the intersection of "regional vitalization" and "investment" is not profitable. This belief causes insufficient capital circulating in the regions, leading to declines in the number of companies and population, resulting in a vicious cycle of further decline. However, I believe that there is plenty of potential as there are many hidden but attractive companies in the regions, and furthermore there are businesses like dennokotsu that can be expected to grow precisely because they address regional issues. By steadily accumulating an investment track record that contributes to regional vitalization and evidence of solid financial returns, I want to create a positive cycle that attracts funds, companies, and people to the regions.

Leveraging the experience I have gained from my secondment to Japan Post Investment relating to investment screening and execution, post-investment monitoring and support, in the future I would like to play a central role in promoting Σ business operations, working with the Bank's regional headquarters and directly operated branch offices.

Regional bases of operation that support JAPAN POST BANK's businesses

The Bank has established 13 regional headquarters to serve as regional bases of operation for its retail services. In the Σ business, we are also planning to make these 13 regional headquarters into important bases that will play roles of collecting information on regional companies throughout Japan, and we are currently in the process of developing this structure.

List of Regional Bases

- Okinawa Regional Headquarters**
Katsunari Kinjo
Regional Headquarters Manager
- Hokkaido Regional Headquarters**
Kenji Sakamoto
Regional Headquarters Manager
- Hokuriku Regional Headquarters**
Kunimitsu Hori
Regional Headquarters Manager
- Tohoku Regional Headquarters**
Koji Sato
Regional Headquarters Manager
- Kinki Regional Headquarters**
Shuji Takahashi
Regional Headquarters Manager
- Shinetsu Regional Headquarters**
Masanori Ishioka
Regional Headquarters Manager
- Chugoku Regional Headquarters**
Kazuyoshi Katsuragi
Regional Headquarters Manager
- South Kanto Regional Headquarters**
Masaya Tsuma
Regional Headquarters Manager
- Kanto Regional Headquarters**
Takeo Tsukihara
Regional Headquarters Manager
- Shikoku Regional Headquarters**
Iwao Moriyama
Regional Headquarters Manager
- Tokai Regional Headquarters**
Hironobu Shiranaga
Regional Headquarters Manager
- Kyushu Regional Headquarters**
Yasumitsu Toyoda
Regional Headquarters Manager
- Tokyo Regional Headquarters**
Etsuko Kishi
Regional Headquarters Manager