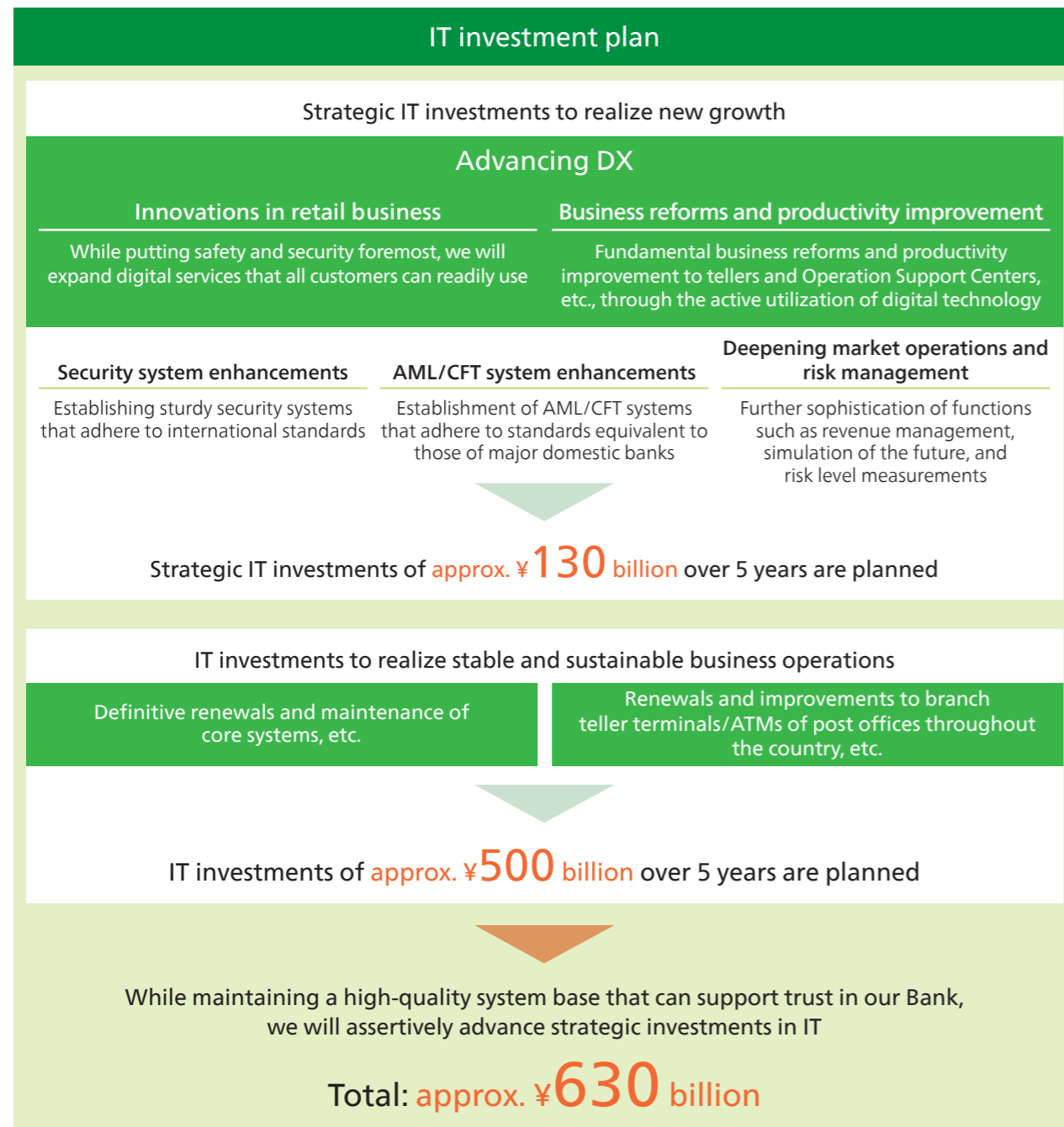


# Strengthening the management base to drive the three engines of growth

## I Strengthening IT investments to accelerate the advancement of DX

The Bank believes the existence of high-quality system infrastructure is essential for advancing DX, as well as promoting our strategies which include innovating the retail business, undertaking business reforms and productivity improvements, etc., while deepening the trust of our customers. Under the Medium-term Management Plan, plans are in place to invest approximately ¥500 billion over five years as an IT investment for stable, sustainable business operations involving the

core system we have conventionally operated and an additional amount of approximately ¥130 billion as a strategic IT investment for new growth. In FY2023/3, the Bank invested in projects intended to expand digital channels, including introducing the Personal Financial Management (PFM) app Yucho Reco. Similarly, in May 2023 we implemented large-scale systems upgrades to ensure stable operations of core systems.



## I Improving internal control systems

### Enhancements to risk management systems

We formulate Policies for Handling Risk Management each fiscal year, under which important matters related to risk management are discussed or reported at the Risk Management Committee, etc. In particular, we report to the Risk Committee, which serves as an advisory body to the Board of Directors, regarding the risk management status of systems, including those for operations and cyber security. In addition, we are working to enhance each risk management system, for example through a subcommittee to deliberate on new products and services, and by organizing a subcommittee for the purpose of deepening debate and awareness sharing on system risks.

For more details on risk management, please see pages 78 and 90.

### Enhancing measures against money laundering, terrorism financing, and proliferation financing

Incidents involving money laundering, terrorism financing, and proliferation financing; bank transfer fraud; transaction and unauthorized use of bank accounts; fraudulent refunds of deposits that target internet banking services; and other financial crimes that exploit financial institution services have shown no signs of decline, even as the techniques used by criminals only grow increasingly sophisticated and elaborate. Moreover, reflecting the fluid international situation, the UN, along with individual countries and regions, has implemented economic sanctions that place stringent reprisals on financial institutions that provide products and services to sanctioned individuals.

The Bank has prepared systems to comply with foreign and domestic laws and regulations in order to prevent any violation. Similarly, we have implemented customer management measures, taken action to detect and report suspicious transactions, revised products and services, and moved to address economic sanctions in an effort to strengthen money laundering, terrorism financing, and proliferation financing countermeasures.

In order to protect the deposits and assets of our customers, the Bank continues to engage in efforts to stave off and prevent the spread of financial crimes by analyzing past criminal techniques, enhancing systems, and organizing data.

### Ensuring safety and security

We are endeavoring to ensure safety and security, including implementing sophisticated security measures and enhancing IT governance and security verification systems suited for emerging risks.

Meanwhile, we worked to strengthen our cyber security defenses, to guard against the rise of increasingly complex and sophisticated cyberattacks. This involved firmly implementing action plans that we formulated in accordance with the international standard.

For more details on cyber security, please see page 82.

### Enhancements of compliance systems

Legal compliance is clearly stated in our management philosophy and management plans and basic rules on compliance are stipulated, in order to convey the importance of compliance, including customer protection structure, to employees through messages from the top management on a regular basis, as well as various training programs, etc. We formulate the compliance program each fiscal year while holding the Compliance Committee to verify the progress and discuss tasks on the subject. In addition, the Internal Control Committee discusses the most important matters relating to internal controls, such as compliance with laws and regulations.

Although we delegate bank agency services to JAPAN POST Co., Ltd., the Bank takes responsibility for efforts to strengthen the compliance system used by post offices. Specifically, we do so by organizing recurrence prevention measures, such as revising rules and strengthening control functions; and constructing systems for promoting these initiatives throughout the JAPAN POST GROUP.

For more details on compliance, please see page 84.

### Building a framework for large-scale system upgrades

In moving toward the large-scale core system upgrades in May 2023, the Bank established a Group-wide promotion committee directly under the jurisdiction of the President and Representative Executive Officer. This move was intended to build a Group-wide framework while receiving advice from third-party organizations, thereby achieving seamless upgrades.