Responsible Investment Report 2024

かんぽ生命

Social Mission (Purpose) of Japan Post Insurance

We will remain trusted and selected by customers, thereby protecting their lives by providing life insurance product.

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Embodiment

A base for the day-to-day thoughts, decisions, and actions of all employees

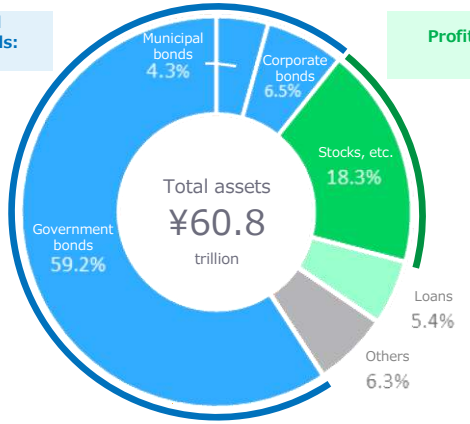
1. The value of our existence shines when people tell us “Thank you for being here.”
   We are a company that customers can rely on when they are anxious or when they want support.
2. We will continue to develop, grow, and exist as a company so that we can always protect the lives of all our customers.
3. To this end, each and every one of us will independently think, act, and challenge ourselves every day.

Overview of Our Responsible Investments

Asset Portfolio
(As of March 31, 2024)

Corporate and government bonds: 70.1%

Profit-seeking assets: 18.3%



Investment Assets

	Global Equity and Fixed Income Investment Department	Global Credit Investment Department	Alternative Investment Department	Investment Planning Department
In-house	Government bonds and quasi-government bonds Domestic equities	Domestic and foreign corporate bonds Domestic local government bonds and loans	Project finance	
Externally managed	Domestic equity funds Foreign equity funds	Credit funds	Real estate funds PE funds Hedge funds Infrastructure funds	Multi-asset

* As of December 31, 2024

▶ p.42 Stewardship Activities

Dialogue with Companies
Jul. 2023 – Jun. 2024

Domestic equity investment
(In-house)

91 companies

Domestic corporate bond investment
(In-house)

29 companies

▶ p.87 Sustainability Themes

Scope 3 Category 15*1

GHG emission reduction targets*2
(Compared to the end of March 2021)

2050 Carbon neutrality

GHG emission reduction progress
(As of March 31, 2024)

24.5% reduction

Carbon footprint
Scope 1&2 + direct suppliers of Scope 3
(As of March 31, 2024)

1.15 tCO_2e/million yen

*1 Indirect emissions in the supply chain other than Scope 1 and Scope 2. They are classified into 15 categories. Emissions from investment portfolios fall into Category 15.

*2 Our target for Scope 3 Category 15 emissions represents the sum of Scope 1 and Scope 2 emissions of investee companies multiplied by our ownership ratio. The assets covered are domestic and foreign listed equities and domestic and foreign corporate bonds (including corporate loans).

▶ p.69 Impact "K" Project

Impact "K" Project

Certification targets
(At the end of FY2025)

Cumulative total of
15 projects
¥50.0 billion

Certification status
(At the end of FY2023)

Cumulative total of
6 projects
¥22.55 billion

Exercise of Shareholder Voting Rights
Jul. 2023 – Jun. 2024

Company proposal
(In-house)

119 companies
381 proposals

* In principle, shareholder voting rights are exercised for all in-house and external equity investments.

▶ p.100 Academic-industrial Collaboration

Academic-industrial Collaboration

Signing of memorandums of understanding with university corporations regarding collaboration and cooperation

3

Jan. 2022 Keio University
Jan. 2023 Osaka University
Mar. 2023 The Ritsumeikan Trust

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This report is available on our website.

Sustainability Website of Japan Post Insurance

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/index.html

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Mission of Japan Post Insurance's Asset Management

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

As a **life insurance company**

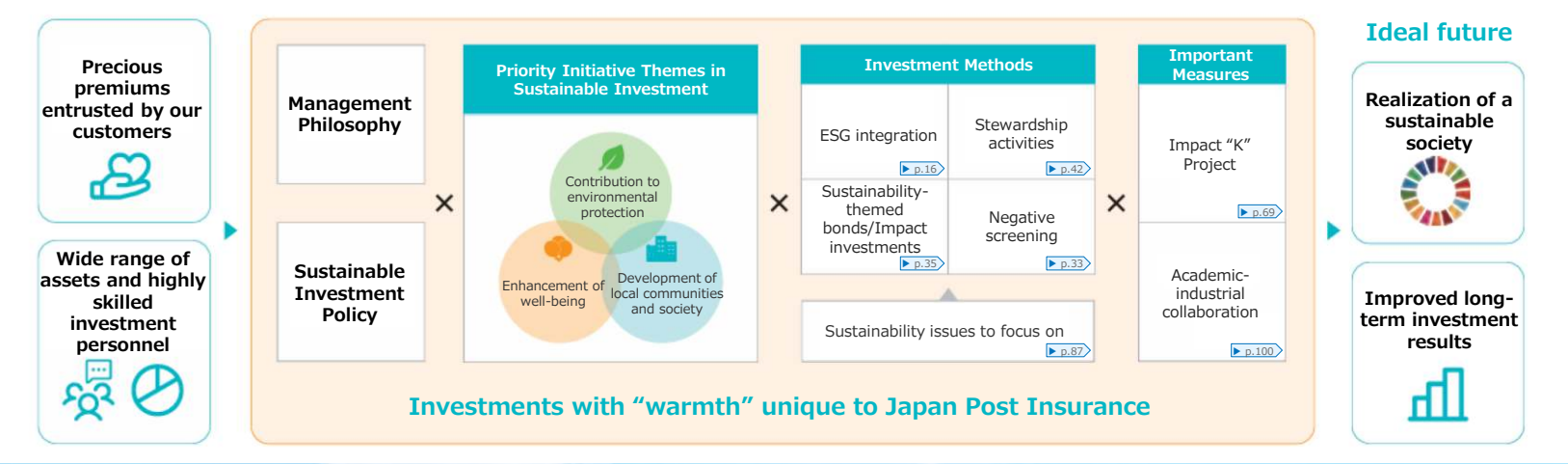
We will carefully invest premiums entrusted by customers in preparation for future insurance claims and other payments

As a **universal owner**

We will contribute to the sustainable growth of the economy and society as an institutional investor with a high investment amount and a broad diversification across capital markets

As a **listed company**

We will aim for sustainable growth and increase of the corporate value over the medium to long term



Exclusive Interview

The Future of Impact Investing and the Efforts of the Impact-Driven Corporate Value Enhancement Alliance

▶ Impact-Driven Corporate Value Enhancement Alliance

インパクト志向金融宣言
Japan Impact-driven Financing Initiative

It was established in August 2024 as a working group of the Japan Impact-driven Financing Initiative, consisting of signatory organizations of the initiative and cooperating external companies (discussion members).

In order for impact-driven investors, together with listed companies that create impact, to enhance corporate value through impact creation and promote investments (including bonds) in listed companies, they work to understand and organize the value creation process of companies starting from impact creation, analyze the relationship (causal and correlational) between impact creation and corporate value enhancement, and outline the necessary disclosures of information for investors to support such companies.

— What is the purpose and significance of the newly launched Impact-Driven Corporate Value Enhancement Alliance?

Mr. Amma: This alliance serves as a new framework that brings together impact-driven listed companies and institutional investors to help establish the concept of impact investing in the listed equity market. For example, the impact that a company creates is typically viewed as a "cost," and its value as an upside return has not been properly evaluated. While the disclosure rules of the International Sustainability Standards Board (ISSB) are helping to integrate ESG factors from a risk management perspective, there are still challenges to overcome in assessing positive impacts. This is very unfortunate. With this alliance, we hope to change the status quo, and to promote the incorporation of impact into the corporate value evaluation criteria for the listed equity market, thereby creating a market environment that enables continuous support for the resolution of social issues.

— What are the specific activities of the alliance?

Mr. Amma: The alliance will implement three main initiatives.

The first is to understand and organize the value creation process for corporations, starting from impact creation. The aim is to visualize, and if possible, create patterns for, how companies are solving social issues and creating value.

The second is to analyze the relationship between impact creation and corporate value enhancement. We plan to explore more developmental initiatives while also referring to existing frameworks and models.

The third is to show the type of information disclosure necessary for companies to gain the support of investors. It would be a great accomplishment if we could ultimately put this all together in some sort of guidance format.

We will proceed with these initiatives over a five-year timeframe. Although it is unlikely that we see immediate results, we plan to start by working to get even just 10% or 20% of the investors of listed companies to recognize that impact is essential in evaluating a company's value. If we can achieve this, I think it will mark a big step forward.

— What prompted Japan Post Insurance to join the Impact-Driven Corporate Value Enhancement Alliance?

Tanigaki: Japan Post Insurance has contributed to the development of infrastructure in local communities through investments and loans to local governments for more than 100 years since its founding, including the days of its predecessor, Postal Life Insurance. The DNA of contributing to local communities and society through investments and loans funded by the precious premiums entrusted by our customers while operating a sound insurance business has been nurtured since the Company's founding, and has been passed on to Japan Post Insurance today in the form of sustainable and impact investments. This alliance is an initiative that brings companies and investors together to create impact and enhance corporate value.

As an asset owner and a listed company, we plan to take the lead in supporting this movement to contribute to the creation of a sustainable society. Up until now, impact investments have been mainly made by unlisted companies and startups. However, in order to expand impact investment, it is essential to have a system to raise awareness of impact among listed companies and to correctly evaluate its value. We hope to help increase the corporate value of many companies by eliminating the "impact-oriented divide" that exists between unlisted and listed companies and building a seamless evaluation system.

— What does Japan Post Insurance consider the role of asset owners to be in impact investing?

Tanigaki: Impact creation takes a long time, and the path to success varies depending on the stage of growth and business area of the company involved. However, since Japan Post Insurance has an investment style centered on long-term investment, it is highly suited to the "timeframe" required for impact investment. Also, in order to fulfill our responsibilities as an asset owner, we have maintained ongoing dialogue with asset managers from a long-term perspective, confirmed the direction we should take, and taken action. Going forward, we will continue to engage in dialogue with other impact-oriented investors and market participants to deepen our discussions on the ideal form of impact investment.

— Initiatives for the domestic listed equity market

Tanigaki: We set our eyes on the ability to create impact and the social influence of listed companies, and in May 2022, we invested in "Commons Impact Fund—Co-creation—" managed by Commons Asset Management, Inc. (hereinafter, "Commons Asset Management"). The concept of this fund is to achieve both social and economic returns by investing in domestic companies that are actively engaged in creating social impact from a long-term perspective. When launching the fund, Commons Asset Management Chairman Shibusawa, President Ii, and our executives held discussions for over a year to refine their understanding of what kind of impact we want to create. We also have the participation of Ridilover Inc., an expert on social issues, to analyze issues that are rooted in the field. While impact investments in Japan are currently centered on unlisted companies and startups, we believe that demonstrating investors recognizing the ability to create impact as one aspect of corporate value in the listed equity market has a certain appeal to the executives of investee companies.

— Social issues specific to Japan that affect investment and the economy

Mr. Amma: For Japan, the population decline is one of the biggest issues. As the population continues to decline, it will become more difficult for the financial industry, which is the foundation of the economy, to survive. This poses a major challenge as investment targets and revenue sources decrease, making sustainable growth difficult.

Decarbonization is recognized as a common global issue, but population decline, which is a problem specific to Japan, is also an important common issue that market participants need to resolve. We believe that one possible future of the alliance will be for listed companies and investors to work together to address these issues.

— Please tell us about your envisioned future and aspirations for impact investment.

Mr. Amma: If investors and companies share a common understanding and impact investment takes root in the listed equity market, more companies will continue to create impact even after listing, leading to the creation of a market environment in which the resolution of social issues and sustainable growth can go hand in hand, with corporate value increasing while companies continue to solve social issues. More and more companies will continue to create impact, which result in improved problem-solving capabilities across society as a whole. This virtuous cycle is the future we are aiming for.

Tanigaki: Impact investing certainly is a labor-intensive and time-consuming endeavor. But it has the potential to create long-lasting benefits that outweigh this. To create such long-lasting benefits, it is important for investors to continue to conduct dialogue with companies over the long term and establish a solid evaluation cycle. As a leading financial institution and investor in Japan, Japan Post Insurance aims to create new value for future generations and build up a foundation that leads to the realization of a sustainable society by promoting investment in companies with prospects to generate stable earnings and impact over the long term.

— Lastly, could you tell us a little bit about the future of the alliance?

Mr. Amma: Interest in impact investing is growing both in the public and private sectors, as is the investment amount. However, there is still a lot of potential in the listed equity market. This alliance is a major step forward for listed companies and investors to learn from each other and establish impact as an element in evaluating corporate value. I hope that many companies and investors join this alliance, take on new challenges together, and pave the way for the future of impact investing.

Tanigaki: Impact investing acts as a bridge to leave a better society for future generations. The key to accelerating the resolution of social issues is to build a market in which impact-orientation is properly evaluated. I sincerely look forward to this alliance helping to create a sustainable future together with many other members.

▶ For details on impact investment initiatives, please see "Impact "K" Project" (p.69).

TOPICS

Investment in the impact fund "Commons Impact Fund—Co-creation—" which targets domestic listed equities

We have invested ¥10.0 billion in "Commons Impact Fund—Co-creation—" (Commons Asset Management), an impact fund aimed at to achieve both social and economic returns. The fund focuses on the impact creation potential and societal influence of listed companies, and invests from a long-term perspective in domestic listed companies that actively work on creating social impact.

In addition, we participate in the Commons Asset Management's social issue resolution program Comorebi which started in 2023.

commons asset management, inc.

▶ For details on the social issue resolution program Comorebi, please see "Participation in the Commons Asset Management's Social Issue Resolution Program Comorebi" (p.86).

History of Responsible Investments at Japan Post Insurance

2008 – 2014

- Japan Post Group participated in "United Nations Global Compact"
- Accepted Japan's Stewardship Code and announced our policy

2016

- Started investment in ESG bonds
- Implemented ESG investment in domestic equity investment

2017

- Signed PRI
- Started collaborative engagement at the Life Insurance Association of Japan
- Established the Responsible Investment Advisory Committee (predecessor of the Responsible Investment Advisory Sectional Meeting)

2018

- Japan Post Group incorporated SDGs into the management framework in the Medium-Term Management Plan

2019

- Announced the ESG Investment Policy (later changed to "Sustainable Investment Policy")
- Endorsed the recommendations of the TCFD

2020

- Started negative screening in investment
- Started stewardship activities for investment of domestic corporate bonds

2021

- Introduced ESG integration for entire asset portfolio
- Participated in the Social Impact Management Initiative (SIMI) and Japan Climate Initiative (JCI), and signed the Japan Impact-driven Financing Initiative
- Participated in GRESB as a real estate investor member *the first among Japanese life insurance companies to participate

2022

- Launched the Impact "K" Project to expand impact-oriented investments and loans
- Set GHG emission reduction targets for investment portfolio
- Participated in the initiatives CDP, PCAF, Climate Action 100+, Advance, and Japan Stewardship Initiative (JSI)
- Signed a memorandum of understanding with Keio University to facilitate collaboration and cooperation in promoting the circulation of funds centered on academia

2023

- Disclosed initial analysis results on natural capital risks in our investment portfolio
- Set natural capital, human rights, and human capital along with climate change as key sustainability themes for dialogue
- Signed a memorandum of understanding with Osaka University and the Ritsumeikan Trust to facilitate collaboration and cooperation in promoting the circulation of funds centered on academia
- Endorsed the principles of the Taskforce on Nature-related Financial Disclosures (TNFD), participated in the Triple I for Global Health initiative, and became a TNFD Adopter

2024

- Established the Responsible Investment Office
- Participated in the initiatives "Impact Consortium," "Spring," and "Global Impact Investing Network (GIIN)" *the first among Japanese life insurance companies to participate"
- Set KPIs for Impact "K" Project in the Medium-Term Management Plan (through FY2025)

Enhance responsible investment initiatives

Launch the Impact "K" Project

2006 – 2018 – 2021 – 2022 – 2023 – 2024 –

2006

- Publication of the Principles for Responsible Investment (PRI)

2015

- Adoption of Sustainable Development Goals (SDGs), adoption of Paris Agreement

2017

- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

2021

- Establishment of Japan Impact-driven Financing Initiative

2022

- Establishment of Advance
- Inclusion of "impact investment" in the Japanese government's Basic Policy on Economic and Fiscal Management and Reform for the first time

2023

- Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Establishment of Triple I for Global Health

2024

- Establishment of Impact Consortium
- Establishment of Spring
- Announcement of "Basic Guidelines on Impact Investment (Impact Finance)" by Financial Services Agency

Developments around the world

02 Sustainable Investment Initiatives

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Enhancement of Governance Structure for Promoting Responsible Investments

Since signing the PRI in 2017, Japan Post Insurance has been promoting and enhancing its responsible investment initiatives to fulfill its responsibilities to stakeholders. In particular, since the introduction of ESG integration for the entire asset portfolio and the setting of sustainable investment priority initiative themes in 2021, we have been engaged in our proprietary initiatives while keeping up with the times, such as launching the Impact "K" Project aimed at expanding impact-oriented investments and loans in 2022, and signing memorandums of understanding with several university corporations to promote a cycle of funds centered on academia. As a universal owner, we will continue to promote investment and loan activities that contribute to the realization of a sustainable society while seeking to maximize investment performance.

		2017	2018	2019	2020	2021	2022	2023	2024
Policies, etc.	Sustainable Investment Policy (formerly known as "ESG Investment Policy")	(▶PRI signature)		▶Enactment		▶Revision | Addition of ESG integration for the entire asset portfolio, sustainable investment priority initiative themes, etc.			▶Revision | Reflected the deepening and enhancement of our approach to responsible investment, etc.
	Stewardship Activities Policy	▶Enacted in 2014					▶Revision | Expanding the scope of engagement to include the entire asset portfolio, etc.	▶Revision | Set natural capital, human rights, and human capital along with climate change as key sustainability themes	
	Policy on Exercise of Shareholder Voting Rights	▶Enacted in 2016		▶Revision		▶Revision			
	Sustainable investment priority initiative themes					▶Setting | Enhancement of well-being, development of local communities and society, and contribution to environmental protection			
Organization	Meeting body	▶Establishment | Responsible Investment Advisory Committee (one outside expert)				▶Reorganization | Responsible Investment Advisory Sectional Meeting (two outside experts)			
	Investment execution departments	▶Global Equity and Fixed Income Investment Department, Credit and Alternative Investment Department, Loan Department	▶Global Equity and Fixed Income Investment Department, Credit and Alternative Investment Department (Alternative Investment Office), Loan Department			▶Global Equity and Fixed Income Investment Department, Global Credit Investment Department, Alternative Investment Department			
	Planning and management departments			▶Establishment | Representative in charge of Responsible Investment Promotion Team: 3 staff members		▶5 staff members	▶5 staff members	▶6 staff members	▶Reorganization | Responsible Investment Office: 6 staff members
Initiatives	Investments	▶PRI		▶TCFD		▶Japan Impact-driven Financing Initiative ▶SIMI ▶JCI	▶CDP ▶PCAF ▶Climate Action 100+ ▶Advance ▶JSI	▶Triple I for Global Health ▶TNFD Forum	▶Impact Consortium ▶Spring ▶Global Impact Investing Network
Impact investment	Impact "K" Project						▶Target: Medium-Term Management Plan (through FY2025) KPI: Cumulative total of 15 projects, ¥50.0 billion		
								▶End of March 2023: Cumulative total of 2 projects, ¥11.25 billion	▶End of March 2024: Cumulative total of 6 projects, ¥22.55 billion
	SIMI Impact Analyst Training							▶2 participants	▶1 participant
Environment	GHG emission reduction						▶Target: GHG emission reduction in the investment portfolio: 50% reduction by the end of March 2030 (compared to the end of FY2020), carbon neutrality by 2050		
Academic-industrial collaboration	Keio University						▶Jan. 2022 Signing of memorandum of understanding	▶Oct. 2023 Investment in KII3, LPS	
	Osaka University							▶Jan. 2023 Signing of memorandum of understanding	▶Jun. 2024 Investment in D3 Bio Healthcare Fund II Limited Partnership
	The Ritsumeikan Trust							▶Mar. 2023 Signing of memorandum of understanding	▶May 2024 Investment in Impact Capital I Limited Partnership

Enhancement of governance structure for promoting responsible investments

Policies Related to Sustainable Investment, Priority Initiative Themes in Sustainable Investment, and Main Investment Approaches

● Policies Related to Sustainable Investment

Sustainable Investment Policy

As a universal owner managing a wide variety of assets over the long term, we have established and announced our Sustainable Investment Policy to clarify our basic approach to sustainable investment.

Our Sustainable Investment Policy stipulates that sustainability (medium- to long-term sustainability incorporating ESG (Environmental, Social, and Governance) factors) should be incorporated into the investment process and that we should engage in constructive dialogue and shareholder voting.

We revised the policy in March 2024 to reflect the deepening and enhancement of our approach to responsible investments in 2022 onward.

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/policy.html

Stewardship Activities Policy

We have established and announced our Stewardship Activities Policy that clearly states our basic approach, including our emphasis on stewardship activities that take ESG factors into account as a universal owner, and our response to Japan's Stewardship Code.

In March 2023, we made a revision to newly set natural capital, human rights, and human capital as key sustainability themes for purposeful dialogue (engagement), in addition to the traditional theme of climate change.

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/assets/pdf/stewardship_policy.pdf

Policy on Exercise of Shareholder Voting Rights

The Company has established and publicly announced the Policy on Exercise of Shareholder Voting Rights for the appropriate execution of shareholder voting rights.

In June 2021, taking into account the growing public interest in sustainability and policy trends, we revised our policy to add provisions related to environmental, social and governance (ESG) issues that contribute to the expansion of corporate value, with the aim of encouraging investee companies to make further efforts to improve their sustainability.

In addition, we revised the Standards for the Exercise of Shareholder Voting Rights in accordance with the Revised Japan's Corporate Governance Code announced by the Tokyo Stock Exchange on June 11, 2021 and the direction of other companies in the industry in changing their standards.

https://www.jp-life.japanpost.jp/aboutus/sustainability/esg/stewardship/shareholder_voting_policy.html (in Japanese)

In addition, the Company's human rights policy stipulates not to tolerate any form of discrimination, and from the perspective of fulfilling our social responsibility through the companies we invest in and finance, we will respect human rights in our stewardship activities, including how we make decisions on investment and financing, and engage in dialogue with the companies we invest in and finance.

▶For details on human rights initiatives, please refer to "Sustainability Themes: Human Rights Initiatives" (p.97).

● Priority Initiative Themes in Sustainable Investment

We focus on the “enhancement of well-being,” “development of local communities and society,” and “contribution to environmental protection” as priority initiative themes and make investments with “warmth” unique to Japan Post Insurance.

● Main Sustainable Investment Approaches

ESG integration

Having introduced ESG integration for all assets under management, we comprehensively evaluate and use financial information as well as sustainability factors. In making investments and loans, we integrate a method that takes each asset’s characteristics into account so as to comprehensively evaluate the ESG initiatives of the investee and incorporate these into our decision-making process.

Engagement
Exercise of shareholder voting rights

As a responsible institutional investor, we respond to social demands such as complying with Japan’s Stewardship Code. At the same time, we are promoting stewardship activities according to the characteristics of each asset, including stocks and bonds, in order to increase medium- to long-term investment returns by promoting the value enhancement and sustainable growth of investee companies.

Sustainability-themed investments
Impact investments

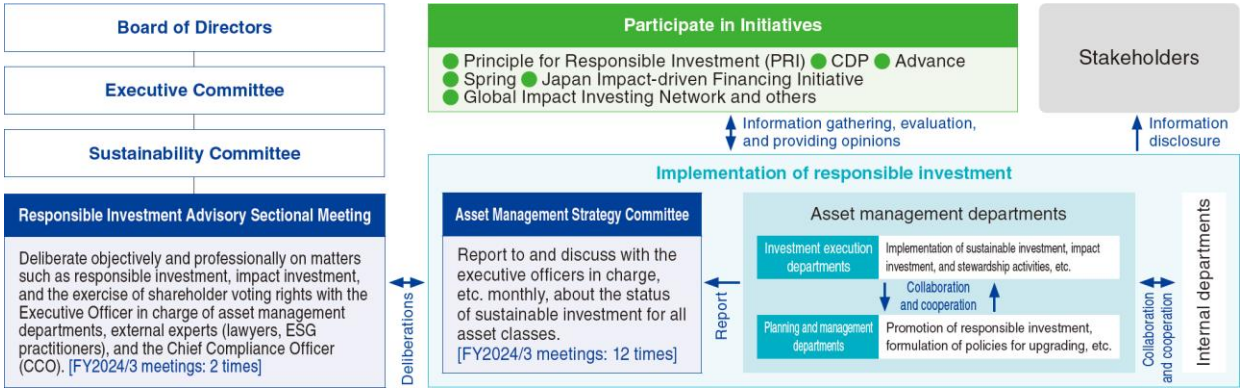
We proactively engage in sustainability-themed investments and impact investments centered on “warmth” unique to Japan Post Insurance and based on the priority initiative themes in sustainable investment.

Negative screening

In an effort to solve sustainability issues and realize a sustainable society, we do not invest in any manufacturers of controversial weapons or new domestic or overseas project financing for coal-fired power generation, which emits a lot of CO_2 and is known to have an adverse impact on climate change.

Governance Structure for Promoting Responsible Investments

At Japan Post Insurance, we work to promote responsible investment, including sustainable investment and stewardship activities, under the following governance structure. Through the Responsible Investment Advisory Sectional Meeting, which includes outside experts, as well as participation in various initiatives, we fully utilize outside perspectives and continue to promote and advance responsible investment.



● Status of Responsible Investment Advisory Sectional Meeting

The Meeting deliberated on matters that contribute to socially responsible investment as an institutional investor, matters related to conflicts of interest that may affect the exercise of shareholder voting rights, the formulation and review of annual plans, and revisions to the Sustainable Investment Policy, etc.

Meeting date	Oct. 2023	Mar. 2024	Oct. 2024
Main agenda items	● Response to the PRI Assessment Report (2023) and future action plan ● Progress towards GHG emission reduction targets in the investment portfolio (as of March 31, 2023) ● Impact "K" Project initiatives (first half of FY2023) ● Status of review of new sustainability issues (human rights, etc.) ● Publication of Responsible Investment Report (July 2022–June 2023) ● Matters concerning the results of exercising shareholder voting rights for in-house investment ● Status of dialogue regarding overlapping investments in equities and corporate bonds (first half of FY2023)	● Summary of FY2023 and action in FY2024 ● PRI 2023 assessment results and future action plan ● Revised the ESG Investment Policy ● Status of Impact "K" Project certification ● Proposal for the update of TCFD and TNFD disclosures ● Measurement and disclosure of GHG emissions related to project finance ● Stewardship Activities Plan for FY2024 ● Results of engagement and IR for domestic credit	● Response to the PRI Annual Assessment Report (2024) and future policies ● Progress towards GHG emission reduction targets in the investment portfolio (as of March 31, 2024) ● Impact "K" Project initiatives (first half of FY2024) ● Deliberation of revision of the Standards for the Exercise of Shareholder Voting Rights ● Matters concerning the results of exercising shareholder voting rights for in-house investment
Attendance rate of members	100%	100%	100%

Special Feature

Promoting Japan as a Leading Asset Management Center

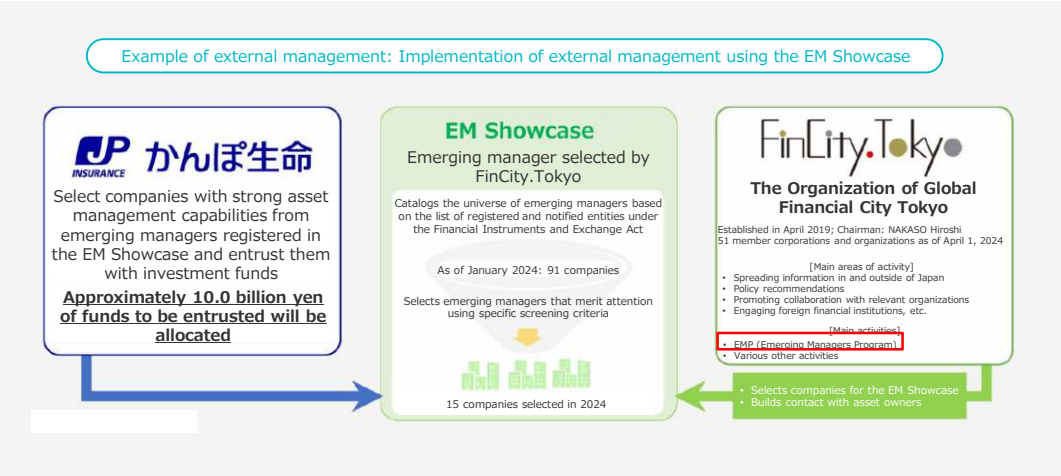
As one of Japan's leading asset owners, Japan Post Insurance has decided to proceed with outsourcing investment management more proactively than ever before by setting aside ¥300.0 billion over the next five years to be managed by the so-called "Emerging Managers" (EMs), up-and-coming asset managers with a low track record of investment, in order to contribute to promoting Japan as a leading asset management center. In addition, of the funds to be entrusted, approximately ¥10.0 billion will be managed externally after conducting due diligence, with the EM Showcase*2 introduced by The Organization of Global Financial City Tokyo*1 as the investment universe.

Aiming to revitalize the asset management industry by actively outsourcing investment management to emerging managers

Funds for external management (by the end of FY2028): ¥300.0 billion

- Of the funds to be entrusted, approximately ¥10.0 billion will be managed externally using the EM Showcase

Contribution to promoting Japan as a leading asset management center



Website of Japan Post Insurance
Policy on entrusting asset management to emerging managers to contribute to promoting Japan as a leading asset management center
https://www.jp-life.japanpost.jp/information/press/2024/abt_prs_id001976.html (in Japanese)

*1 An organization to conduct various public-private financial promotional activities, which was established under the "Global Financial City: Tokyo" Vision formulated by the Tokyo Metropolitan Government in November 2017. The organization has its mission to boost the attractiveness of Tokyo's financial ecosystem, raising its profile as a top-class global financial city.
*2 A measure to introduce emerging managers that merit attention, with the aim of promoting market entry of emerging managers and promoting diversification and sophistication of the domestic asset management business

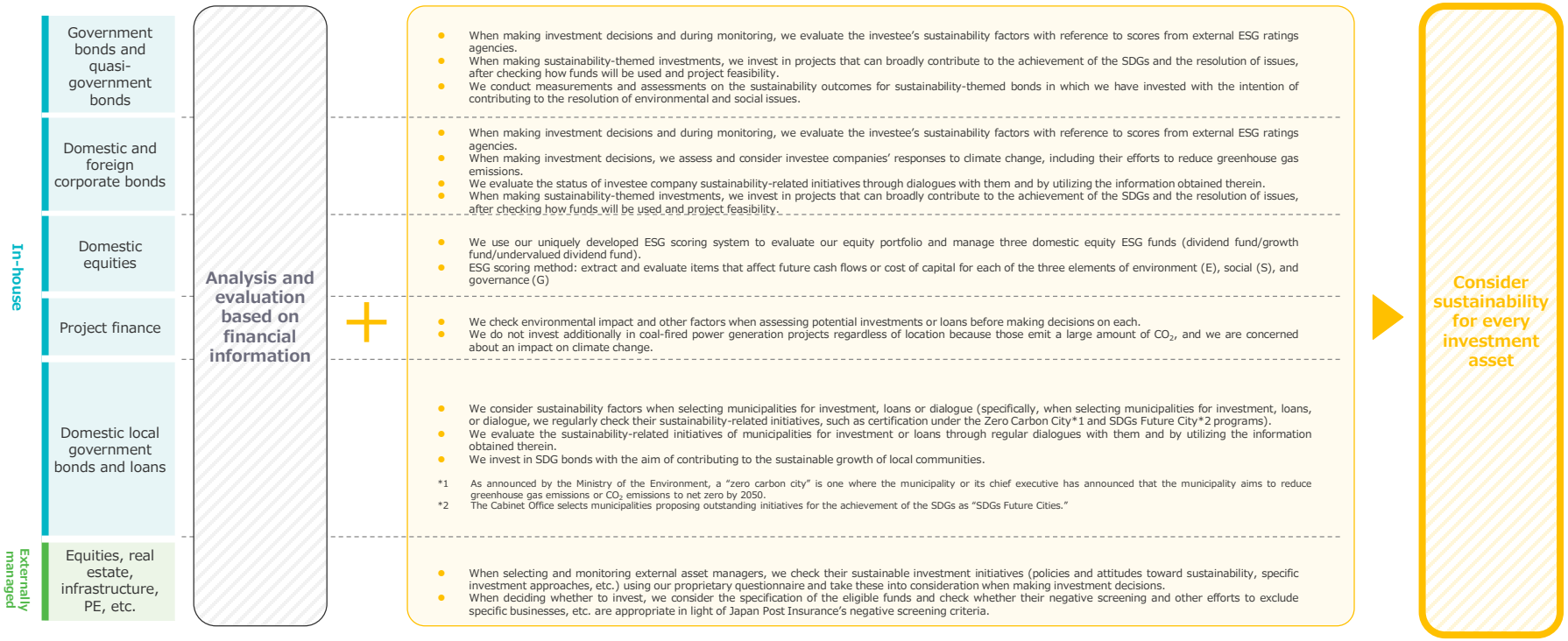
03 ESG Integration

- ESG Integration Initiatives p.17
- ESG Integration by Investment Asset (in-house and externally managed) p.19
- Negative Screening p.33
- <Special Feature> Declaring Acceptance of the Asset Owner Principles p.34

ESG Integration Initiatives

Having introduced ESG integration for all assets under management, we comprehensively evaluate and use financial information as well as sustainability factors (medium- to long-term sustainability, including ESG (Environment, Social, and Governance) matters). We believe that investments considering sustainability enhance the sustainability of society and improve long-term investment outcomes (reduce risks). In addition, there is a correlation between financial information and non-financial information over the long term, and we believe considering sustainability contributes to the strengthening of portfolio risk management and the selection of investees that are expected to grow over the medium to long term, thus leading to improved investment outcomes.

<Approach to incorporating sustainability factors by asset type>



● ESG Integration for Entire Asset Portfolio

In implementing ESG integration, while taking into account the characteristics and investment style of each asset, we comprehensively analyze and evaluate disclosed information, the sustainability initiatives of investees, the results of engagement (purposeful dialogue) and monitoring, data on GHG emissions, etc., and external ESG evaluation data, and incorporate this into our decision-making. From the perspective of managing assets appropriately to fulfil our fiduciary responsibility as an asset owner, we also apply ESG integration to externally managed assets. The results of these analyses and evaluations are also used in engagement with investees and external asset managers.

Determination of investment target universe	Negative screening	Specific exclusion criteria have been set to address sustainability issues and realize a sustainable society
	Quantitative screening	Perform screening of stocks by liquidity, credit risk, and other measurable factors
Company selection through analysis and evaluation	Financial information	Analyze and evaluate financial information (sales, liabilities, sales volume, and other information which can be measured in numbers and quantities) from financial documents and other sources
	Non-financial information	Analyze and evaluate sustainability initiatives, GHG emissions, and information obtained through engagement and monitoring, etc.
Portfolio establishment	Execution of investment	Determination of investee companies, weights, etc.
Stewardship activities	Engagement Exercise of shareholder voting rights	Engage in dialogue with companies about issues necessary for enhancing corporate value and exercise of shareholder voting rights based on our Policy on Exercise of Shareholder Voting Rights

● Responsible Investment Questionnaires

When selecting external asset managers and conducting post-investment monitoring, we use our proprietary responsible investment questionnaire to comprehensively analyze and evaluate them from the perspective of the best interests of beneficiaries as an asset owner. Using this questionnaire, we check not only their investment performance, investment structure, risk management structure for conflicts of interest, and decision-making processes, but also their approach to considering sustainability factors and the status of sustainability initiatives in the investment process, engagement policy, and participation in initiatives. We regularly review the questionnaire to maintain and improve quality. In FY2023, we made changes to reflect the revision of PRI evaluation items.

Our proprietary ESG scores based on the characteristics of each asset

In order to analyze and evaluate the ESG integration conducted by asset managers in external investments, in addition to the responsible investment questionnaire, we have also established our own ESG score according to the characteristics of the asset. We also use the score analysis and assessment results in dialogue with asset managers to encourage ESG integration initiatives. The items and criteria subject to assessment are also regularly reviewed.

<Examples of changes to items and criteria>

- Domestic equity investment: In order to appropriately evaluate the initiatives of asset managers, we reviewed assessment criteria and weighted averages, and divided the evaluation results.
- Domestic credit funds: Changes to criteria in line with sustainability disclosure status and sustainability themes we focus on as an asset owner

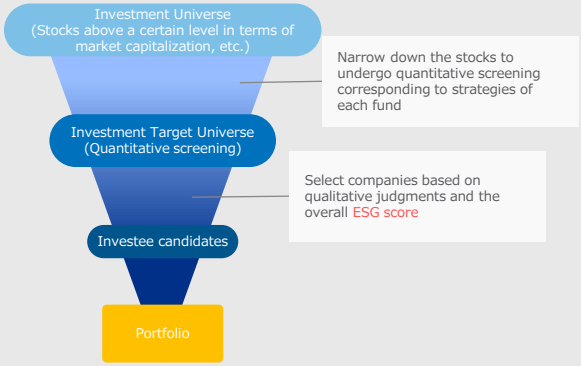
In-house

Domestic Equity Investment

Approach

We believe that ESG factors are closely related to corporate value and implement ESG integration for all in-house domestic equity funds.

Dividend funds	Investment in high-dividend companies expected to increase their corporate value over the medium to long term, based on a comprehensive evaluation of the company's ESG initiatives in addition to its financial information
Growth funds	Investment in companies using environmental and social initiatives as growth opportunities, evaluating their contribution to business performance and growth potential with regard to technological capabilities and business infrastructure contributing to achieving the SDGs and solving social issues, while considering financial information
Undervalued dividend funds	Investment in undervalued companies expected to ensure income revenue and offer high returns during market recovery based on a comprehensive evaluation of the company's ESG initiatives in addition to its financial information



Proprietary ESG Scoring for Domestic Equity Investments

The general corporate value evaluation model calculates value by discounting the future cash flow by the cost of capital. However, as shown in the diagram on the right, we believe that ESG factors affect both future cash flows and the cost of capital. Based on this view, we calculate ESG score for each company and incorporate this into our investment decisions.

ESG growth drivers → Impact on future cash flow

ESG factors are expected to have a significant impact on corporate performance, such as the many business opportunities created by SDGs and the future large economic benefits estimated worldwide. And we believe that it is difficult to assess growth opportunities based on publicly available information alone. Therefore, our analysts carefully research the investee companies to independently assess their growth opportunities based on ESG.

ESG-related risks → Impact on cost of capital

We assess factors which pose risks in assessing corporate value, such as CO_2 emissions and plant safety management, using mainly quantitative data published by companies. As it is difficult to evaluate our priority initiative themes in sustainable investment of the enhancement of well-being and the development of local communities and society, as well as governance, using only quantitative data, our analysts also use qualitative judgment.

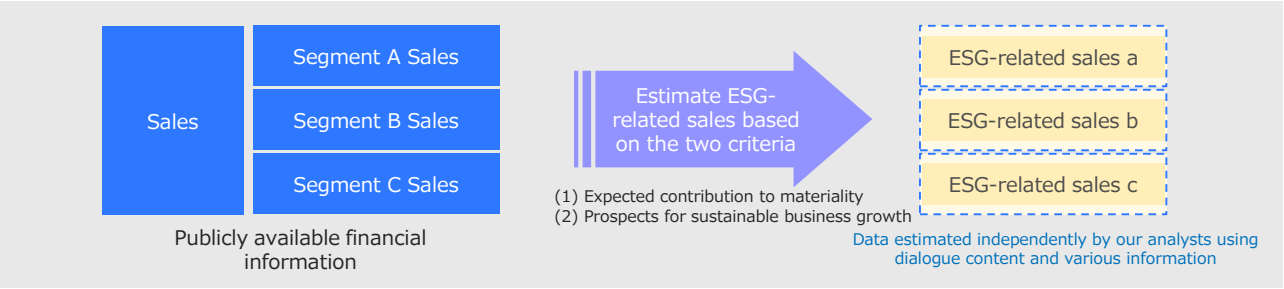
◇ Connection between corporate value and ESG factors

In-house Domestic Equity Investment

Process and Initiatives (ESG Score Calculation Flow)

(1) Estimate ESG-related sales (sales of ESG-related businesses and products)

In estimating ESG-related sales, we establish the following two criteria of (1) expected contribution to materiality (key issues) and (2) expected sustainable growth potential for the business, and estimate the weighting of ESG-related sales in total sales for each segment. The financial information disclosed by companies rarely discloses the sales of such ESG-related businesses and products. Therefore, our analysts independently make estimates based on dialogue with companies and comprehensive analysis of various information. For example, for Chemical Company A, one of the world's top chemical companies in materials for lithium-ion batteries used in cars, our analysts estimate sales of such materials based on company comments and information on capital investments if the sales of such materials are not disclosed.



(2) Evaluate the company's ESG score based on our proprietary assessment system

We extract items believed to affect a company's future cash flows and cost of capital for each of the ESG elements of environment (E), social (S), and governance (G), and evaluate the target company's ESG score on a three-level scale (1 to 3) in accordance with our proprietary assessment system.

◇ ESG score assessment system

ESG Score (Out of 100)	Environment (E)	ESG growth drivers	ESG-related sales
		ESG-related risks	Evaluation using quantitative data (CO_2 emissions, etc.)
	Social (S)	ESG growth drivers	ESG-related sales
		ESG-related risks	Qualitative evaluation (enhancement of well-being, development of local communities and society)
			Evaluation using quantitative data (ratio of female managers, etc.)
	Governance (G)	ESG-related risks	Evaluation using quantitative data (ratio of outside directors, etc.)
			Qualitative judgments (status of improvements in governance, attitude toward dialogue, etc.)

In-house Domestic Equity Investment

Point 1: Delve into Growth Drivers in the Growth Fund

For growth funds that invest in companies that view environmental and social initiatives as growth opportunities with a focus on environment- and social-related growth drivers, we create an environmental and social initiative assessment sheet in addition to calculating ESG scores to delve into these initiatives when establishing our portfolio, and select companies with high strategic growth potential related to environmental and social factors.

(1) Estimate ESG-related sales

(2) Evaluate the company's ESG score

(3) Create an environmental and social initiative assessment sheet

The environmental and social initiative assessment sheet is used to evaluate whether a company's technological capabilities and business foundation related to solving environmental and social issues serve as growth drivers. For companies that are investee candidates for growth funds, this assessment sheet is prepared to delve into their corporate environment and social initiative-related growth drivers.

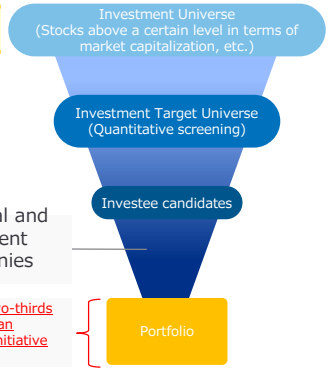
(4) Select companies with environmental and social initiative rating of A

Items that meet any of the following assessment items are rated A.

- Environment- and society-related sales: 20% or more
- Environment- and society-related profit: 20% or more
- Growth contribution of environment- and society-related sales: 20% or more
- Growth contribution of environment- and society-related profit: 20% or more

(5) Portfolio establishment

Determine investees and weights, etc., to establish a portfolio with two-thirds of companies having an environment and social rating of A



Create an environmental and social initiative assessment sheet and select companies with a rating of A

Establish a portfolio with two-thirds of companies having an environmental and social initiative rating of A

Point 2: Connection Between Sustainability Investment Priority Initiative Themes and Assessment Items Used in the Calculation of ESG Scores

For calculating ESG scores, we use items believed to contribute to the improvement of relevant social issues as evaluation criteria, with due consideration of our priority initiative themes in sustainable investment.

<Identification of assessment items>

Priority Initiative Themes	Related Social Issues	Assessment Items Used in the Calculation of ESG Scores	
Enhancement of well-being	• Disparities in the lives of children • Social inclusion of the aging population, people with disabilities, etc. • Gender gap • Improvement of health and hygiene	ESG-related sales	Businesses related to education, social inclusion, health promotion, etc.
		Quantitative items	Gender indicators such as the ratio of female managers, indicators related to human rights and supply chain
		Qualitative items	Contribution to health promotion, etc.
Development of local communities and society	• Support for local business revitalization and attraction of companies • Support for building local community	ESG-related sales	Businesses related to local community development, etc., and businesses related to social infrastructure
		Quantitative items	Contribution to job creation in rural areas, etc.
Contribution to environmental protection	• Support for renewable energy • GHG emission reduction • Conservation of natural resources • Biodiversity protection	ESG-related sales	Businesses related to climate change, circular economy, and nature resource conservation
		Quantitative items	GHG emissions per unit of sales, amount of waste, water consumption, and wastewater discharge. Environmental impact mitigation policies, supply chain environmental impact mitigation measures

In-house Domestic Equity Investment

<Analysis Report> Verification of ESG Evaluation of Portfolio Constituent Companies (As of March 31, 2024)

Comparison of ESG scores of portfolio constituent companies and of TOPIX500

For the 126 constituent companies of the dividend fund, growth fund, and undervalued dividend fund in domestic equity management, the weighted average ESG score exceeded the benchmark TOPIX500 for each of the E, S, G categories.

◇ ESG score*1 comparison

	ESG Score	Environment (E)	Social (S)	Governance (G)
TOPIX500*2	69.0	22.9	25.4	20.7
Constituent companies of the dividend fund, growth fund, and undervalued dividend fund: 126 companies	72.3	23.7	26.3	22.3
Comparison analysis		The score outperformed the benchmark due to many companies having ESG-related sales (business expected to have a contribution to environmental protection) above the market average.	The score outperformed the benchmark due to many companies having ESG-related sales (businesses that are expected to contribute to the enhancement of well-being and the development of local communities and society) as well as a ratio of female managers and other factors that are above the market average.	The score outperformed the benchmark both quantitatively and qualitatively, due to the inclusion of items related to capital efficiency during screening.

*1 Weighted average values
*2 TOPIX500 ESG scores are calculated based on our assessment system used for domestic equity investments

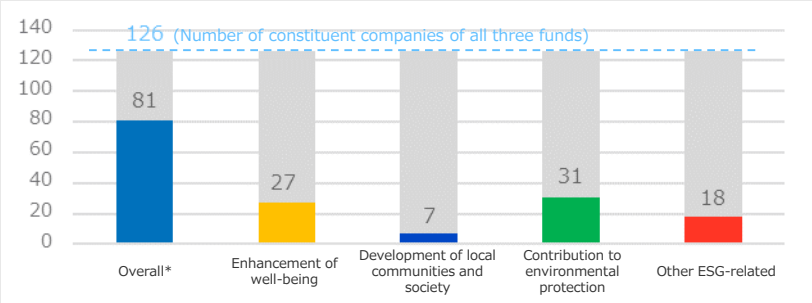
ESG-related sales as a percentage of constituent companies

Of the 126 constituent companies held for domestic equity management in the three funds, 81 had ESG-related sales that exceeded 20% of the total.

<Characteristics of constituent companies by theme>

Enhancement of well-being	Development of local communities and society	Contribution to environmental protection	Other ESG-related
Companies which have businesses that contribute to an improvement in healthcare	Companies which have businesses that contribute to social infrastructure, local job creation, and local community interaction	Companies which have businesses that contribute to climate change measures such as reducing GHG emissions	Companies which have businesses related to labor productivity improvement, technological innovation, etc.

◇ Number of stocks with ESG-related sales ratio of 20% or more (by theme)



* Because ESG-related sales may consist of multiple themes, the number of companies (81 companies) under "Overall" in the table above does not match the sum of companies by theme.

In-house Domestic Equity Investment

<Analysis Report> Effect of GHG Emission Reduction as a Result of ESG Integration (March 31, 2024)

Comparison of portfolio constituent companies and TOPIX

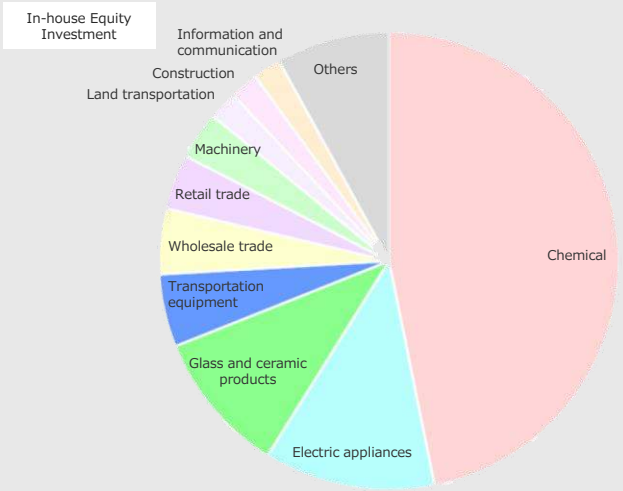
The GHG emissions (Scope 1 + 2) from stocks held in domestic equity investment were measured to be lower than the GHG emissions by TOPIX companies. Therefore, we believe that ESG integration contributes to the reduction of GHG emissions. We will continue to make investment decisions in consideration of ESG factors including GHG emissions and encourage our investee companies to address them through dialogue.

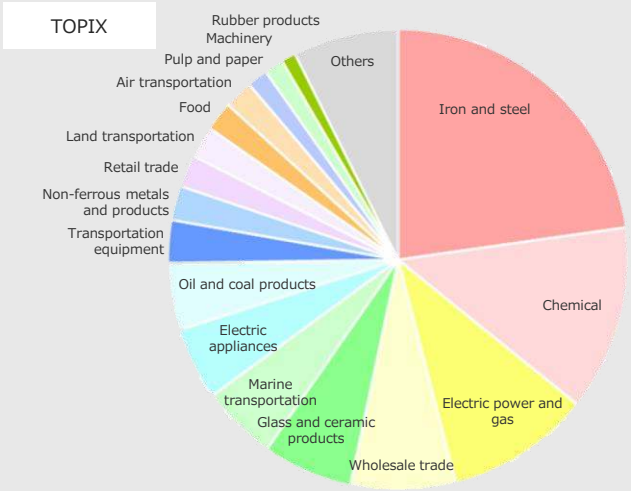
<Measurement results>

	GHG emissions (Scope 1 + 2)
In-house equity investment	188,430
TOPIX*	300,458

* Benchmark figures are calculated based on the emissions of a benchmark holding the same amount as our investment balance.

◇ Breakdown of GHG emissions by industry





Source: ©2024, S&P Trucost Limited, Japan Post Insurance

In-house

Domestic and Foreign Corporate Bond Management

Approach

In making investment decisions in both domestic and foreign corporate bond management, we promote ESG integration by incorporating evaluations based on non-financial information such as sustainability factors as well as financial information. In addition, to avoid greenwashing in investments in sustainability-themed bonds, we verify the use of funds and the effectiveness of the project, and also continuously check the allocation of funds after investment.

Process and Initiatives

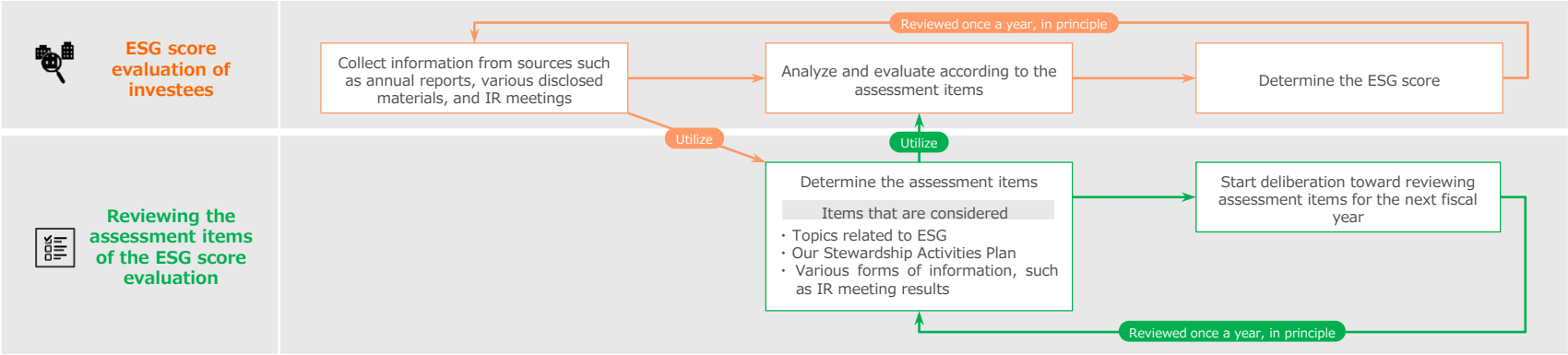
	Evaluation based on financial information, etc.		Evaluation based on non-financial information including sustainability factors
(1) Selection of investment universe	We analyze financial and business risks, and consider sector trends and outlook.	+	• Sustainability factors in general are considered. • Checks for negative news related to governance, such as money laundering, are performed as needed, and new investments in investee companies where problems are observed are suspended. • Our own ESG scores are assigned to certain industries. • When selecting investee companies, we also use evaluation by external ESG assessment organizations to make a comprehensive assessment, and improve the quality of our portfolio. • When investing in sustainability-themed bonds, we verify the use of funds and the effectiveness of the project.
(2) Company selection and investment execution	Investment decisions are made in consideration of the term, price, and sector allocation of the portfolio.	+	
(3) Monitoring and reporting	Bond issuers are continuously monitored, and the results of monitoring are reported to the relevant departments on a monthly basis.	+	• We confirm the status of improvement of indicators as well as the content and progress of measures related to sustainability by checking various disclosure materials such as annual reports. • For sustainability-themed bonds, we verify the allocation of funds, etc.
(4) IR meetings	We confirm recent business, and hold dialogue on future prospects.	+	In addition to holding dialogues on matters we consider important (GHG emissions reduction, employee quality of life, community contributions, etc.), we also conduct letter-based engagement with some issuers, including overseas companies. We confirm the current status and improvement measures, and also share our views as an investor with companies, and point out areas where room for improvement can be found, and encourage them to take action.

In-house Domestic Corporate Bond Investment

Evaluation Based on ESG Scores Specifically for Domestic Corporate Bond Investments

In domestic corporate bond investments, we consider sustainability factors for all investees, and assign our proprietary ESG scores to certain industries. We review the assessment items and individual company evaluation that we use when assigning scores on an annual basis in principle, and we are working to enhance them by utilizing the knowledge we have gained.

<Evaluation process using ESG scores>



Investment in Sustainability-themed Bonds and Management Process

When purchasing sustainability-themed bonds in domestic corporate bond investment, we check the use of funds for sustainability-themed bonds as necessary at IR meetings, etc. prior to investment. In addition, we list the sustainability-themed bonds we hold, and the results of confirmation of the appropriation of funds are compiled and shared at internal meetings once a year, in principle.

IR meetings

Confirmation with issuers about the use of funds for sustainability-themed bonds issued

<Interview items and examples>
- ✓ Timing of impact report issuance
- ✓ Degree of quantification of disclosed impact

Company selection and investment execution

After purchasing sustainability-themed bonds, we register the purchased stocks in a management list.

<Management items registered and examples>
- ✓ Name of stocks, type, and use of funds

Monitoring and reporting

Refer to impact reports, etc., to update the management list regarding the status of fund allocation and projects to which funds have been appropriated. We share information in internal meetings once a year.

<Management items updated and examples>
- ✓ Status of fund usage and projects to which funds have been appropriated

Continuous implementation

In-house

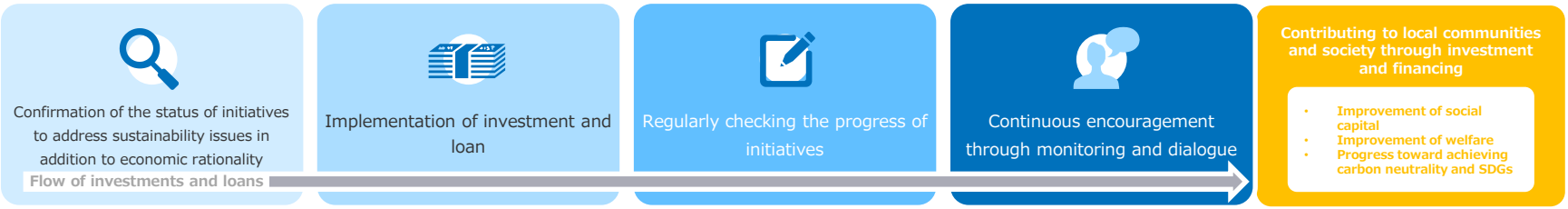
Domestic Local Government Bonds and Loans

Approach

In addition to economic rationality, such as yield levels and financial conditions, in investments and loans to local governments, efforts toward our priority initiative themes in sustainable investment (enhancement of well-being, development of local communities and society, contribution to environmental protection) are also incorporated into investment and loan decisions.

Incorporation into investment and loan decisions	In addition to economic rationality such as yield levels of bonds and loans and financial conditions of our investees, we also evaluate initiatives towards sustainability issues such as the status of Zero Carbon City*1 declarations and SDGs Future Cities*2 certifications before making investment and loan decisions. In addition, we conduct ongoing verification through monitoring and dialogue even after making investments and loans. *1 As announced by the Ministry of the Environment, the local government where the municipality or its chief executive has announced that the municipality aims to reduce greenhouse gas emissions or CO_2 emissions to net zero by 2050. *2 The Cabinet Office selects "municipalities proposing outstanding initiatives for the achievement of the SDGs."
Constructive dialogue with investees (Engagement)	We regularly conduct dialogue with the local governments which are our investees to check their efforts on sustainability issues and encourage them to take steps to resolve the issues they face. In addition, information obtained through dialogue is reflected in the evaluation of the local government. ▶ Please see to p.68 for details on constructive dialogue (engagement) with local governments.

Process and Initiatives



Sustainability issues to be considered when exploring or monitoring investments (examples)

- Environmental measures (global warming measures, waste disposal, etc.)
- Regional promotion/urban development (renovation, etc.)
- Social welfare (welfare for the elderly, disabled, etc.)
- Disaster prevention/crisis management (flood control, etc.)
- Measures in response to population decline (support for marriage and child raising, promotion of settlement of people moving, etc.)
- Education (school environment improvement, etc.)

In-house

Government Bonds and Quasi-Government Bonds

Approach

Based on the items we prioritize as priority initiative themes in sustainable investment (enhancement of well-being, development of local communities and society, and contribution to environmental protection), we conduct our own proprietary ESG scoring and incorporate it into investment decisions.

Process and Initiatives

(1) Select items that are consistent with our policies using World Bank data

We select items judged to reflect the factors emphasized in our Sustainable Investment Policy from the database published by the World Bank.

	Focus area	Item examples
E	Natural resources and transition risks	• Natural resources and transition risks • Food security
S	Health and equality	• Health and nutrition • Poverty and inequality
G	Political conditions and public freedom	• Public voice and accountability • Regulatory quality

(2) Conduct ESG scoring of each country

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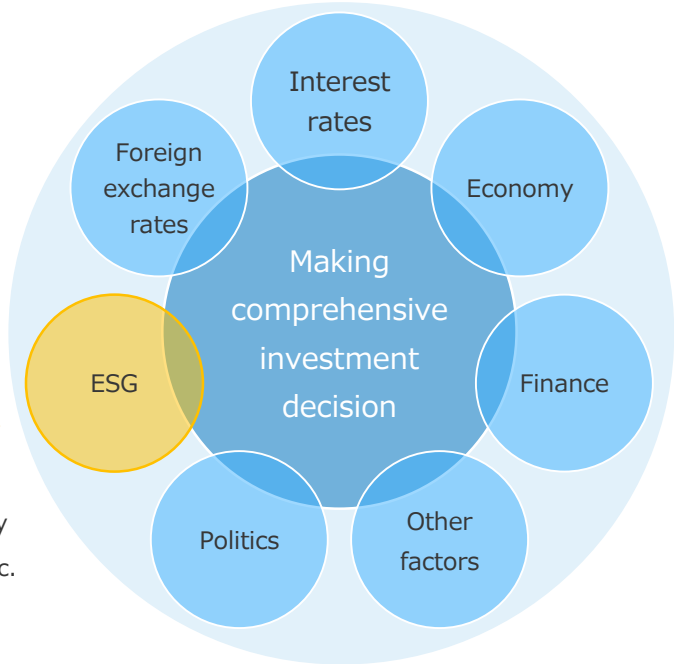
- ESG score stability
- ESG initiatives, etc.

(3) Make a comprehensive investment decision while referring to ESG factors



In-house

Project Finance

Approach

Our investments and loans in project finance mainly target debts for renewable energy power generation facilities (solar power, etc.) in Japan and overseas. In making investment or loan decisions, we confirm the environmental impact with the operator and other relevant parties, and make comprehensive judgments based on the results of on-site inspections, economic rationale, and other considerations. Note that in accordance with our negative screening, we do not make any new investments or loans related to coal-fired power generation.

Process and Initiatives

Points to confirm (examples)

Interaction with the local community	Information provision, preliminary briefing implementation, etc. for the residents of the surrounding area have been appropriately carried out.
Impact on the surrounding environment	Third-party surveys of the surrounding environment have been conducted, and appropriate measures in terms of safety and impacts on the environment and the ecosystem, etc. have been taken.

Externally managed

Infrastructure Funds

Approach

When selecting an external asset manager, we confirm whether it is prepared to invest in accordance with our Sustainable Investment Policy by checking its sustainability action policy and the implementation status of ESG integration. Furthermore, after the selection of an external asset manager, we continue to monitor the status of the manager. In addition, in fund-of-funds-style operations, we request external asset managers to conduct due diligence on the funds regarding their sustainable investment initiatives, and we verify the contents of these initiatives. Note that in accordance with our negative screening, we do not make any new investments in project financing related to coal-fired power generation.

Process and Initiatives

Confirmation of status of sustainable investments

Points to confirm	●PRI signatures, ●published indicators (such as SFDR, GRESB rating), ●the development of a sustainable investment framework (policies and regulations, existence or non-existence of specialized resources), ●implementation of ESG integration in the investment decision-making process, and ●regular disclosure of sustainability information to investors

Negative screening criteria (domestic/overseas)

Common	Companies involved in controversial weapons Project financing for coal-fired power generation
Domestic	Military-related facilities
Overseas	Companies involved in the manufacture and sale of illicit drugs

Externally managed

External Equity Investment

Approach

For external equity investment, we continuously verify the initiatives in responsible investments by external asset managers and funds at the time of making investment decisions and during monitoring after investment.

<Main confirmation and evaluation methods>

Questionnaires and interviews regarding responsible investment	We check the investment initiatives (policies and attitudes toward responsible investment, specific investment approaches, etc.) of external asset managers through questionnaires and interviews regarding responsible investment.
Negative screening	When deciding whether to invest, we consider the specification of the eligible funds and check whether their negative screening defined by the funds and other efforts to exclude businesses, etc. are appropriate in light of Japan Post Insurance's negative screening criteria.
Annual evaluation of asset managers	ESG integration initiatives, etc. are also subject to evaluation. In FY2024, we revised and divided our assessment criteria to appropriately evaluate the initiatives of each company.

Process and Initiatives

We check how ESG factors are considered in the investment process, company selection, and asset screening during portfolio establishment, as well as the asset manager's responsible investment policies and structure.

<Example of ESG integration of external asset managers>

Information collection

Financial information published by the company
- Summary of financial results and presentation materials
- Annual securities reports, annual reports, etc.

Engagement
- Dialogue with companies by analysts and fund managers
- Collaborative engagement with external parties, etc.

ESG data
- ESG data, including non-financial information

Company selection through analysis and evaluation

Financial analysis

ESG evaluation

- Calculate ESG score
- Calculate corporate value by incorporating into earnings forecasts, cost of capital, etc.

Portfolio establishment

- Determination of investee companies, weights, etc.
- Execution of investment

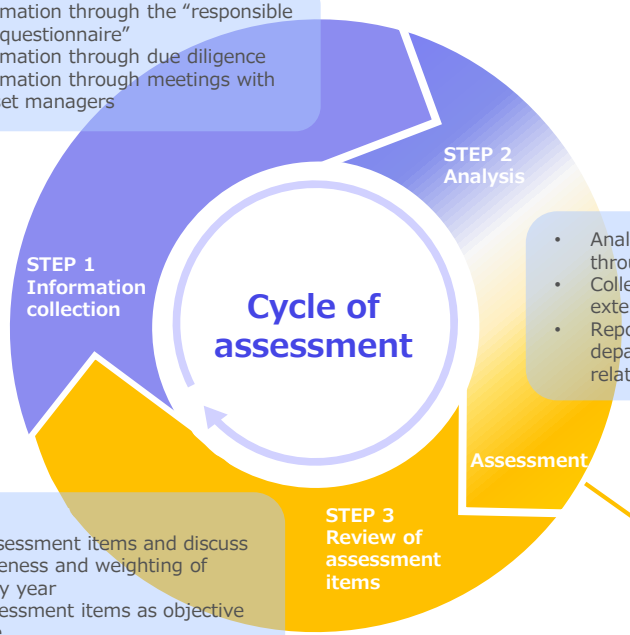
Externally managed

Credit Funds

Approach

For credit fund external asset managers, we conduct one assessment a year in principle, based on sustainability-related scoring of potential and existing managers, and use them in the investment process. We use our own proprietary assessment methods in line with our Sustainable Investment Policy, and we review the assessment items annually to enhance them. We also use sustainability-related assessments in our engagement with outsourced asset management companies to confirm the status of their sustainability initiatives and encourage them to make improvements.

Process and Initiatives



- Collect information through the "responsible investment questionnaire"
- Collect information through due diligence
- Collect information through meetings with external asset managers

- Analyze and assess information obtained through information collection
- Collect additional information about external asset managers
- Report assessment results within the department and to responsible investment-related departments within the company

- Review assessment items and discuss appropriateness and weighting of items every year
- Revise assessment items as objective as possible

Also use for engagement with external asset managers

- Confirm status of assessment items in detail
- Share recognition of issues and promote improvements to resolve them

Assessment items exclusively for credit fund asset owners (examples)

1	Status of engagement
2	Status of climate change response
3	Status of information disclosure related to ESG
4	Human rights initiatives
⋮	⋮
Total	Scoring with a graded distribution of each assessment item

Externally managed

Real Estate Funds

Approach

We conduct real estate fund investment mainly through outsourced management using an external investment manager. When selecting external investment managers for these funds, we use our responsible investment questionnaire to confirm the status of their sustainability initiatives. In addition, even after the start of investments, we continuously confirm their sustainability initiatives through monitoring using questionnaires (in principle, once a year) and engagement, and promote more advanced monitoring and proactive engagement through the use of GRESB, etc.

Participation in GRESB, use in monitoring, etc.

GRESB REAL ESTATE

- Established in 2009, GRESB is a benchmark tool to evaluate sustainability performance of companies and funds that own and manage real estate and infrastructure. GRESB is also an organization that operates the benchmark tool. The GRESB Real Estate Assessment, a real estate benchmark, covers a wide range of assessment criteria, including the ESG performance of properties held, corporate governance, and stakeholder engagement performance.
- We became the first Japanese life insurance company to join as an investor member in December 2021. In addition to enhancing ESG integration, we use it to deepen our engagement, understand industry trends, and collaborate with other institutional investors.

Process and Initiatives

Confirmation of status of ESG initiatives

We confirm specific initiatives of external investment managers such as sustainability-related policies and frameworks, and their approach to sustainable investment.

Conducting active engagement

With the aim of promoting the spread of sustainable real estate with high environmental value, we confirm the acquisition status of environmental certifications and encourage certification acquisition for candidate properties to be included in the fund. We also conduct monitoring after investment that involves collecting data on the properties included in the fund, such as GHG emissions, and verifying their participation and evaluation results in the GRESB Real Estate Assessment, and proactively conduct engagement based on this information.

Flow of investments: Japan Post Insurance → External investment managers (Investing and monitoring) → Real estate funds (Investment) → Real estate, etc. (Investment)

Externally managed

Private Equity Funds

Approach

Private equity investments are mainly conducted externally through asset managers. We incorporate research and evaluation of sustainability initiatives into our due diligence of investee candidates and our monitoring after the start of investment. We also participate in the ESG Data Convergence Initiative with the aim of enhancing ESG integration and improving its effectiveness in the private equity investment market, where the impact of laws and regulations on the disclosure of sustainability information is limited.

Participation in ESG Data Convergence Initiative

ESG Data Convergence Initiative

- Officially launched in 2021, the ESG Data Convergence Initiative aims to standardize ESG-related reporting and improve information transparency and portfolio comparability in the private equity industry, and contribute to the development of the industry.
- We support this initiative and have been a participant since 2022. We believe that in order to strengthen initiatives geared toward sustainable investment in our private equity fund investments, it is necessary to ensure the transparency of ESG data and improve comparability through standardization. As such, we support data collection, benchmark creation, and other projects led by the ESG Data Convergence Initiative.

Process and Initiatives

Selection of asset managers (New investment)	● In our due diligence for investee candidates, we use the responsible investment questionnaire to confirm the asset managers' own initiatives, such as policies and systems related to responsible investment and stewardship, and how ESG is incorporated into their investment process.
After the start of investment	● After the start of investment, we regularly monitor, analyze, and evaluate the sustainable investment initiatives of the asset manager and investee funds. ● We conduct engagement through pipeline meetings and investment reporting meetings to promote further involvement in sustainability initiatives.

Negative Screening

As a responsible institutional investor, we aim to solve sustainability issues and achieve a sustainable society by setting criteria for negative screening and incorporating ESG integration into portfolio establishment.

Screening Targets

Points to confirm (examples)

Controversial weapons (cluster bombs, anti-personnel mines, biological and chemical weapons)	Because controversial weapons (cluster bombs, anti-personnel mines, biological and chemical weapons) inflict enormous damage on civilians indiscriminately, we do not invest in companies that manufacture these weapons.
New domestic and foreign project finance related to coal-fired power generation	Coal-fired power generation emits large amounts of CO_2, and there are concerns about its impact on climate change. For this reason, we will not invest in new domestic or foreign project finance related to coal-fired power generation, regardless of its generation efficiency.

Screening Procedure

Planning and management departments investigate and identify screening targets, then notify investment execution departments who exclude them from candidate investee companies. We also inspect investee companies on our investment portfolio regularly.

The basis of negative screening is reviewed on an ongoing basis, taking into account social conditions in Japan and overseas.

Special Feature

Declaring Acceptance of the Asset Owner Principles

Japan Post Insurance announced its agreement with and acceptance of the provisions of the Asset Owner Principles in fulfilling its responsibility to take into account the best interests of beneficiaries when managing their assets.

The principles were formulated as part of asset ownership reform efforts under the "Policy Plan for Promoting Japan as a Leading Asset Management Center" promoted by the Government of Japan, and they establish a set of common principles that are useful for asset owners including insurance companies to fulfill their responsibility to manage their assets, taking into account the best interests of beneficiaries. Japan Post Insurance will pursue the best interests of its beneficiaries and contribute to the creation of social value by setting and implementing the policy on our efforts regarding the five Principles.

Website of Japan Post Insurance
Declaring Acceptance of the Asset Owner Principles
https://www.jp-life.japanpost.jp/information/press/2024/abt_prs_id002007.html (in Japanese)

Asset Owner Principles

(Principle 1)	Asset owners should take into account the best interests of beneficiaries. In doing so, they should determine the purpose of investing, and then set investment targets and policies based on the purpose through an appropriate process, taking into account the economic and financial situation. The purpose of investing, targets, and policies should be reviewed as appropriately in response to changes in situations.
(Principle 2)	Asset owners need to make decisions based on their expert knowledge, in pursuing the best interests of beneficiaries. They should develop an appropriate structure, by securing talents with sufficient knowledge and experience, in order to realize the investment purpose and policies set forth by Principle 1. They should make such a structure function properly, and consider using external knowledge and outsourcing when needed to receive and enhance expert knowledge.
(Principle 3)	Asset owners should choose investment methods appropriately to achieve the investment targets, based on the investment policies, from the viewpoint of the interests of beneficiaries, not those of themselves or third parties. Asset owners should appropriately manage risks, including by diversifying the investment portfolio. In particular, when they entrust investment to other entities such as financial institutions, the asset owners should select the optimal investment trustee while managing conflicts of interest. The choice of the investment trustee should be reviewed periodically.
(Principle 4)	Asset owners should provide information on the status of asset management ("visualization") and engage in dialogues with stakeholders, in order to fulfill accountability to stakeholders.
(Principle 5)	Asset owners should give consideration to the sustainable growth of investee companies by conducting stewardship activities by themselves or through the investment trustee, in order to achieve the investment targets for beneficiaries.

Our Efforts Regarding the Asset Owner Principles

(Principle 1)

- Japan Post Insurance plays the three roles of life insurance company, universal owner, and listed company, and engages in asset management with the goal of earning steady investment income for all of its stakeholders over the medium and long term.
- Since life insurance is a long-term financial product, in order to ensure that future insurance claims are paid out, our basic policy is to make steady investments using ALM(Note 1), with a focus on national government bonds, under an ERM(Note 2) framework. Moreover, our basic investment policy is to improve profitability by promoting the diversification of investments while conducting asset management with appropriate risk management.
- This investment policy is determined by the Board of Directors, etc. as a medium-term target portfolio and annual asset management policy based on the medium- to long-term outlook for the economic and financial environment. We also review this policy as necessary in response to changes in the economic and financial environment.

(Note 1) ALM: Asset Liability Management
(Note 2) ERM: Enterprise Risk Management

(Principle 2)

- In addition to working to develop frameworks to secure the talents needed to realize the investment purpose and policies set forth by Principle 1, Japan Post Insurance implements efforts such as developing investment specialists and employing experienced talent. In addition, as a foundation to support asset management, we are working to strengthen our organizational structure and administrative and IT system framework.
- Whether assets are managed in-house or externally, we consider a wide range of investment methods to find the method best suited to the investment target, region, and asset class. In this way, we work to develop a system to improve investment income.

(Principle 3)

- Japan Post Insurance aims to improve risk-return by formulating a medium-term target portfolio to ensure steady revenue over the medium term, and building up return-seeking assets while striving for risk diversification. Stringent risk management is conducted to ensure that investment risk remains within the risk tolerance set by the Company.
- When selecting external investment trustees, we select the optimal trustee based on an assessment of their investment targets and systems, risk management system for conflicts of interest, etc., decision-making process, and fees. Furthermore, investment trustees are reviewed through periodic monitoring.
- We have also implemented efforts aimed at promoting Japan as a leading asset management center, such as developing a framework to actively promote the outsourcing of investment to the so-called "Emerging Managers" (EMs) with a low track record of investment.

* Policy on entrusting asset management to emerging managers: https://www.jp-life.japanpost.jp/information/press/2024/abt_prs_id001976.html (in Japanese)

(Principle 4)

- Japan Post Insurance makes efforts to deepen understanding of a wide variety of stakeholders through clear and easy-to-understand information provision. Information on the status of asset management ("visualization") is provided in the Annual Report and Responsible Investment Report as well as statutory and timely disclosure documents such as annual securities report. We also strive to provide information in a manner suited to each stakeholder through General Meetings of Shareholders, briefings for individual investors, sustainability briefings, media on our website, IR activities, etc.

(Principle 5)

- As a responsible institutional investor that makes long-term investments, Japan Post Insurance has established policies that clarify our basic approach regarding sustainable investment, stewardship activities, and the exercising of shareholder voting rights. We conduct asset management in accordance with these policies and work to contribute to the sustainable growth of investee companies.
- To this end, in addition to responding to social demands such as compliance with the Japan's Stewardship Code, we conduct stewardship activities in order to increase investment returns in the medium and long term, by enhancing the value of investee companies and promoting their sustainable growth.

* Stewardship activities: https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

- In addition, Japan Post Insurance signed the PRI (Principles for Responsible Investment) in 2017, and, as part of our Sustainable Investment Policy, we promote sustainable investment efforts such as incorporating sustainability factors into investment and loan decisions for the Company's entire asset portfolio, and actively engaging in investments and loans intended to create an impact that contributes to solving social issues. Moreover, we continue to promote and advance responsible investment through participation in investment-related initiatives in Japan and overseas. * Responsible Investment Report: https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

04 Sustainability-themed Investments

- Promotion of Sustainability-themed Investment p.36
  - Investment in Sustainability-themed Bonds p.37
  - Measuring Sustainability Outcomes Generated by Investments in Sustainability-themed Bonds p.38
  - Investment in Renewable Energy Businesses p.39
  - Investment in Real Estate p.40
  - Empowering Academia with the Power of Investment p.40
  - Impact Investments p.40
- <Special Feature> Loans to Local Governments (Using Postal Life Insurance Funds) p.41

Promotion of Sustainability-themed Investment

We make sustainability-themed investments, taking sustainability factors into account. We invest in projects that can broadly contribute to the achievement of the SDGs and the resolution of issues, after confirming that the use of funds and feasibility are clearly defined. Moreover, in 2021 we started measuring sustainability outcomes generated by investments in sustainability-themed bonds. Since then, we have compiled and published the estimates on our contribution to the sustainability outcomes generated by the sustainability-themed bonds issued by international agencies.

Investment in Sustainability-themed Bonds

We make sustainability-themed investments, taking sustainability factors into account. We invest in projects that can broadly contribute to the achievement of the SDGs and the resolution of issues, after confirming that the use of funds and feasibility are clearly defined.

Blue Bonds

Investment in the Blue Bond* issued by the Republic of Indonesia, the world's largest island nation (approx. ¥14.7 billion)

Proceeds are allocated to projects that contribute to the development of the Blue Economy as defined in the SDGs Government Securities Framework formulated by the Government of Indonesia.

* Bonds for which the use of raised funds is limited to finance projects related to the marine environment, such as improvement and conservation of the marine environment, sustainable fishing, and the prevention of marine pollution

Green Bonds

Investment in the Green Bond issued by NTT FINANCE CORPORATION (approx. ¥30.0 billion)

Proceeds are allocated to projects in accordance with the Green Finance Framework formulated with the aim of realizing a decarbonized society.

Education Bonds

Investment in the Education Bond issued by Asian Development Bank (approx. ¥5.0 billion)

Proceeds are allocated to projects in school education and vocational training, such as providing equal access to education and continuous learning, so that women in the Asia-Pacific region who are at higher risk of dropping out of school are not left behind.

Sustainable Development Bonds

Investment in the Sustainable Development Bond issued by Inter-American Development Bank (IDB) (approx. ¥5.0 billion)

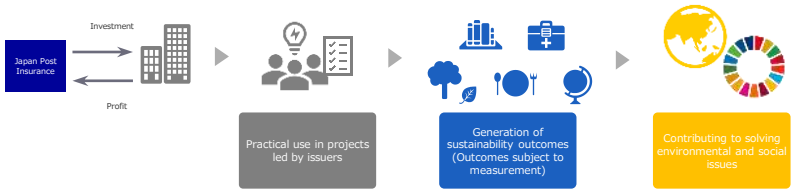
Proceeds are allocated to projects led by IDB to promote social development that co-exists in harmony with the environment of member countries, including supporting the introduction of the One Health approach to nature conservation and zoonotic infectious disease research projects in Latin America and the Caribbean.

*The investment amounts shown are calculated using the exchange rate at the time of investment

Measuring Sustainability Outcomes Generated by Investments in Sustainability-themed Bonds

We invest in sustainability-themed bonds issued by international agencies with the intention of contributing to the resolution of environmental and social issues. In keeping with the principles of International Capital Market Association (ICMA), allocation of the proceeds from these bonds are restricted to sustainability projects. Since FY2021, we have been verifying the sustainability outcomes generated based on the impact reports released by international agencies that are the issuers of the bonds, and then compiling and publishing the estimates on our contribution.

Flow from investment to generation of sustainability outcomes



Sustainability outcomes from investments

Assessment targets and assessment method

Of the sustainability-themed bonds issued by international agencies that we hold, we selected 10 bonds (investment amount is approximately ¥148.0 billion*1) based on the criteria of (1) holding period and (2) availability of quantitative indicators, and calculated our contribution [project outcomes x (our investment amount / entire financial scale of the project)]*2 based on the issuer's disclosure documents. Quantitative indicators are selected based on the intention at the start of investment. We confirm that negative impact is appropriately managed and mitigated by the issuer.

Contribution to environmental protection

- Annual GHG emission reduction/avoidance amount **294,648 t-CO_2e**

  ▶ **Equivalent to 63,000 vehicles**
  (Converted to annual emissions of passenger vehicles*3)

- Annual renewable power generation **72,460,000 kWH**

  ▶ **Equivalent to 5,000 households**
  (converted to the annual electricity consumption of the average household*3)

Enhancement of well-being

- Number of people benefitting from improved agricultural productivity: **Approximately 800,000 people**
- Number of people benefitting from the safety net program: **Approximately 12,000 people**
- Number of people benefitting from improved access to water sources: **Approximately 8,800 people**
- Number of people participating in improved education, etc.: **Approximately 18,000 people**
- Women and girls completing secondary or tertiary education or other training: **Approximately 5,200 people**
- Skilled jobs for women generated: **Approximately 12,000,000 people**
- Number of people benefitting from healthcare services: **Approximately 360,000 people**
- Annual water consumption reduction: **Approximately 130,000 m³**

*1 The investment amounts displayed have been converted using the exchange rate at the time of the investment.
*2 Sustainability outcomes are calculated for the bonds held during the measurement period.
*3 We use the US EPA Greenhouse Gas Equivalencies Calculator. Emissions from passenger vehicles and electricity consumption by the average household are national averages.

Investment in Renewable Energy Businesses

We make investments in renewable energy businesses such as solar and wind power generation that help ensure a stable supply of electricity using inexhaustible renewable energy, thereby supporting the transition to a low-carbon society.

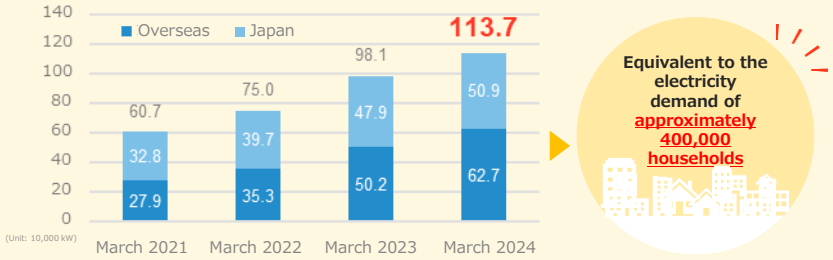
Example of investment in renewable energy business

At a renewable energy power generation facility we provided financing for in 2020, steps are being taken to ensure the long-term, stable operation of the business, such as building consensus in the local area and taking due consideration for the natural environment and the wildlife that inhabits it, through such measures as holding briefing sessions for local residents in advance, conducting appropriate investigations and responses in accordance with environmental assessment procedures, and carrying out conservation activities for flora and fauna in the area. In some projects, neighborhood association members and other local residents hold discussions with business operators to help install emergency power sources or to develop spaces for residents to mingle, thereby giving back profits generated by the business to help ensure safe living and contribute to social activities in the local community.
While renewable energy businesses are seen as a promising way to combat climate change, there are also concerns about the safety, environment, ecosystems, and landscapes that accompany the installation of solar panels and wind turbines. We therefore pay close attention to whether these businesses are being operated while striving to co-exist harmoniously with local communities.

Total power generation output from renewable energy facilities that we loan to and invest in

We measure the total power generation output of renewable energy facilities as a sustainability outcome from investments and loans in renewable energy businesses such as solar and wind power generation.

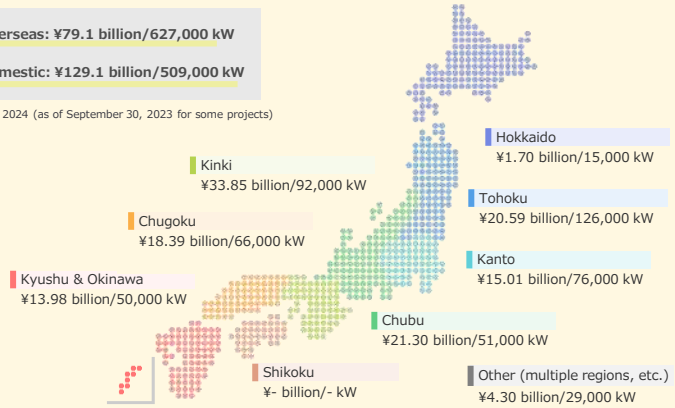
Total power generation output from renewable energy facilities that we loan to and invest in



Total power generation output from renewable energy facilities that we loan to and invest in (FY2023)

- Overseas: ¥79.1 billion/627,000 kW
- Domestic: ¥129.1 billion/509,000 kW

* As of March 31, 2024 (as of September 30, 2023 for some projects)



Investment in Real Estate

Through our investments in sustainability-conscious real estate, we are contributing to solving social issues such as climate change, natural disasters, and the problem of children on waiting lists for nursery schools.

Investment in a fund that invests in licensed nursery schools in Tokyo

We invested in Nursery School Mirai Fund III, which invests in licensed nursery schools located in Tokyo.

We aim to solve the social issue of children on waiting lists through investing in this fund that attracts quality nursery school operators to urban areas with large numbers of children on waiting lists for nursery schools and provides long-term stable management for childcare.

Empowering Academia with the Power of Investment

We believe that contributing to the development of university education systems and advanced research results will contribute to solving various social issues, and are therefore working on industry-academia collaboration in the field of asset management.

- **Signing of memorandums of understanding with university corporations regarding collaboration and cooperation**
- **Investments in academic-industrial collaboration funds**
- **Funds provided to universities through investments in university bonds**

▶Please see “Academic-industrial Collaboration” (p.100) for details on initiatives for the academic-industrial collaboration via asset management.

Impact Investments

As impact investments aiming for the resolution of medium- to long-term social issues have a high level of affinity with the asset management style of life insurance companies, which pursues stable profits over the long term, we believe that they will also contribute to enhancing our future corporate value. We make impact-oriented investments based on this view.

Furthermore, with the aim of expanding impact-oriented investments and financing, Japan Post Insurance has launched its own impact investment framework, the Impact “K” Project, and internally certifies and manages impact investment projects that meet our proprietary criteria.

KPIs in the Medium-Term Management Plan (FY2021–FY2025)
Impact “K” Project-certified funds

	End of FY2023		End of FY2025
Number of projects*	6	▶	15
Investment amount*	¥22.55 billion	▶	¥50.0 billion

* Cumulative number of projects since the start of certification in FY2022 and the amount invested by the Company (the amount invested or committed, depending on the type of fund)

The progress of this project has been set as a KPI in the Medium-Term Management Plan, and we have reported on its progress as appropriate. Please see “Impact “K” Project” (p.69) of this report.

Special Feature

Loans to Local Governments (Using Postal Life Insurance Funds)

Loans to local governments by Japan Post using Postal Life Insurance funds

Loans to local governments from the Postal Life Insurance (in operation from 1919 to 2007 by Japan Post until Japan's postal service was privatized) funds have contributed to the development of infrastructure in local communities, such as the development of elementary and junior high schools, the construction of public housing, and the spread of the public sewerage system, as well as the improvement of the welfare of residents.

Management after the privatization of the postal service

While these Postal Life Insurance funds relating to loans to local governments were carried on by the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with the Act on Preparation, etc. of Relevant Acts Accompanying Enforcement of the Postal Service Privatization Act, etc., Japan Post Insurance undertakes credit management duties for these loans under an operations consignment agreement with the Organization.

Notice concerning loans to local governments
https://www.jp-life.japanpost.jp/aboutus/lending/
(in Japanese)

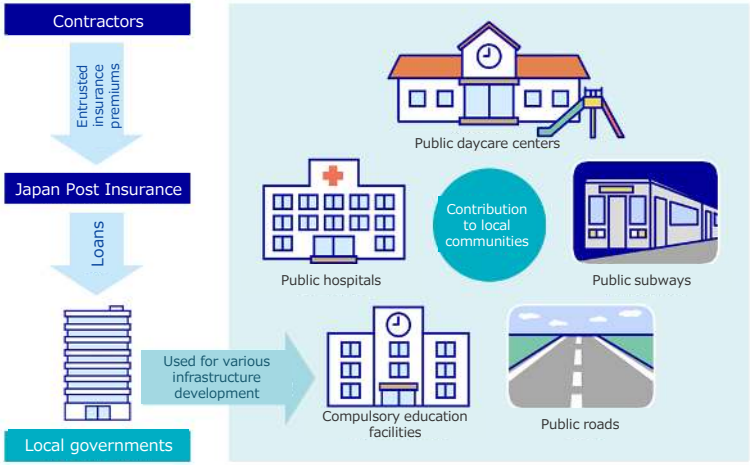
Contribution to local communities

Loans to local governments have been used for various infrastructure development across Japan, and continue to support local communities to this day.

<As of March 31, 2024>

Investees: Approx. 1,700 local governments

Total loans: Approx. 2.1866 trillion yen



05 Stewardship Activities

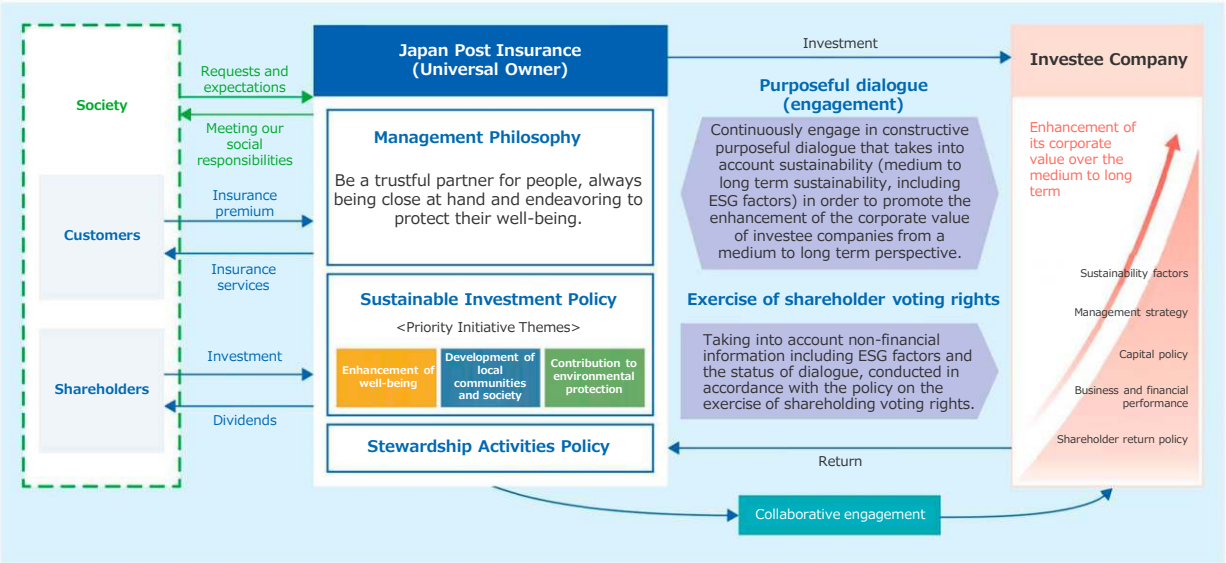
- Japan Post Insurance's Stewardship Activities p.43
- Activities in FY2023/2024 (Domestic Equity Investment, Domestic Corporate Bond Investment, and External Equity Investment) p.46
- <Special Feature> Conducting Open Engagement p.50
- <Special Feature> Initiatives When Holding the Same Investee as a Different Asset Type p.57
- Japan Post Insurance's Exercise of Shareholder Voting Rights (Domestic Equity Investment and External Equity Investment) p.58
- Collaborative Engagement and Policy Engagement p.65
- Self-assessment of Stewardship Activities p.67
- <Special Feature> Constructive Dialogue (Engagement) with Local Governments p.68

Stewardship Activities at Japan Post Insurance

At Japan Post Insurance, as an institutional investor that manages diverse, long-term assets, we have formulated the Stewardship Activities Policy and have been promoting stewardship activities in accordance with this policy. In addition to responding to social demands such as compliance with Japan's Stewardship Code, the aim is to enhance the value and drive the sustainable growth of investees, as well as to increase our investment returns over the medium to long term. By considering the characteristics of various assets, such as equities and bonds, we will fulfill our stewardship responsibilities appropriately, participating initiatives in Japan and abroad and utilizing collaborative engagement. In addition, we proactively express our opinions through initiatives and engage with policy makers regarding matters and requests we deem important in order to advance sustainable investment.

For more information on our Stewardship Activities Policy, please visit our website .

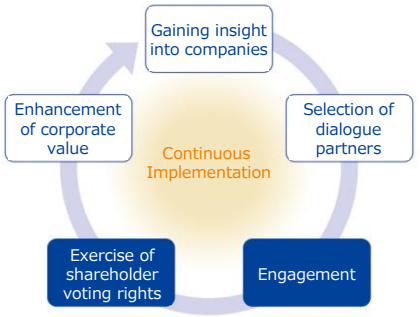
Sustainability Website of Japan Post Insurance
Stewardship Activities
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html



- Realization of a sustainable society, improvement of investment results over the long term
- Building further relationships of trust with customers by contributing to resolving social issues

● Implementing Stewardship Activities

To appropriately conduct constructive engagement (purposeful dialogue) and exercise of shareholder voting rights aimed at enhancing the value of investees and driving their sustainable growth, persons in charge will accurately assess the company's situation first and then determine the dialogue partner and direction. We engage in dialogue from a medium- to long-term standpoint, sharing our recognition of management strategies, sustainability initiatives, and issues from our position as an investor, while also encouraging response to these issues and the enhancement of information disclosure. When requesting response to issues, we consider factors such as context, company circumstances, feasibility, and timeline. The status of dialogue regarding the issues (such as sharing of issues, promises of change, etc.) and monitoring results are shared within the team and appropriately applied to investment activities and future dialogue. In addition to introducing measures we value and prioritize as an investor, as well as good examples from other companies, we also respond to questions and requests from the company, facilitating two-way communication and striving to ensure that the dialogue is beneficial for both the company and the investor.



Gaining insight into investees, etc.

To gain a deeper understanding of investees, investment managers continuously gather and analyze information from public information, past dialogue, shareholder voting results, and other sources. By accurately grasping the companies' management circumstances and issues, we are building a foundation to enhance the effectiveness of our stewardship activities.

Selection of dialogue partners

After discussion within the team, the dialogue partner and direction are determined. We make appropriate judgements by comprehensively considering management circumstances and identified issues of investees. Additionally, by ensuring that team members possess the necessary skills and capabilities, as well as establishing a system for carrying out stewardship activities, we aim to facilitate effective dialogue.

- Business and financial performance, medium- to long-term management strategies and shareholder return policy, capital policy, governance
- Initiatives related to ESG and sustainability issues
- Importance to our portfolio (market share, etc.)
- Relevance to our three sustainable investment priority initiative themes (GHG emissions, etc.)
- Research and analysis results, key issues of focus, relevant media coverage, etc. of investees
- Results of past dialogue, shareholder voting results, monitoring results

Engagement

Through dialogue, both investees and investors share a mutual understanding of circumstances and strive to make improvements. We communicate specific requests and opinions to support progress on management strategies and sustainability initiatives. Moreover, we engage in collaborative engagement and lobby policymakers, considering effectiveness. The progress of dialogue content, as well as initiatives and changes post-dialogue, is individually managed and monitored, and reflected in investment activities and future dialogue.

<Details of dialogue>

- Sharing of issues, introduction of good examples from other companies
- Enhancing understanding
- Commitment from the company to change
- Ongoing progress toward improvement
- Implementation of operational changes and new disclosures by the company

Multiple attempts

- Information gathering
- Monitoring of issue responses
- Dialogues
- Exercise of shareholder voting rights
- Utilization for investment decisions

If, upon multiple attempts, we do not anticipate any progress in terms of constructive dialogue or their efforts to address issues, we will consider, as necessary, requesting meetings with management, exercising our voting rights, or revising the allocation of our assets in an escalating manner.

Consideration of Sustainability

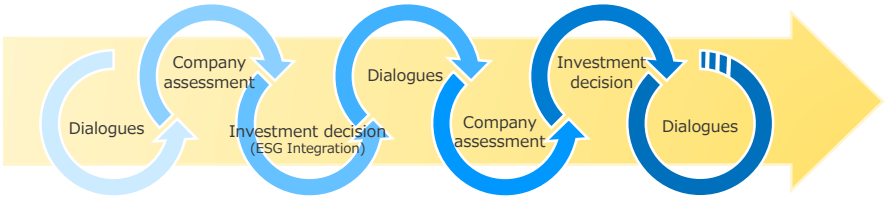
In March 2023, we revised our Stewardship Activities Policy to further our efforts to achieve a sustainable society. In addition to our existing focus on “the realization of a decarbonized society,” we have newly identified “protection of biodiversity,” “human rights,” and “human capital” as key sustainability priorities in our dialogues.

▶ Please see “Sustainability Themes” (p.87) for details on our dialogue policy for each theme and related initiatives.

Utilization of Dialogue Results to Make Investment Decisions

We regard dialogue with investees as an important opportunity to deepen our understanding of management circumstances and challenges that contribute to the enhancement of corporate value, as well as to consider future directions. Investment managers record their insight into investees gained through dialogue and the details of said dialogue, and utilize this information in future dialogues and investment decisions. Through this process, we individually track the progress and monitor the status and advancement of responses to company issues, reflecting these in investment decisions to enhance the effectiveness of our stewardship activities.

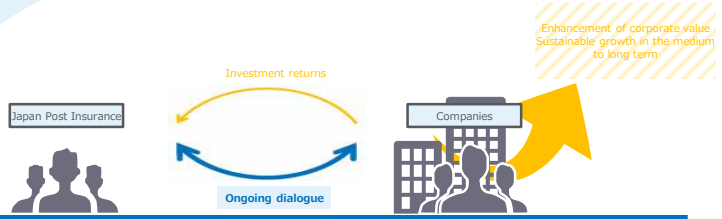
If, upon multiple attempts, we do not anticipate any progress in terms of constructive dialogue or their efforts to address issues, we will conduct “escalation” to consider, as necessary, requesting meetings with management, exercising our voting rights, or revising the allocation of our assets in an escalating manner. Through these efforts, we fulfill our responsibilities as an investor while striving to support the sustainable growth and the medium- to long-term value enhancement of our investees.



As a life insurance company, we base our asset management on long-term investments. Accordingly, we strive to help investees enhance corporate value and achieve sustainable growth through ongoing dialogue.

Activities in FY2023/2024 (Domestic Equity Investment)

In our domestic equity investment, since its launch in 2016, we have been conducting ongoing dialogues with investee companies, aiming to generate investment returns that enhance their corporate value while promoting the sustainable growth of the stock market over the medium to long term. Analysts in charge carry out comprehensive activities from a medium- to long-term perspective, ranging from ESG integration and engagement to the exercise of shareholder voting rights, striving to build relationships of trust with investee companies.



Main Content of Dialogue			
(1) Medium- to Long-Term Management Strategies	(2) Capital Strategy and Shareholder Return Policies	(3) Sustainability	(4) Information Disclosure Policies
• Measures to improve ROE • Measures to achieve the medium-term management plan	• Dividend policy • Total return ratio including stock buyback • Cross-shareholdings	• Medium- to long-term sustainability, including ESG factors • Sustainability factors in the supply chain • GHG emission reduction	• Disclosure of Annual Report • Disclosure of non-financial information • Policy for addressing climate change

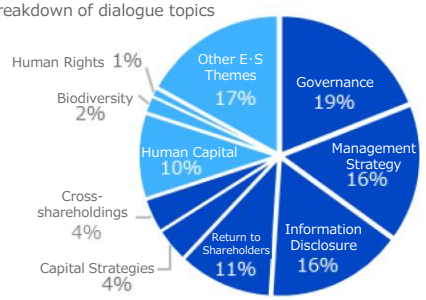
● Results of Activities in FY2023/2024 (July 2023 to June 2024)

In FY2023/2024, we held a total of 125 dialogues with 91 of the 126 companies in our domestic equity portfolio. Our dialogues focus on confirming the status of sustainability initiatives that impact corporate value, in addition to medium- to long-term management strategies. When selecting a dialogue partner, we focus on their importance to our portfolio and the need for dialogue to confirm details and make requests, aiming for effective engagement. confirm details and make requests. We also places importance on opportunities for direct dialogue with executive management. In the current fiscal year, 23 discussions were held with executive management. We consider these opportunities invaluable for promoting mutual understanding and improving engagement effectiveness.

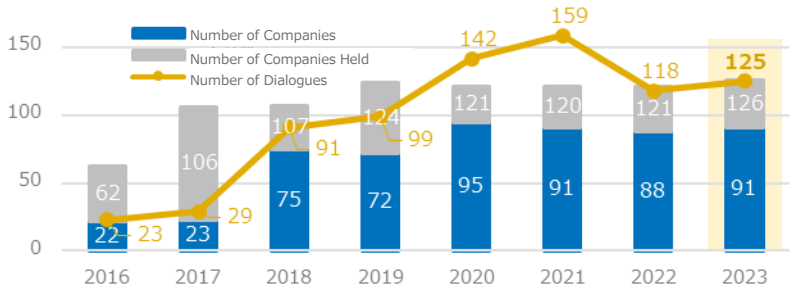
▶ Results of activities

Dialogue Performance	Ratio of companies we held dialogue with relative to the number of companies we hold	Number of dialogue companies	Dialogues:	Number of discussions that included executives or above
	72.2%	91companies	125	23
Priority Selection Criteria	• Importance within the portfolio • Potential for improvement in medium- to long-term management strategies and governance • Challenges in sustainability initiatives, including human rights, human capital, natural capital, GHG emissions, etc.			

▶ Breakdown of dialogue topics



▶ Number of dialogues and number of times contact was made with companies



Number of times contact was made with companies

Dialogues:	125
Number of discussions that included executives or above: 23	
Total number of times contact was made (Number of interviews conducted by the Company alone and with multiple investors including the Company)	648

Examples of Dialogue (1)

Topic: Dialogue on Environment (E)

Subtopic: Biodiversity and TNFD

An example of progress toward disclosure based on the TNFD framework

Chemical Company A

Vision	As a global leader representing Japan, the company aims to balance sustainability and shareholder value enhancement.
Issues and background	Company A's founding business, photographic films, requires a high level of trust from customers in the company and product quality, as test shots are not possible due to the nature of the product. Additionally, the manufacturing process demands large amounts of clean water and air, making stakeholder trust and environmental conservation crucial to the company's operations. In 2017, the company developed a CSR plan aimed at realizing a sustainable society and has proactively addressed sustainability issues. However, disclosures based on the TNFD framework have not been made, and it is recognized that understanding the company's future initiatives is necessary.
Dialogue content	After sharing mutual recognition of management risks and opportunities related to environmental issues, it was explained that disclosures based on the TNFD framework would be effective in promoting investor understanding. Company A shared that, due to high risks related to the business environment, they had been aware of proactive disclosures even before social demands increased, and they are currently preparing to disclose information according to the TNFD framework.
Progress and outcomes (Company actions)	An investor briefing was held on the company's sustainability efforts to ensure that participants in the capital market can appropriately understand their initiatives, with a focus on environmental activities.
Future policies	The company's proactive stance on disclosures is commendable. As environmental risks remain high, we will continue to follow up on not just investor relations interviews but also sustainability initiatives to encourage further information disclosure.

Topic: Dialogue on Human Rights

Subtopic: Addressing Human Rights-related Risks

An example where human rights issues were shared, leading to an improved understanding

Chemical Company B

Vision	Human rights due diligence and disclosure of response status
Issues and background	In July 2023, the company publicly announced its human rights policy, which had previously been an internal regulation. A review was conducted to confirm the detailed content of the human rights policy and how it addresses human rights issues in its global supply chain.
Dialogue content	Company B operates across a wide range of overseas regions. During the discussion, the company was asked to provide details on its response policy to human rights issues within its overseas subsidiaries and supply chain, as well as to disclose the status of initiatives on human rights due diligence. In response, Company B acknowledged the identified human rights risks without disagreement. They are prioritizing regions like India and Europe, which are of high business importance and priority, and plan to expand these efforts to other regions progressively. The company also intends to strengthen internal collaboration within the group.
Progress and outcomes (Company actions)	The company shared its awareness of human rights issues. In addition, mutual confirmation was made to progressively advance efforts such as the publication of the human rights policy, prioritization at overseas locations, and the implementation of human rights due diligence.
Future policies	The company's positive stance on addressing human rights issues has been confirmed. We plan to continue dialogue with a focus on further enhancing information disclosure, including the status of human rights due diligence, and deepening initiatives.

Topic: Dialogue on Human Capital

Subtopic: Develop, Secure, and Retain Human Resources

An example where human capital issues were shared, leading to an improved understanding

Food and Beverage Company C

Vision	Securing talent and providing an appropriate work environment and compensation.
Issues and background	The labor shortage is one of the significant issues in the restaurant industry. Specifically, Company C, which operates one of Japan's largest restaurant chains, is actively employing foreign staff at its stores and factories. The risk of exchange rate fluctuations, such as the decline in the attractiveness of working in Japan due to the yen's depreciation, makes it harder to secure labor. It is therefore necessary to understand how to address these challenges.
Dialogue content	Upon discussing the employment situation and countermeasures, it was confirmed that securing talent, regardless of nationality, is difficult. The company is addressing this by improving compensation (raising wages above the industry average) and partnering with Japanese language schools in Myanmar to develop and secure recruitment channels. Additionally, human capital-related challenges have been identified as a key theme in the company's management strategy, and efforts to tackle these challenges are being strengthened.
Progress and outcomes (Company actions)	To continue wage increases, store prices have been raised, and an increase in wholesale prices is planned.
Future policies	The company has demonstrated a high level of awareness regarding human capital issues and a proactive attitude toward resolving them. As the skills and abilities of its workforce become an increasingly important source of sustainability, we will continue dialogues not only on wages but also on understanding the current state of the work environment and measures for improvement, further supporting human capital initiatives.

Examples of Dialogue (2)

Topic: Dialogue on Governance (G)

Topic: Enhancement of Governance

An example where governance issues were shared, leading to an improved understanding

Transportation Equipment Company D

Vision	Maximizing corporate value through strengthening governance functions
Issues and background	Company D has historically maintained close ties with a major customer, with more than half of its board of directors coming from affiliated companies and cross-shareholdings in place. Concerns were raised regarding the independence of the board of directors, and dialogue was initiated to enhance governance and ensure diversity.
Dialogue content	Since half of Company D's revenue comes from the major customer, maintaining a strong relationship is understandable. However, the remaining half comes from other customers. Additionally, the absence of independent outside directors with management experience was pointed out, suggesting that a more diverse board composition should be considered to ensure its effectiveness. Company D acknowledged that overseas investors had raised similar concerns and stated that its secretariat was reviewing the ideal board composition.
Progress and outcomes (Company actions)	Following the dialogue, Company D partially unwound its cross-shareholdings in response to investor feedback. It is believed that the relationship with the major customer is gradually evolving.
Future policies	Although changes to the board composition have yet to materialize, Company D has demonstrated awareness of the issue and a willingness to consider improvements. Going forward, discussions will continue to reassess the necessity of cross-shareholdings and explore potential further reductions. In addition, we will encourage the company to enhance diversity to ensure the board functions effectively and promote business development beyond its main customers.

Topic: Dialogue on Environment (E)

Subtopic: Climate Change & TCFD, Well-being

An example where climate change issues were shared, leading to an improved understanding

Services Company E

Vision	Providing time for everyone to enjoy in a safe and secure manner
Issues and background	In recent years, Japan has experienced numerous days with temperatures exceeding 35°C, leading to a high risk of heatstroke for both customers and staff who must wait long hours in the sun for attractions. Last year, Company E implemented measures, such as limiting theme park entry to reduce waiting times, which had some positive effects but also pressured their performance. The likelihood of risk events caused by climate change remains high, and the company recognizes the need to take steps to ensure the safety and well-being of customers and staff.
Dialogue content	Interviews were conducted focusing on measures to address rising temperatures (heat stroke prevention both indoors and outdoors, etc.) and we proposed that these measures should be strengthened. Company E expressed its commitment to climate change as a key issue in sustainability management and detailed its actions, such as installing air conditioning and fans in customer waiting areas and staff positions, as well as creating shaded areas.
Progress and outcomes (Company actions)	While no drastic measures were identified, it was understood through dialogue that the company recognizes climate change as a key issue in sustainability management and is making efforts to address it. Additionally, it was confirmed that, as part of the company's response to climate change, newly opened areas have been designed with more indoor waiting spaces.
Future policies	We will continue to call for strengthened measures to address rising temperatures and also expect initiatives that balance decarbonization with improved profitability.

Topic: Dialogue on Information Disclosure

Subtopic: Enhancement and Sophistication of Information Disclosure

An example of enhanced disclosure or issuance of new reports

Machinery Company F

Vision	Appropriate information disclosure related to sustainability management
Issues and background	Company F does not publish an integrated report, making it difficult for investors to access the information necessary to measure its corporate value, such as information on sustainability initiative policies and the connection between sustainability factors and management. There is a need for dialogue to encourage information disclosure.
Dialogue content	We explained the value of sustainability-related information disclosure from an investor's perspective. Moreover, we requested the company to publish an integrated report, and within it, to enhance disclosure, including the provision of information on growth investments, including M&As, balance with shareholder returns, and cash allocation, all with consideration for sustainability factors. Company F indicated that they plan to release an integrated report in a few months and will regularly disclose progress toward their three-year management goals (such as improving profit margins).
Progress and outcomes (Company actions)	After the dialogue, Company F released its first integrated report as per our request. The report is rich in sustainability-related information, and the message from the president, as well as the newly announced medium-term management plan, reflect a strong desire for growth, which we evaluated as contributing to the enhancement of corporate value.
Future policies	We view the visibility of the connection between sustainability factors and management as a positive development and are encouraged by the company's attitude toward investors. We will continue dialogues to further sophisticate information disclosure. Additionally, the company plans to incorporate components that address environmental issues into its products, so we will assess whether these environmentally-friendly products can drive sales and profitability and evaluate their effectiveness.

● Ongoing Dialogue (Domestic Equity Investment)

As an investor, we continuously monitor company circumstances and engage in dialogue from a medium- to long-term perspective. In conducting these dialogues, we strive to ensure that discussions are not uniform or formulaic by considering each investee company's vision, size, stage of growth, and non-financial information—including sustainability factors—as well as content of past dialogues and social conditions. Moreover, with the hope that dialogue aimed at sustainable corporate growth and medium- to long-term value enhancement will lead to changes in corporate behavior, we make phased proposals and share good examples from other companies as necessary, while taking into account the company's views and policies.

Dialogue on Environment (E)

Topic: Climate Change & Information Disclosure

Subtopic: Enhancement and Sophistication of Sustainability Information Disclosure, Including Climate Change Response

An example of a company promising change, with expanded disclosure and the issuance of a new report

— Background —

Since Company G has not published an integrated report, it was recognized that disclosures are needed to understand the company's future stance, such as specific efforts to reduce GHG emissions and address social issues. While confirming the company's recognition of information disclosure, a phased dialogue was conducted with the integrated report publication also in view.

— Vision —

Issuance of an integrated report and appropriate disclosure of information regarding GHG reduction and initiatives for solving social issues.

	First year The company promises to change	Second year The company promises to change	Third year The company changes its practices
Food Company G	Since the company does not have a significant amount of GHG emissions (Scope 1 and 2) as a business entity, it had not prioritized GHG emission reduction measures or information disclosure in the past. However, they gave a positive response about their commitment to work on expanding disclosures in the future.	Following the previous dialogue, Company G responded that they have been internally reviewing GHG emission reduction measures and are planning to set and disclose reduction targets soon. They also mentioned that they will consider the publication of an integrated report in the future. GHG Emission Reduction Targets Set and Disclosed	The company indicated that they plan to issue their first integrated report in the fall of 2024, in which they will disclose GHG emission reduction measures and specific initiatives addressing social issues. Fall 2024: First Integrated Report Issued
Japan Post Insurance	We explained our perspective as an investor, regarding the value and necessity of information disclosure in sectors like Company G's, which have low GHG emissions. We confirmed the company's position on not disclosing specific actions toward GHG emissions reduction and, after discussing their views and future intentions, encouraged disclosure.	As investors evaluating from a long-term perspective, we requested the disclosure of an integrated report. We emphasized the importance of showing stakeholders the company's value creation story, demonstrating sustainable management while reducing long-term risks and considering ESG factors. We also touched upon the reason behind the increasing number of companies disclosing such information and shared good examples from other companies. Furthermore, we conveyed our understanding that disclosing an integrated report contributes to enhancing corporate value.	We communicated that we are checking the progress on the goal setting and disclosure related to GHG emissions reduction, as discussed in the previous dialogue. We then urged the company to further expand their disclosures, including concrete actions to meet those goals. Additionally, we proposed that Company G show stakeholders how its business contributes to solving social issues beyond climate change.

— Outcomes and Progress —

Confirmed that Company G recognizes the growing demands on companies regarding climate change responses and disclosure of non-financial information, as well as the importance of such disclosures. Company G considers these as one of its management issues and is steadily making progress. Following the third year of dialogue, it was confirmed that the integrated report had been published.

— Future Policies —

Based on an objective understanding of the company's circumstances from the disclosed information, such as the integrated report, and dialogue content, we will encourage the enhancement of responses to social issues, including GHG emission reduction, and the expansion of sustainability information disclosures.

We will engage in ongoing dialogue that leads to corporate behavioral change, including sharing analysis results as an investor with a medium- to long-term perspective and good examples from other companies.

Special Feature

Conducting Open Engagement

As part of promoting stewardship activities, we conducted open engagement with issuers at an online seminar (hosted by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.).
In the five seminars held so far, we invited top management to speak and engaged in dialogue from a medium- to long-term perspective, aiming for the sustainable growth of companies and the enhancement of corporate value.
By providing a rare opportunity for market participants to observe the engagement between companies and investors, we hope to promote a shared understanding of engagement and contribute to the overall uplift of the market.

VOICE

I believe that understanding the essence of a company's business strategy and, through dialogue, conveying investor perspectives on aspects such as capital efficiency and human capital management can contribute to the medium- to long-term enhancement of corporate value.

Global Equity and Fixed Income Investment Department
AWANO Tomoyuki

I believe that the improvement of sustainability will have a positive impact on performance and corporate value in the long term. Therefore, analyzing and deeply understanding a company's financial and non-financial information leads to constructive dialogue.

Global Equity and Fixed Income Investment Department
IJIRI Masahiro

Open Engagement

Scene from the Open Engagement (March 2024)

伊藤園

We held a dialogue with ITO EN, LTD., a leading company in the tea industry, regarding the progress of their mid-term management plan, dividend payout ratio, and sustainability issues such as human rights and climate change.

▶ Example of dialogue: Sharing awareness of issues and enhancing understanding on sustainability themes

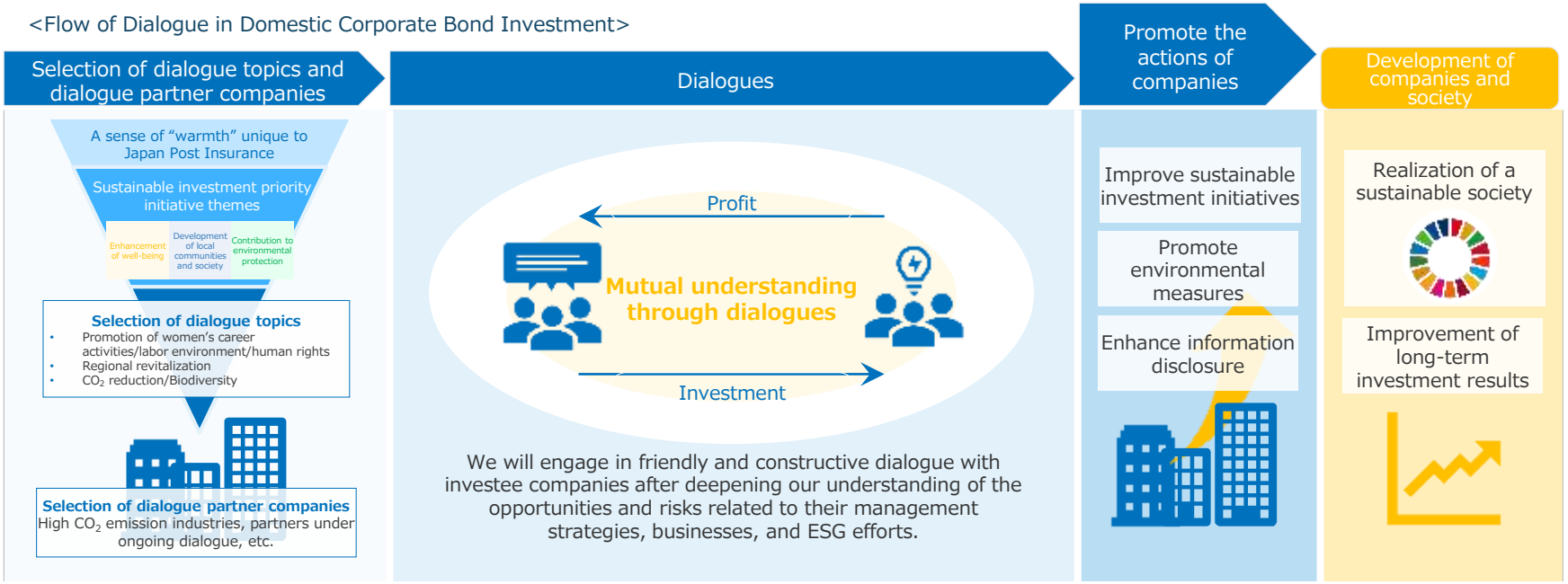
Company status		As the company primarily engages in business activities based on natural products, it depends on natural capital such as agricultural products and water resources. To address environmental issues such as climate change, water resources, plastic packaging, waste, and biodiversity closely related to these areas, the company has set the ITO EN Group Medium- to Long-Term Environmental Goals under the ITO EN Group Environmental Policy, and is striving to reduce environmental impact and prevent pollution throughout its value chain in business activities. In 2023, the company was selected as a Supplier Engagement Leader in the CDP's Supplier Engagement Rating.
Dialogue content	The Company	As your company, which relies on natural resources such as tea and water as key raw materials, is impacted by natural environments and climate change, we would like to hear your thoughts and efforts regarding how you are addressing environmental and social issues in the product lifecycle.
	ITO EN	As a company that engages in business activities centered mainly on products derived from nature, the company recognize that climate change and biodiversity are important issues. The company is working to establish a consistent circular business model, from the field to used tea leaves, and has conducted independent research on resource circulation and recycling. As a result of research into recycling methods for used tea leaves beyond compost and animal feed, the company developed more than 100 types of upcycled products that take advantage of the unique properties of used tea leaves, such as their refreshing scent and deodorizing and antibacterial effects. These used tea leaves serve as an alternative raw material to paper and resin, and they also have the effect of sequestering CO_2 absorbed by the tea into the products. Examples of products recycled from used tea leaves Building material products formulated from used tea leaves: Tatami mats, Drywall board Paper products formulated from used tea leaves: Mask case, ITO EN's corporate business card

Activities in FY2023/2024 (Domestic Corporate Bond Investment)

We consider sustainability initiatives to be essential to enhancing corporate value over the medium to long term. Based on our sustainable investment priority initiative themes, we mainly conducted engagements on promotion of women's career activities/labor environment/human rights, regional revitalization, and CO_2reduction/biodiversity, since commencing dialogue for domestic corporate bond investment in FY2020.

Discussions were based on the basic principle of mutual understanding, with an eye to sustainable investments with a sense of "warmth" unique to Japan Post Insurance. Our stance is to support companies that work to solve sustainability, ESG, and SDGs issues through investments in corporate bonds. In addition to hearing from us, we try to communicate in both directions by explaining and sharing the Japan Post Insurance approach to sustainable investment and our assessment of the investee companies. By sharing and working together to resolve issues, we aim to achieve a sustainable society and long-term investment results improvement, fulfill our responsibilities as a universal owner that practices long- term investment, and make a contribution to all stakeholders.

<Flow of Dialogue in Domestic Corporate Bond Investment>



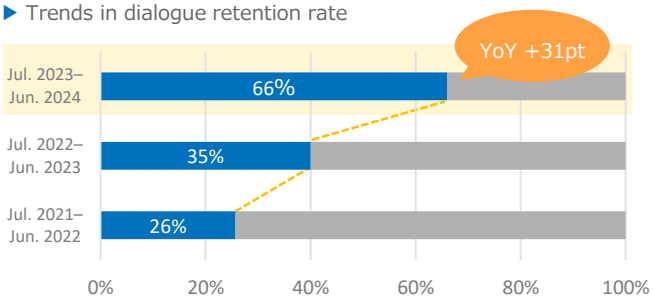
● Results of Activities in FY2023/2024 (July 2023 to June 2024)

In FY2023/2024, based on our sustainable investment priority initiative themes, we engaged in dialogue with 29 companies primarily on the topics of the promotion of women's career activities/labor environment/human rights, regional revitalization, and CO_2 reduction/biodiversity. When selecting dialogue partners, we prioritized high CO_2 emission companies and those deemed to require ongoing dialogue from a governance perspective.

▶ Results of activities

	Number of dialogue companies	Partners under ongoing dialogue (at least twice in the past 3 years)	Dialogue retention rate
Dialogue Performance	29	19	66%
Priority Selection Criteria	Prioritized high CO_2 emission companies and those deemed to require ongoing dialogue from a governance perspective.		

▶ Trends in dialogue retention rate



● Priority Dialogue Topics

The results of our dialogue on sustainable investment priority initiative themes are as follows. We also received questions from investee companies in our dialogue and shared information mainly on Japan Post Insurance's corporate bond investment policy and our investment stance sustainability-related theme bonds (especially transition bonds and sustainability-linked bonds).

Priority initiative themes	Dialogue topics	Number of dialogue companies	Our viewpoint as an investor	Companies' reactions and trends
Enhancement of well-being	Promotion of women's career activities	29	• Initiatives to promote women's career activities • Targets, results, etc.	There has been progress in areas such as enhancing disclosure content and setting targets. Companies are implementing a wide range of initiatives to promote women's career activities, including providing support for career development and raising awareness, as well as revising its system design, such as expanding its HR system and work placement locations. Some companies have been struggling to make progress toward their targets due to the nature of their industries and occupations, and we recognize that changing workforce composition in a short period of time is no easy task. However, we confirmed that initiatives towards these targets and the status of those initiatives are being disclosed and that each company is taking steps to make changes from a long-term perspective.
	Human rights	20	• Formulation of human rights initiatives policy and disclosure status	There were companies that have expanded their human rights initiatives from the headquarters to the group level, as well as companies that have drastically improved the depth of their related disclosures. Some companies were seen making efforts to improve employee's understanding of human rights within the company, as well as initiatives to enhance awareness among local employees in overseas businesses.
Development of local communities and society	Regional revitalization	27	• Initiatives related to regional contribution and revitalization • Frequency of implementation, number of participants, etc.	Although the scale of initiatives at most companies has been reduced and systems have been changed significantly due to the COVID-19 pandemic, initiatives have gradually gained momentum as operations have returned to normal. The COVID-19 pandemic also helped some companies to realize the importance of relationships with local communities, prompting them to deepen cooperation. There were increasing examples of companies improving their information disclosure and enhancing the content of disclosures.
Contribution to environmental protection	Climate change	29	• GHG emission reduction targets and progress • Initiatives to reduce emissions	Many companies have set targets such as GHG emission reduction for 2030 or carbon neutral for 2050. Progress has been solid on the whole. Some companies were revising their targets due to steady progress and social trends calling for efforts to achieve the 1.5°C scenario.
	Biodiversity	19	• Biodiversity protection initiatives • Quantitative targets • Adhering to TNFD recommendations	Overall, we sensed a growing awareness toward biodiversity conservation. In addition to the expansion of forest and ocean conservation activities that each company has been carrying out, such as eco-friendly construction work and green space development that takes regional characteristics into account, the disclosure of these efforts has been enhanced in integrated reports and on corporate websites. Having assessed their dependence on natural capital and impact on biodiversity, as well as identified the risks and opportunities in their nature-related business activities, an increasing number of companies are disclosing information or preparing to disclose information in accordance with TNFD guidelines.

Examples of Dialogue (1)

Topic: Priority Initiative Theme: Enhancement of Well-Being (Human Capital)

Subtopic: Setting Targets for Promoting Women's Career Activities

An example of a company setting new KPIs

Electric Power and Gas Company A

Vision	Creating an environment where everyone can flourish
Issues and background	Company A operates in an industry with a low representation of women but is actively promoting women's career activities. They have set a target for the number of new female managers, and progress has been smooth. However, the proportion remains low compared to other industries, which is an issue. Given this, from the perspective of sophisticating human capital initiatives, we recognize that the introduction of a target focused on the proportion of female managers is also necessary.
Dialogue content	We exchanged opinions on the promotion of female managers and specific measures (human resource development and evaluations) and encouraged further action. We requested that a target related to the proportion of female managers be set for the next fiscal year and beyond. Company A responded that they would collaborate with the department in charge of diversity to consider this.
Progress and outcomes (Company actions)	After the dialogue, a target for female manager appointments was set, and the desired proportional target we had requested was introduced.
Future policies	Although Company A operates in an industry with a low proportion of women, we acknowledge the progress in the appointment of female managers, focusing not only on the number but also on improving their quality, which we highly commend. On the other hand, since the number of female managers is still lower than in other industries, we, as long-term investors, will continue to advocate for the promotion of women's career activities.

Topic: Priority Initiative Themes: Development of Local Communities and Society

Subtopic: Enhancing Disclosure of Local Community Contribution Activities

An example of enhanced disclosure or disclosure of reports

Electric Power and Gas Company B

Vision	Visualizing the link between regional contribution activities for sustainable regional development and the enhancement of corporate value and cash flow
Issues and background	Company B is proactively involved in regional contribution activities, and the details of these initiatives can be found on their website and social media channels. However, the information provided, such as the number of projects and participants, is limited, and the scale of each initiative cannot be fully understood. Therefore, we engaged in dialogue to encourage the disclosure of quantitative data.
Dialogue content	We conducted interviews to understand the status of volunteer activities and outreach programs, confirming the scale of each initiative. Additionally, we conveyed our standpoint as an investor on regional contribution activities and the importance of greater information disclosure. Company B responded that, while they did not plan to expand their information disclosure, they would consider the relationship between regional contribution activities and company assessment, as we had inquired about it.
Progress and outcomes (Company actions)	In the integrated report issued after our dialogue, the number of activities related to forest conservation projects and similar initiatives were disclosed.
Future policies	We commend the improvements in information disclosure. Moving forward, while continuing to share our ideas on regional contribution activities as an investor, as well as which areas to focus on, we will encourage the further enhancement of information disclosure and relevant initiatives.

Topic: Priority Initiative Theme: Contribution to Environmental Protection (Climate Change)

Subtopic: Consideration of GHG Emission Reduction Targets

An example of a company changing its practices

Marine Transportation Company C

Vision	Reduce GHG emissions by 50% by the end of FY2029 (compared to FY2020) and achieve carbon neutrality by 2050
Issues and background	Company C is engaged in high-level initiatives to address sustainability issues such as biodiversity and human rights, and has obtained SBT certification for decarbonization. the milestones set for carbon neutrality were relatively conservative interim targets, considering the characteristics of the industry. Therefore, it was recognized that the validity of the targets and the feasibility of the measures needed to be confirmed.
Dialogue content	As the disclosure materials suggested that a review of the interim targets was under consideration, we confirmed the progress of this review and the specific measures, while requesting the setting of interim targets that we considered to be reasonable. Company C responded that, in light of changes in the social context since the targets were set, they were considering raising the targets.
Progress and outcomes (Company actions)	Around six months after our dialogue, the interim targets for carbon neutrality were revised upward.
Future policies	We commend the upward revision of the interim targets and the increasing feasibility of achieving carbon neutrality. However, given the uncertainties associated with measures to achieve the targets, such as the development of new technologies, we will continue to regularly monitor progress.

Examples of Dialogue (2)

Topic: Dialogue on Human Rights

Subtopic: Enhancing Disclosure Related to Human Rights

An example of enhanced disclosure or disclosure of reports

Chemical Company D

Vision	Promotion of initiatives toward respect for human rights to achieve a safe, secure, and prosperous society
Issues and background	While Company D has made progress in disclosing information on topics such as the environment and women's career activities, there is limited information on their human rights initiatives, making it difficult to grasp the current situation. Given the company's plans to expand its operations, including overseas, addressing human rights and disclosing relevant information are deemed increasingly important.
Dialogue content	We conducted an interview regarding the company's systems and specific initiatives related to human rights. While we appreciated the proactive efforts, we conveyed that the disclosure in the integrated report on human rights was limited, making it difficult to understand the company's actual activities. We also shared our view on the importance of disclosure from an investor's perspective and the recognition of issues regarding human rights. We requested enhanced disclosure, to which the company responded positively.
Progress and outcomes (Company actions)	In the integrated report issued after the dialogue, the company included new details on specific initiatives such as employee training and human rights due diligence, in addition to its existing human rights policy. As a result, the amount of information on human rights increased fourfold compared to the previous year.
Future policies	The company has made excellent improvements in its human rights-related information disclosure. Moving forward, we will continue to encourage the company to address human rights-related risks by implementing measures such as grievance mechanisms and human rights due diligence, and to further improve and disclose related information.

Topic: Dialogue on Biodiversity

Subtopic: Adhering to TNFD Disclosure

An example of a company promising change

Electric Power and Gas Company E

Vision	Disclosure based on the TNFD framework
Issues and background	Although Company E is actively engaged in biodiversity and environmental conservation activities, it has not yet disclosed information based on the TNFD framework. Therefore, it is recognized that understanding the current status is necessary.
Dialogue content	We conducted an interview to discuss the company's specific measures on biodiversity and its response to the TNFD framework. We confirmed the current status and future intentions of the company through dialogue, including their ongoing internal discussions on TNFD and partial disclosures made in the integrated report. We communicated that even partial disclosures are meaningful and requested the company to continue considering full disclosure based on the TNFD framework.
Progress and outcomes (Company actions)	In the integrated report issued after the dialogue, the company expressed its intention to consider disclosures based on the TNFD framework and to promote enhanced information disclosure.
Future policies	We commend the company's sincere approach, as they have clearly outlined their policy on the TNFD framework and are already making gradual disclosures. Moving forward, we will continue to regularly check on their progress.

Sustainability Website of Japan Post Insurance
Stewardship Activities
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

● Ongoing Dialogue (Ultra-Long-Term Bond Investment)

As a life insurance company, we intend to contribute to the enhancement of stability and sustainability of business operations over the medium to long term through our investment in ultra-long-term bonds. Bond investors do not possess the right to directly influence companies, as shareholder voting rights do, but opportunities for dialogue are increasing as the sustainability-related bonds market expands and understanding of the importance of investor dialogue deepens. Leveraging these opportunities and fostering relationships of trust, we will engage in ongoing dialogue on what we prioritize as a bond investor and our expectations for companies, mutually identifying issues, and supporting companies' initiatives.

Topic: Priority Initiative Theme: Dialogue on Contribution to Environmental Protection

Subtopic: Carbon Neutrality and TNFD

An example of ongoing dialogue leading to improved information disclosure

– Background –

As a company in the electric power sector, Company F has significant GHG emissions and a high dependence on and impact on water. As such, we have been engaging in ongoing dialogue regarding environmental (E) issues and initiatives.

— Vision —

Achieving a sustainable society and the sustainable growth of Company F through carbon neutrality and environmentally friendly corporate activities

	First year Enhancing understanding	Second year Sharing of issues	Third year Commitment from the company to change
Electric Power and Gas Company F	The current challenges and the status of renewable energy utilization were explained. Additionally, the company indicated that it plans to actively disclose this information going forward.	We exchanged opinions on the progress of GHG reduction measures and the long-term outlook on related challenges. Regarding the TNFD, the company responded that it is proactively discussing internally how to disclose this information, such as through integrated reports and presentations to investors.	The company responded that it aims to disclose information in line with the TNFD framework by FY2025. Additionally, it was revealed that preparations for disclosure are underway, including ecosystem surveys and the utilization of external expertise, and that gradual disclosures regarding these efforts are also being considered.
Japan Post Insurance	We inquired about the specific measures and progress toward Company F's goal of achieving carbon neutrality by 2050. In addition to conveying our perspectives and priorities as an investor, we requested the promotion of external disclosures.	Having confirmed the company's enhanced disclosure on GHG reduction, we requested measures, including specific actions, to increase the feasibility of achieving the targets. Company F has been actively disclosing information on biodiversity conservation, and we conducted an interview about its response based on the TNFD disclosure framework.	We conveyed that the newly disclosed information on GHG reduction was positively received as it contributes to understanding future outlooks and requested the continuation of timely and appropriate disclosures. Additionally, we shared the recognition that Company F has a high level of dependence on and impact on water and reviewed its response to TNFD disclosure while introducing examples from other companies.

– Outcomes and Progress –

Amid increasing demands on companies to address environmental issues such as climate change, Company F is steadily deepening its efforts and disclosures. In FY2025, the company announced that it would disclose information in line with the TNFD framework.

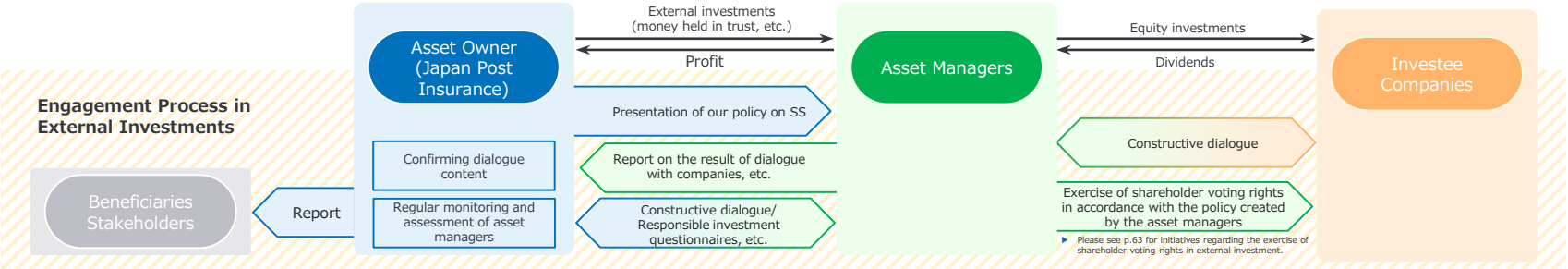
— Future Policies —

We will continue to monitor the progress of disclosures aligned with the TNFD recommendations. Given the nature of Company F's business, addressing environmental issues is a critical theme with significant implications for profitability and management strategy. Through ongoing dialogue to share perspectives and expectations, we will continue to support the company's initiatives.

Activities in FY2023/2024 (External Equity Investment)

In external equity investment, we invest in a wide range of companies through asset managers. In order to fulfill our responsibilities as an asset owner, in our external investments, we aim to engage in stewardship activities to influence not only the asset managers we entrust with asset management but also the companies in which we invest through these asset managers. Therefore, we expect asset managers to engage in dialogue that aligns with our Sustainable Investment Policy and Stewardship Activities Policy.

By leveraging the specialized management capabilities of asset managers, with the goal of maintaining stable and continuous performance, we regularly receive not only investment performance reports from asset managers but also the results of stewardship activities and responses to our responsible investment questionnaires. Additionally, through dialogue with asset managers, we confirm their compliance with the Stewardship Code and the status and outcomes of their engagement activities.



▶ Dialogue with asset managers

Confirmation of responsible investments	As a general rule, once a year, we confirm the initiatives of asset managers regarding responsible investment through responses to a questionnaire on responsible investment and interviews. We check whether an effective investment structure that takes sustainability factors into account is in place (such as related policies, staffing structure, and management oversight), whether there have been any changes to guidelines or processes, and other initiatives or effects.
Confirmation of stewardship activities	As a general rule, once a year, we conduct questionnaires on Japan's Stewardship Code and hold interviews to confirm the stewardship activities and engagement of asset managers. ■ Stewardship activities: Policies, organizations, systems, etc. ■ Engagement: Definition, frequency, number of engagements, examples of improvements made, persons in charge/managers, method to decide which company to engage with, whether or not independent outside directors, corporate auditors, etc., participate, perspectives and key points for implementation, status of post-engagement response (sharing of content, monitoring systems) ■ In addition to the above, their approach to conflicts of interest, etc.

▶ Examples of dialogue between asset managers and companies

From a medium- to long-term perspective, dialogue has been conducted to encourage the improvement of corporate value, taking into account the individual circumstances of the company.

Information Disclosure: An example of enhanced disclosure (Wholesale Trade)

The vision for 2050 disclosed by the target company regarding response to climate change lacks specificity, such as strategies and quantitative figures leading up to that goal. As such, we introduced a good example from another company that had clearly outlined the relationship between GHG emission reduction measures and management strategies. The person in charge responded that the company had realized there were issues with its disclosure of information related to the next-generation energy business, and we shared our mutual understanding of the situation. The following year, the company clarified the relationship between its climate change response and management strategies, looking at both the non-financial and financial impacts in the next-generation energy business.

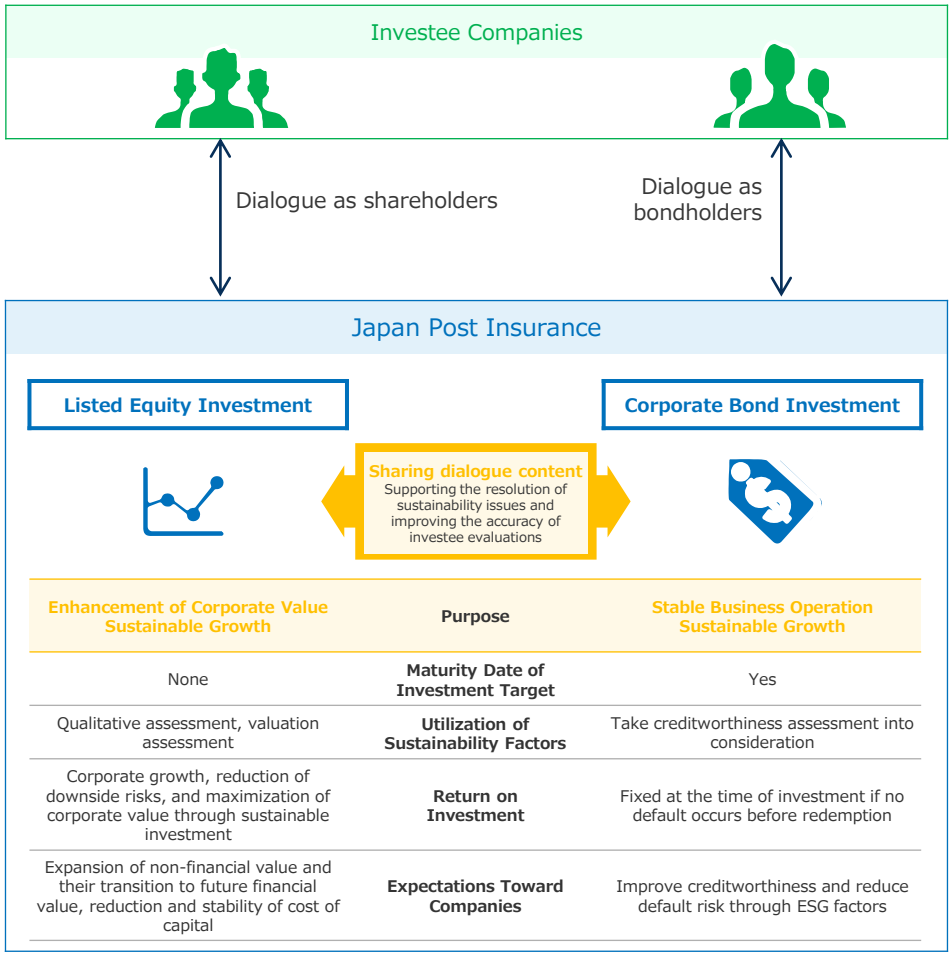
Corporate Governance: An example of a company changing its practices (Electric Power and Gas)

For a company with a high ratio of fixed compensation and low ratio of performance-linked compensation in its executive compensation system, we proposed lowering the fixed compensation ratio and introducing compensation linked to a GHG emission reduction target, a key non-financial indicator, to improve the company's performance and medium- to long-term corporate value. The company responded positively. The following year, the executive compensation system was revised, expanding the performance-linked compensation ratio (from 10% to 20%) and introducing a link between non-financial indicators and the compensation system (assessing the company's materiality from both financial and non-financial perspectives).

Special Feature

Initiatives When Holding the Same Investee as a Different Asset Type

The points that require consideration differs for equity investments and bond investments, in terms of integration methods and factors to consider when making investment decisions. A particularly significant difference is the fact that bondholders do not have voting rights. Meanwhile, we believe that bondholders hold an important position in corporate management since they maintain long-term relationships with investees as a direct contributor of funds.
Although there are such differences depending on the investment method, this does not change our goal of helping investees enhance their corporate value and achieving their sustainable growth through dialogue. Therefore, as one way to ensure that dialogue with an investee is effective, when our investment managers in charge of domestic equity investment and those in charge of domestic corporate bond investment engage in dialogue with the investee at the same time, they share the dialogue content in advance and coordinate with one another while engaging in dialogue with said investee.



Enhancement of Corporate Value Sustainable Growth	Purpose	Stable Business Operation Sustainable Growth
None	**Maturity Date of Investment Target**	Yes
Qualitative assessment, valuation assessment	**Utilization of Sustainability Factors**	Take creditworthiness assessment into consideration
Corporate growth, reduction of downside risks, and maximization of corporate value through sustainable investment	**Return on Investment**	Fixed at the time of investment if no default occurs before redemption
Expansion of non-financial value and their transition to future financial value, reduction and stability of cost of capital	**Expectations Toward Companies**	Improve creditworthiness and reduce default risk through ESG factors

Exercising Shareholder Voting Rights at Japan Post Insurance

Through the exercise of shareholder voting rights, we aim to enhance the medium- to long-term corporate value and sustainable growth of investee companies, thereby expanding medium- to long-term investment returns. In principle, we exercise shareholder voting rights for all in-house and external equity investment.

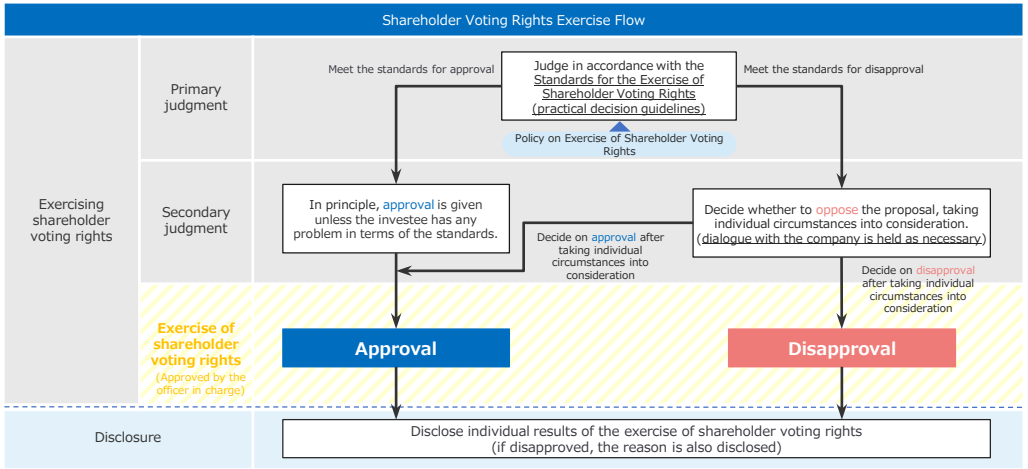
As an asset owner, in order to ensure transparency and report to stakeholders in a timely and appropriate manner, we have formulated the Policy on Exercise of Shareholder Voting Rights to outline our basic approach to the exercise of shareholder voting rights, and the Standards for the Exercise of Shareholder Voting Rights as practical decision guidelines, both of which can be found on our website.

Sustainability Website of Japan Post Insurance
Stewardship Activities
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

Policy on Exercise of Shareholder Voting Rights <Basic Approach>	
(1)	We seek to increase investment returns on our equity investment through the exercise of voting rights for the benefit of our shareholders and policyholders.
(2)	We recognize the importance of ESG (Environmental, Social, and Corporate Governance) factors in achieving a sustainable society, improving long-term investment results, and reducing risk, and request appropriate corporate activities that consider the environment and society as well as high corporate governance.
(3)	In making decisions on the exercise of voting rights, we do not make conventional judgments, but will make individual decisions from the perspective of whether the interests of shareholders will be maximized in the long term, based on non-financial information and the content of dialogue.
(4)	We do not use the exercise of voting rights as a means to resolve specific social or political issues.
(5)	In principle, we shall exercise voting rights for all shares under our management and shall not waive or abstain from voting.
(6)	To ensure that the interests of our shareholders and policyholders are not unreasonably impaired, the investment management division will make decisions independently regarding the exercise of voting rights. and will make appropriate decisions regardless of whether or not there is a business relationship with the investee company.

● Flow for the Exercise of Shareholder Voting Rights in Domestic Equity Investment

The exercise of shareholder voting rights is, in principle, based on the Policy on Exercise of Shareholder Voting Rights and the Standards for the Exercise of Shareholder Voting Rights. When deciding on approval or disapproval, we do not limit ourselves to a uniform or formal judgment, but instead, consider the circumstances of the investee company, non-financial information including ESG factors, the contents of dialogue, and other aspects, with a comprehensive assessment of whether the long-term interests of shareholders will be maximized and whether it will contribute to the investee company's sustainable growth. For important issues, we may conduct pre-vote dialogue or make decisions that differ from the standards in order to share recognition and deepen mutual understanding. Moreover, for matters that we consider to be issues for the company, if constructive dialogue or progress in the medium to long term is not expected, we will consider, as necessary, engaging in dialogue with management or opposing proposals in stages.



* For the purpose of verification against our decisions to exercise shareholder voting rights, we use Institutional Shareholder Services, Inc. (ISS), a voting advisory firm, to receive recommendations for decisions based on our Policy on Exercise of Shareholder Voting Rights. We do not use advice based on the ISS Voting Rights Exercise Policy.

● Revision of the Standards, etc. for the Exercise of Shareholder Voting Rights

We consider reviewing the standards, etc. for the exercise of shareholder voting rights every year, n light of revisions to Japan's Stewardship Code and Corporate Governance Code as well as changes in corporate behavior, and shifts in social conditions. Any revisions are discussed in the Responsible Investment Advisory Sectional Meeting and implemented following approval by the Executive Officer in charge. Moreover, we analyze the voting decisions of other asset management organizations, including external asset managers, to confirm the appropriateness of our standards by identifying discrepancies between our decisions and theirs. In addition, we check on any matters that may not be standardized but are considered significant themes through dialogue.

The main matters that we check through dialogue that are not in our standards	Our policies
Climate Change (Disclosure that adheres to TCFD recommendations or the equivalent)	As data calculation methods and other matters related to the TCFD recommendations have not yet been standardized as of date and it is difficult to make relative comparisons, we encourage disclosure through dialogue.
Guidelines and Disclosure on Diversity for the Board of Directors, etc.	Although there are structural factors specific to each industry and sector, the introduction of standards for female directors is under consideration.

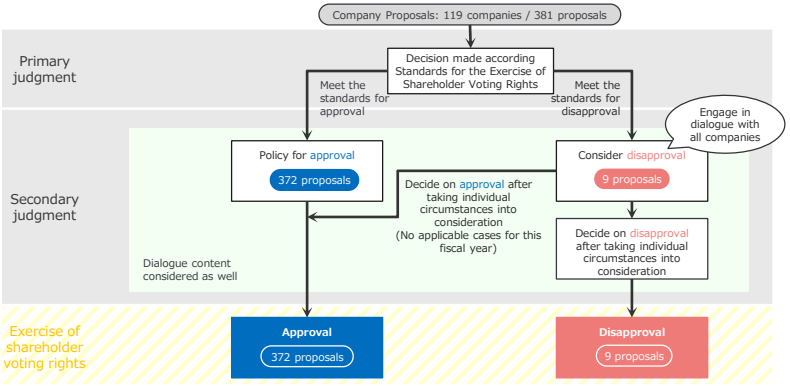
Planned revision of Japan's Stewardship Code

Flow of Revision of the Standards, etc. for the Exercise of Shareholder Voting Rights

	2019 –	2020 –	2021 –	2022 –	2025 –
Background and approach of the revision	▶ We incorporated into the standards our request for appropriate corporate activities that consider the environment and society as well as high corporate governance, based on the recognition of the importance of ESG factors in achieving a sustainable society and improving long-term investment results.			Response in line with the revision of Japan's Corporate Governance Code ▶ Amendments to regulations related to the functions of the board of directors ▶ Amendments to regulations related to the independence of outside officers	Conduct appropriate reviews while implementing the PDCA cycle
1. Corporate structure, directors, and board of directors	▶ Appointment and reappointment of directors Addition of standards: "Directors who are deemed to be liable for acts which may have a profound impact on the environment or society"	▶ Outside directors whose independence is deemed to be impaired Addition of standards: "Whether or not the director has been notified to the financial instruments exchange as an independent officer" ▶ Appointment of representative directors for listed subsidiaries Stricter standards for disapproval in principle: "Outside directors do not account for the majority"	▶ Appointment and reappointment of directors Addition of standards: "Directors who are deemed to be liable for events which may have a profound impact on the environment, society, or corporate governance"	▶ Appointment of representative directors Stricter standards for disapproval: "Outside directors do not account for at least one third, or multiple outside directors have not been appointed," "(in the case of a listed subsidiary) Outside directors do not account for the majority, or multiple outside directors have not been appointed, and no permanent special committees have been established," "Cross shareholdings account for 20% or more of consolidated net assets and 10% or more of consolidated total assets," "Companies facing major issues, such as those related to the environmental, social and corporate governance themes , that have shown no improvement despite ongoing dialogue" ▶ Ratio of outside directors Addition of standards in the case of listed subsidiaries: "Outside directors account for the majority of the board of directors, or a permanent special committee has been established." ▶ Outside directors whose independence is deemed to be impaired Addition of standards : "Persons whose term of office as a director is 12 years or more at the time of the general meeting of shareholders (including term of office as an outside director)," "Persons who have worked at cross shareholding investees (in which the company holds 10% or more of voting rights; have worked at the investee within the past five years)"	
2. Corporate auditors and board of corporate auditors	▶ Appointment and reappointment of corporate auditors Addition of standards : "Corporate auditors who are deemed to be liable for acts which may have a profound impact on the environment or society"	▶ Outside corporate auditors whose independence is deemed to be impaired Addition of standards: "The person has not been notified, or there are no plans to be notified, to the financial instruments exchange as an independent officer"	▶ Appointment of corporate auditors Addition of standards : "Corporate auditors who are deemed to be liable for events which may have a profound impact on the environment, society, or corporate governance"	▶ Outside corporate auditors whose independence is deemed to be impaired Addition of standards: "Persons whose term of office as a corporate auditor is 12 years or more at the time of the general meeting of shareholders (including term of office as an outside director)," "Persons who have worked at cross shareholding investees (10% or more of voting rights of investee companies; within the past five years)" ▶ Determining the appropriateness of the execution of duties by outside corporate auditors Addition of standards: "Past attendance rate of board of directors meetings"	
3. Executive compensation, etc.	▶ Increase in compensation, bonus payments, payment of retirement benefits Addition of standards: "The occurrence of acts which may have a profound impact on the environment or society"		▶ Increase in compensation, bonus payments, payment of provision of retirement benefit Addition of standards: "Occurrence of events which may have a profound impact on the environment, society, or corporate governance"	▶ Payment of retirement benefits Stricter standards: In principle, we oppose the payment of retirement benefits when the amount is not disclosed ▶ Executive Compensation, etc. Relaxation of standards: Allow stock options to be granted to outside directors	
4. Appropriation of surplus					
5. Reorganization					
6. Capital policy		▶ Addition of standards: "In principle, we oppose the payment of bonuses to outside directors, directors who are audit and supervisory committee members, or corporate auditors, unless there are reasonable grounds for the payment."			
7. Amendments to the articles of incorporation			▶ Addition of standards: "Shareholder proposals related to environmental and social issues shall be assessed from the perspective of maximizing shareholder returns over the long term and the degree of environmental and social impact."		
8. Shareholder proposal		▶ Stricter standards for approving takeover defense measures: "Independent outside directors account for a majority of the board of directors after the conclusion of the general meeting of shareholders."			
9. Takeover defense measures	▶ "Various ESG factors, etc." was added to decision-making factors				
10. Others					

● Results of the Exercise of Shareholder Voting Rights/Domestic Equity Investment (July 2023 to June 2024)

We exercised our shareholder voting rights for 381 proposals at the general meetings of shareholders of 119 domestically listed companies held from July 2023 to June 2024. The opposition rate to all company proposals was 2.4%, down 2.1% from the previous year. We believe the reason the opposition rate is lower compared to externally managed equity investment, which mainly involves passive management, is due to the fact that we engage active management and hold many stocks with good earnings performance and governance.



Company Proposals		Total	Approval	Disapproval	Abstain	Opposition rate
Proposals regarding Corporate Organization	Appointment and dismissal of Directors	153	150	3	0	2.0%
	Appointment and dismissal of Corporate Auditors	62	59	3	0	4.8%
	Appointment and dismissal of Accounting Auditors	0	0	0	0	0.0%
Proposals on Executive Compensation	Executive compensation*1	62	62	0	0	0.0%
	Payment of retirement benefits to retiring officers	1	1	0	0	0.0%
Proposals regarding Capital Policy (excluding proposals on the Articles of Incorporation)	Appropriation of surplus	79	79	0	0	0.0%
	Reorganization-related*2	0	0	0	0	0.0%
	Introduction, renewal, and repeal of takeover defense measures	1	0	1	0	100.0%
	Other proposals on capital policy*3	0	0	0	0	0.0%
Proposals on the Articles of Incorporation		19	19	0	0	0.0%
Other Proposals		4	2	2	0	50.0%
Company Proposals Total		**381**	**372**	**9**	**0**	**2.4%**

Shareholder Proposals	Total	Approval	Disapproval	Abstain	Opposition rate
Shareholder Proposals Total	**6**	**0**	**6**	**0**	**100.0%**

*1 Executive compensation includes revision of executive compensation, issuance of stock options, introduction and revision of performance-linked remuneration system, and bonuses for executives.
*2 Reorganization-related includes mergers, business transfer/acquisition, share exchange, share transfer, and company split.
*3 Other proposals on capital policy include share repurchases, reduction of legal reserve, capital increase through third-party allotment, capital reduction, and reverse stock split.
*4 The results in the above table are based on parent proposals.

● Individual Cases of Exercising Shareholder Voting Rights

Examples of cases in which we have determined that dialogues are necessary in advance before exercising shareholder voting rights

Type of shareholder meeting	Proposer	Proposal type	Approval/ Disapproval	Reasons for approval/disapproval
Ordinary	Company	Appointment of Directors	Approval	Although there was a candidate for outside director with a low attendance rate at board meetings, the reason for the absence was due to issues such as communication difficulties when participating via the web from overseas. As the company planned to take measures such as adjusting schedules and improving communication environments in the future, and since the candidate met our standards, we voted in favor of all outside director candidates.
Ordinary	Company	Other Proposals (Foundation Establishment)	Disapproval	We confirmed the exercise of voting rights regarding the disposal of treasury stock to the foundation, but as there was no delegation to an independent third party and the dilution caused by the disposal of treasury stock, along with the lack of clear grounds for contributing to shareholder value enhancement, we opposed the proposal.

Examples of shareholder voting rights exercised on shareholder proposals related to sustainability

Type of shareholder meeting	Proposer	Proposal type	Approval/ Disapproval	Reasons for approval/disapproval
Ordinary	Shareholders	Proposals on the Articles of Incorporation	Disapproval	Given that the board composition took into account sustainability aspects and effective annual evaluations and disclosures were conducted, we believed there was little necessity to include the proposed content in the Articles of Incorporation, and thus we opposed the proposal.
Ordinary	Shareholders	Proposals on the Articles of Incorporation	Disapproval	While progress has been made in the disclosure related to climate change, and the company's efforts and stance are commendable, we believe there is little necessity to include the proposed content in the Articles of Incorporation, and thus we opposed the proposal.

● Disclosure of Exercise of Shareholder Voting Rights for Each Individual Proposal, including Reasons for Approval or Disapproval

We disclose the results of the exercise of shareholder voting rights for all stocks held and all proposals. We are working to maintain and enhance the level of transparency in the exercise of shareholder voting rights by making it possible to view past results on our website. In addition to PDF files, we also publish the results in an Excel format suitable for aggregation and analysis.

Sustainability Website of Japan Post Insurance
Stewardship Activities
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

● Verification of Conflicts of Interest related to Exercise of Shareholder Voting Rights

The Responsible Investment Advisory Sectional Meeting (held on October 18, 2024) has confirmed that there are no conflicts of interest regarding the exercise of shareholder voting rights.

Item	Confirmation Results
Shareholdings in listed companies in the Japan Post Group	There were no shareholdings in listed companies in the Japan Post Group.
Proposals for which approval or disapproval differs from the Policy on Exercise of Shareholder Voting Rights established by the Company	There were no proposals where approval or disapproval differed from the Policy on Exercise of Shareholder Voting Rights.
Details of proposals that did not agree or disagree with code in external equity investment	We cross-checked the results of the exercise of shareholder voting rights in external equity investment with the decisions for approval or disapproval for self-managed stock. As a result, we confirmed that although there were 14 proposals whose approval or disapproval differed from those of all asset managers, all of them were decisions in line with the Policy on Exercise of Shareholder Voting Rights.

TOPIC

A Request to an Investee Company Regarding Cross-shareholdings

We have established specific standards for cross-shareholdings in our Standards for the Exercise of Shareholder Voting Rights. From the perspective of capital efficiency, we request investee companies to set reduction targets and implement reductions in line with their plans, aiming to eliminate such holdings in the future.

As the cross-shareholding balance of the company in question exceeded the threshold set by our Standards for the Exercise of Shareholder Voting Rights, we had communicated in past dialogues that we would oppose the appointment of the representative director.

In response, the company raised its reduction targets as its cross-shareholding reductions were progressing at a pace exceeding the initial targets set in its medium-term plan. It aims to continue these reductions with the goal of eliminating cross-shareholdings entirely by the end of FY2029.

Going forward, we will confirm the status of cross-shareholding reductions, and follow up on efforts to ensure that funds from the sale of policy shareholdings are fully allocated to investment in growth, shareholder returns, and other measures that will enhance corporate value..

A Request to an Investee Company Regarding TSE's "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

The company in question had primarily focused on dividends for shareholder returns and had rarely conducted share buybacks. Moreover, as its PBR was below 1.0x, in our dialogue to date, we have requested the company to strengthen shareholder returns, including share buybacks, to improve capital efficiency.

Subsequently, the company implemented share buybacks and, in its newly announced medium-term management plan, set forth its goal of generating a ROE and ROIC exceeding cost of capital. With the disclosure of anticipated cost of shareholders' equity and setting of ROIC targets, the company demonstrated progress in management that is aware of capital cost.

Moving forward, while monitoring the progress of initiatives for management that is aware of capital cost, we will continue to engage in ongoing dialogue, focusing not only on improving PBR and ROE, but also on initiatives aimed at lowering capital costs, such as enhancing disclosure.

Global Equity and Fixed Income Investment Department
In charge of Equity Investment
MOCHIDA Nayuta

● An Example of Exercise of Shareholder Voting Rights Following Ongoing Dialogue

In making decisions on the exercise of shareholders voting rights, we do not make conventional judgments, but will make individual decisions from the perspective of whether the interests of shareholders will be maximized in the long term, based on non-financial information and the content of dialogue. If any proposals fall under the opposition standards of our Standards for the Exercise of Shareholder Voting Rights, we evaluate whether to cast a vote in opposition based on individual circumstances and, where possible, engage in dialogue with the company in advance.

Dialogue on Governance (G)

Topic: Governance System of the Board of Directors

Subtopic: Ratio of Outside Directors and Independence of Outside Directors

An example of a company promising change and changing its practices

– Background –

In response to the revision of Japan's Corporate Governance Code in 2021, we reviewed the governance standards expected of companies and made revisions to the Standards for the Exercise of Shareholder Voting Rights concerning functions of the Board of Directors and independence of outside officers.

(1) Company H has fewer than one-third outside directors, and from the perspective of board functionality, we recognize the need to increase the number of outside directors.

(2) There is an outside director with more than 12 years of tenure, and from the perspective of independence, we recognize this as an issue. (We have previously voted against the appointment of this outside director.)

— Vision —

Establishing a board of directors with no issues regarding independence

	First year (1) Sharing of issues The company promises to change	Second year (1) The company changes its practice (2) Sharing of issues, exercise of voting rights (opposing vote)	Third year (2) The company changes its practice
Chemical Company H	The company explained that, in line with revisions to Japan's Corporate Governance Code and the roles of outside directors, the board of directors' secretariat was examining the ideal structure, showing understanding of our request. Additionally, a positive response was received, indicating that the company plans to address this matter in the future.	A new outside director was appointed, improving the composition ratio In the appointment of the outside director, the company made a comprehensive judgment on the advantages and disadvantages of long tenure. It explained that the director in question was reelected considering the current circumstances of the company and the performance of the director to date. However, the company acknowledged the opposition vote as an objective evaluation from an external perspective, and has responded that it will reconsider the appropriate composition and operation of the Board of Directors in the future	An outside director was dismissed (not reappointed). The dismissal of the outside director, who had served for a long period, was made after a comprehensive consideration of the opinions of investors, including Japan Post Insurance, and factors such as the director's age. The company has expressed its commitment to continue reflecting shareholder and investor opinions in its management decisions.
Japan Post Insurance	We explained the revisions to Japan's Corporate Governance Code and the importance of outside directors in ensuring transparent, fair, quick, and decisive decision-making, and shared relevant issues. We indicated that the ratio of outside directors should exceed one-third and requested an increase in the number of outside directors. We asked for an explanation in the event the company does not comply.	Upon confirming the appointment of the new outside director, which brought the ratio above one-third, we requested that the company maintain a ratio that ensures the functions of independent outside directors. We also examined the reappointment proposal of an outside director with more than 12 years of tenure, confirming the reasons for reappointment. While considering some of the benefits of long tenure, such as deeper knowledge and understanding of the company, we explained that it violated our Standards for the Exercise of Shareholder Voting Rights, and that we deemed the reappointment inappropriate, taking into account outside director independence and corporate governance. We informed the company that we are considering casting a vote in opposition, as we did last year.	Voted against the reappointment proposal based on a comprehensive evaluation of dialogue results, etc. Regarding the dismissal of the outside director whom we voted against in the previous year, we confirmed the circumstances and the company's rationale behind the decision. Furthermore, we communicated our belief as an investor that the newly appointed outside director, with a background in the automotive industry, is well-suited for the company's business and is an appropriate choice.

— Outcomes and Progress —

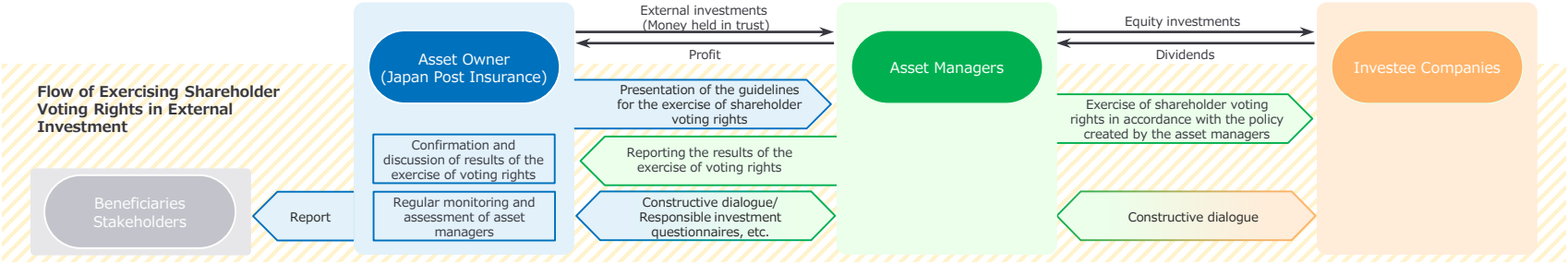
Through ongoing dialogue, we have evaluated that the company's governance structure has improved due to its attitude in addressing the issues related to the functioning and operation of the board of directors and behavioral changes. Currently, the board of directors of Company H continues to function appropriately.

— Future policies —

We will maintain appropriate relationships while engaging in ongoing dialogue, promoting future behavioral changes within companies from the perspective of an investor. Additionally, when deciding on the approval or disapproval of shareholder voting rights, we will not rely on a uniform or formal judgment. Instead, we will make a comprehensive decision based on the company's circumstances, non-financial information, and the content of our dialogue. If there is a possibility of voting against a proposal, we will, wherever possible, engage in dialogue in advance to share our respective views.

● Flow of the Exercise of Shareholder Voting Rights in External Equity Investment

At Japan Post Insurance, we outsource the management of some assets in our equity investments to domestic and international asset managers. While we entrust the exercise of shareholder voting rights for externally managed equities to these asset managers, we provide them with the guidelines for the exercise of shareholder voting rights, which include matters that should be kept in mind when exercising shareholder voting rights. Asset managers formulate their policies regarding the exercise of shareholder voting rights and, in principle, exercise these rights for all equities held in accordance with those policies. After reviewing and analyzing the voting reports from the asset managers, we discuss the findings in the Responsible Investment Advisory Sectional Meeting. Moreover, in addition to the reports on the exercise of shareholder voting rights, we regularly engage in dialogue and use sustainability questionnaires to share issues identified at asset managers and initiatives to resolve them, ensuring thorough assessments and monitoring of the asset managers in the process.



● Monitoring the Exercise of Shareholder Voting Rights of Asset Managers

As an asset owner, we regularly monitor and evaluate the performance and status of asset managers' stewardship activities (in principle, at least once a year). In addition to reports prepared by asset managers, we also engage in regular dialogue with them and use sustainability questionnaires. This allows us to understand their basic approach to exercising voting rights, assess voting results of the year, analyze trends, and identify issues. In addition, we can confirm matters related to governance systems, such as organizational structure, the decision-making process behind voting, and their monitoring of the consistency between voting results and voting policies. As necessary, we may request further information disclosure or explanations.

Moreover, as these external investments influence investee companies through the investment chain, we share awareness of issues and the initiatives to address them, both within our company and asset managers. Our goal is to maintain and build smooth relationships, ensuring that these efforts lead to more effective and practical initiatives.

Topics of Dialogue with Asset Managers

Reinforcement and Improvement of Engagement	Some asset managers propose specific improvement measures for companies with high GHG emissions. If no improvements are seen after the dialogue, and the companies' response to climate change is judged to be relatively slow, their policy is to oppose the election of directors who have served for a certain number of years or more. We high commend these efforts to encourage companies to take action on climate change.
Standards for the Exercise of Shareholder Voting Rights	We engaged in discussions to confirm the processes and future direction for changes to their standards for the exercise of voting rights (such as stricter standards for electing female directors, cross-shareholdings standards, ROE standards, etc.).
ESG Scores and GHG Emissions by Investment Portfolio	We reviewed the trends in ESG scores and GHG emissions by investment portfolio, comparing them against benchmarks. While there are challenges in making simple comparisons due to annual changes in ESG scoring criteria, we will continue to monitor and discuss the situation regularly.

▶ For more details on the Responsible Investment Questionnaire, please see "ESG Integration" (p.18).

● Results of the Exercise of Shareholder Voting Rights/External Investments (July 2023 to June 2024)

The results of the exercise of shareholder voting rights at the general meetings of shareholders of 2,134 listed companies in Japan, held from July 2023 to June 2024, are shown to the right. The opposition rate to all company proposals was 20.2%, up 2.0% from the previous year.

Analysis of the Opposition Rate

- As in the previous fiscal year, proposals for the appointment and dismissal of the board of directors and the appointment and dismissal of corporate auditors continued to account for the majority of opposition (7,542 proposals).
- The main reason for the increase in opposition rate was the appointment and dismissal of directors (up 2.1% from the previous year), as well as the introduction of new standards for female directors and cross-shareholdings, and the stricter surplus retention standards implemented by some asset managers.
- Additionally, because passive investments are included, there is a tendency for the opposition rate to be higher compared to in-house investments in companies with good governance and no performance issues.

Company Proposals

		Total	Approval	Disapproval	Abstain	Opposition rate
Proposals regarding Corporate Organization	Appointment and dismissal of Directors	16,224	11,077	5,147	0	31.7%
	Appointment and dismissal of Corporate Auditors	5,943	5,048	895	0	15.1%
	Appointment and dismissal of Accounting Auditors	210	210	0	0	0.0%
Proposals on Executive Compensation	Executive compensation*1	4,211	3,812	399	0	9.5%
	Payment of retirement benefits to retiring officers	373	2	371	0	99.5%
Proposals regarding Capital Policy (excluding proposals regarding the Articles of Incorporation)	Appropriation of surplus	7,680	7,214	466	0	6.1%
	Reorganization-related*2	116	116	0	0	0.0%
	Introduction, renewal, and repeal of takeover defense measures	213	8	205	0	96.2%
	Other proposals on capital policy*3	139	139	0	0	0.0%
Proposals on the Articles of Incorporation		2,168	2,136	32	0	1.5%
Other Proposals		45	18	27	0	60.0%
Company Proposals Total		**37,322**	**29,780**	**7,542**	**0**	**20.2%**

Company Proposals

	Total	Approval	Disapproval	Abstain	Opposition rate
Shareholder Proposals Total	**1,622**	**158**	**1,464**	**0**	**90.3%**

*1 Executive compensation includes revision of executive compensation, issuance of stock options, introduction and revision of performance-linked remuneration system, and bonuses for executives.
*2 Reorganization-related includes mergers, business transfer/acquisition, share exchange, share transfer, and company split.
*3 Other proposals on capital policy include share repurchases, reduction of legal reserve, capital increase through third-party allotment, capital reduction, and reverse stock split.

TOPIC

Acceptance of the Asset Owner Principles

Japan Post Insurance announced its agreement with and acceptance of the provisions of the Asset Owner Principles in fulfilling its responsibility to take into account the best interests of beneficiaries when managing their assets. The principles were formulated as part of asset ownership reform efforts under the "Policy Plan for Promoting Japan as a Leading Asset Management Center" promoted by the Government of Japan, and they establish a set of common principles that are useful for asset owners to fulfill their responsibility to manage their assets, taking into account the best interests of beneficiaries.
To properly manage the insurance premiums entrusted to us by our customers and ensure the payment of future insurance claims, so far, we have expanded our investment scope while developing appropriate asset management and risk management systems, aiming to secure stable investment income and improve our returns. Moreover, as a long-term asset owner, we have promoted responsible investment, such as sustainable investment and stewardship activities, to contribute to a sustainable society and enhance long-term investment results. Our acceptance of these principles is a formal declaration of our commitment to these asset management initiatives.
Going forward, by further advancing our asset management practices for the benefit of all stakeholders related to Japan Post Insurance, we will continue to fulfil our responsibilities as an asset owner and strive to become one of the world's leading institutional investors.

Investment Planning Department
In charge of Investment Planning

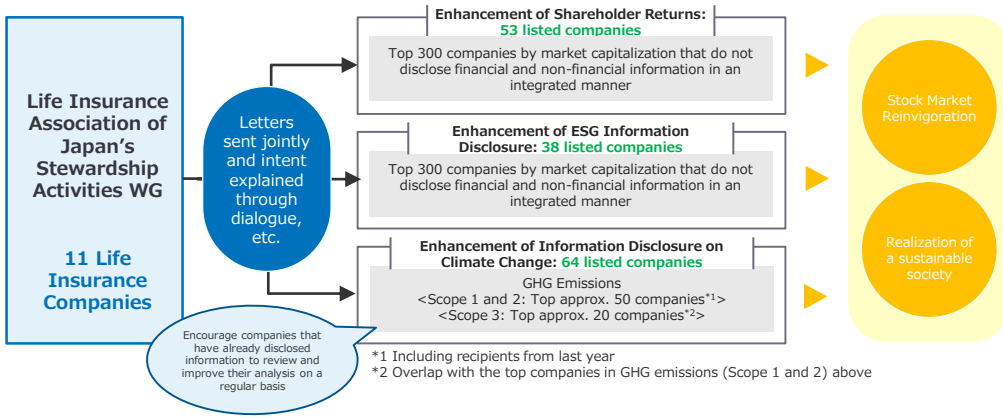
Collaborative Engagement and Policy Engagement

We proactively utilize collaborative engagement as a means of engaging in dialogue. To fulfil our stewardship responsibilities and promote corporate value enhancement over the medium to long term, we participate in a broad range of domestic and international initiatives, including the Life Insurance Association of Japan, CDP, and CA100+.

Moreover, as a universal owner contributing to the sustainable growth of society overall, by participating in these initiatives, we proactively communicate our opinions and lobby policymakers (policy engagement) on our initiatives related to sustainable investments, impact investments, and climate change response; and issues and requests that we consider important in order to drive market expansion and development.

●Example 1: Collaborative Engagement through the Life Insurance Association of Japan/Ongoing Participation Since 2017

Collaboration	Collaborative engagement in which life insurance companies participating in the Life Insurance Association of Japan's Stewardship Activities WG convey their awareness of issues as institutional investors to companies. In FY2023, we sent letters jointly with 11 companies and engaged in dialogue to explain our intent to 148 listed companies (155 in total).	Engagement Period	FY2023 (December 2022 to November 2023)
		Eligible Companies	148 listed companies (155 in total)
		Major Dialogue Milestones	Common issues among participating life insurance companies ● Enhancement of shareholder returns ● Enhancement of ESG information disclosure ● Enhancement of information disclosure on climate change, etc.



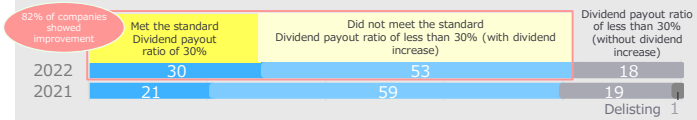
*1 Including recipients from last year
*2 Overlap with the top companies in GHG emissions (Scope 1 and 2) above

Source: Prepared by Japan Post Insurance, based on the Life Insurance Association of Japan's "Initiatives by Life Insurers to Reinvigorate the Equity Market and Achieve a Sustainable Society through Asset Management"

Results of Collaborative Engagement in FY2022

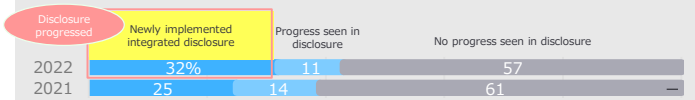
Enhancement of Shareholder Returns: 57 listed companies

30% of companies met the dividend payout ratio standard of 30%, surpassing the previous year. When including companies that implemented dividend increases despite not meeting the standard, approx. 83% of companies showed improvement.



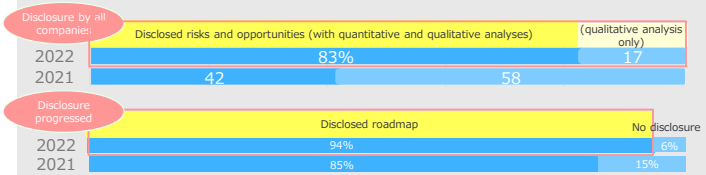
Enhancement of ESG Information Disclosure: 47 listed companies

32% of companies newly implemented integrated information disclosure, surpassing the previous year.



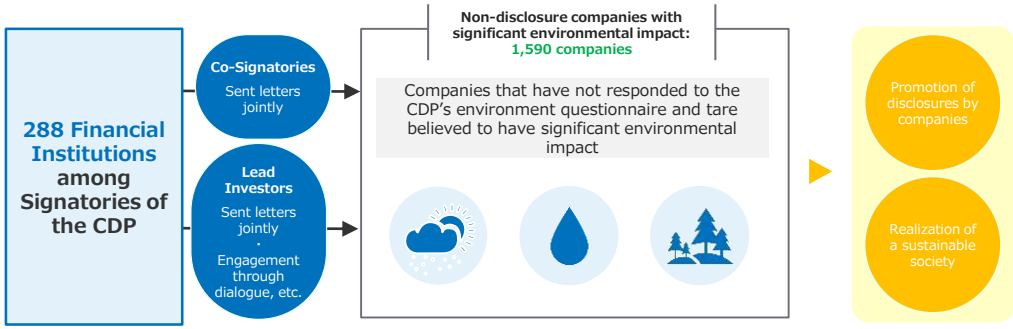
Enhancement of Information Disclosure on Climate Change: 52 listed companies

All companies (100%) have disclosed information on risks and opportunities, 94% of companies have disclosed a roadmap, and we confirmed that all companies yet to disclose are proactive about making further improvements.



● Example 2: CDP Non-disclosure Campaign (NDC)/Ongoing Participation Since 2022

Collaboration	An initiative where CDP signatories, utilizing their influence and market position as financial institutions, directly engage with companies to promote information disclosure through CDP. At Japan Post Insurance, we jointly signed engagement letters to encourage responses to CDP questionnaires and promote information disclosure.	Campaign Period	2023
		Eligible Companies	1,590 companies selected by the CDP that are considered to have a significant environmental impact but insufficient disclosure
		Major Dialogue Milestones	● Climate change ● Forests ● Water security



Source: Prepared by Japan Post Insurance based on information from the official CDP website

Results of Collaborative Engagement in FY2022

260 financial institutions in 30 countries participated
Engagement with 1,466 companies on climate change, forest, and water security

▶ Companies targeted by signatories for disclosure requests under NDC showed a 2.3 times higher disclosure rate

Among the 1,466 companies engaged on the three themes, 388 companies responded. This response rate was 2.3 times higher than those not targeted by the request, highlighting the impact of direct engagement. Additionally, companies subject to NDC had a disclosure rate 3.2 times higher on the "forests" theme compared to other companies, which is an important point.

▶ Engagement through the NDC leads to sustainable information disclosure

Approximately 90% of the companies that first submitted in the 2021 NDC responded again in 2022. Annual and repeated disclosure is essential for companies to monitor their progress and identify areas for improvement.

Once a company begins disclosing information, most continue to do so. Therefore, the initial engagement to encourage information disclosure is extremely important. When financial institutions encourage companies to disclose information for the first time, the vast majority continue to respond, advancing their sustainability journey.

● Example 3: Signing the Investor Agenda/Ongoing Participation Since 2022

We announced our support for the 2024 Global Investor Statement to Governments on the Climate Crisis from the Investor Agenda,* an international climate change initiative, which was released ahead of COP29 (The 29th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change). This statement, signed by 534 institutional investors, calls on governments around the world to implement policies that accelerate action on climate change.

* An investor initiative co-founded by Principles for Responsible Investment (PRI), CDP, United Nations Environment Programme Finance Initiative (UNEP FI), IIGCC, AIGCC, IGCC, and Ceres.

Contents of the Recommendations	1. Enact economy-wide public policies 2. Implement sectoral transition strategies, especially in high-emitting sectors 3. Address nature, water and biodiversity-related challenges contributing to and stemming from the climate crisis 4. Mandate climate-related disclosures across the financial system 5. Mobilise further private investment into climate mitigation, resilience and adaptation activities in EMDEs

● Example 4: Other Major Communication of Opinions and Policy Engagement

Participated in an impact investment discussion as an external committee member	We communicated our opinions on strategies for expanding impact investment, which contributes to solving social and environmental challenges and creating new businesses, including startups. This also covered useful and practical considerations for impact investment initiatives by financial institutions and investors.
Communicated opinion through the Life Insurance Association of Japan's recommendations report	To contribute to the revitalization of the equity market and the realization of a sustainable society, we formulated recommendations through the Stewardship Activities WG and the ESG Investment WG. Specifically, we made recommendations to the government on promoting ESG initiatives across government ministries and agencies, and further enhancing policy-based support for achieving carbon neutrality.

Self-assessment of Stewardship Activities

Principle 1	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	• We have formulated the Stewardship Activities Policy and published it on our website. ▶ https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html
Principle 2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	• We categorize conflicts of interest and describe our response to them in the Stewardship Activities Policy. • The Responsible Investment Advisory Sectional Meeting which includes external experts confirmed that there were no conflicts of interest.
Principle 3	Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	• With our in-house equity investment, we conducted investment research through interviews and teleconferences with almost all our investee companies to gain an accurate understanding of their situation. (91 out of 126 companies) • In domestic corporate bond investment, we conducted research and analysis on sustainability, business and financial performance, for our investee companies to gain a better understanding of the status of the companies concerned. We also deepened our understanding of the issues and initiatives for their sustainable growth.
Principle 4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	• With our in-house equity investment, we had more constructive dialogues with investee companies than initially planned, and we believe these discussions were very meaningful. • With external equity investment, as the asset owner, we received documentation from asset managers describing their stewardship activities. We conducted hearings with these managers to confirm the status of engagement and the results. • In domestic corporate bond investment, we offered dialogue on sustainability topics to our investees to deepen mutual recognition and understanding of related issues. We exchanged opinions to encourage them to take action for sustainable growth.
Principle 5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	• We post a Responsible Investment Report on our website once a year, which includes information on our stewardship activities, and report to our customers. • The results of the exercise of shareholder voting rights are disclosed in a summary table, and are also disclosed individually in the case of in-house equity investment. ▶ https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html
Principle 6	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	• At the Responsible Investment Advisory Sectional Meeting, we received advice from external experts enhancing our stewardship activities and are making improvements based on their recommendations. • With strong commitment from management, we continue to reinforce our systems, including the expansion and development of personnel. • We conduct annual self-assessments, as shown in the table, and publish the results on our website. ▶ https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html
Principle 7	Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	• The Company is not a service provider for institutional investors.

Special Feature

Constructive Dialogue (Engagement) with Local Governments

Japan Post Insurance has contributed to the development of local infrastructure through investments and loans to local governments for more than 100 years since its founding, including the days of its predecessor, Postal Life Insurance. The spirit of contributing to local communities and society through investments and loans funded by the precious insurance premiums entrusted to us by customers while operating a sound insurance business is still prevalent in Japan Post Insurance's current investments and loans to local communities. Aiming to contribute to the sustainable growth of local communities, we not only invest in bonds issued by local governments but also, as one of the largest investors in local governments in Japan, engage in dialogue with local government representatives from a medium- to long-term perspective to promote regional sustainability initiatives.

Dialogue Performance

(April 2021 to December 2024)

54 times with **28** organizations

Selection of Dialogue Partners

- We regularly monitor the status of sustainability initiatives, including the Zero Carbon City declaration and the SDGs Future City certification, in order to select organizations.
- We plan to initiate dialogues with all market-publicized organizations between FY2025 and FY2027. During this period, we aim to maintain and build relationships with local public authorities where further dialogue is deemed necessary, so as to lead to more effective initiatives.

Dialogue Policies

In addition to the information disclosed by local governments, we also refer to the selection and accreditation status of SDGs Future Cities and other information from supervisory ministries and agencies. Based on this, we assess the initiatives related to our three priority themes. In our dialogue, we deepen mutual understanding with local government representatives and, as an investor, encourage the advancement of initiatives and the expansion of information disclosure by presenting our requests and sharing good examples from other organizations.

● Key Dialogue Themes

Enhancement of well-being	• Prioritizing education and childcare support, we check current circumstances based on quantitative indicators related to childcare support systems and countermeasures for nursery waiting lists (number of children waiting for nurseries and after-school care, ratio of men taking childcare leave, etc.).
Development of local communities and society	• Prioritizing initiatives aimed at achieving the SDGs, we engage in dialogue mainly based on SDGs Future City accreditation status. • For organizations that have been selected, progress evaluation sheets (follow-up sheets) submitted to the Cabinet Office are reviewed. For organizations that have not been selected, we confirm plans and implementation statuses of projects related to the same themes from comprehensive plans and other sources.
Contribution to environmental protection	• Prioritizing climate change response, dialogues are primarily conducted based on local governments' Zero Carbon City declarations. • For organizations that have made the declaration, we review relevant materials published by each organization. For those that have not made the declaration, we confirm plans and implementation statuses of projects related to the same theme from comprehensive plans and other sources.

06 Impact “K” Project

- Our Philosophy on Impact Investment p.70
- Japan Post Insurance’s Impact Investment Framework: Impact “K” Project p.73
- <Special Feature> Spread of the Value of Impact Orientation p.78
- Approach to Social Issues p.79
- Impact “K” Project-certified Funds p.84
- <Special Feature> Participation in the Commons Asset Management’s Social Issue Resolution Program Comorebi p.86

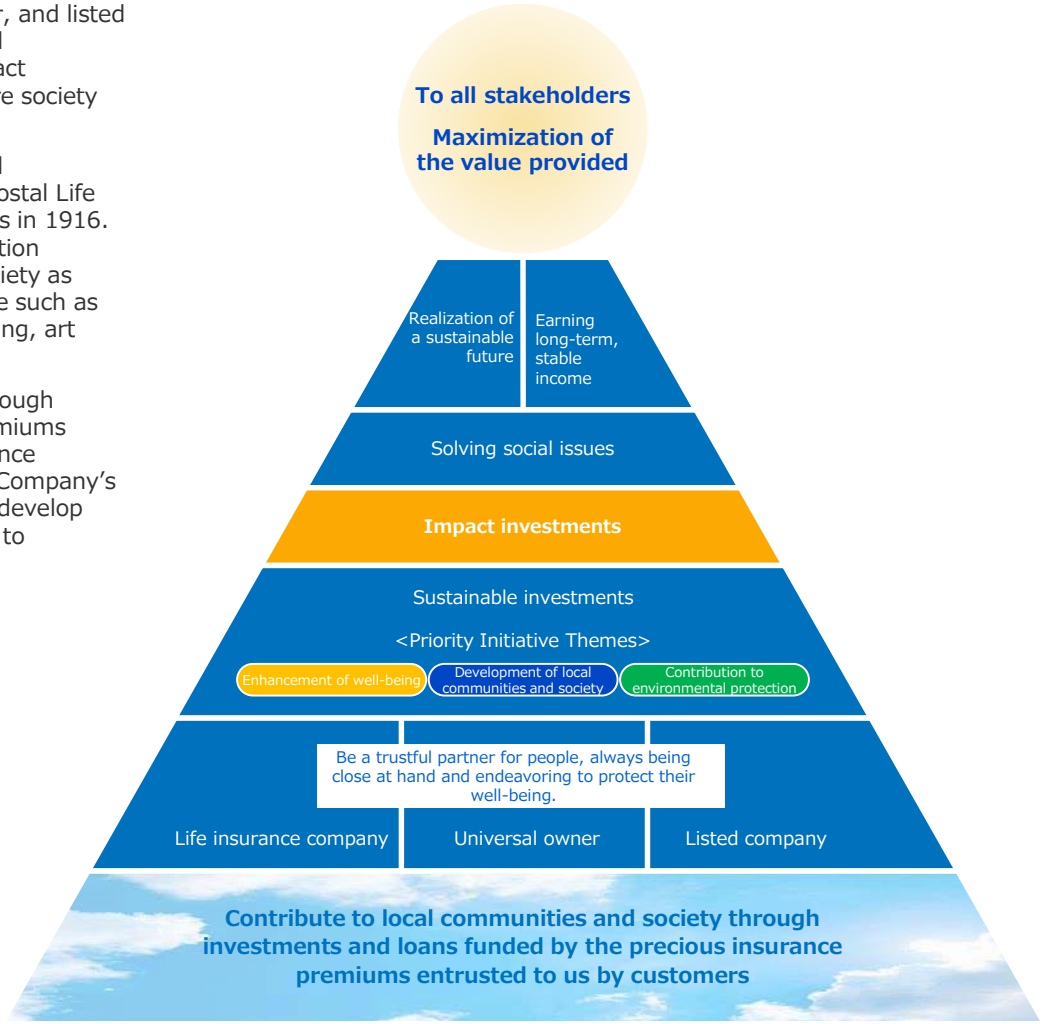
* [<Exclusive Interview> The Future of Impact Investing and the Efforts of the Impact-driven Corporate Value Enhancement Alliance
– Mr. AMMA Masaaki, Secretary-General, Japan Impact-driven Financing Initiative, and TANIGAKI Kunio, Director and President, CEO, Representative Executive Officer, Japan Post Insurance –] is available from p.7.

Our Philosophy on Impact Investment

The foundation of Japan Post Insurance's asset management lies in its Management Philosophy, "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being." Based on this philosophy, as a life insurance company, universal owner, and listed company, we aim to fulfil our social responsibilities toward all stakeholders. In line with this perspective, we promote "impact investment" intended to create impacts that lead to the future society we aspire to realize.

Japan Post Insurance has invested in and made loans to local governments for over 100 years since its foundation of the Postal Life Insurance business by the former Ministry of Communications in 1916. The funds we lent to local governments prior to our privatization contributed to the development of local communities and society as they were used to construct public facilities and infrastructure such as school buildings and gymnasiums, citizens' halls, public housing, art museums, and so on.

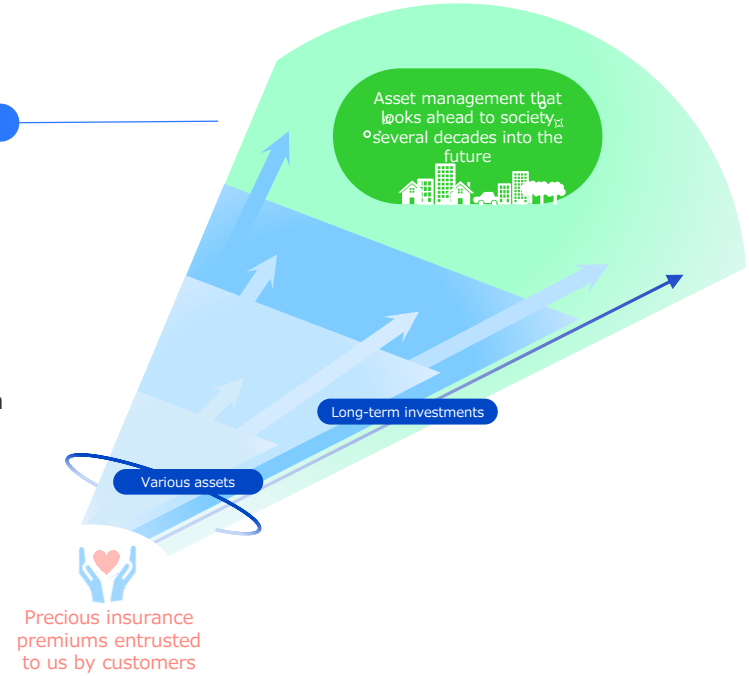
The DNA of contributing to local communities and society through investments and loans funded by the precious insurance premiums entrusted to us by customers while operating a sound insurance business has been continuously passed down ever since the Company's founding. And that spirit has allowed us to further grow and develop into the Japan Post Insurance of today, with its commitment to sustainable investment and impact investment.



Affinity Between Asset Management and Impact Investing at Japan Post Insurance

Life insurance is financial product for which contract periods are long. To ensure that we are able to pay future insurance claims we have promised customers, we make diversified investments aimed at delivering stable returns over the medium to long term based on appropriate risk management. As for impact investment, we invest in businesses that are embracing the challenge of employing new technologies and business models that contribute to resolving social issues for which solutions have yet to be found. Such new technologies and business models that can structurally resolve social issues also have strong competitiveness and growth potential over the medium to long term. Japan Post Insurance's asset management style, which aims to secure stable long-term income, and impact investment, which requires a long-range outlook, have a high level of affinity, so we believe that engaging in impact investment will also help to increase our asset management income and enhance our corporate value.

We want to create a better society and future when our customers' precious family members receive, along with customers' thoughts and feelings, their insurance benefits. It is our belief that making impact investments while considering the effect they will have on society several decades into the future is one way to respond to the demands that society makes of life insurance companies.



Role as an Asset Owner

Impact investing is not about pursuing short-term income. Its aim is to resolve social issues, and at the same time, secure income over the long term. To maximize those outcomes, it is essential to improve recognition and foster an awareness of impact investing across the overall market, beyond the boundaries of the financial industry. In addition, to realize the future we desire through impact investment, the understanding and support of numerous players is vital. If interest in impact investment among investors and companies increases, the market will be invigorated through the participation of various players, making it more likely to attract sufficient funds, including in the form of government policy support. Furthermore, through support for impact-oriented investment and management, a sustainable ecosystem, whereby problem-solving leads to corporate growth, will begin to function. This should lead to the investment outcomes and social impacts being shared via markets and other means, which in turn will attract even more participants, and this can be expected to accelerate the resolution of social issues.

As an asset owner, we are responsible, throughout the investment chain in the financial markets, for returning the growth and accomplishments of companies and the economy to our beneficiaries, both directly and indirectly. We make investments and loans with an impact orientation in a broad spectrum of assets, with our activities including private equity investment in startups and unlisted companies, equity investment in listed companies, and academic-industrial collaboration funds established jointly with university corporations. By working alongside investee companies, asset managers, and other investors, we intend to contribute to the expansion and development of impact investment.

Expectations from and effects of expanding impact investments

Cultivating sustainable and stable markets	By making impact investments via a wide range of assets, we will contribute to resolving various social issues and positively impacting the environment and society, and also promote the sustainable and stable growth of society and markets.
Identifying superior investment targets	With our impact investments, we target new technologies and innovative business models that help to resolve social issues, and because they have strong competitiveness and growth potential, they can be expected to enhance their corporate value into the future.
Establishing a new ecosystem	Through active provision of funds to the impact investment market, dialogue with asset managers and companies that have an impact orientation, and collaboration with investment-chain participants through our initiative activities, we will establish an ecosystem that realizes a sustainable future.

● Japan Post Insurance's Aims with Impact Investment

Through impact investment, Japan Post Insurance aims to structurally resolve social issues and is intent on spurring systemic transformation. Impact investment methods and approaches vary depending on the entities involved, but what we focus on is investing in companies and businesses that will independently and directly resolve social issues. We have a narrow rather than a broad view of what defines impact investment. We recognize areas for impact investment based on two axes: "Importance/urgency of the social issue" and "Degree of contribution to resolving the social issue."

Impact investments (in the narrow sense)

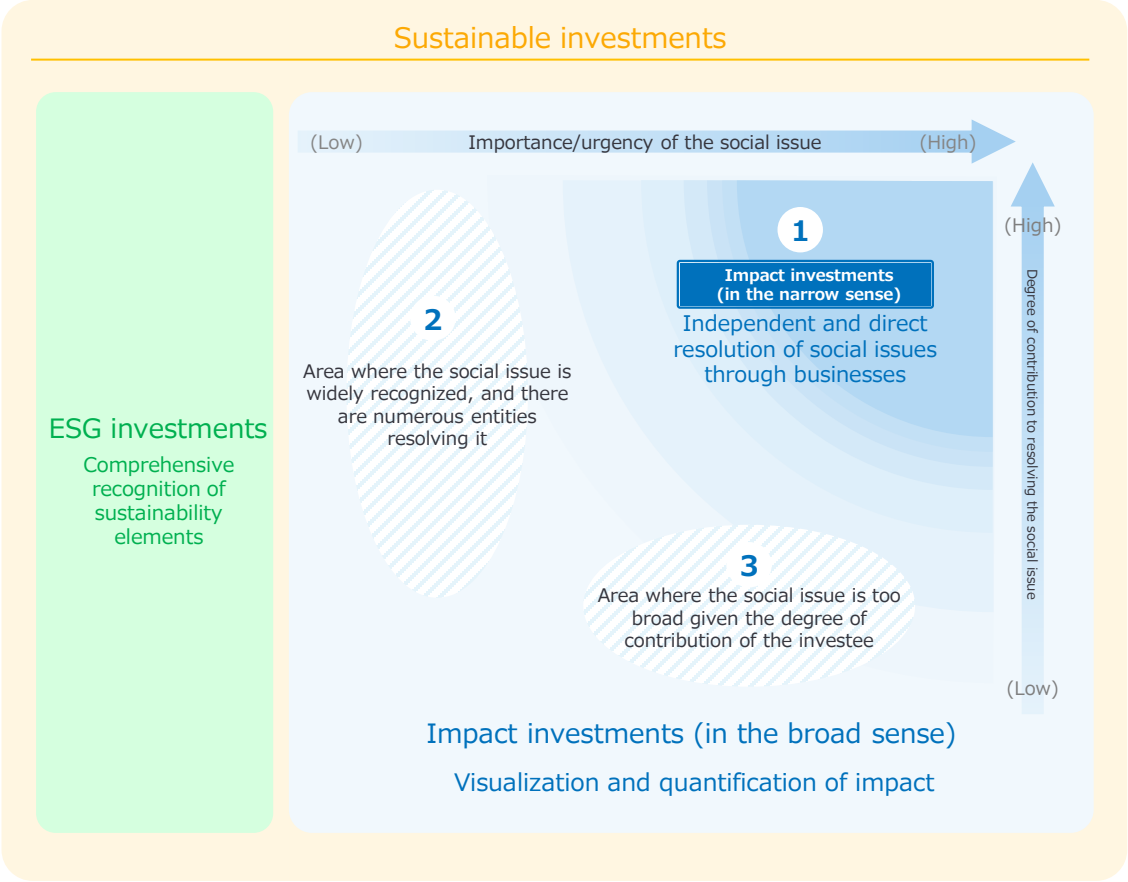
In this area, the social issues has a high level of importance and urgency, and the ability of the investee company to contribute to resolving the social issue is deemed to be adequate. This is the impact investment area we aim for. (Area 1)

- Importance/urgency of the social issue

  In its impact investments, Japan Post Insurance focuses on the area where the social issue has a high level of importance and urgency. The area where the social issue does not have a high level of importance and urgency (Area 2) may be included in impact investments in the broad sense, but we do not believe it is included in impact investments in the narrow sense. For example, most existing industries and business models are positioned in this area. Most existing industries and business models that have been around for many years and are still around today may, when they first came into being, have been businesses that resolve social issues. However, the social issues that initially existed have transitioned to issues that have been resolved for numerous stakeholders as a result of changing times and the entry of competitors. Such existing industries and business models are essential for society, but they do not allow for the proactive resolution of social issues that have newly emerged.

- Degree of contribution to resolving the social issue

  We also regard the degree of contribution of the investee company to resolving a specific social issue as an important element. For example, action on climate change has a high level of importance and urgency as a social issue, but because it is too large as a theme, the potential contributive impact of a single company through its existing business, services, and business model is limited (Area 3). On the other hand, if it would be possible for it to create new technology through innovation, and with a new business, service, or business model, to structurally resolve a social issue, we believe it could be impact investment in the narrow sense. We also believe that it is possible to aim for impact investment in the narrow sense when asset managers and others demonstrate ingenuity in various ways and make a high level of contribution at the portfolio level.



Japan Post Insurance's Impact Investment Framework: Impact "K" Project

Impact "K" Project

In 2022, with the aim of expanding impact-oriented investments and loans as an asset owner, we have launched the Impact "K" Project, a proprietary impact investment framework. This is an internal certification system intended to create impacts that will lead to the kind of future we are aiming for. The "K" embodies meanings such as *Kampo* (Japan Post Insurance), *kizuna* (bonds), *kyoso* (co-creation), *kenko* (health), *kyoryoku* (cooperation), and *kibo* (hope for the future) in Japanese.

As a responsible asset owner, when making impact investments via funds, we specify the criteria and processes for ensuring the quality and transparency of the impact investment, and announce funds that have met the criteria as Impact "K" Project-certified Funds. We view all the managers of Impact "K" Project-certified Funds as partners aiming to create impacts alongside us over the long term.

With this framework providing the foundation for our impact investment promotion, we work together with the asset managers entrusted with fund management, as well as investee companies, with the goal of making impact-oriented investments and loans that will make a genuine contribution to social issue resolution, in the sense of spurring the transformation of systems to structurally address social issues.

<Features of Impact "K" Project>

To discharge our responsibilities as an asset owner, we have established our own distinctive certification requirements and schemes as we strive to further expand impact investment.

POINT 1	POINT 2	POINT 3
Ensuring the Quality and Transparency of Impact Creation	Accumulation of Diverse Impact Investment Projects	Responsibility as an Asset Owner

POINT

1 Ensuring the Quality and Transparency of Impact Creation

Impact "K" Project Certification Requirements

In addition to setting KPIs (key performance indicators) and employing impact creation processes such as IMM (impact measurement and management), we place importance on the social issues recognized by investees, theories of change, logical models, and secondary effects of impact creation (e.g., unintended adverse impacts), as well as consistency with our three priority initiative themes for sustainable investment (enhancement of well-being, development of local communities and society, and contribution to environmental protection). While confirming that formal requirements are met, we go beyond that, emphasizing the creation of effective and substantial impacts, and making decisions and assessments in a comprehensive manner that includes in-depth dialogue with asset managers. As impact investment expands, there are concerns about "impact washing*," so to ensure that we fulfil our fiduciary responsibilities as an asset owner, our process involves defining requirements that comprehensively take into account domestic and international guidelines and approaches, and then certifying only investments that can be expected to deliver substantial impacts that are in line with our intentions.

* Situation where the investor superficially claims they are working to create an impact, but no real impact is made

Impact "K" Project certification requirements

Consistency with Japan Post Insurance's Management Philosophy and our three priority initiative themes	We **confirm** the consistency of the impacts created by investees with our Management Philosophy and three priority initiative themes for sustainable investment. Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being. Enhancement of well-being / Development of local communities and society / Contribution to environmental protection
Creates not only economic returns but also social returns at the same time	In addition to demanding a positive impact on society or the environment, we also assess whether an investment can be expected to deliver returns on par with the level normally required of its asset class (equity, corporate bond, PE, real estate, etc.).
Clear intent to create positive and new social impact	We evaluate from multiple perspectives, whether the operators or businesses have committed to identifying or targeting a specific issue from among various social issues for a particular reason, and whether they are firmly committed to creating an impact. (Intentionality)
Addresses environmental or social needs that have yet to be satisfied	We verify the clarity of the path from the recognition of a social issue to its resolution, focusing on what the investee creates and how it will contribute to society. (Additionality / Contribution)
Quantitative KPI setting and regular monitoring are possible	For the impact created, we require quantitative target setting and progress to be confirmed in terms of how the results of impact will be manifested in resolving the targeted social issues. As impact components, we conduct analysis with reference to the "five dimensions of impact" put forward by the IMP (Impact Management Project, now called "Impact Frontiers").

POINT

1 Ensuring the Quality and Transparency of Impact Creation

Confirmation Sheet

As part of the certification flow for the Impact "K" Project, this sheet is filled out, and the investment execution departments and the planning and management departments engage in discussions. The confirmation items presented on the sheet are organized comprehensively with reference to various domestic and international definitions and best practices related to impact investment, and determined so as to enable the points we pay attention to when selecting desirable impact investments to be identified.

Based on the sheet, discussions from various angles take place, and if necessary, the asset manager is asked additional questions or an opportunity for dialogue is arranged. Concepts of what constitutes impact vary depending on the entities involved, but we focus on confirming whether the impact matches our own concept of impact, and whether the investee is sufficiently committed to creating that sort of impact and has adequate framework and knowledge to do so. Finally, following authorization by the heads of the planning and management departments, the fund is managed internally as an Impact "K" certified fund. This Confirmation Sheet is not yet in its final form, as we will be updating it from time to time to reflect discoveries and the evolution of techniques that will occur as we build our track record and accumulate experience in impact investment.

Based on our desire to improve the environment and society that surrounds customers, Japan Post Insurance will endeavor to approach impact investment with integrity, accumulate knowledge while engaging in discussions with asset managers, and generate both economic and social returns.

Impact "K" Project Confirmation Sheet

Impact "K" Project

Submission date

Name of person in charge

Outline of Investee				
Name of fund				
Name of asset manager / gatekeeper				
Fund establishment date / planned establishment date				
Investment amount	Amount invested by us		Fund scale	

Fund Concept		
Social issues to be solved		
Intentionality		
Additionality	Contribution	
	Specialty / Expertise	

Consistency with the Japan Post Insurance's materiality	Enhancement of well-being		Development of local communities and society		Contribution to environmental protection		Other (Management Philosophy, etc.)	

Logic Model / Theory of Change		
Investment target / purpose of funding		
↓		Setting quantitative outcome indicators (KPIs)
Outputs		
Direct results of business or project ↓		
Beneficiaries (who)		
Outcomes (what, how much)		
Initial or medium-term outcomes/changes for beneficiaries as a result of outputs ↓		
Impacts (contribution, risk)	Positive	
	Negative	Countermeasure
Long-term and fundamental changes for the realization of a sustainable society		

Measurement		
Specifics of KPIs (Changes in indicators)	Current status	
	KPIs	
KPI measurement tools		
KPI measurement timing/frequency		

Comment from department in charge of investment	

Assessment date

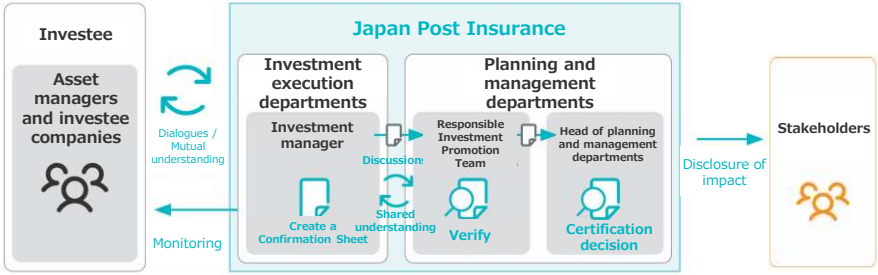
Investment Planning Department Assessment by Responsible Investment Office	Impact "K" Project certification	
	View	

POINT

1 Ensuring the Quality and Transparency of Impact Creation

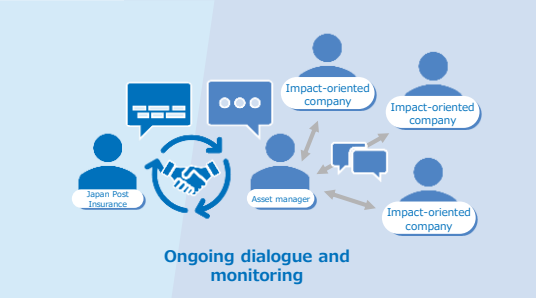
Certification Process

Although the planning and management departments and the investment execution departments cooperate with each other, they are also conscious of appropriately demonstrating their function of restraining the activities of the other. As mentioned on the previous page, the investment execution departments prepare a Confirmation Sheet through, for example, dialogue with investees, and they use this sheet to clarify issues with the fund and share their understanding with the planning and management departments. The planning and management departments carefully examine the content of the Confirmation Sheet, and if necessary, engage in dialogue with the investment execution departments or investees. They confirm that our wishes and the thoughts of the fund are aligned, and if they have any doubts or notice any issues, they urge the fund to resolve them. The head of the planning and management departments makes the final decision on the certification.



Dialogue and monitoring after certification

After certification, we continue to engage in periodic dialogue with the investee and to monitor them, as we endeavor to establish healthy partnerships with them. If there is an issue, we ensure that appropriate measures are taken through dialogue, thereby maintaining transparency and credibility. With a long-term perspective as an asset owner, we work alongside people from the asset managers and the investee companies that lie beyond them to confirm current status and desired direction, and translate this into action that contributes to value enhancement and sustainable growth of investee companies and others.



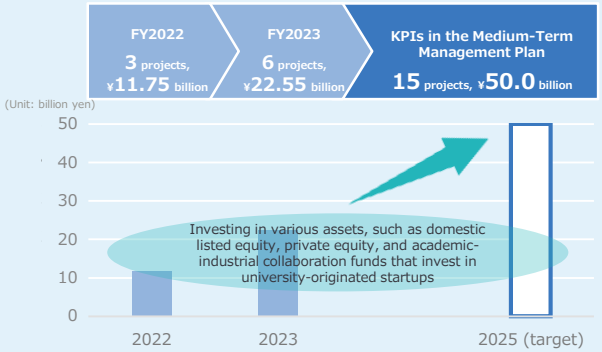
Aiming to create impacts together over the long term

POINT

2 Accumulation of Diverse Impact Investment Projects

Measuring and managing the social and environmental impacts generated by investees is a very important part of impact investing, and we believe it should be conducted to the greatest extent possible. However, depending on the asset class or the growth process of the investee company, it is sometimes difficult to determine KPIs at the initial stage or to measure and manage "impact" in a strict sense, and there are also areas that are not conducive to quantification. Furthermore, it takes a long time for intended impacts to appear, and there are various possible paths to achieving them. And the nature of impacts will also vary depending on the growth phase of the business or company, or the circumstances of society. As an investor, it is important to adopt a medium- to long-term perspective, and have a structure in place for continuously determining status and engaging in dialogue with investees. The approaches and methods of impact investment are still in the process of being developed, but we believe that hesitating to invest in companies and businesses that are taking on challenges in an effort to have a positive impact on society or the environment, on the grounds that it would be difficult to quantitatively measure and identify the impact, would result in significant lost opportunities for society and the environment. With each investment, we carefully analyze the path to issue resolution, and endeavor to accumulate various impact investment projects.

■ KPIs in the Medium-Term Management Plan (to FY2025)



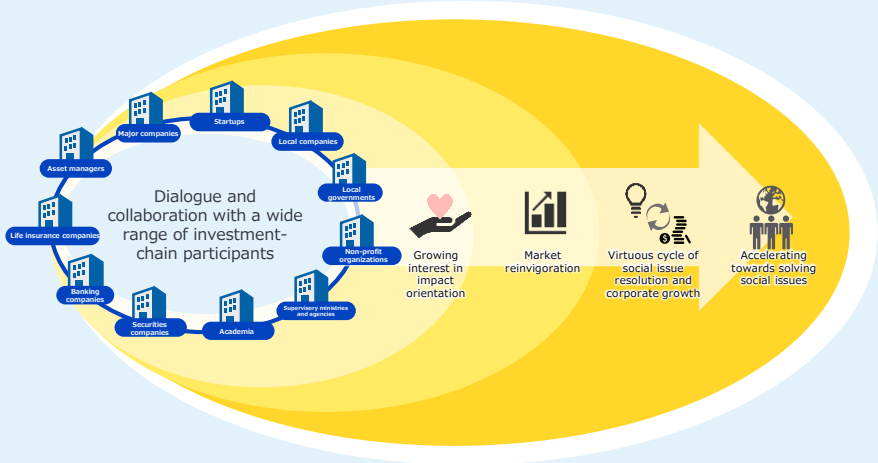
In our Medium-Term Management Plan (to FY2025), we set KPIs for the Impact "K" Project, and have been steadily building a diverse investment portfolio comprising not only PE funds, the most popular vehicle for impact investment, but also domestic listed equity funds, which have the potential to generate bigger impacts, and academic-industrial collaboration funds, which invest in startups that leverage the innovative technologies and projects developed by academia.

POINT

3 Responsibility as an Asset Owner

To ensure that impact investments deliver true benefits to society, Japan Post Insurance believes that promoting growth and understanding of the market as a whole is vital. In addition, long-standing social issues that have not been resolved to date requires efforts from multiple perspectives due to the complex interaction of various factors. Through the method of financing, such as the sustainability-themed bonds, which we have been investing in since 2016, we have contributed to resolving a wide range of social issues, and we are devoting the same level of effort to impact investment.

To contribute to the sound development of the impact investment market as an asset owner, we engage with the entire investment chain through dialogue with investee companies and collaboration with other investors, and cooperate in improving the market environment. We also use various methods, such as initiatives, seminars, disclosure materials, lectures at universities, and owned media to propagate the impact-oriented values. We will continue aiming for the construction of an ecosystem that contributes to the continued development of the impact investment market and the realization of a sustainable future, and will always be asking ourselves what we can do and what we should do to create a better society.



Spread of the Value of Impact Orientation

Communication via Owned Media

We utilize owned media to deepen understanding among a broad spectrum of shareholders by providing easy-to-understand information.

かんぽジャンクション

Kampo Junction was established in 2022 as a hub for people, information, and communities. It is a new form of web media that delivers diverse and attractive information from Japan Post Insurance. https://www.jp-life.japanpost.jp/junction/ (in Japanese)

Video presentation on impact investing

- **What is the "impact investment" that Japan Post Insurance actively pursues? Japan Post Insurance gives a presentation at one of the world's largest events!**

  https://youtu.be/CryEHi_0l8c?si=hYPnkFucT7MQFEXm (in Japanese)

- **Japan Post Insurance and Keio University! What is "co-creative academic-industrial collaboration" that promotes Japanese economic growth and leads to the resolution of social issues?**

  https://youtu.be/y_qamUdfRcI?si=7xRpkzHnwvkGoMdy (in Japanese)

Delivering the voices of planners working on the Impact "K" Project

We deliver the real voice of planners working on the Impact "K" Project in an interview format.

https://www.jpcast.japanpost.jp/2023/05/346.html (in Japanese)

Note: The links are accessible at the time of the release of this report, but please understand that we do not guarantee that they will be so indefinitely.

Sponsorship of Seminars and Events Related to Impact Investment

By taking part in seminars and events related to impact investment and sponsoring Social Impact Day, one of Japan's biggest social impact-related annual conferences, we endeavor to spread the values of impact investment and lift up the impact investment market.

Main events

- 2024/2 **"Impact Investing in Listed Equities and Enterprise Value"**
  (Organizers: Social Impact Management Initiative (SIMI) and Japan Impact-driven Financing Initiative (IDFI))
- 2024/5 **Social Impact Day 2024**
  (Organizers: Social Impact Management Initiative (SIMI) and Japan Social Innovation and Investment Foundation (SIIF))
- 2024/6 **Reimagining Capitalism & Innovation Conference 2024 Discussion of sustainable management and innovation by Harvard Business School professors and representatives of Japanese industry, government, and academia (Organizer: GLIN Impact Capital)**

Selected for the List of "100 People Who Will Shape the 'Future of the Impact Economy'" in the March 2025 Edition of Forbes JAPAN

Japan Post Insurance's HARUNA Takayuki and NOMURA Hiroyuki were chosen as two of the "100 People Who Will Shape the 'Future of the Impact Economy'" in the March 2025 edition of Forbes JAPAN (published on January 24, 2025). Aiming to establish an ecosystem that contributes to a sustainable future, we are committed to doing what we ought to do to create a better society.

Approaching various social issues alongside asset managers and investee companies

commons asset management, inc.

THE RISE FUNDS

KII KEIO INNOVATION INITIATIVE

インパクト"K"プロジェクト

SIIFIC

GLIN IMPACT CAPITAL

Enhancement of well-being

Elimination of the problem of children being wait-listed for nursery schools in urban areas

Real estate management business in desirable urban locations

Attracting daycare centers (Real estate fund investments)

Lack of employment opportunities for people with intellectual and mental disabilities/lack of employment opportunities for women in rural areas

S-Pool, Inc.

Employment support service for people with disabilities/BPO services for local governments

Fulfillment of unmet medical needs

Neusignal Therapeutics Inc.

Development of next-generation drugs for treating Alzheimer's disease

A society where terminal cancer patients and their families can have hope

J-Pharma Co., Ltd.

Specific cancer treatment drug development business

Contribution to environmental protection

Enhancement of the food production sustainability

Little Leaf Farms

High-tech hydroponic cultivation of leafy vegetables business

Sustainability of agriculture and living

SAKA NO TOCHU Co., Ltd.

Distribution and sales of agricultural products

Development of local communities and society

Reducing the number of people with mobility issues and realizing diverse ways of working

newmo, Inc.

Taxi and rideshare business

Restructuring agriculture to transform it into a sustainable growth industry

NIHON AGRI, INC.

Production, processing, export, and sale of agricultural produce / agricultural management consulting business

Shortage of labor in SMEs due to the decline in the working-age population

Money Forward, Inc.

Cloud services business for corporate clients

[Social issues to be solved]

Enhancement of the food production sustainability

Asset	Private equity fund
Fund	The Rise Fund III

Little Leaf Farms
(High-tech hydroponic production business of leafy vegetables)

little leaf FARMS

Social issues to be solved

The global food system is confronted with myriad stress factors (e.g., increasingly serious droughts and floods, transition to plant-based diets, heightened demand for distributed local food systems, etc.), making an agricultural paradigm shift essential. We believe that Controlled Environment Agriculture (CEA) can enable and accelerate this transformation by geographically dispersing the production of fruits and vegetables by farmers, substantially reducing the footprint of inputs (water, fertilizers, and pesticides), food waste, and land use, boosting crop yields, and enhancing resilience to extreme weather and insect damage.

Business activities and initiatives for social issues

Little Leaf Farms is a producer of leafy vegetables using high-tech greenhouses (hydroponics), and produce leafy vegetables grown in sustainable methods. The company's facilities consume 90%-98% less water than used in conventional production of the leafy vegetables, which are cultivated outdoors in areas faced with serious water shortages, such as Arizona and California. Furthermore, the company's leafy vegetables may be less susceptible to foodborne illnesses and less likely to cause food poisoning than substitutes. These advantages mean that the company is not only producing higher yields than its competitors, but also helping to transform the food system.

Impact value

Social cost of water and carbon

We translate impacts measured based on strong evidence such as external papers and research reports into monetary amounts, which we also use in monitoring and progress management. This is conducted by Y Analytics, the independently impact assessment capability within TPG.

Logic model

Management resource	Activities	Output	Outcome	Impact
People, Goods, Money	Business activity	Leafy lettuce produced and sold on the east coast	Reduction of lettuce produced in and shipped from the west coast	Reduction of water consumption in areas with serious water shortages

[Social issues to be solved]

Fulfillment of unmet medical needs

Asset	Private equity fund
Fund	KII3, LPS

Neusignal Therapeutics Inc.

(Next-generation Alzheimer's disease treatment drug development business)

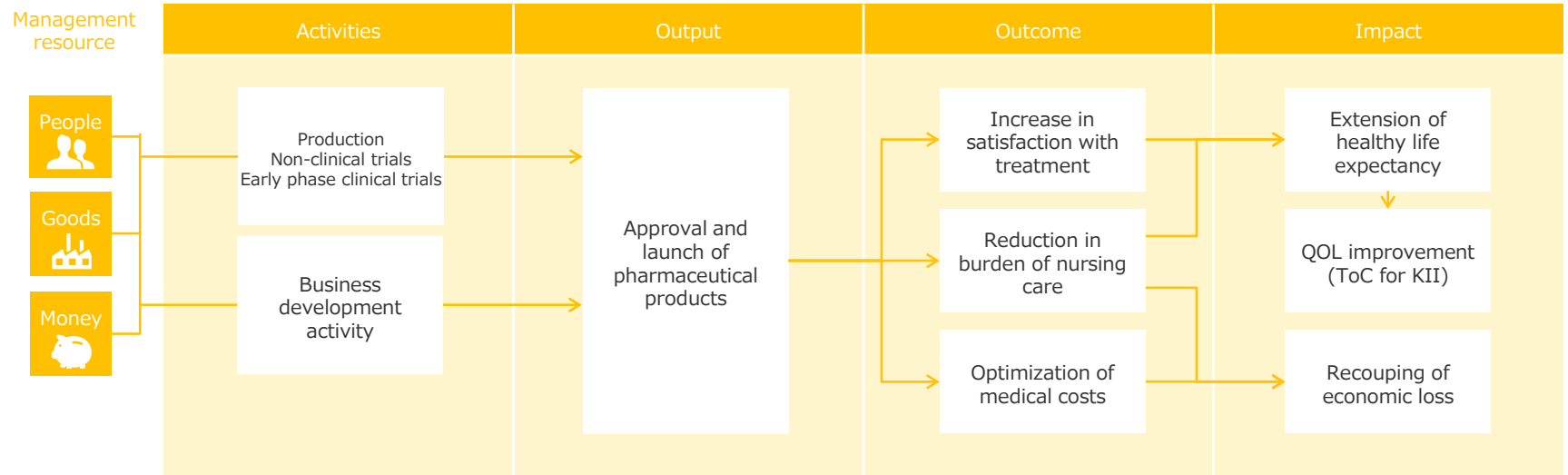
Social issues to be solved

Alzheimer's disease is a progressive neurological condition that results from brain atrophy caused by the failure of neurons in the brain. As the illness progresses, it produces peripheral symptoms such as declines in cognitive function, depression, aggressive words and behavior. Ultimately, the individual will require nursing care in all aspects of their daily life. Recent years have seen the emergence of new drugs that slow the progression of the disease, but these drugs need to be injected during regular hospital visits, and have prompted debate about the high medical cost, increases in social security expenditures, and various other implications. With Japan's rapidly aging population and declining birthrate, it is predicted that in 2036, elderly persons aged 65 years or older will account for one-third of the population. As a result, the incidence and prevalence of Alzheimer's disease is expected to increase.

Business activities and initiatives for social issues

Among the forms of dementia being tackled by Neusignal Therapeutics, Alzheimer's disease (AD) has an especially large number of patients. The product being developed by the company is a small molecule drug that can be taken orally, making it is easier to keep up treatment. The disease can progress in various ways, but the drug can treat all the peripheral symptoms, including declines in cognitive function, depression, and aggressive words and behavior.
Through drug discovery, the company aims to extend healthy life expectancy and reduce economic loss, and will create these impacts by fulfilling unmet needs (i.e., medical needs related to diseases for which effective treatment methods do not yet exist), increase patients' levels of satisfaction with treatment, ease the carers' mental, physical, and financial burden of providing care, and optimize medical costs for the nation as a whole.

Logic model



[Social issues to be solved]

Reducing the number of people with mobility issues and realizing diverse ways of working

Asset	Private equity fund
Fund	KII3, LPS

newmo, Inc.
(Taxi and rideshare business)

newmo

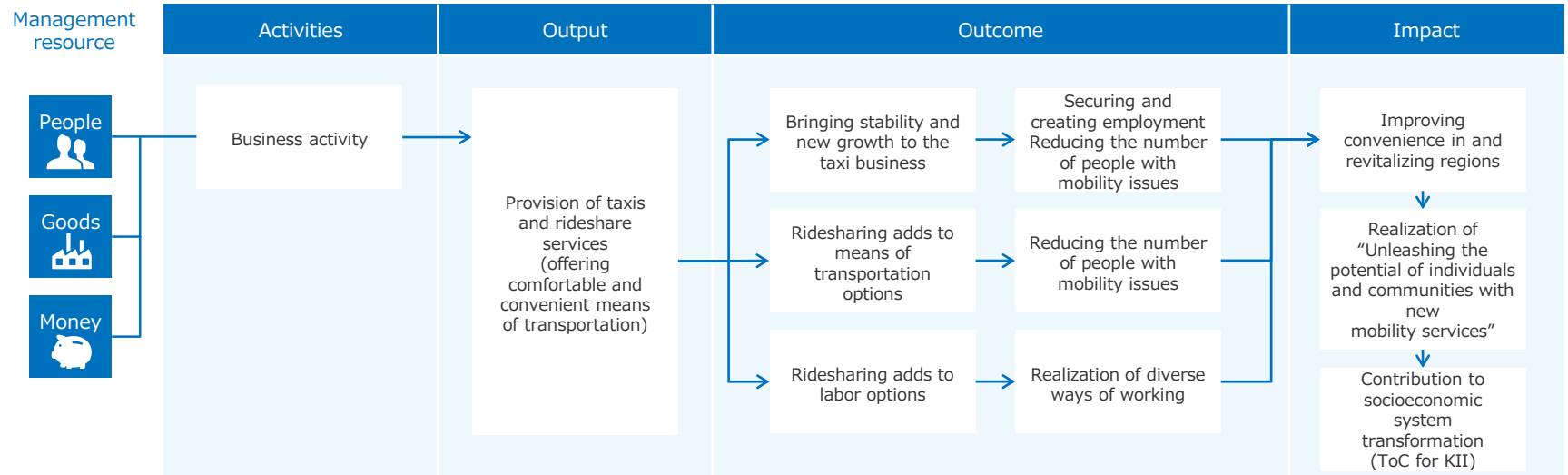
Social issues to be solved

The decrease in means of transportation due to the declining birthrate and aging population, such as an increase in the number of discontinued railroad lines and a decrease in the number of bus drivers, has resulted in the emergence of "people with mobility difficulties," which has become an important social issue in Japan. In areas where such means of transportation have disappeared, many people have relied on taxis, but in the 12 years from 2010 the number of taxi drivers in Japan dropped by 40%. Moreover, the drivers are getting older, with those aged 70-74 constituting the biggest age group.
As a key national policy for tackling this social issue, the ban on ridesharing was partially lifted in April 2024. As a result, rideshare services operated by taxi companies are now available in certain areas and during certain hours, and discussions are continuing on the complete liberalization of the rideshare business. Securing means of transportation in local areas is a pressing task.

Business activities and initiatives for social issues

newmo currently provides vehicles driven by taxi drivers and ordinary rideshare drivers as well as transportation services to people with mobility issues, who have difficulty securing means of transportation, in tourist areas and major cities, and over the medium term, it will be expanding these services into rural areas.
The impact the company is aiming for is to offer users at risk of experiencing mobility issues means of transportation as infrastructure for daily life, and also to create diverse working opportunities for drivers.
After obtaining a controlling interest of the taxi operator in the region concerned, the company takes action to restore the region to growth by expanding employment, making appropriate investments, including for digital transformation, and optimizing costs. Furthermore, in Osaka, which is expected to see an increase in transportation demand, the company launched a rideshare business in the summer of 2024, ahead of the Expo to be held in the following year. Going forward, it will be expanding this business to various parts of Japan, where by providing a mode of transport to people with mobility issues and enabling drivers to work in various ways, it will improve convenience in these regions and revitalize them.

Logic model



[Social issues to be solved]

Restructuring agriculture to transform it into a sustainable growth industry

Asset	Private equity fund
Fund	KII3, LPS

NIHON AGRI, INC.

(Production, processing, export and sale of agricultural products, agricultural management consulting business)

NIHON AGRI, INC.

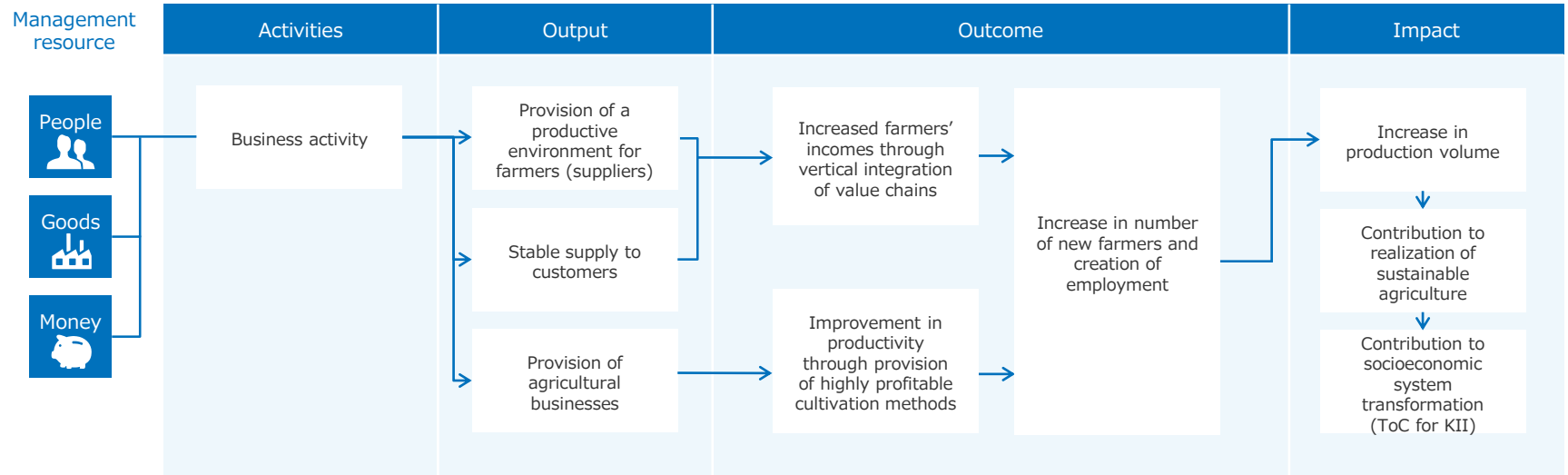
Social issues to be solved

Japan's agriculture-related market is shrinking year by year, and the number of farmers is also on the decline due to the aging population and a shortage of successors. In addition, because the value chain has become so complex, with numerous intermediaries, costs are also excessive.
Furthermore, poor productivity resulting from farming methods that rely on years of experience and the fact that many farms are small-scale means that production costs are high, and the incomes of producers tends to be unstable.
To transform agriculture into a sustainable growth industry, it will be vital to restructure the sector in order to remove obstacles to improving the incomes of people involved in farming.

Business activities and initiatives for social issues

NIHON AGRI is creating a new industrial structure for agriculture, handling everything from the production to the sale of Japanese farm produce. By providing farmers and companies that are entering the agricultural sector with new production technologies and sales channels both in Japan and overseas, it helps to stabilize their incomes. In addition to supplying the necessary materials at the start of agricultural production, it also offers production know-how, construction services, and support for obtaining financing. Furthermore, it is working to raise productivity along the entire supply chain by, for example, operating its own fruit sorting facilities. Until now, it has concentrated on expanding export and distribution channels for apples, and is currently planning to increase sales channels and the types of products handled domestically by leveraging its ability to ensure stable supplies as well as its selling and purchasing capabilities, which it has built up over the years. Through the new value chain that the company offers, productivity and production volume are expected to rise, as are the living standards of farmers and the number of farmworkers. All this will lead to the "realization of sustainable agriculture."

Logic model



KII3, LPS

Investment company	**Keio Innovation Initiative, Inc.**	Investment targets	Deep-tech startups working to transform society with digital technology and resolve social issues in the field of medical care and health in line with the principle of the "Realize a society in which each and every person can live in health and happiness"
Fund establishment date	October 11, 2023	Fund scale	¥20.2 billion
URL	https://www.keio-innovation.co.jp/en/		
Theory of change	• Based on the principle of the "Realize a society in which each and every person can live in health and happiness(a society whose citizens remain active throughout their lives)," this fund is aiming to instigate social and environmental change in three domains (QOL improvement, socioeconomic system transformation, and environmental protection).		
Fund concept	• The fund is focused on medical-care and health field and the digital technology field, where there are high expectations for growth as an industry, and invests in startups that are utilizing Keio University's research accomplishments and personnel or, when synergies can be expected, the research accomplishments of other universities and research institutes. • The basic investment strategy is to be the lead investor from the seed/early stage in their establishment, continue making additional investments through the expansionary commercialization stage and in the later business expansion stage, thereby maintaining a certain percentage of the equity, and effectively provide support for business growth and make proposals for exit strategies. • The fund adheres to global standards and meticulously performs impact measurement and management (IMM). It partners the investee startups at each phase from due diligence to investment execution, working on the formulation of a theory of change (ToC), logic model, five basic elements of impact, and impact KPI setting. • It has also established a framework for cooperation with Keio University, and has begun collaborating on a new incubation program (Keio Startup Incubation Program (KSIP)) with the Startup Division of the Keio University Office of Innovation and Entrepreneurship.		

Theory of Change (ToC) for KII3, LPS

Purpose	Turn academic research and invention into a world-changing business			
Ultimate result	Realize a society in which each and every person can live in health and happiness (a society whose citizens remain active throughout their lives			
Investee contributions	SDGs / IRIS+ perspective			
	Impact	QOL improvement	socioeconomic system transformation	environmental protection
	Outcomes	• Fulfillment of unmet medical needs • Promotion of preventive healthcare, reasonable medical costs • Fairer and streamlined healthcare	• Increased productivity and efficiency in industry and infrastructure • Better environment for daily life and work • Regional revitalization	• Development and spread of sustainable energy • Reduced CO_2 • Formation of circular economy
Issues faced by society	• Gap between average life expectancy and healthy life expectancy, increased strain on national and household finances due to growing medical and care costs, regional gap in healthcare technology • Isolation of individuals due to aging, more nuclear families, and economic/information gap, decline in working age population and low productivity • Deteriorating global environment and changes in climate (rising sea levels, impact on biosphere, damage to food, water, health, and the economy) due to global warming			

The Rise Fund III

Investment company	**TPG Inc.**	Investment targets	Growth-phase unlisted companies creating impacts in an array of sectors in developed countries (North America and Europe) and developing countries (Asia and Africa)
Fund establishment date	May 5, 2022	Fund scale	$2.7 billion
URL	https://www.tpg.com/		

Theory of change

- Until 2016, when TPG launched its large-scale private equity impact platform, the private markets' approach to resolving social issues centered on investing in small-scale impact funds and ventures benefitting from public funding, subsidies, and philanthropy. However, TPG believed that for global social issue resolution, the following tasks are critical: (1) ensuring scalability, (2) generating returns in ways unique to private equity, and (3) measuring impacts.
- Through accomplishing these tasks, TPG has been developing impact assessment methods that enable diverse social and environmental issues to be compared directly. It also promotes large-scale investment activities with the aim of simultaneously generating economic returns and creating social impacts.

Fund concept

- The Rise Fund III aims to address of increasing social/economic challenges and issues related to climate change, and supports growth-phase companies that provide products and services that can play an active role in the resolution of social issues. By taking control of them through buyouts or funding their growth through growth equity investments, it helps them scale their social impact-generating operations as their business expands.
- It targets six sectors globally, mainly in developed countries (education, healthcare, financial inclusion, impact services, food and agriculture, and climate and conservation), generating impacts as it accelerates the growth of investee companies.

Education	Transition to tailored and adaptive education, acquisition of degrees online, expansion of career education, education and mental care for people with special needs, improvement of educational environments in emerging countries, etc.
Healthcare	Improvement of access to medical services, comprehensive care for the elderly and children, improvement of quality of life (healthy eating etc.), fulfillment of unmet medical needs, etc.
Financial Inclusion	Improvement of access to mobile money and financial literacy, risk care utilizing digital finance and saving/investment, improvement of access to finance among low- and middle-income earners (lending and liquidity provision), and improvement of access to finance among small and medium-sized enterprises (lending, insurance, etc.), etc.
Impact Services	Community involvement and learning, donation management, hiring of diverse human resources, automation of workflows related to internal training and skill improvement, consulting services to support companies with CSR, ESG, and impact creation, etc.
Food and Agriculture	Food production using alternative ingredients (plant-based protein etc.), development of urban/indoor agriculture, improvement of agricultural technology for sustainable production, etc.
Climate and Conservation	Renewable energy, next-generation grids, carbon credits, energy efficiency, low-carbon fuel, electrification of transportation, circular economy, use of clean technologies in heavy industry, etc.

- Impact evaluation for investees are conducted by Y Analytics, the independently guided impact assessment capability within TPG. Impacts assessed based on strong evidence such as external papers and research reports are translated into monetary amounts, and metrics such as impact investment multiples, impact yields, and carbon yields are calculated. This approach allows the impact efficiency of a wide variety of investments to be directly compared, earning it high marks from academia and industry organizations. The results are also used in monitoring and progress management, which facilitates the creation of impacts by investee companies.

Special Feature

Participation in the Commons Asset Management's Social Issue Resolution Program Comorebi

■ About Comorebi

Comorebi is a social issue resolution program conducted since 2023 by Commons Asset Management, Inc. (hereinafter, "Commons Asset Management"), which manages the "Commons Impact Fund — Co-creation—." Through this program, Commons Asset Management aims to donate approximately 1% of the trust fees earned from the operation of the fund to non-profit organizations working to resolve social issues related to the themes of the "Commons Impact Fund — Co-creation—," namely the "enhancement of well-being," "development of local communities and society," and "contribution to environmental protection."
While impact investment is an investment activity that aims to achieve both social and economic returns, Comorebi intends to play a part in solving social issues outside the scope of impact investment, including non-profit activities not targeted by investment, without leaving any social issue behind.

▶ **Please see here for details of Comorebi**
Commons Asset Management's website:
Notice of Decision on Donation Recipients for the 2nd Comorebi (social impact program)
https://www.commons30.jp/release/5099/
(in Japanese)

■ Participation of Japan Post Insurance

As we did in the 1st Comorebi program in 2023, we participated as a member of the 2nd Comorebi Donation Selection Committee in 2024. We were approached by Commons Asset Management as the fund's external investment manager with the view of "creating a program that reflects the thoughts of the fund's stakeholders." In deciding the recipient of the recommendation by the Company for the selection committee, we invite all internal departments, not only those related to asset management, to submit their votes before making the selection. We are focusing on the program as a new pathway to resolving social issues along the entire investment chain.

■ Implementation of the donation by the 2nd Comorebi

In the 2nd Comorebi, based on the theme of "parents and children," and through discussions by the Selection Committee consisting of Commons Asset Management, external members (experts), and Choiceful Association (Adachi-ku, Tokyo; Executive: KURINO Taisei) was selected as the donation recipient, and it received ¥700,000 from Commons Asset Management in October 2024.

Commons Asset Management presents a donation

From the left: Mr. Kurino, Executive of Choiceful; Mrs. Koie, Managing Executive Officer of Japan Post Insurance; Mr. Ii, President of Commons Asset Management

Although not selected, General Incorporated Association "Aokusa no Hara" (Shinjuku-ku, Tokyo; Executive Director: FUJITA Kotoko) and Non-profit Organization Weeds (Kamagaya, Chiba; Executive Director: MITSUMOTO Ayumi), the other final donation candidates, also received ¥80,000 each.

▶ **Choiceful Association's website**
https://www.choice-ful.or.jp/ (in Japanese)

Choiceful Association was established in 2021 with the mission of creating a society where children facing socioeconomic challenges can access abundant "choices."
The organization was founded by a director who grew up in an underprivileged household, motivated by witnessing his younger sister's inability to pursue desired educational opportunities due to financial constraints. This personal experience drove them to create an organization that makes life choices more accessible to those in need.
The organization addresses the disparity in choices available to struggling families through two main initiatives: a food delivery service that builds connections with isolated low-income families, and community spaces centered around children's cafeterias that foster trust-based relationships.

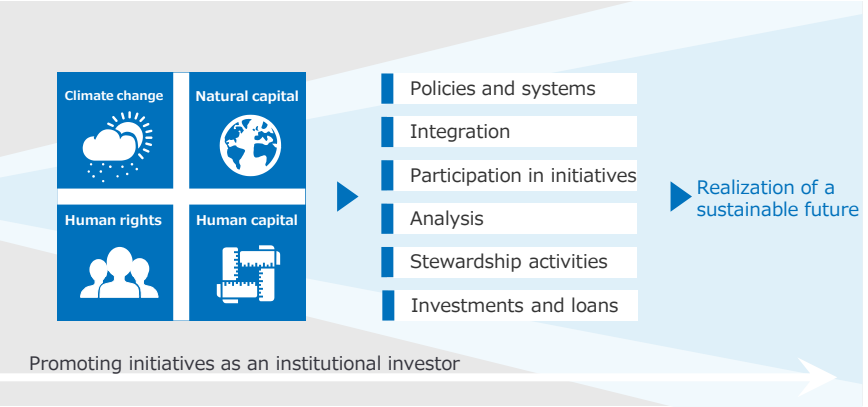
<Words of recommendation from Japan Post Insurance employees (comments from the internal vote)>
- I learned for the first time about the "choice gap" issue, which relates to whether it is even possible to access support systems, and I felt like I wanted to help.
- I myself am a single mother, but I am unable to take advantage of many of the support systems for single-parent households due to the conditions that are imposed. The approach resonated with me.
- I wanted to see some improvement in the environment surrounding the young generation, as they are the ones who will shape the society of the future.

07 Sustainability Themes

- Key Sustainability Themes of Japan Post Insurance p.88
- Climate Change Initiatives p.89
- Natural Capital Initiatives p.95
- Human Rights Initiatives p.97
- Human Capital Initiatives p.99

Key Sustainability Themes of Japan Post Insurance

As a responsible institutional investor, we seek to leverage our investments to solve sustainability issues in order to bring about a sustainable society. Taking into account internal and external trends, we select themes to emphasize in our investments, and by considering sustainability themes when making investment decisions, exercising stewardship toward investees, engaging with policymakers, and pursuing initiative activities, we encourage investees to expand and enhance their disclosures. In addition, we are also addressing other themes (such as cybersecurity and taxation transparency) while closely monitoring social trends. We disclose our initiatives to address the sustainability issues in our investment and loan activities on our website and in our Responsible Investment Report.



<Policy for Initiatives Related to Sustainability Issues>

Climate change	Based on the Paris Agreement, a treaty on climate change, we have set a target of net-zero greenhouse gas emissions from our investment and loan portfolio by 2050 (including an interim target for 2030). We evaluate the climate change-related risks and opportunities of investees and reflect them in our investment decisions. We also conduct engagement centered on investees for which climate change poses a considerable risk, and encourage them to reduce greenhouse gas emissions. We also actively invest and provide loans in renewable energy power generation projects and companies promoting the transition to decarbonized operations. We will endeavor to enhance the disclosure of progress with these initiatives and the climate change risk analysis of our portfolio in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework.
Natural capital	Companies' business activities are dependent on the blessings of nature and the ecosystem (such as water resources, forest resources, and raw materials/ingredients for food and daily necessities). At the same time, the excessive extraction of resources and the release of toxic substances may adversely affect the natural environment. In accordance with the Kunming-Montreal Global Biodiversity Framework and the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), which are both international guidelines related to the natural environment, we make investment decisions that take into account the risks and opportunities companies face with regard to the natural environment, with a focus on industries with high exposure on this front. Through dialogue with investees, we also encourage them to implement nature risk management and enhance related information disclosure.
Human rights	Human rights are a universal value tied to human dignity. With the globalization of value chains, the risks of human rights violations faced by investees in our asset management operations are becoming more diverse and complex. We respect international guidelines on protecting human rights, such as the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights (UNGPs), and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Accordingly, we make investment decisions while checking the governance (including human rights policies) of investees, as well as their human rights due diligence, relief systems, and other efforts, with a focus on industries and companies identified to have potentially high risk of human rights violations. Through dialogue with these investees, we also encourage them to enhance their responses to human rights-related risks.
Human capital	With the servitization and digitalization of the economy, the talent and skills of companies' employees are becoming increasingly important as a source of sustainability. We evaluate investees' human resource initiatives and reflect them in our investment decisions. We consider factors such as consistency between business strategies and human resources strategies, investments in human resources, efforts to secure and develop human resources, and efforts to enhance the diversity and inclusiveness of the workforce. Through dialogue with investees, we also share issues related to human capital and encourage the enhancement of information visualization and disclosure.

Climate Change

Based on the Paris Agreement, a treaty on climate change, we have set a target of net-zero greenhouse gas emissions from our investment and loan portfolio by 2050 (including an interim target for 2030). We evaluate the climate change-related risks and opportunities of investees and reflect them in our investment decisions. We also conduct engagement centered on investees for which climate change poses a considerable risk, and encourage them to reduce greenhouse gas emissions. We also actively invest and provide loans in renewable energy power generation projects and companies promoting the transition to decarbonized operations. We will endeavor to enhance the disclosure of progress with these initiatives and the climate change risk analysis of our portfolio in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Initiatives:

Participation in Climate Change Initiatives

We participate in and endorse global initiatives aimed at realizing a decarbonized society.

An initiative to encourage the world's leading companies to disclose information on climate change, water, forests, and other issues and conduct collaborative engagement

An organization established to consider how to disclose climate-related information and how financial institutions should respond

An international investor initiative that seeks to address climate change through collaborative engagement

Integration:

Negative Screening Criteria for Environmental Protection

As a responsible institutional investor, we aim to solve sustainable issues and achieve a sustainable society by setting criteria for negative screening and incorporating ESG integration into portfolio establishment. Coal-fired power generation emits large amounts of CO_2, and there are concerns about its impact on climate change. For this reason, we will not invest in new domestic or foreign project finance related to coal-fired power generation, regardless of its generation efficiency.

▶ Please see "Negative Screening" (p.33) for details on initiatives.

Investments and Loans:

Sustainability-themed Bonds and Investment Renewable Energy Businesses

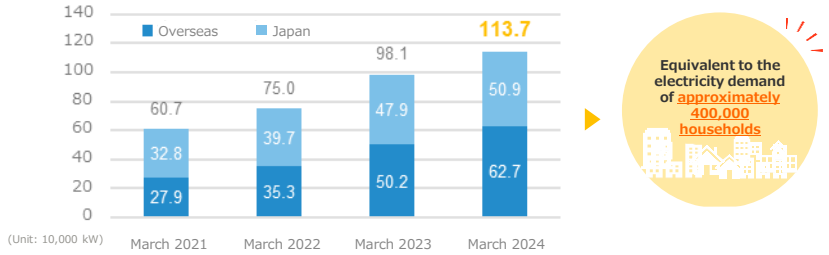
Green Bonds	Proceeds are allocated to projects in accordance with the Green Finance Framework formulated with the aim of realizing a decarbonized society	NTT FINANCE CORPORATION	¥30.0 billion
Green Transition Bonds	Supports the transition of carbon-intensive industries to low-carbon businesses	European Bank for Reconstruction and Development (EBRD)	approximately ¥22.5 billion
Investment in renewable energy businesses such as solar and wind power generation		(launched in 2017)	

Investments and Loans:

Total Power Generation Output from Renewable Energy Facilities That We Loan to and Invest In

We measure the total power generation output of renewable energy facilities as a sustainability outcome from investments and loans in renewable energy businesses such as solar and wind power generation.

● Total power generation output from renewable energy facilities that we loan to and invest in



Integration:
Incorporation into Company Assessment

Based on "contribution to environmental protection," set as one of our sustainable investment priority initiative themes, we will actively make investments and provide loans that contribute to the realization of a decarbonized society.

In establishing our portfolio and selecting asset managers, we incorporate into our investment and loan decisions factors such as the status of decarbonization initiatives and the results of dialogue with potential investees, greenhouse gas emissions of each investee we have measured and analyzed ourselves, and data from external ESG assessment organizations.

When conducting dialogue, we mainly confirm companies' initiatives (disclosure in line with the TCFD framework, and target setting, progress, measures, and the development status of new technologies in connection with reducing GHG emissions) and encourage the disclosure thereof.

In light of global trends such as the Paris Agreement adopted in 2015, and the Japanese government's statement to achieve carbon neutrality in 2050, we aim to reduce the GHG emissions across our entire investment portfolio through these measures.

Stewardship Activities:
Dialogue with Companies

<Examples of Dialogue>

Industry: Materials	Theme: Progress on GHG emission reduction targets
Issues and background of investee	The company has set a target of a 50% reduction in the GHG emissions of its investment portfolio by the end of FY2029, and had already achieved a 35% reduction as of the end of FY2022. It seemed to be making steady progress, but we realized we needed to confirm the situation.
Dialogue content	We shared our views on its progress, confirmed the accuracy of our understanding, and ascertained what the company perceives to be challenges.
Progress and outcomes of dialogue	Emboldened by the smooth progress it has made with cutting its GHG emissions, the company told us that it has voluntarily revised its targets, and that it is still making steady progress at that point. The company also explained that because the businesses that constitute its strengths emit large amounts of GHGs, it views balancing the company's growth with GHG-emission reduction as a challenge for the future.
Our evaluation / future policies	We confirmed that the company is taking positive action to address climate change, and that even with businesses that currently emit a lot of GHGs, it is working to upgrade its technology and moving forward with improvements. Going forward, we will continue to engage in dialogue and confirm the status of GHG-emission reductions.

▶ Examples of dialogue concerning climate change are also presented in Stewardship Activities (p.42).

Policies and Systems:
GHG Emission Reduction Targets for Our Investment Portfolio

To achieve carbon neutrality, we are taking action as an both an operating company and an institutional investor to promote the transition to a low-carbon society and enhance the resilience of our business.

With regard to the GHG emission reduction for our investment portfolio, as an institutional investor, we aim to achieve carbon neutrality by 2050, and have set an interim target of a 50% reduction (compared to FY2020) by FY2029 (March 31, 2030). The 2050 target and the interim target are based on a special report* from the IPCC, and are also aligned with long-term targets under the Paris Agreement and from Japanese government. By reflecting various elements related to addressing climate change in our investment strategy as we work toward the targets, we aim to realize a carbon neutral society and improve investment outcomes over the medium to long term.

* IPCC (2018) Global Warming of 1.5°C an IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.

<GHG Emission Reduction Targets for Our Investment Portfolio>

Type of emission	Category	Reduction targets	
		Interim target	2050
Emissions from our investment portfolio*1	Scope 3 Category 15	50% reduction in greenhouse gas emissions from FY2020 levels by the end of FY2029*2	Net zero

*1 Emissions represents the sum of Scope 1 and Scope 2 emissions of investee companies multiplied by the shareholding ratio for our investment.
The assets covered are listed domestic and foreign listed equities and domestic and foreign corporate bonds. (Domestic and foreign corporate bonds include corporate loans. Hereafter, the same applies to p.90 to p.94.)

*2 We are targeting a 50% reduction in measured GHG emissions from our investment portfolio as of March 31, 2030 compared to measured emissions as of March 31, 2021.

Analysis (Analysis and Disclosure Based on TCFD Recommendations) (1):

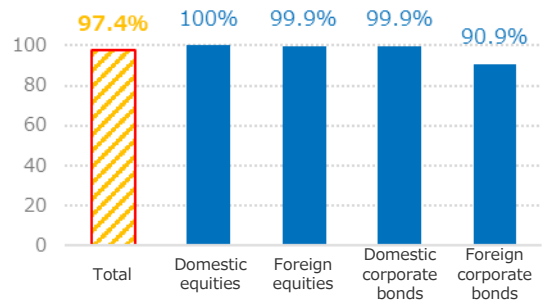
Measurement of GHG Emissions in Investment Portfolio (As of March 31, 2024)

● Asset Classes Subject to Measurement and Measured Coverage Ratio

We endorsed the recommendations of TCFD established by the Financial Stability Board (FSB). Furthermore, in order to assess climate-related risks and opportunities in accordance with the recommendations of the TCFD, we calculate GHG emissions and related metrics for our investment portfolio.

The coverage ratios of the four asset classes subject to measurement (domestic equities, foreign equities, domestic corporate bonds*, and foreign corporate bonds*) are calculated using market capitalization shares of securities for which public figures disclosed by companies and modeled figures provided by S&P Trucost are available. Since we began measurement, we have worked to improve the coverage ratios of the asset classes subject to measurement each year, and this fiscal year, the overall coverage ratio for all the asset classes subject to measurement was 97.4%.

* Domestic and foreign corporate bonds include loans. (Hereafter, the same applies to p.90 to p.94.)



● Measurement Results (As of March 31, 2024)

For the GHG emissions from our portfolio, the sum of Scope 1 and Scope 2 emissions was approximately 7.83 million tCO_2e, which marks an approximately 1.12 million tCO_2e decrease from the previous fiscal year. Although GHG emissions from domestic equities increased, partly as a result of higher share prices, a decline in GHG emissions from domestic corporate bonds greatly contributed to a fall in emissions from our portfolio as a whole.

Source: ©2024, S&P Trucost Limited, Japan Post Insurance

Emission-related indicators Measurement range (Unit)	GHG emissions (*1) Scope 1+2 (tCO_2e)		GHG emissions (*1) Scope 1&2&3 (tCO_2e)		Carbon Footprint (*2) Scope 1&2 + direct suppliers of Scope 3 (tCO_2e/million yen)		Weighted average carbon intensity (*3) Scope 1&2 + direct suppliers of Scope 3 (tCO_2e/million yen)	
Asset Class	As of March 31, 2023	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Domestic equities	1,517,996	1,763,185	4,585,855	4,500,812	0.98	0.76	1.37	1.12
Foreign equities	267,854	264,768	530,675	479,534	0.67	0.45	1.97	1.34
Domestic corporate bonds	5,529,498	4,362,862	7,607,963	5,751,539	3.27	2.53	6.01	4.72
Foreign corporate bonds	1,636,371	1,440,332	2,560,194	2,177,547	0.90	0.77	3.23	2.46
Total	**8,951,718**	**7,831,148**	**15,285,407**	**12,909,432**	**1.56**	**1.15**	**3.23**	**2.33**

*1 Carbon emissions are calculated as follows.

$$\sum_i \left(\frac{\text{current value of investment } i}{\text{issuer's market capitalization } i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions } i \right)$$

* EVIC is an abbreviation for Enterprise Value Including Cash, which is the value of a company including cash. It is calculated as follows: market capitalization of preferred stock + total debt (book value) + minority interests.

** i represents the portfolio companies that are included in the portfolio.*

*2 Carbon Footprint is the amount of GHG emissions per million yen of portfolio balance.

*3 Weighted Average Carbon Intensity indicates the carbon efficiency of the portfolio company. It is calculated by multiplying the GHG emissions per sales of the investee company by the ownership ratio in the portfolio and adding them together.

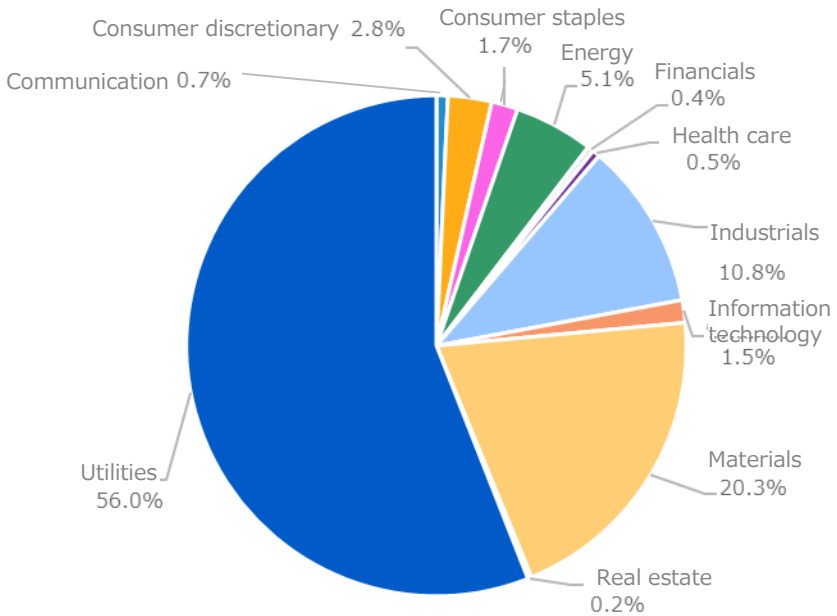
Analysis (Analysis and Disclosure Based on TCFD Recommendations) (2):

Analysis of GHG Emissions in Investment Portfolio (As of March 31, 2024) and Progress Towards Emission Reduction Targets

With regard to the GHG emission reduction targets* for our investment portfolio, we aim to achieve carbon neutrality by 2050 for equities and bonds, and have set an interim target of a 50% reduction (compared to March 31, 2021) by March 31, 2030 (FY2029). As of March 31, 2024, the GHG emissions from our investment portfolio were down by 2.55 million tCO_2e compared to the end of FY2020, marking steady progress toward the above targets. As an institutional investor, we will continue to encourage investees to reduce their GHG emissions through dialogue and the exercise of our voting rights as shareholders, thereby helping to realize a carbon-neutral society.

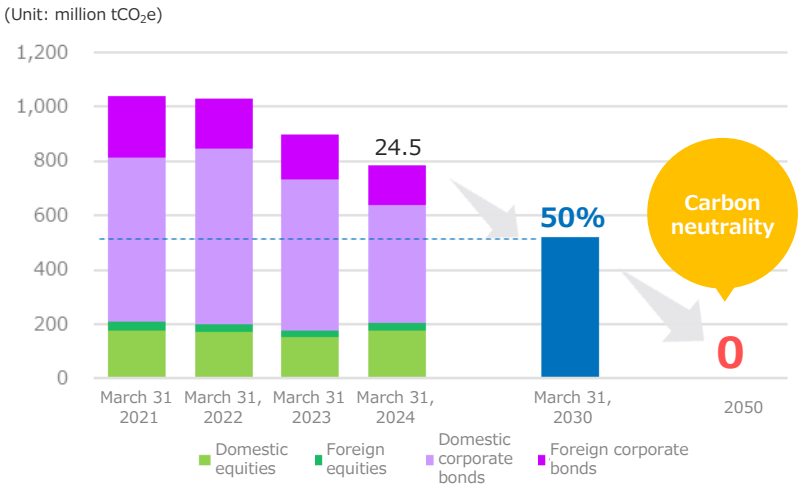
* Subsequently, our share of Scope 1 (direct emissions) and Scope 2 (indirect emissions from electricity and heat procured) emitted by each investee is summed.

● Our GHG Emissions Sector Composition (as of March 31, 2024)



● Our GHG Emission Reduction for Our Investment Portfolio

GHG emission reduction targets		
	2050	**Carbon neutrality**
	2030	**50% reduction (compared to the end of FY2020)**



* Domestic equities, foreign equities, domestic corporate bonds, and foreign corporate bonds are in scope of calculation.

Source: ©2024, S&P Trucost Limited, Japan Post Insurance

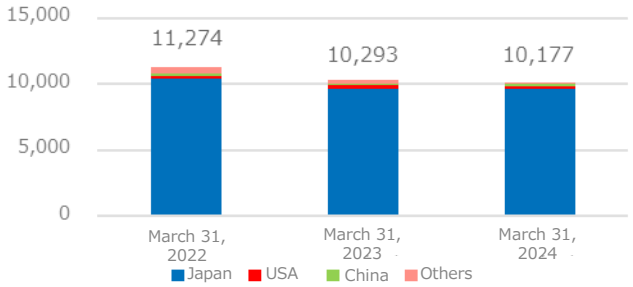
Analysis (Analysis and Disclosure Based on TCFD Recommendations) (3):

Greenhouse Gas Emissions-related Indicators for Other Assets (As of March 31, 2024)

Since we first measured and disclosed GHG emissions, we have gradually expanded the scope of what we measure. This fiscal year, in addition to emissions from the four asset classes (domestic equities, foreign equities, domestic corporate bonds, and foreign corporate bonds) subject to measurement in connection with the "GHG emission reduction targets for investment portfolio," listed REITs, domestic real estate (including privately-placed domestic real estate funds and REITs), and government bonds etc. (including semi-sovereign bonds such as bonds issued by government-related organizations or local governments, and including entrusted investment), which we disclosed until last fiscal year, we have measured and disclosed emissions from project finance for the first time. Furthermore, we have already completed the disclosure of emissions from all asset classes for which the PCAF prescribes measurement methods.
To realize carbon neutrality, we will be working on initiatives related to the transition to a low-carbon society as an institutional investor by also engaging in dialogue on these assets with investees.

● GHG Emissions for Government Bonds, etc.

(Unit: 10,000 tCO_2e)



* GHG emissions = $\Sigma_i \left(\frac{\text{book value of government bonds etc.}}{\text{GDP}i \text{ after adjusting for purchasing power parity (PPP) } i} \times CO_2 \text{ emissions } i \right)$

* GHG emissions are the sum of Scope 1&2&3
* GHG emissions for each country include LULUCF (Land Use, Land-Use Change, and Forestry)

book value of government bonds etc.

● Indicators related to GHG Emissions from Listed REITs, Domestic Real Estate, and Project Finance

Emission-related indicators Measurement range (Unit)	GHG emissions (*1) Scope 1+2 (tCO_2e)			Carbon Footprint (*2) Scope 1&2 + direct suppliers of Scope 3 (tCO_2e/million yen)	
Asset Class	As of March 31, 2023	As of March 31, 2024	YoY	As of March 31, 2023	As of March 31, 2024
Listed REITs	5,898	4,357	down by 1,541	0.07	0.04
Domestic real estate	29,978	28,506	down by 1,472	0.19	0.15
Project finance	116	39	down by 77	–	–

*1 Carbon emissions are calculated as follows.

$$\sum_i \left(\frac{\text{current value of investment } i}{\text{current value of investment } i} \times \text{issuer's Scope 1 and Scope 2 GHG emissions } i \right)$$

* EVIC is an abbreviation for Enterprise Value Including Cash, which is the value of a company including cash. It is calculated as follows: market capitalization of preferred stock + total debt (book value) + minority interests.
* *i* represents the portfolio companies that are included in the portfolio.

*2 Carbon Footprint is the amount of GHG emissions per million yen of portfolio balance.

*3 For project finance, only self-operated assets for which emissions can be measured are subject to measurement

Sustainability Website of Japan Post Insurance
Initiatives for Climate Change
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/environment/tcfd.html

* The same disclosure as this document is available on the above website.

Analysis (4):

Analysis on the Impact of Carbon Cost on Investee Companies

As we transition to a decarbonized society, investee companies could be impacted by higher carbon costs as a result of carbon pricing, e.g., the introduction of carbon taxes by national governments. Therefore, with respect to our domestic/overseas equity and corporate bond portfolio, we analyzed the impact of higher carbon costs on the finances of investee companies based on two scenarios.

For the scenarios, which represent assumptions about carbon costs, we used the Unpriced Cost of Carbon (UCC) by S&P Trucost. UCC is based on sources such as carbon pricing scenarios from the IEA. Taking account the attributes of the region and sector in which the company operates, and assuming that its greenhouse gas emissions remain constant at the current level, it estimates the additional carbon costs that will be borne by the company at future point in time. For our analysis, we used two scenarios: low carbon price and high carbon price.

<Scenarios and Assumptions for Cost of Carbon>

Scenarios	
Low carbon price scenario	A scenario in which the countries fully implement their Nationally Determined Contributions (NDCs) under the Paris Agreement.
High carbon price scenario	A scenario in which temperature change in 2100 is below 2°C, consistent with the Paris Agreement, through appropriate policy implementation by national governments.

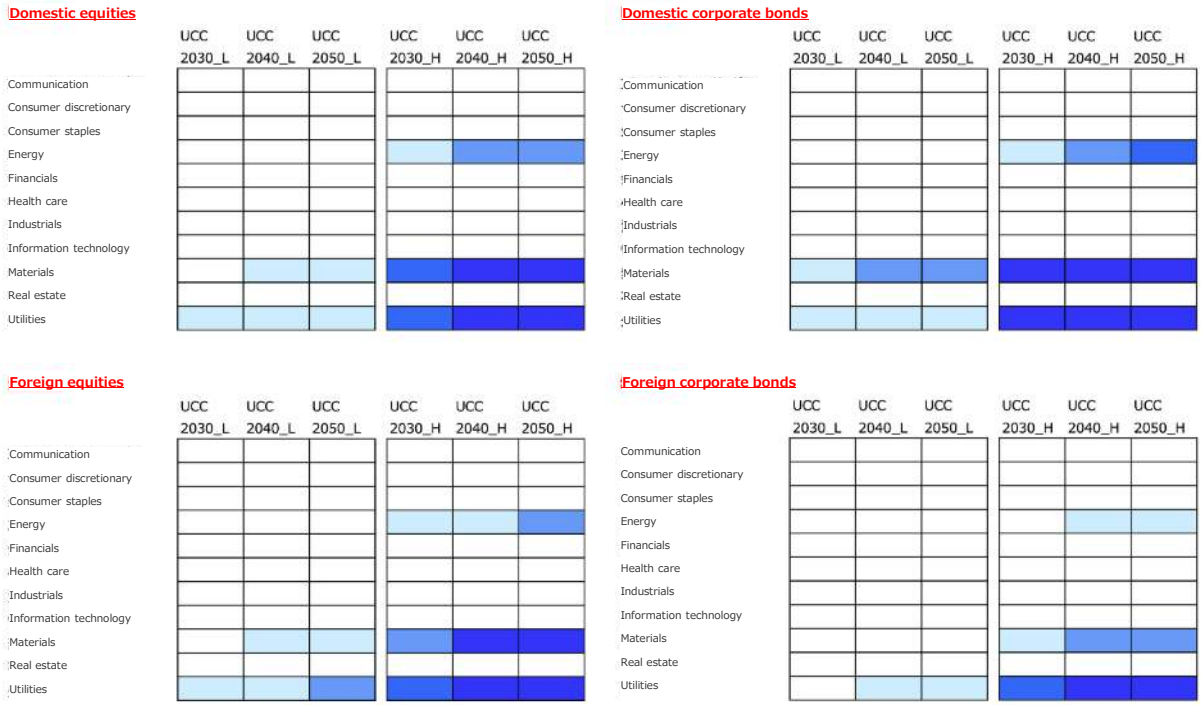
● Analysis Results on the Impact of Carbon Cost on Our Investee Companies

Using EBITDA (earnings before interest, tax, depreciation, and amortization) as a corporate financial indicator, we calculated the ratio between UCC and EBITDA for each asset class and each sector in 2030, 2040, and 2050. When this ratio is higher, it suggests that the company's financial situation is more fragile. The colored areas of the chart indicate that UCC is 25% or more of EBITDA, and the darker the color, the higher the ratio is.

For all asset classes, carbon costs have a big impact on the finances of companies in three sectors: energy, materials, and utilities. In particular, it can be inferred that under the high carbon price scenario (H), which assumes that aggressive policies will be implemented to promote decarbonization, the financial risks in these sectors could be high.

Going forward, we will continue, through our engagement activities, to encourage companies, especially ones in these sectors where the potential financial impact is significant, to transition to decarbonization, and by supplying funds for a broad range of corporate decarbonization activities, we will endeavor to mitigate the climate risk of our portfolio.

* Note that this analysis employs simplified simulations that are calculated using current EBITDA and GHG emissions and based on assumed carbon costs. It does not take into account variable factors such as future changes in the economy and business environment or policy responses, and the financial impact on investees could be significantly different as a result.



UCC/EBITDA ratio

0-25%	25-50%	50-75%	75-100%	100%=<

Source: ©2023, S&P Trucost Limited, Japan Post Insurance

Natural Capital

Companies' business activities are dependent on the blessings of nature and the ecosystem (such as water resources, forest resources, and raw materials/ingredients for food and daily necessities). At the same time, the excessive extraction of resources and the release of toxic substances may adversely affect the natural environment. In accordance with the Kunming-Montreal Global Biodiversity Framework and the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), which are both international guidelines related to the natural environment, we make investment decisions that take into account the risks and opportunities companies face with regard to the natural environment, with a focus on industries with high exposure on this front. Through dialogue with investees, we also encourage them to implement nature risk management and enhance related information disclosure.

Integration:

Incorporation into Company Assessment

Stewardship Activities:

Dialogue with Companies

As natural capital is indispensable for economic activity, and all businesses depend directly and indirectly on natural capital and are exposed to risks on this front, we believe both companies and investors would gain from recognizing such risks. When conducting dialogue, we mainly confirm companies' initiatives (biodiversity-conscious initiatives, initiatives in line with the framework provided by the TNFD recommendations, etc.) and encourage the disclosure thereof. We also check the extent of the impact on companies when an issue materializes, and how they plan to respond going forward.

<Examples of Dialogue>

Industry: Electricity and gas	Theme: TNFD-related initiatives and information disclosure
Issues and background of investee	The company was making progress with initiatives for climate change and information disclosure about its efforts in that area, but it did not appear to be making disclosures based on the TNFD recommendations. Given that the sector is one closely connected with natural capital, we realized that we needed to confirm such matters as the action it was taking.
Dialogue content	Given its high degree of reliance and impact on water, we confirmed what action and information disclosure in line with the TNFD recommendations the company is considering adopting.
Progress and outcomes of dialogue	The company told us that it is making preparations, including by obtaining input from outside, to make disclosures in line with the TNFD framework in 2025. Furthermore, while it will take some time to confirm that the company is making disclosures in line with the TNFD framework, we did confirm that it has been taking a wide range of steps in the area of biodiversity for a long period.
Our evaluation / future policies	With the currents of ESG moving incredibly fast recently, we commend the company for sincerely taking action for some time. Because TNFD-based disclosures require considerable research, analysis, and resources, we do not believe that the company needs to move excessively quickly. However, we will continue encouraging it to move forward, keeping in mind that differences are emerging in the progress seen in published materials.

▶ Examples of dialogue concerning natural capital are also presented in Stewardship Activities (p.42).

Initiatives:

Initiatives for the Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations

We support the philosophy of TNFD and joined the TNFD Forum in June 2023 to support its activities. Going forward, we will be performing analysis and disclosing information concerning natural capital and biodiversity in line with the framework provided by the TNFD recommendations.

Investments and Loans:

Investment in Sustainability-themed Bonds

Blue Bonds	Proceeds are allocated to projects that contribute to the development of the blue economy as defined in the SDGs Government Securities Framework formulated by the Indonesian government. * Bonds for which the use of raised funds is limited to finance projects related to the marine environment, such as improvement and conservation of the marine environment, sustainable fishing, and the prevention of marine pollution	Republic of Indonesia	approximately ¥14.7 billion
Sustainable Development Bond	Proceeds are allocated to projects led by IDB to promote social development that co-exists in harmony with the environment of member countries, including supporting the introduction of the One Health approach to nature conservation and zoonotic infectious disease research projects in Latin America and the Caribbean.	Inter-American Development Bank	approximately ¥5.0 billion

Analysis:

The Relationship Between Natural Capital and Our Investment and Loan Portfolio

As an institutional investor, we have begun analyzing the relationship between natural capital and our investment and loan portfolio based on the TNFD recommendations. And reflecting the interactions between the business activities of investees and nature, we have already specified "nature-related risks and opportunities in our investment/loan activities," and analyzed the "main nature-related dependencies and impacts of our equity and bond portfolio." Going forward, we will be conducting further analysis, and disclosing our findings in this report or via our website. In addition, based on the results of our analysis and demands from society, we will incorporate nature-related issues into our investment decisions, engage appropriately with portfolio companies, and make investments that contribute to the maintenance and improvement of the natural environment.

<Nature-related Risks and Opportunities in Our Investment/Loan Activities>

Type	Our Recognition
Physical Risks	Increased costs for portfolio companies due to the decline, deterioration, and depletion of natural assets and ecosystem services on which portfolio companies depend, such as water resources, and loss of value of portfolio assets due to production disruptions
Transition Risks	Increased costs for portfolio companies due to stricter environmental protection laws, regulations, and social demands, litigation risk, and loss of value of investment assets due to increased reputational risk
Opportunities	Increase in the value of portfolio companies and expansion of investment and financing opportunities due to the need for environmentally protective technologies and alternative products and services with a smaller environmental impact

Sustainability Website of Japan Post Insurance
Initiatives for Biodiversity Conservation
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/environment/biodiversity.html

* The same disclosure as this document is available on the above website.

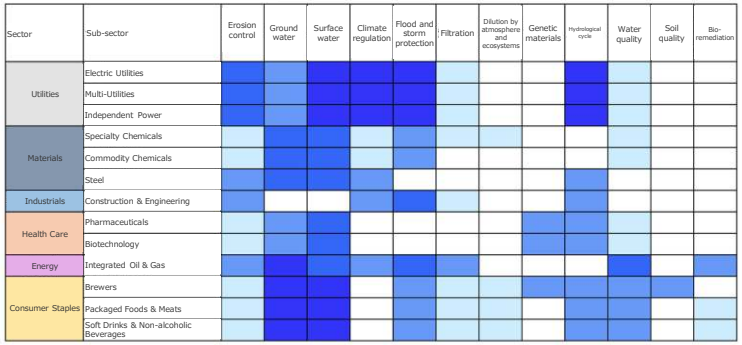
● Main Nature-related Dependencies and Impacts of Our Equity and Corporate Bond Portfolio

Companies depend on natural capital to conduct their business activities, but also impact natural capital through those business activities. To determine the nature-related dependencies and impacts that we should emphasize in our portfolio, we prepared sector-based heatmaps. We selected sectors based on (1) assessments of the degrees of dependence and impact of each sector performed using ENCORE[*1, 2] (a nature-related risk analysis tool developed by the Natural Capital Finance Alliance etc.), (2) our investment balance in each sector, and (3) the TNFD priority sectors, and attempted to visualize the nature-related risks we should focus on.

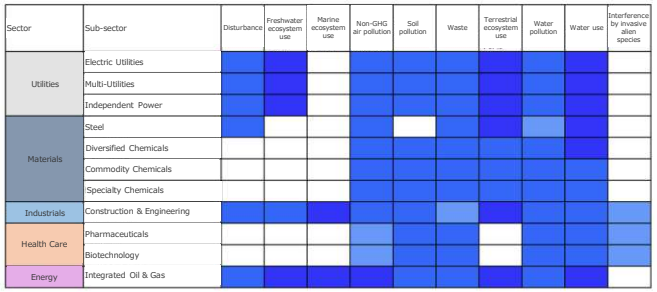
Regarding dependence, the results revealed heavy reliance on water resources in sectors such as electric utilities, food & beverages, and integrated oil & gas. As for impact, the results showed effects on terrestrial, freshwater, and marine ecosystems from infrastructure construction etc. in sectors such as electric utilities, integrated oil & gas, and construction & engineering, as well as effects caused by water use and pollution/waste in many sectors. We will therefore need to keep a close eye on the situation with these impacts.

*1 Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEP-WCMC) (2022).
*2 ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. [On-line], [11/2022], Cambridge, UK: the Natural Capital Finance Alliance. Available at: https://encorenature.org/en

Dependency Heatmap



Impact Heatmap



Low — High
(Degrees of dependence and impact)

<Method of Selection of Sectors Shown in the Heatmaps>

(1) Based on the ENCORE assessment of dependence and impact in each sector, we put the overall degrees of dependence and impact for each sector into numerical form.
(2) We specified sectors in the top one-third for (1) degrees of dependence and impact and in the top one-third for our investment balance.
(3) From among the sectors in (2), we selected ones corresponding to the TNFD "priority sectors"

Human Rights

Human rights are a universal value tied to human dignity. With the globalization of value chains, the risks of human rights violations faced by investees in our asset management operations are becoming more diverse and complex. We respect international guidelines on protecting human rights, such as the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights (UNGPs), and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Accordingly, we make investment decisions while checking the governance (including human rights policies) of investees, as well as their human rights due diligence, relief systems, and other efforts, with a focus on industries and companies identified to have potentially high risk of human rights violations. Through dialogue with these investees, we also encourage them to enhance their responses to human rights-related risks.

Systems and Policies, etc.:

Human Rights Policy

Japan Post Insurance's human rights policy states that we do not tolerate discrimination of any kind based on race, color, gender, sexual orientation, gender identity, language, religion, politics or creed, nationality or social origin, poverty or wealth, birth, disability, etc. In addition to the executives and employees of the Company, the policy expects all stakeholders, including customers, suppliers, and investees, to respect human rights.

Initiatives:

Endorsement of Advance

We have endorsed Advance, a collaborative stewardship initiative for institutional investors to act on human rights and social issues.

Systems and Policies, etc.:

Human Rights Due Diligence

We have initiated human rights due diligence initiatives based on the United Nations Guiding Principles on Business and Human Rights, among others. This is an ongoing process to prevent and mitigate negative impacts on human rights in our corporate activities. We will strive to achieve respect for human rights and sustainable business by implementing this process on a regular basis, taking into account the opinions of outside experts.

We identify risks of negative human rights impacts that could occur not only on our employees, but also on our customers, suppliers, and investees. Specifically, while referring to various international norms and guidelines as well as issues that have occurred within the insurance sector, we determine and assess material human rights risks for each stakeholder, and will continue to do so into the future. We are also working to mitigate negative impacts on human rights, and will be reviewing these initiatives from time to time based on assessments of their effectiveness.

Please see the sustainability section of our website for our initiatives related to human rights, including our Human Rights Policy, promotion system for respecting human rights, and training for raising awareness of human rights.

Sustainability Website of Japan Post Insurance

Human Rights
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/social/human_rights.html

Integration:
Incorporation into Company Assessment

Stewardship Activities:
Dialogue with Companies

We take human rights issues into consideration when making investment decisions. In addition, we also confirm the following human rights issues in dialogue with investees, in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs), as corporate management is particularly important in mitigating human rights risks. In the event that a human rights issue arises, we request appropriate action and disclosure.

- Human rights procedures, human rights policies, etc.
- Human rights due diligence processes and the effectiveness thereof
- Relief processes and the effectiveness thereof
- Enhance information disclosure

<Examples of Dialogue>

Industry: Electricity and gas	Theme: Information Disclosure Related to Human Rights
Issues and background of investee	We confirmed that the company's newly formulated human rights policy contains a stated commitment to human rights due diligence and remedial action, but the company has not disclosed information about implementation status, so the details are unknown.
Dialogue content	We confirmed details concerning human rights due diligence and the approach on human rights the company intends to take going forward.
Progress and outcomes of dialogue	The company shared its views on human rights issues. As the company embarks on serious action, it is ordering its priorities and tackling issues on a step-by-step basis, and we confirmed that from this fiscal year, it plans to identify human rights risks in its corporate activities. We also confirmed that the company is actively considering making disclosures concerning human rights due diligence.
Our evaluation / future policies	The company's positive stance on addressing human rights issues has been confirmed. Looking ahead, we intend to continue engaging in dialogue with the company to encourage it to disclose more information about human rights and take bolder measures.

▶ Examples of dialogue concerning human rights are also presented in "Stewardship Activities" (p.42).

Integration:
Negative Screening Criteria for Controversial Weapons

As a responsible institutional investor, we aim to solve sustainable issues and achieve a sustainable society by setting criteria for negative screening and incorporating ESG integration into portfolio establishment. In human rights risk management, we aim to contribute to the prevention and mitigation of human rights violations at our investees. To this end, we do not invest in companies that manufacture controversial weapons that cause significant harm to civilians, such as indiscriminately killing or injuring civilians or causing irreparable damage to those affected (cluster bombs, anti- personnel mines, biological and chemical weapons).

▶ Please see "Negative Screening" (p.33) for details on initiatives.

Investments and Loans:
Investment in Sustainability-themed Bonds

Education Bonds	Proceeds are allocated to projects in school education and vocational training, such as providing equal access to education and continuous learning, so that women in the Asia-Pacific region who are at higher risk of dropping out of school are not left behind.	Asian Development Bank (ADB)	approximately ¥5.0 billion

Analysis:
Status of Material Human Rights Risks in Our Investment and Loan Portfolio

In addition to working to identify issues related to negative impacts on human rights that could occur at investees, we confirm, with reference to various guidelines etc., material human rights issues in our investment and loan portfolio, focusing on sectors where we regard the potential risk of human rights issues occurring as high.

Human Capital

With the servitization and digitalization of the economy, the talent and skills of companies' employees are becoming increasingly important as a source of sustainability. We evaluate investees' human resource initiatives and reflect them in our investment decisions. We consider factors such as consistency between business strategies and human resources strategies, investments in human resources, efforts to secure and develop human resources, and efforts to enhance the diversity and inclusiveness of the workforce. Through dialogue with investees, we also share issues related to human capital and encourage the enhancement of information visualization and disclosure.

Integration:

Incorporation into Company Assessment

We view human capital as a factor indispensable for enhancing management foundation and delivering sustainable growth, so we factor it into our investment decisions and include it in our dialogue with companies. During dialogue, we explain the key point that the visualization of human capital initiatives increases the value of the company and its standing in the eyes of investors over the medium to long term. We then urge the company to formulate a policy on investing in human capital, link it with their human resource and management strategies, and disclose information on relevant action they are taking. Furthermore, human capital issues vary depending on the individual circumstances of companies, and the direction of initiatives also differs. We therefore confirm companies' management policies, business strategies, and human resources strategies before sharing our awareness of issues and proposing improvements.

<Examples of Topics Related to Human Capital>

	Management strategies and policies, etc.	Disclosure of related matters
Human resource development	Secure, develop, and retain excellent human resources	Training hours, training costs, training participation rate, types and targets of skill improvement programs, etc.
Employee engagement	Formulate policies for human resource development and for internal environment development, and measure employee engagement levels	Stretch assignments based on engagement levels, current engagement levels, targets, progress, etc.
Liquidity	Formulate policies for human resource development and for internal environment development, succession planning for CEO, etc.	Employee turnover rate, employee retention rate, total number and ratio of new hires, and explanation of initiatives to secure and retain personnel, etc.
Diversity	Policies for human resource development aimed at ensuring diversity Policies and procedures for appointing directors	Employee-management ratio by attribute, employee gender wage gap, number of employees taking childcare leave by gender, etc.

Stewardship Activities:

Dialogue with Companies

<Examples of Dialogue>

Industry: Electricity and gas	Theme: Female managers
Issues and background of investee	The proportion of employees who are women is low in this sector. A few years ago, the company began tracking the ratio of female managers as a KPI, but is not disclosing the data.
Dialogue content	We confirmed its progress with the ratio of female managers, and urged it to disclose information. We confirmed what steps it is taking toward setting a target for the number of women hired.
Progress and outcomes of dialogue	Although the company does not have targets for the hiring of women (number of women hired and proportion of people hired who are women), we confirmed that it is taking strategic action, having formulated a quantitative hiring plan that takes into account future recruitment and retirement numbers. The company also responded positively when we expressed our views as an investor on the disclosure of the ratio of female managers and showed them some examples from other companies.
Our evaluation / future policies	We will continue to confirm progress with their disclosures and initiatives. We will encourage them to set targets for female hiring and work harder to disclose information.

▶ Examples of dialogue concerning human capital are also presented in Stewardship Activities (p.42).

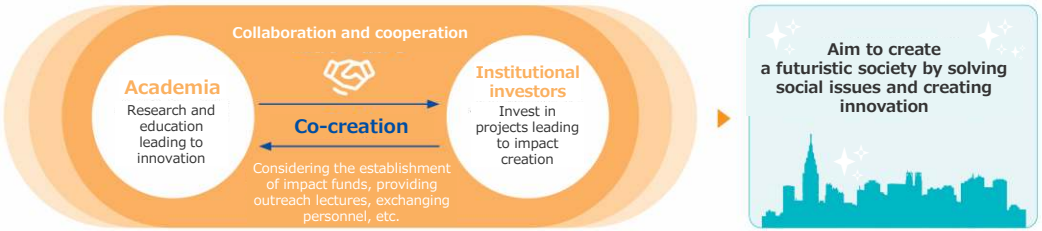
08 Academic-industrial Collaboration

- Finance and Education Creating the Future Together p.101
- Collaboration and Cooperation with Universities p.101
- Main Initiatives for Academic-industrial Collaboration p.102

Finance and Education Creating the Future Together

Through our collaborations with universities, we aim to improve investment outcomes over the medium to long term and realize a sustainable society. Educational institutions play a major role in society, in which they provide education for the young people that will lead the next generation and innovation that bring together the latest knowledge and technology. In particular, academic research conducted at universities and other academic institutions is expected to result in the development of technologies that can contribute to solving various social issues, and is indispensable for the creation of a sustainable social structure and economic growth in Japan.

To date, academic-industrial collaboration in Japan has mainly consisted of companies and universities, etc. teaming up to conduct collaborative research and technology transfers to utilize the research outcomes and technologies owned by these institutions in companies' product development. Furthermore, there were many funding challenges for companies to commercialize the technologies and research outcomes owned by universities and other research institutions from scratch, and such projects were rarely well-realized. Japan Post Insurance is supporting the realization of projects with the potential to achieve greater competitiveness, growth, and innovation by supplying funds to university-originated startups that leverage university research. Our goals are to improve investment outcomes over the medium to long term and to realize a sustainable society. We are going beyond simply providing funds to create multi-faceted contact points with educational institutions, with an aim to promote co-creative academic-industrial collaboration and bridge the gap between financial institutions and academia which was significant to date, enabling us to move toward the future we envision together.



Collaboration and Cooperation with Universities

Japan Post Insurance has signed memorandums of understanding regarding collaboration and cooperation with universities and is engaged in academic-industrial collaboration. Officers and related parties from universities and Japan Post Insurance regularly meet to discuss the progress of efforts and future activities. We extend the scope of these collaborations beyond asset management to also encompass new services that are closely aligned with our customers' lifestyles. Through this, Japan Post Insurance and our collaborative partner universities leverage each other's strengths to explore new potential.

Parties to the MOU (As of December 2024)	Keio University	Osaka University	The Ritsumeikan Trust
	Concluded in January 2022	Concluded in January 2023	Concluded in March 2023

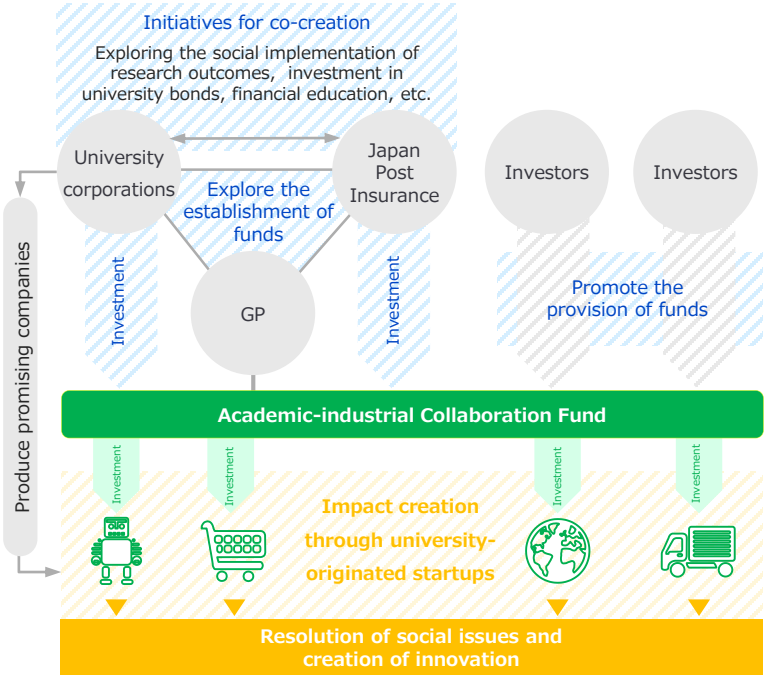
Main Initiatives for Academic-industrial Collaboration

We promote the circulation of funds, financial education, personnel exchanges, and other initiatives to form an innovation ecosystem* centered on academia.

Regarding the promotion of circulating funds, we engage in the establishment of funds and investment in university-originated startups and similar companies, in addition to investment in university bonds. When we establish a fund, the universities, the GP responsible for executing fund operations, and Japan Post Insurance engage in three-way discussions sharing the fund's concept, investment fields, social issues to be addressed, and each other's visions for the future.

In financial education, we are also working to develop financial professionals that will lead the next generation through lectures at universities and elementary schools.

* The ecosystem in which diverse organizations in industry, the government, and academia involved in joint projects work in a unified effort to establish a cycle for creating new technologies and innovation



● Providing Funds (1) : Supporting the Potential of Academia through the Power of Finance

Providing financial support to universities through investments in university bonds

We invest in university bonds whose purpose is to provide funding for the creation of advanced research environments and human resource development environments that will lead to the improvement and expansion of research activity levels in universities. This fund is used for universities to renovate large-scale state-of-the-art research facilities that conduct fundamental research, carry out campus renovations that enable campus users to focus on education and research, and develop and refine online education systems.

Type	Name	Investment amount
Sustainability Bond	THERS Commons Bonds	¥0.3 billion
Sustainability Bond	Tohoku University Future Creation Bonds	¥1.3 billion
Sustainability Bond	Tokyo Institute of Technology Tsubame Bonds	¥3.0 billion
Social Bond	University of Tokyo FSI (Future Society Initiative) Bonds	¥1.8 billion

● Providing Funds (2) : Supporting the Potential of Academia through the Power of Finance

Investments in Academic-industrial Collaboration Funds

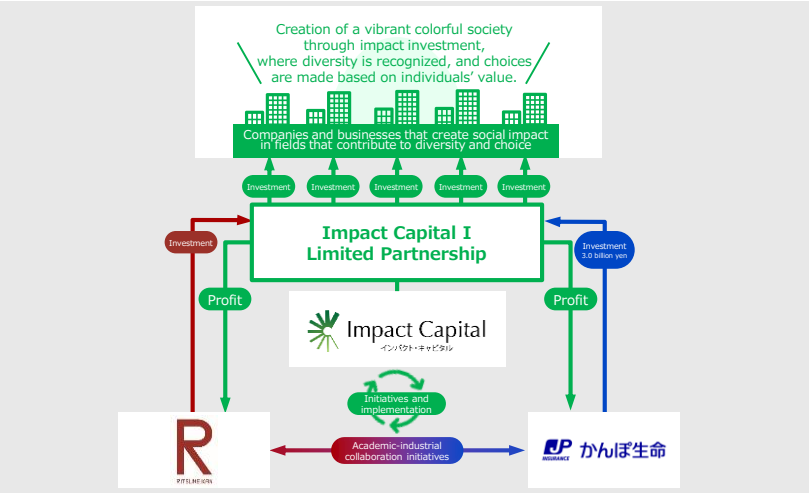
To provide funds to startups that utilize the results of academic research and to achieve coordination and support for specialized venture capital as part of these efforts, we invested in the KII3, LPS (Keio Innovation Initiative, Inc.) in 2023 and the Impact Capital I Limited Partnership (Impact Capital Limited) and the D3 Bio Healthcare Fund II Limited Partnership (D3 LLC) in 2024. In addition to providing stable medium- and long-term returns, we expect these funds to create positive impacts that will contribute to solving social issues.

Investment example: Investment in
Impact Capital I Limited Partnership (May 2024)

Impact Capital
インパクト・キャピタル

Pursuing People's Well-Being

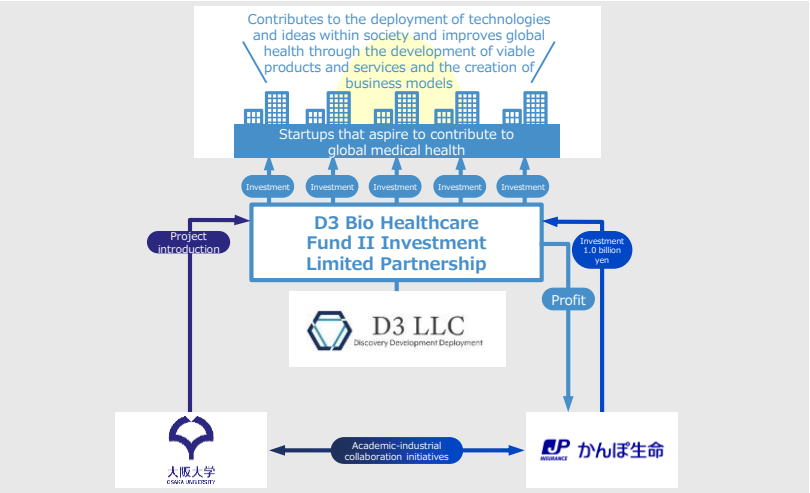
We are committed to contributing to the creation of a vibrant colorful society through impact investment, where diversity is recognized, and choices are made based on individuals' value.



Investment example: Investment in
D3 Bio Healthcare Fund II Investment Limited Partnership (June 2024)

D3 LLC
Discovery Development Deployment

We are the first professional firm in Japan that can DISCOVER technological seeds and ideas, DEVELOP them into viable products and services, and DEPLOY to the society to improve global health, partnering with established corporations who possess professional experience in both business and science and gathered to share our passion



● Financial Education: Developing Financial Human Resources that will Lead the Next Generation

As a universal owner, we are actively working to provide financial education to the students and children that will lead the future in order to contribute to the sustainable development of all aspects of the economy and society.

On-site lectures at universities, etc.

We provide onsite lectures about the roles and responsibilities that life insurance companies and institutional investors have in society, the concept of asset management, and the significance of sustainable and impact investments. We provide practical examples to familiarize participants with financial and social issues and provide a deeper understanding of them.

Major lectures given: January to December 2024			
Date	Educational institution	Contents	Lecturer(s)
January 2024	Keio University	The Next Stage of ESG Investment (Future Vision)	Executive Officer
May 2024	Ritsumeikan University	The Future of Impact Investment: The Role of Investments and Loans in Solving Social Issues	Executives
June 2024	Hiroshima University of Economics	Sustainable Investment by Japan Post Insurance	Investment management division employees
July 2024	Kanazawa University	Sustainable Investment by Japan Post Insurance	Investment management division employees
July 2024	Osaka University	The Future of Impact Investment: The Role of Investment and Financing in Solving Social Issues	Executives
October to November 2024	Osaka University	Introduction to Sustainable/Impact Investment: Investment for Solving Social Issues (8-part series) ●Overview of markets and institutional investor asset management ●Fundamental knowledge in investing in stocks and bonds, approach to distributed investment and investment asset allocation ●Sustainable investment and impact investment by institutional investors ●Sustainable investment and impact investment for listed stocks ●Impact investment through investment in university-originated startups ●The realities of solving social issues and corporate venture capital ●The realities of regional revitalization and SDGs from a regional perspective (focused on food and agriculture)	Executives, Investment management division employees

Extracurricular exchange that contributes to human resource development

For undergraduate and graduate students, we conduct open company programs that take students' characteristics and attributes into consideration and internships for recruiting specialized human resources in the digital and scientific fields. They provide learning opportunities for students to improve their financial literacy, and their doors are also open to students whose ambitions lie outside the financial industry.

Financial education for children in the higher grades of elementary school

In order to improve financial literacy as a necessary life skill for the children that will lead the next generation, we conduct on-site classes on finance. We use Sugoroku-style teaching materials, so that students can learn about the importance of financial preparedness and the means to do so, such as through savings and insurance, in a fun and practical way.

Japan Post Insurance original teaching material "Money and the Future"

Classroom activities at an elementary school

Published videos on collaborative initiatives with Keio University

After multiple three-way discussions regarding the social issues we wish to solve and the fields we will invest in, Keio University, Keio Innovation Initiative, Inc. (Keio University's official venture capital), and Japan Post Insurance established the KII3, LPS. Special feature videos about this fund can be viewed on Japan Post Insurance's own media hub "Japan Post Insurance Junction." The fund's goal is to realize a society in which all people can achieve healthy and happy lives (a society whose citizens remain active throughout their lives). To achieve this, it engages in impact investment in university-originated venture companies that are working to solve issues related to medicine and healthcare. In October 2023, Japan Post Insurance invested ¥10.0 billion in the fund.

Japan Post Insurance and Keio University! What is co-creative academic-industrial collaboration, and how can it drive Japan's economic growth and solve social issues?

https://www.jp-life.japanpost.jp/junction/ (in Japanese)

▶ For more details on KII3, LPS, see "Impact "K" Project" (p.84).

09 Other Initiatives

- External Evaluation p.106
- Participation in Initiatives p.107
- Spreading Opinions and Information on Sustainable Investment p.108
- Spreading Information in Multiple Directions (Online Media/Reports) p.109
- Message p.110

External Evaluation

PRI annual assessment result (2024)

We signed the Principles for Responsible Investment (PRI) in October 2017. We promote responsible investments in accordance with the PRI and report the status of the initiatives.

Signatory of: PRI Principles for Responsible Investment

We also designate the results of the PRI's assessment of these reports as a key indicator in our initiatives to further enhance responsible investment. The assessment results for the Company in FY2024 are shown in the table below. We greatly surpassed the median evaluation in three items, including "policy, governance, strategy" and received the highest possible evaluation, ★★★★★(five stars).

PRI annual assessment result (2024)
<Assessment period: April 2023 through March 2024>

Assessment item		Assessment results
Policy, governance, strategy (responsible investment approach, structure, etc.)		★★★★★
Assets under management (assessment by asset class of manager selection, appointment, monitoring and other initiatives)	Listed equity (passive)	★★★★★
	Listed equity (active)	★★★★★
	Fixed income (active)	★★★★☆
	Private equity	★★★★☆
	Real estate	★★★★☆
	Infrastructure	★★★★☆
Confidence-building Measures (approach in the review and verification of data reported to PRI)		★★★★☆

* Assessment results are awarded up to five stars based on the status of initiatives, with five stars (★★★★★) being the highest rank.

* In the 2024 annual assessment, no assessment was carried out for in-house investments approaches by asset owners, including the Company.

* For more details on assessment results, see our website.
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/policy.html

Other evaluations

We have received the following recognition by advancing sustainability efforts and information disclosure. Please visit our website for information on other external evaluations we have received.

FTSE4Good Index Series	FTSE Blossom Japan Index
FTSE4Good	FTSE Blossom Japan Index
ISS ESG "Prime Status"	S&P Global "Sustainability Yearbook Member"
Corporate ESG Performance Prime RATED BY ISS ESG	Japan Post Insurance Co., Ltd. Insurance Sustainability Yearbook Member S&P Global Corporate Sustainability Assessment (CSA) Score 2023 S&P Global Sustainable1

(As of January 2025)

* ISS ESG is the responsible investment division of Institutional Shareholder Services (ISS), a voting advisory firm that provides sustainability rating assessments.
(https://www.issgovernance.com/esg/ratings/)

External Evaluation and Support for Initiatives
https://www.jp-life.japanpost.jp/english/aboutus/sustainability/initiative/index.html

Participation in Initiatives

We participate in domestic and international investment-related initiatives that share the same objectives and awareness of issues related to sustainable investment, such as climate change and impact investment, and we work to enhance our initiatives based on the knowledge we gain from these initiatives.

PRI (Principles for Responsible Investment)

Signed in 2017. It is an action principle proposed by the United Nations and consists of six principles, including the incorporation of ESG issues into the investment decision-making process.

CDP

Joined in 2022. It is an initiative to encourage the world's leading companies to disclose information on climate change, water, forests, and other issues and conduct collaborative engagement.

TCFD

Announced endorsement in 2019. It is an organization that recommends the disclosure of financial information related to climate change.

Impact Consortium

Participated in 2024. An organization established as a forum for a wide range of stakeholders, including investors, financial institutions, corporations, and local governments, to engage in open discussions on impact investment and other issues, and to engage in dialogue and communication with networks in Japan and overseas.

Climate Action 100+

Joined in 2022. It is an international investor initiative that seeks to address climate change through collaborative engagement (dialogue with companies).

TNFD Forum

We support the philosophy of TNFD, an international initiative to develop a framework for appropriate evaluation and disclosure of business risks and opportunities related to natural capital, and in June 2023, we joined the TNFD Forum to support its activities.

Japan Impact-driven Financing Initiative

Signed in 2021. An initiative to implement impact-driven investments and loans based on the idea that the purpose of financial institutions is to holistically understand the impact and lead to solutions for environmental and social issues.

Advance

Announced endorsement in 2022. It is a collaborative stewardship initiative for institutional investors to act on human rights and social issues.

Spring

Signed in 2024. This initiative is for investors to generate positive impacts on nature through stewardship activities.

Global Impact Investing Network (GIIN)

Joined in 2024. This international network of investors was established in the U.S. in 2009 to expand the scale and improve the effectiveness of impact investment.

SIMI

Participated in 2021. It is a multisector initiative to promote social impact management throughout Japan.

Triple I for Global Health

Participated in 2023. It is an initiative that aims to contribute to sustainable fund procurement and the solving of social issues in the global healthcare by expanding impact investment in this field.

Spreading Opinions and Information on Sustainable Investment

As a universal owner contributing to the sustainable growth of society as a whole, we communicate our opinions and policymakers through initiatives regarding the issues and requests that we consider important in order to promote sustainable investment. Additionally, we share information on sustainable investment with all stakeholders, including our customers.

Communicating opinions

External committee membership, etc.	• Member of the ESG Investment and Finance Working Group and the Stewardship Activities Working Group, The Life Insurance Association of Japan • Member of the Working Group on Impact Investment (Financial Services Agency) • Member of the Study Group on Impact Investment (Financial Services Agency, GSG-NAB Japan) • Committee member of Japan Impact-driven Financing Initiative (IDFI) • Director of the Future Design Initiative by Science and Finance (FDSF) • Discussion member of the Market Research & Formation Subcommittee, Impact Consortium
Policy engagement/ recommendations	• Dialogue and exchange of opinions with policymakers and relevant authorities in various countries • Communication of opinions for the revitalization of the stock market and the realization of a sustainable society through policy recommendation reports (The Life Insurance Association of Japan) • Sharing opinions through initiatives, etc. (CDP, Investor Agenda, etc.) ▶ See "Collaborative Engagement and Policy Engagement" (p.65) for more details.

RI Japan 2024 (May 2024)

Spreading information

Main seminars and other events	• Panel discussion in "RI Japan 2024" (Organizer: Responsible Investor)
	• Panel discussion in "PIMCO 2024 Client Conference" (Organizer: PIMCO (Pacific Investment Management Company))
	• Delivered a keynote speech in the seminar "Corporate Value Seen Through Impact Investing: Case Studies of Listed Companies and the Perspective of Impact Investors" (Organizer: Japan Impact-driven Financing Initiative)
	• Sponsored the Social Impact Day 2024 event and participated in session "Impact "K" Project Roundtable: Leading Impact Investors Discuss the Realization of Effective Impact Funds" (Organizer: Social Impact Management Initiative, Japan Social Innovation and Investment Foundation)
	• Sponsored and participated in the panel discussion "Impact Investing in Listed Equities and Enterprise Value" (Organizer: Social Impact Management Initiative, Japan Impact-driven Financing Initiative)
	• Sponsored and participated in session "Reimagining Capitalism & Innovation Conference 2024: Harvard Business School Professors and Japanese Industry, Government and Academia Explore Sustainable Management and Innovation" (Organizer: GLIN Impact Capital)
	• Daiwa ESG Conference 2023 (Organizer: Daiwa Capital Markets Singapore Limited)
	• Panel discussion in "FDSF Impact Conference 2024" (Organizer: Future Design Initiative by Science and Finance)
	• Open engagement (Organizer: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) ▶ See "Conducting Open Engagement" (p.50) for more details.
Lectures at universities and other educational institutions	• Osaka University, Keio University, Ritsumeikan University, Kanazawa University, Hiroshima University of Economics, etc. ▶ For other initiatives for academic-industrial collaboration for asset management, see "Academic-industrial Collaboration" (p.100) .

Scene from the lecture (July 2024)

Reimagining Capitalism & Innovation Conference 2024 (June 2024)

Spreading Information in Multiple Directions (Web Media, Reports)

Web media

Sustainability Website

We communicate to all stakeholders the results of our initiatives to realize a sustainable society, including our approach to sustainability and reports on activities in each area.

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/index.html

Kampo Junction

Kampo Junction was established in 2022 as a hub for people, information, and communities. It is a new form of web media that delivers diverse and attractive information from Japan Post Insurance.

https://www.jp-life.japanpost.jp/junction/
(in Japanese)

JP CAST

It is a form of web media that spreads vibrant information about the Japan Post Group, such as the initiatives of the Group, the new challenges it is taking on, the thoughts of employees involved in these efforts, and trivia that you'll want to share with others.

https://www.jpcast.japanpost.jp/
(in Japanese)

Report

Annual Report

In order to provide stakeholders with an easy-to-understand explanation of Japan Post Insurance's initiatives to create sustainable value, this report includes an overview of the Company, its business strategies, and management issues.

https://www.jp-life.japanpost.jp/english/aboutus/financial/en_abt_fnc_ar.html

Responsible Investment Report

The purpose of this report is to communicate to all stakeholders our approach to sustainable investment and stewardship activities and the details of specific initiatives.

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/esg/stewardship.html

Well-being

Radio-Taiso Portal Site

The "Radio-Taiso" was established in 1928 by Japan Post Insurance predecessor, Postal Life Insurance Bureau of the Ministry of Communications. It will celebrate its 100th anniversary in 2028. We are providing information and useful contents about the Radio-Taiso events to help achieve a society in which each and every individual can lead a healthy and high-quality life.

https://www.radio-taiso.jp/
(in Japanese)

Message

Taking on the challenges of a new stage of sustainable investment

NOMURA Hiroyuki
Operating Officer
Senior General Manager of Investment Planning Department
Senior General Manager of Responsible Investment Office
Japan Post Insurance Co., Ltd.

Postal Life Insurance Service, the predecessor of Japan Post Insurance, was established with the social mission of "protecting the means of fundamental livelihood of the public through simple procedures." We have been privatized, but our mission to support people's lives through insurance has not changed. As an asset owner engaged in the long-term management of over ¥60 trillion in assets, our goals have been to ensure stable asset management earnings and to raise profitability. Since FY2024, we have been working to strengthen our asset portfolio led by the concept of ERM (enterprise risk management) with the themes of deepening asset management, taking into consideration the market shift to a world with interest rates.

Based on the Management Philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," we aim to fulfill our social responsibilities to all stakeholders by contributing to the resolution of social issues while also achieving sustainable growth and the SDGs. We are pursuing economic returns while seeking to realize a sustainable society, and are promoting sustainable investment that has a positive, long-term impact on society, through our impact-oriented investments and loans, our industry-academic collaboration, our setting of greenhouse gas emissions reduction targets, and our enhancement of our engagement activities taking into consideration sustainability issues such as climate change, natural capital, human rights, and human capital. In particular, through the Impact "K" Project, our proprietary impact investment framework, we plan to use investments and loans to produce greater medium- and long-term economic returns and achieve systematic change which structurally resolves social issues.

To realize and promote these diverse initiatives, it is essential to strengthen the foundation of asset management, which includes human resources, organizational structure, and administrative and system infrastructure. The importance of these elements will only increase as the environment surrounding the Company and our customers becomes more complex going forward. For this reason, we are hiring and developing strategic human resources with an eye towards the future society and creating an environment in which each and every employee truly understands the significance of management operations and takes on new challenges.

The investment divisions will work as one to secure stable profits and take on the challenges presented by a new stage of sustainable investment.

Responsible Investment Report 2024

JAPAN POST INSURANCE Co., Ltd.

OTEMACHI PLACE WEST TOWER 3-1,
Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8794, Japan
TEL: +81-3-3477-2509 (Responsible Investment Office,
Investment Planning Department)

Materials Posted on our Website

We strive to provide information through our Website.

Sustainability Website of Japan Post Insurance

- Sustainability Report
- Corporate Governance Report
- Responsible Investment Report

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/index.html

IR Website of Japan Post Insurance
(Securities code: 7181)

- Annual securities reports
- Financial Results & Corporate Strategy Meeting Materials
- Other financial materials

https://www.jp-life.japanpost.jp/IR/en/index.html

<Important Notes>

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