

Message from the President



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Director, President and
Representative Executive Officer

In 2021, the JAPAN POST Group is marking 150 years since its founding in the postal business. 146 years have passed since its establishment when, in line with the times, the postal savings system changed from state to private ownership, but its mission of “creating a form of social infrastructure that everyone can use fairly” has continued to be handed down to this day.

This year, the Bank reaffirmed the significance of its purpose of existence—“We aim for the happiness of customers and employees, and will contribute to the development of society and the region”—and formulated its new Medium-term Management Plan in anticipation of future changes in the external environment.

My vision for JAPAN POST BANK

Since I was first appointed president in April 2016, I have been searching for a business model unique to JAPAN POST BANK in the belief that the Bank’s strengths have included its network of post offices all over Japan, possessing the largest number of customer accounts in Japan, and its world-leading financial resources. The first thing I worked on was alliances with regional financial institutions. It took some time to gain their understanding, but I feel that, little by little, I was able to get them to understand my thoughts. Especially at the time of the Kumamoto earthquake, the time when I participated in the regional vitalization fund for support is clearly engraved in my memory. In establishing the reconstruction fund, we received invitations from various parties to join us, and realized that we can contribute to the region through this project as the first investment project. Since then, the number of regional vitalization funds has gradually expanded to each region, increasing to 32*. We will continue to contribute to the circulation of funds to the region through cooperation with regional financial institutions in all prefectures.

The origin of my commitment to the regions comes from my experience in Yokosuka, Kanagawa Prefecture, which is my hometown. When I was a student, I saw my friends unable to find employment because we did not have any local industry, and I harbored thoughts that I somehow had to bring about the development of industry locally. This led to my strong desire to assist in the revitalization of the regions. I now feel that it was my destiny to be involved in revitalizing local economies through the banking business.

In formulating the previous Medium-term Management Plan (FY2019/3 through FY2021/3) in 2018, I earnestly faced the proposition of what kind of form we should take to contribute to the enhancement of the Bank’s corporate value and the development of society. In doing so, a new awareness was the magnitude of the influence the Bank wields. The ripples caused by our every move spread throughout Japan and, for better or for worse, make a great difference to the environments of many consumers. It was for that very reason that I vowed that we must take the time to think about our future and that we must shape our future image in anticipation of the next 10 years while listening carefully to the opinions of our stakeholders, including our customers.

We have now launched our new Medium-term Management Plan (FY2022/3 through FY2026/3). So that ultimately everyone can be convinced, and in showing everyone the future ideal for the unwavering JAPAN POST BANK, we recognize that these next five years represent an extremely important period. To that end, we will execute strategies that leverage the Bank’s strengths to the maximum extent and steadily produce results, while carrying out flexible management that is in keeping with the business environment and meets customer needs. It has been 14 years since privatization, and the awareness that “we must not remain as we are” and that “we must change and evolve” has become firmly deep-rooted. I recognize that it is my most important role as president to remain a driving force to further accelerate the Bank’s progress, which has been moving ahead step by step in the past few years.

* As of March 31, 2021

Medium-term Management Plan (FY2019/3 through FY2021/3) that solidified forward-looking foundation

With regard to the previous Medium-term Management Plan (FY2019/3 through FY2021/3), we looked 10 years ahead, firstly laid the foundations and then set three pillars and promoted a raft of key measures, the basic idea having been to build the systems to secure net income of around ¥280 billion.

The first way was the “provision of high-quality, customer-oriented financial services.” As a result of enhancing services to customers and working to secure second and third revenue sources, profits from net fees and commissions in FY2021/3 increased by 32% compared with FY2018/3, and we were able to achieve the Medium-term Management Plan target.

The second pillar is “funds flow to regional communities.” In addition to making 32 investments in the regional vitalization fund while collaborating and creating connections with regional financial institutions, we are promoting initiatives to revitalize the regional economy, such as ATM collaboration with regional financial institutions and joint administration. For the future, we also focused on human resource development, such as sending 28 employees to an investment company during the period of the medium-term management plan.

The third way was “diversification and sophistication of investment management.” Amid the ongoing low interest rate environment, we accelerated the paradigm shift in market management to improve profitability under appropriate risk management. Specifically, as of March 31, 2021, the balance of risk assets was ¥91.1 trillion, of which the balance in strategic investment areas, such as private equity and real estate funds, was ¥4.2 trillion. Since starting our efforts to improve operations, the number of staff involved in market operations has increased by about 120 to approximately 360.

TARGETS AND RESULTS

Items		Mid-term targets (2021/3)	Results (2021/3)
Profit targets	Ordinary income (consolidated basis)	¥390.0 billion	¥394.2 billion
	Net income (consolidated basis (attributable to owners of parent))	¥280.0 billion	¥280.1 billion
Retail	Assets under management	Around ¥+1.8 trillion in 3 years	¥+9.0 trillion in 3 years
	Balance of investment trusts	Around ¥+1.7 trillion in 3 years	¥+0.9 trillion in 3 years
	Net fees and commissions (compared to FY2018/3)	+30%	+32%
Investment	Balance of risk assets	Around ¥90 trillion*	¥91.1 trillion
	Balance of strategic investment areas	Around ¥4 to 5 trillion*	¥4.2 trillion
Costs	Predetermined expenses (compared to FY2018/3)	¥ (30.0) billion	¥ (58.2) billion
	Administrative efficiency (compared to FY2018/3)	Equivalent to (2,000) people *	Equivalent to (2,533) people
Shareholder returns	Dividends per share	Secured 50 yen in 3 years	Implemented 50 yen dividends
Capital adequacy ratio	Capital adequacy ratio	Approx. 10% (Levels to be secured)	15.53%

* Values following review changes published in May 2019.

Deepening trust, and taking on the challenge for financial innovations based on the new Medium-term Management Plan (FY2022/3 through FY2026/3)

Currently, the business environment surrounding the domestic manufacturing industry is changing dramatically enough to be described as the Fourth Industrial Revolution. Under these circumstances, to continue to grow, create social value, and enhance corporate value necessitates making full use of the Bank's strengths and management resources. For that reason, we conducted lively discussions and considered optimal strategies, focusing on regional co-creation, management centered on the realization of regional financial platforms, business that integrates the real and the digital, including post offices and ATMs, and expansion into more sophisticated fund management areas. Then, in May 2021, we announced our new Medium-term Management Plan, covering the period from FY2022/3 to FY2026/3.

This plan's slogan is "Deepening trust, and taking on the challenge for financial innovations."

Based on the "five key strategies" that are the core of achieving this goal, we will aggressively promote business model reforms and strengthen business sustainability, aiming to establish the significance of the Bank's purpose of existence in Japan.

KEY STRATEGY 1: Innovating retail business into a new form by realizing complementarity between the physical and the digital	P.32
KEY STRATEGY 2: Business reforms and productivity improvement through the active utilization of digital technology	P.36
KEY STRATEGY 3: Enhancing funds flow to regional communities and the regional relationship functions through various frameworks	P.38
KEY STRATEGY 4: Deepening market operations and risk management with an awareness of stress tolerance	P.44
KEY STRATEGY 5: Strengthening the management base to become a more trusted bank	P.46





In light of the issue of dealing with fraudulent use cases by malicious third parties with regard to cashless payment services last year, all executives and employees will realize customer-oriented business operations. To become a trusted company, we will promote sustainable organizational culture reforms and strengthen internal control systems, and all executives and employees will work together to take on the challenge for financial innovations.



Promote ESG management in the Medium-term Management Plan, while connecting ESG to corporate and social sustainability

We will strongly promote ESG management in the Bank's Medium-term Management Plan. In formulating the Plan, we set priority issues (materiality) to be addressed to realize a sustainable society.

Materiality

 <p>Providing "safe and secure" financial services to anyone and everyone throughout Japan</p>	 <p>Contributing to regional economic expansions</p>	 <p>Reducing environmental impact</p>	 <p>Advancement of work style reforms, and sophistication of governance</p>
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These priority issues are closely connected to the priority strategies of the Medium-term Management Plan (FY2022/3 through FY2026/3), and we will respond to the priority issues by promoting the strategies and working to improve the KPIs we set as our goals. I am also of the belief that producing the results of these efforts will lead to the realization of the Sustainable Development Goals (SDGs) adopted by the United Nations.

In particular, "contribution to regional economic development" is an area that can play a major role for the Bank, which has networks all over the country. As part of this, after participating in the first regional vitalization fund in 2016, the relationship of trust with regional financial institutions has dramatically strengthened, and there are new business opportunities such as plans to participate in PFI*. As it is expanding, we can expect even more contributions in the future. In April 2021, we are also promoting the strengthening of systemic aspects to accelerate our efforts, such as by newly establishing the Regional Relations Division.

Also recognizing climate change, which is becoming more serious with economic development, as one of the major risks, we are proceeding with scenario analyses in line with the TCFD recommendations to identify and disclose risks and opportunities. We have adopted a 46% reduction in FY2031/3, compared with FY2020/3, as our KPI for CO₂ emissions and, in addition to working together as a group, such as switching to renewable energy in the electricity contracts for each of our facilities, will promote ESG investment while contributing to the reduction of CO₂ emissions in society as a whole.

For us to achieve our goals through these activities, it is an absolute requirement for each and every employee to demonstrate his or her inherent strengths and enhance the Bank's overall capabilities as an organization. The key point in this is the promotion of diversity management. We consider the development of working environments where everyone can play an active role and fair evaluations/promotions as prioritized issues, and are working to raise the ratio of female managers and the number of men who take childcare leave. In the years to come, the management team will continue to be at the forefront of supporting all employees including the child-rearing and long-term care generations so that they can work actively and achieve results, in terms of the system and the organizational climate.

* Abbreviation of Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public.

Building a more transparent and sound governance system by utilizing the opinions of outside directors

The outside directors of the Bank comprise members with a wide variety of experience and knowledge, including those who have experienced problems as senior management members of listed companies, those who have outstanding knowledge in, for example, finance/accounting, legal affairs and finance, and those who are active in advanced fields.

In formulating the Medium-term Management Plan, we held discussions at Board of Directors' meetings on several occasions to fully incorporate valuable proposals from an external perspective. The debates were heated, and sometimes the opinions of some clashed with those held by others, creating a tense atmosphere. I, however, do think that thoroughly discussing what should be discussed and talking until you are satisfied most likely makes for an ideal relationship between outside directors and the executive side. Even though they have different ways of thinking about things, all of the Board of Directors' members are seriously involved in trying to make the Bank better. It is for that very reason that, even if they are directly opposed to a plan that the executive side is trying to move forward, the opinions of the outside directors can be respected and course adjustments made to reflect their ideas.

Including strengthening the management oversight function by such outside directors, the promotion of an increased level of sophistication in governance remains an indispensable element for the future development of JAPAN POST BANK and is set as one of the above mentioned priority issues (materiality). As a result of having been actively disclosing information to the outside and of having promoted the establishment of a system that complies with the Corporate Governance Code since its listing in 2015, the Bank's transparency has improved significantly in comparison with the past. As a member of the JAPAN POST Group, which began as a government agency and had a strong public sector identity, we recognize that being open and not hiding our business situation and risks are of the utmost necessity. People's interest is naturally high and banks are influential, so there are times when many people point out problems. However, by accepting this situation in an earnest manner and making use of any points arising in future management, I am confident that the soundness of the Bank will be higher than ever and that this will lead to greater trust from all our stakeholders.

In Conclusion

For the five years of the Medium-term Management Plan, we will ride the updraft on the dual wings of trust and challenge. It will be an extremely important period in which to assert the mission and significance of JAPAN POST BANK's corporate existence in Japan. With an eye on the future, we will place particular emphasis on building a foundation for services that can flexibly address evolving needs, including regional financial platforms. We will also give consideration to the development of new business fields. For that reason, we will form a corporate culture replete with an unhesitating spirit to face challenges, we will create many opportunities for growth, such as by appointing young employees to be those in charge of project operations, while also focusing on developing future management teams from a long-term perspective.

From the current fiscal year, ending March 31, 2022, onward, we will aggressively invest in growth fields. Although the Bank is operating in an adverse environment, if all executives and employees can unite and take on challenges, we will achieve our highest earnings since listing in FY2026/3, the final year of the Medium-term Management Plan. I believe that we can create new value for all our stakeholders. In the hope that they are as excited as I am about the Bank's future prospects, I would like to take this opportunity to thank our shareholders and investors and ask for their continued support and understanding in the coming years.

July 2021