# Financial Strategies for New Growth

## Pursuing growth-oriented investment while maintaining a stable financial foundation

Harumi Yano
Senior Managing Executive Officer

## Financial targets

The JAPAN POST BANK is fulfilling its duty to provide universal services in finances while advancing efforts to improve profitability and efficiency in order to reach consolidated net income of over ¥350 billion in FY2026/3. The plan for FY2022/3 projects reductions in profit compared with FY2021/3 mainly due to a decrease in redemption gains on foreign bonds and revenue from Japanese government bonds. Thereafter, our plan is to take on the challenge of recording the highest profits in FY2026/3 since our listing by improving profits through full-scale realization of earnings in strategic investment areas, expansion of net fees and commissions by reforming the retail business, and reduction of operating expenses by improving productivity.

Meanwhile, in order to ensure soundness, we have established a capital adequacy ratio (domestic standard) of approximately 10% and a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

### Financial targets

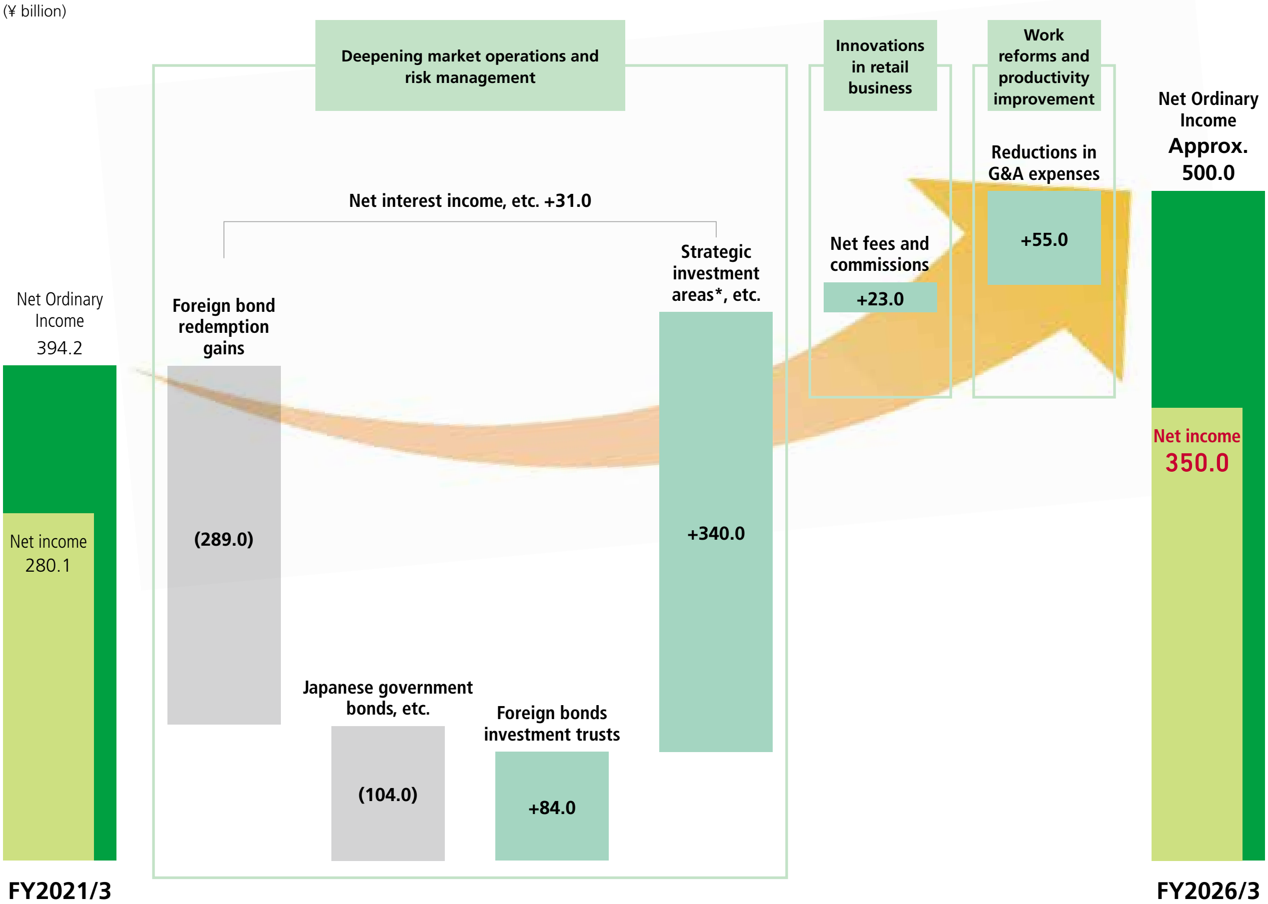
| | Consolidated Basis | FY2021/3 Performance | FY2024/3 targets | FY2026/3 targets |
|---|---|---|---|---|
| Profitability | **Consolidated net income** (attributable to owners of parent) | ¥280.1 billion | ¥280.0 billion or greater | ¥350.0 billion or greater |
| | **ROE** (based on shareholders' equity) | 3.06% | 3.0% or greater | 3.6% or greater |
| Efficiency | **OHR** (Basis including gains (losses) on money held in trust)*1 | 72.34% | 72% or less | 66% or less |
| | **General and administrative expenses** (compared with FY2021/3) | — | ¥(25.0) billion | ¥(55.0) billion |
| Soundness | **Capital adequacy ratio** (Domestic standards) | 15.53% | Approx. 10% (Levels to be secured) | Approx. 10% (Levels to be secured) |
| | **CET1 (Common equity tier 1 capital) ratio** (international standards)*2 | 14.09% | Approx. 10% (Levels to be secured) | Approx. 10% (Levels to be secured) |

*1 Keeping in mind that JAPAN POST BANK manages securities that utilize money held in trust of a considerable scope, we will establish OHRs as targets that include in the denominator operational profit/loss pertaining to money held in trust. Calculated as general and administrative expenses ÷ (net interest income, etc. + net fees and commissions). Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales etc.).
*2 Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

## Profit roadmap

### Causes of changes in net ordinary income

(¥ billion)




* Strategic investment areas: alternative assets (private equity funds and real estate funds, etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

## Shareholder Returns Policy

We established a new shareholder returns policy along with the formulation of the medium-term management plan.

Specifically, taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan, the basic policy is to maintain a dividend payout ratio of approximately 50%.

However, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends, and we will target increases in dividends per share (DPS) compared with projected dividend levels for FY2022/3.

We will strive for thorough shareholder returns through the expansion of medium- to long-term income via our corporate efforts.