Financial Strategies for Growth

We will promote a capital policy that balances shareholder returns, financial soundness, and growth investments to enhance corporate value.

Harumi Yano
Senior Managing Executive Officer

Financial targets

JAPAN POST BANK is advancing efforts to improve profitability and efficiency while fulfilling its duty to provide universal services in finance.

In FY2022/3, the first year of the Bank's Medium-term Management Plan, which covers the period from FY2022/3 to FY2026/3, the Bank experienced a decrease in redemption gains on foreign bonds and revenue from Japanese government bonds compared with the previous fiscal year. Under these circumstances, earnings from foreign bonds investment trusts and strategic investment areas*1 increased substantially. In FY2022/3, JAPAN POST BANK reported consolidated net income attributable to owners of parent of ¥355 billion, a record high since its public listing.

Looking ahead, we anticipate the current challenging environment to continue owing to a variety of factors. This includes a downturn in earnings from Japanese government bonds and an upswing in foreign currency funding costs. Despite these difficult conditions, JAPAN POST BANK will endeavor to achieve its FY2026/3 targets for profitability and efficiency while securing financial soundness. To this end, we will work toward the full-scale realization of profits in strategic investment areas, expand net fees and commissions based on innovations in the retail business and reduce general and administrative expenses on the back of improvements in productivity, among other efforts.

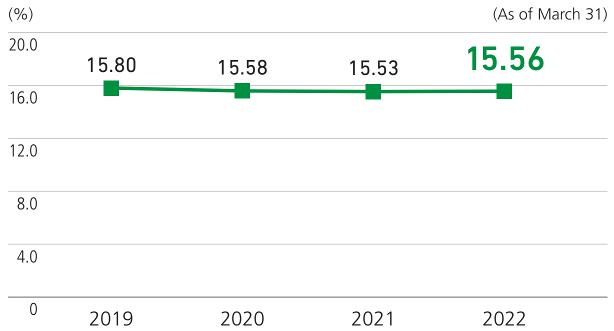
*1 Strategic investment areas: Alternative assets (private equity funds and real estate funds, etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

Financial targets

	Consolidated Basis	FY2021/3 Performance	FY2022/3 Performance	FY2026/3 targets
Profitability	Consolidated net income (attributable to owners of parent)	¥280.1 billion	¥355.0 billion	¥350.0 billion or greater
	ROE (based on shareholders' equity)	3.06%	3.80%	3.6% or greater
Efficiency	OHR (Basis including gains (losses) on money held in trust)*2	72.34%	67.52%	66% or less
	General and administrative expenses (compared with FY2021/3)	–	¥(27.9) billion	¥(55.0) billion
Soundness	Capital adequacy ratio (Domestic standards)	15.53%	15.56%	Approx. 10% (Levels to be secured)
	CET1 (Common equity tier1 capital) ratio (international standards)*3	14.09%	14.23%	Approx. 10% (Levels to be secured)

*2 Keeping in mind that JAPAN POST BANK manages securities that utilize money held in trust of a considerable scope, we have established an OHR target that includes 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.).
*3 Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

Capital adequacy ratio (Domestic Standard)



Credit Ratings

(As of March 31, 2022)

	Long-term	Short-term
Moody's	A1	P–1
S&P	A	A–1

Capital and other policies

JAPAN POST BANK will promote a capital policy that balances shareholder returns, financial soundness and growth investments.

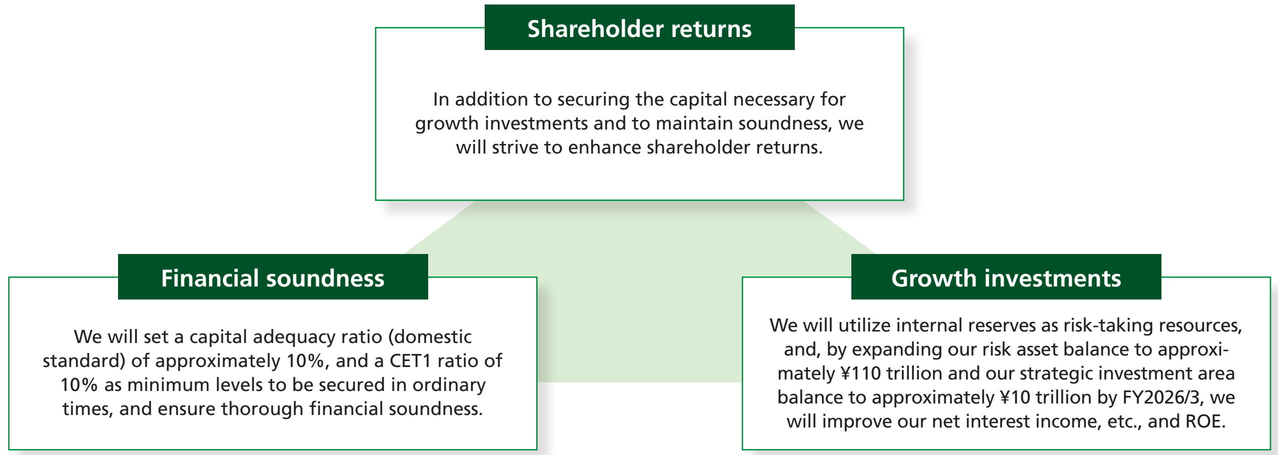
From a shareholder returns perspective, our basic policy is to maintain a dividend payout ratio of approximately 50% during the period of the Medium-term Management Plan. Having said this, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends and we will target increase to dividends per share (DPS) compared with projected dividend levels for FY2022/3. Guided by this dividend policy, and while taking into consideration trends in business performance, we have set the dividend for FY2022/3 at ¥50 per share for a dividend payout ratio of 52.7%. We also plan to maintain this level and pay a dividend of ¥50 per share for a dividend payout ratio of 58.5% for FY2023/3. In addition to targeting an increase in dividends per share through medium- and long-term profit growth, we will consider implementing additional shareholder return policies depending on such factors as future expansions in income, the repleteness of internal reserves and the status of regulatory trends.

With respect to its policy to ensure sufficient financial soundness, JAPAN POST BANK has set a capital adequacy ratio (domestic standard) of approximately 10%, and a common equity tier1 (CET1) ratio (international standards: excluding unrealized gains on available-for-sale securities) of around 10% as minimum levels to be secured in ordinary times. Although JAPAN POST BANK is a domestic standard bank, it has set targets for its CET1 ratio, which is an internationally unified standard, while taking into account such factors as the increased importance of international finance systems that are commensurate with the proliferation of global asset allocation. As of the end of FY2022/3, JAPAN POST BANK's capital adequacy ratio came in at 15.56% and its CET1 ratio (excluding unrealized gains on available-for-sale securities) at 14.23%. These results exceeded the Bank's targets in each case and are indicative of a high degree of soundness.

Turning to the Bank's growth investments, JAPAN POST BANK will work to improve net interest income, etc., as well as ROE by utilizing internal reserves as risk-taking resources and building up the balances of risk assets and strategic investment areas to approximately ¥110 trillion and ¥10 trillion, respectively, as of the end of FY2026/3. As of the end of FY2022/3, the balance of risk assets stood at ¥94.9 trillion, an increase of ¥3.8 trillion compared with the end of the previous fiscal year, and the balance of strategic investment areas came in at ¥6.4 trillion, which represented year-on-year growth of ¥2.2 trillion. Moving forward, we will continue to expand global asset allocations while staying aware of risk-adjusted return.

Over and above the aforementioned, JAPAN POST BANK introduced a shareholder benefit program to express its gratitude to shareholders for their daily support and to enhance the appeal of investing in the Bank's shares and thereby to increase the number of shareholders.

Basic Capital Policy Thought Process



Transition to the Prime Market

In connection with Tokyo Stock Exchange, Inc.'s restructuring of market segments, JAPAN POST BANK submitted plans to meet the level of continued listing requirements for the new market segment in November 2021. We transitioned to the Prime Market in April 2022 after applying transitional measures (we do not meet the requirement for the tradable share ratio).

In line with the JAPAN POST GROUP Medium-term Management Plan, JP Vision 2025, the Bank's parent company JAPAN POST HOLDINGS Co., Ltd. has adopted the policy to dispose of its equity interest in JAPAN POST BANK and to lower its holding ratio to 50% or less as soon as possible during the period of its Medium-term Management Plan. As implementing this policy will satisfy the continued listing requirements, JAPAN POST BANK is committed to creating an environment that is conducive to JAPAN POST HOLDINGS Co., Ltd. being able to implement this policy with ease. To this end, we will endeavor to increase our profitability and enhance our corporate value.