



**Strengthen the company to where all employees have the opportunity to reach their full potential and aim to become a unique bank by fully utilizing its strengths.**

*T. Kasama*

**Takayuki Kasama**

Director, President and  
Representative Executive Officer  
JAPAN POST BANK Co., Ltd.

My name is Takayuki Kasama and I was appointed President and Representative Executive Officer of JAPAN POST BANK (“Bank”) in April 2024.

First of all, I would like to express my deepest sympathy to the victims, their families, and all those affected by the Noto Peninsula Earthquake of 2024.

The Bank has been providing support to those affected by the disaster including emergency processing of deposits and free remittance of disaster relief donations. We would like to express our respect and gratitude to all those involved in the ongoing support of medical and reconstruction efforts.

The environment surrounding the Bank has changed significantly over the years, and we feel there is an increasing need from the society for us to solve social problems through our businesses. As President, I will do my utmost to create a new “JAPAN POST BANK” that contributes to the development of society and local communities.

### Appointment as President

Since joining the Bank in 2015, I have endeavored to improve profitability of our Markets business as well as to strengthen the various teams including operations, credit analysis team, and to speed up the overall decision making processes.

From June 2023, I was in a position to assist the former President, Norito Ikeda, as Representative Executive Vice President and at the same time was also appointed as a Director of the Bank which allowed me to participate in discussions at Board of Directors’ meetings. I have been actively involved in laying the foundations for the Σ (Sigma) business which is a corporate business that creates the future for society and local communities through investment that former President Ikeda had enthusiastically promoted. In addition, I have also devoted my effort in reforming the Bank’s culture, and have been seeking to advance the “uniqueness” of the

Bank while enhancing its corporate value.

When I was officially asked to assume the role of President and Representative Executive Officer in February 2024, my thoughts turned to the Bank’s employees, their families, and our stakeholders, and I felt humbled by the weight of the responsibility I would be carrying. At the same time, I felt that I had been given an opportunity to further advance what I had been working on up until that time and considered it a great honor.

As the Bank enters its next stage of its growth, my mission as President is broad, varied, and deep. I will work tirelessly to align the direction of management with that of the Board of Directors and under their appropriate supervision, I will always lead the way as captain to steer the Bank toward a brighter future.

### Cherish Connections with People

Since assuming the role of the President, I have had the opportunity to meet with numerous individuals to extend my greetings. Once again, I was reminded of the diversity of the Bank’s stakeholders and the high expectations they have of us. Having a long history dating back more than 150 years since the founding of the postal business, Japan Post Group operates a nationwide network of around 24,000 post offices, with approximately 366,000 employees. When I think about the customers beyond that, I feel we are connected to everyone in Japan, and that the services that JAPAN POST BANK provides form part of that connection.

Even before joining the Bank, I have always valued the relationships I have built with people. I have been fortunate to meet many wonderful people who have influenced not only my career, but also my leadership and management style.

My first encounter with the Bank was through a call from an old colleague who was working on reforming the Bank’s Markets business. At the time I was involved in a markets business and based in Singapore. The deciding factor that made me join the Bank was the motivational and rewarding prospect of being involved

in operational reforms at the Bank, which is one of Japan’s leading institutional investors with an overwhelming amount of capital. I remember my boss at my previous job telling me, “From now on, it will be a time for large, capital-rich banks and investment management companies to evolve beyond what they are now.” I didn’t pay much attention to what my boss said at the time, but having witnessed the evolution of the Bank’s business strategy—including the dynamic shift into global investments in its Markets business, the transformation of its Retail business through complementarity between physical and digital channels, and the launch of the Σ business, the new corporate business through investment—those words have come to make sense to me.

Since assuming the role of the President, I have had more opportunity to engage in direct communication with employees. I have gained valuable insights into the strengths of our employees, while also learning new things. As Chairman of the Service Improvement Committee, I engage in direct and open dialogue with younger employees to discuss various matters. Additionally, I continue to hold town hall meetings,

one-on-one meetings with employees, and enhancement of internal communication efforts through the company's internal web-based newsletter. Furthermore, as President, I initiated a nationwide tour with the objective of gaining firsthand insight into our company's operations across the country. I would like to interact directly with employees across the country and observe firsthand how the Bank will evolve in the ever-changing environment.

The strength of the Bank's organizational culture lies in the sincere attitude of each and every employee working closely with customers and striving to contribute to local communities and society as a whole. This is a culture that we are proud to have fostered over many years since our days as a government-owned bank. We believe it is the foundation of the trust that the Bank enjoys from its customers. However, the sincerity of our employees' attitudes toward their work can unintentionally narrow their perspective. As a result, they may act as if they only have to deal with their own area of expertise. We recognize the need to strengthen collaboration within the Bank. It is essential to establish an open and inclusive work environment where diversity is embraced and ideas can be freely exchanged. To achieve this, fostering vertical, horizontal, and diagonal communication is crucial.

To address this challenge, the Service Improvement Committee has been reorganized into the "Voice of Customers" sub-committee and the "Voice of Employees" sub-committee. This restructuring reflects our

commitment to accelerate cultural reforms, including enhancing inter-organizational communication based on direct employee feedback. The committee will strengthen the way in which the voices of customers and employees are reflected in the way we manage the company. Additionally, four project teams have been established under the subcommittees: "New Business Creation," "Existing Business Inspection," "Culture Reform," and "Productivity Improvement." By optimizing the functionality of these teams, we aim to cultivate an organization that is conducive to productivity, value creation, and a rewarding work environment for employees.



"Voice of Employees" sub-committee gathering

### Active Discussion at Board of Directors Meetings

Our Nomination Committee framework ensures that Outside Directors with diverse skills, knowledge, and experience constitute the majority of the Board of Directors. This structure prevents decisions from being made based solely on internal logic. Outside Directors who are responsible for protecting the interests of minority shareholders often provide critical feedback to the business side of the company. This demonstrates that we have a governance system that is conscious of minority shareholders. Furthermore, the Board of

Directors engages in comprehensive deliberations on matters crucial for enhancing corporate value over the medium to long term of the Bank. When I initially attended a Board of Directors meeting, I was genuinely impressed by the depth and breadth of the discussions. Last year, the discussion focused on the review of our Medium-term Management Plan. Additionally, there are active discussions on group governance and human capital management.

### Medium-term Management Plan Review (FY2021 to FY2025)

In FY2023, the third year of the Medium-term Management Plan, which was formulated in FY2021 and runs through FY2025, the Bank posted record high consolidated net income of 356.1 billion yen since its listing on the stock exchange. This achievement was made ahead of schedule, having reached the FY2025 plan level.

At the same time, the business environment in which the Bank operates is changing dramatically. For instance, the financial landscape has shifted considerably since the Plan's formation such as the sharp global interest rate rise, the rapid yen depreciation, and the upward shift of the domestic interest rates due to the Bank of Japan's change in its monetary policy. As exemplified

by generative AI, the digitalization of society is also progressing at a faster pace than expected, and competition is intensifying as companies from other industries enter the banking business, making it even more urgent for banks to transform. In addition, internally, a secondary offering of the Bank's common stock was carried out in March 2023. As a result, the proportion of shares held by general shareholders has increased significantly, and coupled with the Tokyo Stock Exchange's requirement that companies "take action to implement management that is conscious of cost of capital and stock price," we felt that calls for the Bank to increase its corporate value were growing

louder by the day. Thus, fully aware of the major changes in the environment surrounding the Bank, we instead took these changes as an opportunity to further evolve the Bank and recently reviewed our Medium-term Management Plan.

I would like to take this opportunity to reiterate that the Bank has a unique business model. The revised Medium-term Management Plan has three core business strategies: Retail business, Markets business, and  $\Sigma$  business. These strategies are designed to leverage the bank's unique strengths, including the customer base of approximately 120 million, a network of approximately 24,000 post offices located throughout Japan, and a deposit base of over 190 trillion yen.

### Accelerate "Physical and Digital Complementary Strategy" in Retail Business

First, we will further accelerate the complementarity between physical and digital strategies outlined in our Medium-term Management Plan. We will leverage our nationwide post office network to promote the convenient Yucho Bankbook App service by providing detailed guidance to customers and aim to expand the number of accounts from 10.4 million as of the end of March 2024 to 16 million by the end of FY2025 and to 25 million by the end of FY2028. On that basis, we will fully launch a co-creation platform strategy by which we will collaborate with a variety of businesses and introduce products and services that go beyond the framework of banking through push notifications on the Yucho Bankbook App. In addition, as part of the promotion of products and services, we will also encourage people to visit post office events, creating a virtuous cycle between the physical and the digital world. Similarly, in the asset formation business, post offices across the country will be remotely connected to financial contact centers, making it possible to accept investment trust and NISA applications from customers at approximately 20,000 nearby post office locations. This is an opportunity to leverage our nationwide network of post offices and the large customer base in Japan.

### Building an Optimal Portfolio in the Markets Business

In the Markets Business, we had dynamically shifted our investments from Japanese Government Bonds (JGB) to risk assets, mainly foreign securities, in response to the prolonged ultra-low interest rate environment in Japan which we called a "Paradigm Shift in Investment." Conversely, in view of the upward trend in domestic interest rates resulting from the Bank of Japan's monetary policy shift, we intend to proactively invest in JGBs with a view to rebuilding our yen interest rate portfolio. The outstanding balance of JGBs has already begun to increase having reached the

lowest at the end of March 2023. Therefore, with the convergence of the "two wheels" of "yen interest rate assets" and "risk assets," our objective is to increase net interest income and other income through the optimization of the overall investment portfolio. The Markets business is supported by a fund base of over 190 trillion yen, which is comprised of the valuable savings of our esteemed customer deposits. Effective risk return management is of paramount importance. This is my area of expertise, and I will continue to build on the company's strengths under my leadership.

### The Promotion of Our Unique GP\* Business through $\Sigma$ (Sigma) Business

Launched in FY 2022, we have been working on establishing the structure of our  $\Sigma$  Business, and from FY2024, it will be fully launched as a "corporate business that creates the future of society and local communities through GP\* operations that are unique to JAPAN POST BANK." Its four features are: co-creation with regional financial institutions, effective use of its nationwide network to identify client funding needs, providing medium- to long-term capital, and to assist and support their growth. With the Bank's wholly owned subsidiary JAPAN POST BANK CAPITAL PARTNERS Co., Ltd., which was established in May 2024 at its core, we will work in cooperation with regional financial institutions and business partners to provide capital to businesses across the country that are eager to grow. Due to the nature of this business as a private equity investment, we are also not expecting to see immediate revenue impact. Looking ahead, we will continue to make steady progress in order for it to become a major revenue base along with our Retail and Markets business. Additionally,  $\Sigma$  Business is expected to provide not only economic returns but also other benefits, such as contributing to the revitalization of the local economy and contributing to the promotion of sustainability including the reduction of GHG emissions.

\* "General Partner": Fund management entity responsible for selecting and deciding investments.

### Continuous Enhancement of Corporate Value

Under the revised Medium-term Management Plan, profits are expected to continue to improve through FY2025. Consolidated net income for FY2023 was 356.1 billion yen, with plans for FY2024 to be more than 365 billion yen and FY2025 to be more than 400 billion yen, marking the third consecutive year of new record profits since the Bank's public listing, and with the aim for FY2025 to be our highest profit-making year since privatization.

### Listening to Stakeholder Feedback

In reviewing our Medium-term Management Plan, we incorporated as many requests and opinions as possible which we received through our Investor Relations activities. The dialogue with shareholders and investors is a very valuable opportunity to learn how stakeholders view the Bank. When discussing matters at the Board of Directors' meetings and Executive Committee meetings, I review the records of all activities and endeavor to incorporate feedback from shareholders and investors into our decision-making.

For example, with regard to our shareholder return policy, in response to the strong expectations for growth in dividends per share (DPS) in line with our medium- to long-term profit growth, we have decided to maintain our basic policy of a dividend payout ratio of around 50%, while indicating a policy of increasing dividends in line with profit growth, along with specific numerical targets and strategies. In terms of

### Employee Diversity is the Source of Value Creation

An important mission in my capacity as President is to create an environment in which each and every employee possesses a high degree of motivation as part of "Team Yucho" and can demonstrate their abilities to the fullest extent. The value that has been cultivated over our long history—that "employees across the country fulfill their roles in their respective locations and support local customers"—is the very purpose of the Bank, and we must continue to hand down this value with pride to future generations. I am convinced that the profitability of JAPAN POST BANK is indisputably supported by the efforts and output of each and every employee. I am confident that if we can inspire our employees to work at an even higher level of motivation, we will be able to generate great strength. The Bank has approximately 120 million ordinary deposit customers, which is equivalent to the total population of Japan. To understand and to meet the diverse needs of our ordinary deposit customers, we must leverage the diversity of our employees.

Currently, approximately half of our new graduate hires and just over 40% of all employees are female, and the ratio of female managers reached 18.4% in April 2024. Our immediate goal is to have 20% of all managers to be female by April 2026 but we also aim to improve on that figure. To that end, we will not limit our efforts to the various diversity trainings but will also make effective use of one-on-one meetings and small

ROE, we have set a goal of achieving an ROE of 4% or more by FY2025 and 5% or more, which exceeds the cost of shareholders' equity, early in the next Medium-term Management Plan starting in FY2026. Furthermore, we have clearly stated the priorities and thinking behind capital utilization to improve ROE.

Our price book-value ratio (PBR) is currently less than 1x which we consider as one of our major issues at the management level. At first, I would like to devote all our efforts to steadily increasing ROE and to increase PBR, it is imperative to improve the expected growth rate. As President, I will continue to carefully explain to shareholders and investors the content of our revised Medium-term Management Plan and our growth strategy, listen sincerely to their opinions, and further refine our strategies and information disclosure with the goal of enhancing the Bank's corporate value.

roundtable discussions to build a network and pipeline of female leaders. This initiative aims to increase the number of autonomous employees who engage in dialogue, exchange opinions with their peers, and foster a diverse culture. This year, we also convened a roundtable with two female outside directors to discuss the future development of female leaders. The women's advancement initiative has also fostered a culture of respect for diversity in all its forms. Triggered by our efforts to promote women's participation and advancement in the workplace, such move also gave rise to build a culture that values all forms of diversity.

As the saying goes, "two heads are better than one," and combining the diversity of wisdom, experience, emotions, and thoughts of employees with diverse backgrounds and values will give rise to innovation from which businesses will evolve. I believe that the strengths of each and every one of our diverse employees are the source of our value creation. I am expecting the leaders of each business to adapt to change, to build teams that recognize the new challenges that employees are facing, and to maximize their organizational capabilities. I will share my experiences with our employees and promote management that demonstrates awareness of Diversity, Equity, and Inclusion (DE&I). Our goal is to remain a bank where all employees feel motivated to work and can experience a sense of well-being.

### Our Sustainability Management Goals

The Bank's mission is to provide "safe and secure" financial services to everyone throughout Japan and to ensure that no one is left behind even in the ever-changing financial services industry. This mission not only forms the foundation of our "JAPAN POST BANK-ness" but also serves as the basis for our sustainability management. The Bank is firmly standing on the core belief of striving to enhance the well-being of our customers and employees, while fostering the growth of society and local communities. Our business model is inherently aligned with the principles of sustainability and we believe that we are a company that can offer a distinctive value proposition to society.

In our Markets Business, we also place importance on sustainability. For example, as one of the largest institutional investors in Japan, the Bank aims to increase its ESG bond investments to 7 trillion yen by the end of FY2025. This amount does not include origination and underwriting; it is purely an investment amount which is one of the largest for a single financial institution in Japan. In addition to funding projects that contribute to reducing GHG emissions and water usage through our green bond investments, we also contribute to infrastructure conservation, medical care, and employment through investments in social bonds which are providing positive impact to the environmental and social challenges.

Another key aspect of the Bank's sustainability management is the challenge of revitalizing local economies and creating new corporate value through our Σ business. By collaborating with regional financial institutions and other stakeholders to drive societal and regional development, and by addressing regional challenges from a long-term perspective, we aim to create a positive impact on the environment and society while also enhancing our own corporate value. In Japan, capital funding and the creation of ecosystems for start-ups and other companies are still in their infancy. The backcasting approach is the foundation of our Σ business strategy. We believe this approach is equally important in our corporate management, investments, and sustainability initiatives.

I am committed to building an organization in which each employee can demonstrate his or her capabilities to the fullest extent and at the same time, take pride in themselves and the Bank. All of our employees will continue to work together to face new challenges so that we can be recognized by our stakeholders as the one and only bank that is closest and most trusted.

In grateful anticipation, I would like to ask for your continued kind support and cooperation in these efforts over the coming years.

