

## Message from the President & CEO



*T. Kasama*

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JAPAN POST BANK Co., Ltd.

# Celebrating 150 years of postal savings, we are entering a new stage with the aim of becoming the most familiar and trusted bank.

## A year in which we reaffirmed our responsibilities as a financial institution

One year has passed since I took office as President in April 2024. Looking back over the past year, I recall the system malfunction that occurred immediately after taking office. Then, in April 2025, some services such as Yucho Direct and Yucho Bankbook App were temporarily unavailable. In response, we acted swiftly to gather information and take appropriate action to prevent further disruption. These incidents underscored the critical role we play as part of the financial infrastructure that underpins safe and reliable financial services. With approximately 120 million deposit accounts—roughly equivalent to the population of Japan—our customers rely on us around the clock through a wide range of payment channels. Our system ranks among the largest banking systems in Japan and handles one of the highest volumes of transactions in the world.

I have a deep appreciation for the efforts of my predecessors who helped build such a robust system capable of supporting this scale of operations. At the same time, I feel a profound sense of responsibility in ensuring the continued delivery of dependable financial services to customers across the country.

Turning to the broader environment surrounding Japan Post Bank, we are seeing significant changes. In 2024, the Bank of Japan ended its negative interest rate policy, ushering in a new era for interest rates. At the same time, the global landscape—including U.S. trade policy and rising geopolitical tensions—is shifting rapidly. These developments require close monitoring, as U.S. policies affect dollar-based interest rates and exchange rates, which in turn have a major influence on yen interest rates—one of our most critical indicators.

In March 2025, Japan Post Holdings completed a third public offering of Japan Post Bank's common shares, reducing its voting rights to below 50%. This marks a major milestone, as it gives us greater flexibility and autonomy to pursue new business opportunities and accelerate our medium- to long-term growth.

As I reflect on my first year as President, I am struck by how dramatically the landscape surrounding our operations has evolved. I believe that a president is like the

captain of a great vessel—always at the helm, leading the crew toward a brighter future. Amid these shifting tides, I have come to reaffirm the vital importance of this role.

## Aiming for record profits for the third consecutive term through flexible portfolio management

Net income for fiscal 2024 was 414.3 billion yen, marking a record high for the second consecutive year since our listing. Reflecting this strong performance, the dividend per share (DPS) also rose steadily, increasing by 7 yen year on year to 58 yen per share.

For fiscal 2025, we forecast consolidated net income of 470 billion yen and plan to raise the DPS by a further 8 yen to 66 yen, in line with earnings growth.

Looking at the drivers behind our strong results, I believe our ability to act swiftly and seize opportunities has been key. Notably, we adopted a policy to restructure our yen interest rate portfolio in response to the rising trend in yen interest rates and made proactive investments in Japanese Government Bonds (JGBs). Assuming we continue to purchase approximately 10 trillion yen of medium- to long-term JGBs—such as 10-year bonds—each fiscal year, the investments made in fiscal 2024 and again in fiscal 2025 are expected to generate stable, recurring income going forward. Currently, redeemed JGBs yield close to 0%, so reinvesting in new 10-year JGBs at yields around 1.5% will contribute positively to our earnings.

Of course, markets are constantly evolving. Even when purchasing 10-year JGBs, we take a flexible and cautious approach—adjusting our purchasing strategy when needed, such as reviewing the maturity mix if yield curves become relatively less favorable compared to bonds of other durations. As President, closely monitoring market trends and our portfolio remains one of my essential responsibilities. If I detect any concerns, I immediately consult with the Investment Division and the ALM Planning Department. Together, we continually assess our risk-return profile, funding costs and investment yields, the balance between assets and liabilities, and the level of risk we are taking on.

While rising yen interest rates support earnings growth, they also lead to increased valuation losses on available-for-sale securities, primarily JGBs. However, these losses remain within our expectations. Japan Post Bank is taking various measures to manage and contain such losses, ensuring that our financial soundness remains intact.

## Confirming management direction through dialogue with the market

Since assuming the role of President, I have placed great importance on engaging in dialogue with a broad range of stakeholders. Through these interactions, we have received valuable feedback from capital market participants, including overseas investors, who have shared their expectations regarding Japan Post Bank’s stock performance and long-term growth story. In this new era of positive interest rates, I was reassured to find that the direction of our management aligns closely with the vision held by investors—further strengthening my resolve to meet their expectations.

One insight I gained from these discussions is that, in a world of rising interest rates, our distinctive strengths—particularly our vast customer base of approximately 120 million accounts and our stable deposit base of around 190 trillion yen, primarily composed of retail deposits—are seen as highly valuable. I recognize the importance of further developing and leveraging these strengths to enhance our corporate value.

## Endless cultural reform accelerates innovation

To facilitate dialogue with employees, we established the Stakeholder Engagement Committee, a cross-organizational special committee reporting directly to the President & CEO, as an initiative to incorporate employee and customer feedback more directly into management.

As chair of this committee, I have highly valued opportunities for open dialogue through candid discussions with young employees, town hall meetings, one-on-one conversations, and internal communications via our intranet.

I also make it a point to visit our branches across the country personally. As I mentioned in last year’s integrated report, I believe Japan Post Bank’s strength lies in its corporate culture—a culture cultivated over many years since our days as a state-owned enterprise, rooted in the sincere commitment of every employee to stay close to customers and contribute to society and local communities. My visits to branches nationwide have

reaffirmed my conviction that this culture is one of our greatest assets.

Building on this belief, we are working throughout the organization to create value through product and service improvements, ensure smoother internal communication, and strengthen our organizational capabilities, with a focus on the Stakeholder Engagement Committee. I hope more employees will embrace the spirit of this committee, spreading their enthusiasm like ripples throughout the organization and all our branches, fostering a culture of reform.

The enthusiasm and creativity of employees participating in the Stakeholder Engagement Committee has far exceeded my expectations, and I am genuinely impressed by their efforts. While cultural reform is an ongoing journey, I feel we are making more progress than anticipated and remain confident in our continued improvement.

**Details on page 8** President Kasama’s nationwide visits

**Details on page 10** Stakeholder Engagement Committee

## Business Strategy of Medium-term Management Plan

As I mentioned earlier, the external environment surrounding Japan Post Bank is undergoing significant transformation. In addition to domestic and international interest rate fluctuations, we must also respond to rapid advances in digitization—such as cashless payments and generative AI—as well as social changes, including population decline and an increasingly super-aging society, with a long-term perspective spanning the next 10 to 20 years.

In response to these challenges, we revised our Medium-term Management Plan in May 2024, launching a strategy centered on three core businesses: Retail, Market, and Σ (Sigma). Each strategy capitalizes on Japan Post Bank’s unique strengths—its customer base of approximately 120 million accounts, a deposit base exceeding 190 trillion yen, and a nationwide network of more than 20,000 post offices—to drive initiatives and services that only Japan Post Bank can deliver.

**Details on page 34** Overview of the Medium-term Management Plan (2021-2025) and Initiatives for the Next Medium-term Management Plan

## Retail Business

### ~Building a One-of-a-Kind Retail Business Model~

In the retail business, we are advancing new business models centered on three key themes: “complementarity between the physical and digital channels,” “co-creation

platform,” and “digital transformation (DX).”

The “complementarity between the physical and digital worlds” strategy seeks to develop both physical and digital channels in tandem, rather than choosing one over the other, in response to the accelerating wave of digitization. The number of registered accounts for the Yucho Bankbook App—a cornerstone of our digital initiatives—surpassed our target of 13 million accounts by the end of March 2025, reaching 13.59 million and continuing to grow. Our new goals are to reach 16 million accounts by March 2026 and 25 million by March 2029, aiming for roughly one in every four to five people in Japan to be using the app.

At our branch network, we are strengthening service channels tailored to customer needs by providing friendly, attentive service through our widespread branches, which act like a network of capillaries across the country. Simultaneously, we are upgrading ATMs, introducing teller tablet systems at directly operated branches to enable customers to handle procedures independently, and offering online consultations through remote centers staffed by asset management specialists. We believe our branch network will continue to be a core strength in the digital era. By providing robust support for the Yucho Bankbook App at our branches, we strive to empower customers who might be less familiar with digital technology to access convenient digital services.

The “co-creation platform” concept involves collaborating with partner companies to develop a diverse range of new financial products and services that we could not create alone, delivering them through the most suitable of our two convenient channels—physical or digital.

Regarding “DX,” we are actively promoting improvements to the Yucho Bankbook App, enhancing ATM functionalities, and deploying teller tablet systems—all aimed at improving administrative efficiency. The Administration Service Centers support post offices nationwide in both sales and administrative operations, while the reliable work of employees at Operation Support Centers and call centers forms the foundation of our customers’ trust in Japan Post Bank. To further strengthen this foundation, we are implementing fundamental business process reforms through strategic IT investments, including AI, RPA (software robots automating routine tasks), and BPMS (digital business process management systems) at our Operation Support Centers, as well as AI-powered chatbots at our call centers.

By leveraging the synergies between “complementarity between the physical and digital channels,” the “co-creation platform,” and “DX,” we aim to drive fundamental administrative efficiency while developing and delivering safe, secure, and convenient financial products and services that transcend traditional banking. Our goal is to serve everyone across Japan—regardless of age or nationality, including foreign residents—with the

spirit of “leaving no one behind.” Through these efforts, we are building and advancing a unique retail business model.

**Details on page 45** Retail Business

## Market Business

### ~Aiming for dramatic profit growth through portfolio optimization~

In terms of market management, our investment resources come from our customers’ valuable deposits, and it is essential to manage them by balancing profitability and stability.

In an era of zero or negative interest rates, Japan Post Bank has been shifting its investment portfolio from being heavily focused on JGBs to including a wider range of assets such as foreign securities, private equity funds, real estate funds, and other diverse risk assets, marking a paradigm shift in our market management approach.

As a result, income from yen interest rate assets—which was just under 1 trillion yen at the end of fiscal 2015, right after the Bank of Japan introduced its negative interest rate policy—declined to about one-fifth of that amount by the end of fiscal 2022, while income from risk assets grew to approximately 1 trillion yen.

As I mentioned earlier, we are actively promoting new investments in JGBs by restructuring our yen interest rate portfolio in response to the recent upward trend in yen interest rates. Now that the environment is more favorable for yen interest rate assets, rather than merely expanding the balance of risk assets—which have grown to around 108 trillion yen—we will focus on improving their quality. We place great importance on risk/return balance and on ensuring portfolio stability and resilience.

We will also continue selective investments in high-quality funds within strategic areas such as private equity and real estate funds. Although the market environment remains uncertain due to factors like U.S. trade policy, new investment opportunities could also arise, and we are actively gathering information to further enhance our medium- to long-term portfolio management.

Japan Post Bank has now entered a strategic phase where it can optimize its overall investment portfolio with JGBs and risk assets as its two main pillars. If we can restore earnings from yen interest rate assets to around 1 trillion yen and maintain earnings of 1 trillion yen from risk assets, total earnings will reach 2 trillion yen. Of course, we will not be satisfied with this and will continue aiming to further improve our earnings. As one of Japan’s largest institutional investors with unique characteristics, we intend to proceed steadily toward these goals.

**Details on page 48** Market Business



## Σ Business

### ~Contributing to regional revitalization by accumulating high-quality projects~

In the Σ Business, we established Japan Post Bank Capital Partners Co., Ltd., a wholly owned subsidiary that serves as the core of this business. In fiscal 2024, we launched a full-scale operation aimed at creating a sustainable future for society and local communities through general partnership (GP) activities that leverage Japan Post Bank's unique characteristics. We set a target of approximately 400 billion yen in GP-related investments by the final fiscal year of our Medium-term Management Plan. However, given the nature of investments in unlisted Japanese stocks, we will not focus solely on hitting numerical targets but will proceed carefully, emphasizing the Σ philosophy of "combining strengths" and prioritizing investment quality. As a result, the balance of GP-related investments in fiscal 2024 was 119.1 billion yen.

We believe collaboration with regional financial institutions is crucial to promoting the Σ Business. We have built a track record of partnerships in various forms, such as regional financial institutions providing loans and equity for projects where Japan Post Bank participates with equity in certain regions. Through our 13 regional headquarters nationwide, we are beginning to see results, including the discovery of investment projects sourced based on the unique conditions of each region.

Investments made through JP Investment and Σ Business vehicles, in partnership with joint venture partners, span a wide range of industries including manufacturing, hotels and restaurant services, information and communications, healthcare, business succession, regional ventures, and renewable energy.

As part of our human capital development efforts, we actively support employees who wish to gain experience by seconding them to external fund companies and other organizations, while also strengthening our training programs and related initiatives.

Japan Post Bank intends to continue pursuing long-term investments that contribute to local economic revitalization, including job creation, through close cooperation with regional partners.

**Details on page 52** Σ(Sigma) Business

## Future Grand Design

### ~The financial platform closest to our customers~

As we deepen our three core businesses—Retail, Market, and Σ—the shift from an approval system to a notification system for adding new businesses, enabled by the reduction in Japan Post Holdings' voting rights ratio, is expected to further broaden our business

opportunities and growth potential.

Leveraging our position as the Japanese bank with the largest customer base, we will continue to expand our asset management business by enhancing and utilizing our investment capabilities, while further strengthening our investment advisory and asset management services. We also aim to create new value through collaboration and, to flexibly respond to evolving societal and customer needs, will actively pursue inorganic growth opportunities beyond the principle of self-reliance.

We plan to make greater use of our ATM network—for example, by forming alliances with regional banks that allow their customers to use our ATMs free of charge while generating fee income for us. This win-win model benefits Japan Post Bank, our partner banks, and their customers, and we will continue to advance this approach.

Additionally, in response to an aging society and future generational changes in inheritance, we see opportunities to support customers by enhancing trust and inheritance-related services. More detailed initiatives will be shared in our next Medium-term Management Plan.

**Details on page 34** Overview of the Medium-term Management Plan (2021-2025) and Initiatives for the Next Medium-term Management Plan

## Road map for medium- to long-term corporate value creation and strengthening of management structure

We also recognize that improving our ROE, which is currently low compared to other banks, is a critical management issue. The 5% ROE target we have set is only a stepping stone—we aim to achieve it as soon as possible and then pursue significant further improvements.

As I mentioned earlier, we aim to generate revenues exceeding 2 trillion yen in our market business. We believe a dramatic improvement in ROE is achievable if we can steadily grow revenues in the market business, which accounts for the majority of our income, leveraging our strengths—namely our extensive customer base and stable deposit base.

To ensure steady progress, strong governance of portfolio management is essential. In addition to special committees such as the ALM Committee, the Executive Committee, and the Board of Directors, Japan Post Bank has established a voluntary Risk Committee under the Board of Directors. This committee is chaired by Kenzo Yamamoto, an Independent Outside Member of the Board of Directors with deep expertise in the financial system, and includes external experts who objectively

review the market investment policies developed by management. Through this system, I believe that all stakeholders—not just management—are actively engaged in protecting the soundness and profitability of Japan Post Bank's portfolio.

**Details on page 38** Message from the Executive Officer in Charge of Financial and Capital Strategy

**Details on page 74** Messages from the Chairpersons of the Compensation, Audit, and Risk Committees

## 150th anniversary of the postal savings business and our vision for the future

The year 2025 marks the 150th anniversary of the postal savings business. The greatest strength of Japan Post Bank, built throughout its long history, is undoubtedly the trust of our customers across Japan.

However, in fiscal 2024, it was confirmed that some post offices inappropriately used customers' non-public financial information without their prior consent. As the bank entrusted with agency services for Japan Post, we also failed in our supervisory responsibilities and obligations to ensure the security of personal customer information. I take this matter very seriously, and to clarify responsibility, I have decided to reduce my executive compensation.

Thorough compliance is essential. Yet the root cause of this incident was prioritizing sales promotion without sufficiently embedding customer-oriented practices.

The Japan Post Group has approximately 360,000 employees serving customers with roughly 190 trillion yen in deposits through 120 million accounts. It is because our customers entrust us with their deposits that we have been able to develop our Market and Σ businesses. Customer trust is the foundation of everything we do. To continue earning that trust, we will uphold "Compliance First" and customer-oriented sales activities as our highest priorities and move forward with reforms to rebuild the company.

Just recently, on the 15th of this month, I saw a long line of customers in front of an ATM at a rural post office. Many were withdrawing cash on their pension payment dates. Witnessing their needs firsthand, I strongly felt how vital our nationwide network is as part of the infrastructure that supports people's lives. I also imagine many families come to branches together to deposit New Year's money for their children or gifts for entrance ceremonies. Being a bank that everyone can easily visit is a tremendous asset.

When I ask employees across the country why they joined the company, many say it is because they want to be close to their local communities and help customers.

We have cherished the words of Hisoka Maejima, who established Japan's modern postal system, "Be a hidden supporter," as the backbone of our corporate culture. As the bank closest to our customers, we will continue striving to support their lives quietly and reliably from behind the scenes.

To achieve sustainable management by enhancing corporate value and addressing social issues, Japan Post Bank has identified three material (priority) issues to focus on: providing "safe and secure" financial services to everyone throughout Japan, contributing to regional economic growth, and reducing environmental impact. In addition, we are committed to promoting the active participation of diverse human capital and strengthening governance.

Reflecting on our 150-year history since the founding of the postal savings business, we believe our continued existence has been supported by tackling social challenges through our business activities and delivering value to a wide range of stakeholders.

For our investors and shareholders, we will enhance corporate value by steadily improving ROE. For our customers, we will offer more advanced financial services by improving the quality and convenience of our products and services in both the physical and digital realms, ensuring no one is left behind anywhere in Japan. We will foster innovation by collaborating closely with the employees who drive these efforts.

**Details on page 16** Value Creation Process

We will continue enhancing the value we provide to all our stakeholders and appreciate your ongoing support.





# President Kasama's Nationwide Visits



Since becoming President in April 2024, Representative Executive Officer and President & CEO Kasama has been visiting stores nationwide because he wants to see the company's locations with his own eyes and talk directly with employees. He has visited all 13 areas nationwide and had exchanged opinions with employees at a total of 86 locations as of March 2025.

→ Okinawa Area



→ Kyushu Area



→ Chugoku Area



→ Shikoku Area



→ Kansai Area



→ Shinetsu Area



→ Tokai Area



→ Hokuriku Area



→ Hokkaido Area



→ Tohoku Area



→ Kanto Area



→ Tokyo Area



→ South Kanto Area

