Results for the Three Months Ended June 30, 2021
Summary of Teleconference Q&A (August 11, 2021)

Q1.

Please explain specifically the discrepancy between your 1Q plan (a progress rate to the full-year earnings forecast of just under 40%) and the results (a rate of 46.4%).

A1.

The main reason for this upturn compared to the plan is the increase in net interest income, etc. due mainly to an increase in profit for foreign corporate bonds investment trusts.

The increase in profits of foreign corporate bonds investment trusts was due to the following facts.

1) Dollar funding costs and credit spreads remained lower than expected.
2) Non-revenue dividends were smaller than expected.

Q2.

Please explain the background to leaving your full-year earnings forecast as is. What are your expected losses from 2Q onwards? Does it include a loss cutting of securities to improve the portfolio? Please tell us your current approach.

A2.

Based on the fact that there is much uncertainty in future financial market trends, such as those concerning rising interest rates and narrowing credit spreads, we have decided not to revise our earnings forecast on this occasion.

The portfolio improvement that you indicated can be an option, but we think that a judgement should be made at the relevant point in time.

Q3.

Assuming that markets will not fluctuate and the current 1Q net income (approx. ¥120 billion) status continues, even if gains on foreign exchanges (approx. ¥70 billion ; approx. ¥50 billion on an after tax) fall from 2Q onwards as expected, a net income of ¥70 billion can be accumulated in each term, so a net income of approx. ¥300 billion appears to be feasible for the fiscal year. Can you comment on this?

A3.

The scale of the decline in gains on foreign exchanges from 2Q onward is as you indicated.

In 1Q, the upturn exceeded that planned, and, currently, although the full-year earnings forecast (¥260 billion) might be exceeded, as we mentioned above, there are many uncertain factors concerning future financial market trends, such as those concerning rising interest rates and narrowing credit spreads, so we would like to carefully assess changes in circumstances.

Q4.

Your group's medium-term management plan (hereinafter “Mid-term Plan”) states that Japan Post Holdings Co., Ltd. (hereinafter “JPH”) aims to make its shareholding ratio in your bank 50% or less as soon as possible. Amidst the issue concerning TSE market segments reorganizing, was any progress made in the debate about stock sales?

A4.

There is nothing I can currently say about sales by JPH.

Aiming to maintain our listing in the Prime Market, we will, for the time being, apply transitional measures to conform to the criteria for maintaining our listing by disclosing “Plans to meet the continued listing criteria”. We are planning to disclose our plan in fall after our board of directors has discussed and voted on the plan’s content and other such matters.

Q5.

The progress rate to the full-year earnings forecast is favorable at 46%. Please explain what your approach will be to dividends if profits increase further in the future.

In light of the fact that your dividend per share (DPS) was reduced to ¥40 in this fiscal year, will you return it to the DPS level for the previous fiscal year (¥50)?

A5.

Our Mid-term Plan contains the shareholder return policy that states an estimated range for our dividend payout ratio of 50-60%. That, however, is based on the full-year earnings forecast.

Therefore, currently, we will not revise our full-year earnings forecast, so we will not revise our dividends forecast.

Q6.

As you decide to pay dividends based on your full-year earnings forecast, what will dividends look like in a fiscal year following a fiscal year in which business performance improves?

Even if the dividend is reduced in the following fiscal year, if business performance improves, will you pay a dividend commensurate with that improvement?

A6.

Our basic approach is that the fiscal year's dividend is determined by that fiscal year's net income. As to how we determine the dividend for the following fiscal year based on that, our Mid-term Plan states that “we will target increases to dividend per share (DPS) compared to projected dividend levels for FY2022/3” Based also on that, we will aim to pay either ¥40, which is the same as FY2022/3, or determine a higher amount according to the earnings forecast.

Even where there is an upturn in business performance in a fiscal year, our approach is to determine the earnings forecast for the following fiscal year based on the business conditions at that point in time and then decide our dividends forecast.

End