

Results for the Fiscal Year Ended March 2022
Summary of Presentation (May 19, 2022)

[Introduction]

- My name is Ikeda. Through today's briefing, we will provide an overview of the business developments we are engaged in for the future of the Japan Post Bank, particularly with respect to the management decisions that went into determining dividends, and the major themes found in our Mid-term Plan.

[The Dividends]

- First, please turn to p.2 of the Investor Meeting presentation deck.

- Net income was ¥355bn in FY2022/3, and based on this income we elected to increase the annual dividends forecast announced last November from ¥47 by ¥3, and decided on a dividend per share amount of ¥50.

- In accordance with this decision, our dividend payout ratio for FY2022/3 became 52.7%. The Board of Directors engaged in heated debate last November when deciding on the ¥47 dividend forecast, which was based on the Bank's basic dividend policy of a 50% dividend payout ratio, and the recent decision to increase the dividend was no exception, and our directors engaged in thorough discussions, considering multiple different proposals.

- If we were to keep with our basic principle of a 50% dividend payout ratio, the dividend for FY2022/3 would have been ¥47 or ¥48. However, based on our determination that the Bank's base earning power has increased, the fact that we had already exceeded the target income for the final fiscal year of our Mid-term Plan of ¥350bn, the fact that we had paid dividends of ¥50 through the term of our previous Mid-term Plan (FY2019/3 through FY2021/3), and our determination that our financial results showed no significant difference from those of other Japanese banks when compared, among other factors, we decided on a dividend of ¥50.

- Recently, we have been experiencing headwinds in our management in light of various factors, such as the increase in foreign currency funding costs associated with rising short-term interest rates in the U.S. In fact, our plan for this fiscal year sees us achieving a net income of ¥320bn, forecasts indicating a decrease in our performance compared to the last fiscal year. However, thanks to various factors, such as increases in both domestic and foreign long-term interest rates and the full realization of revenues from private equity (hereinafter "PE"), we expect to see improvements in yield during the second half of the Mid-term Plan, and we predict with a fair degree of accuracy that our income levels will improve significantly.

- In order to demonstrate a positive posture toward shareholder returns and send a strong message regarding our future business performance forecasts in the midst of these conditions, we decided on a ¥50 dividend within the 50% to 60% dividend payout ratio range of our dividend policy.

[Equipping Japan Post Bank Revenue with Another Engine]

- There are two business engines driving the Bank's revenues. The first engine is our retail business, the second is our market business. Even our Mid-term Plan includes brushing up these engines as a important theme.
- On p.33 of the Investor Meeting presentation deck, we have described our efforts to digitize our retail business. Furthermore, p.35 describes our appetite for risk in terms of how we intend to engage with the market, and p.36 describes achievements showing that our market business efforts have been successful.
- From p.38 onward we have carefully described the unrealized gains and portfolio characteristics, etc. of PE, which is gradually grow into a major pillar of revenue for the Bank.
- Now, p.2 of the "Symposium Materials:Our Future Prospects" denotes the steps the Bank has taken with respect to retail business, our first engine, and market business, our second engine, since the Bank was established. It is thanks to the results we achieved through these two primary engines that we were able to achieve the net income we saw in the previous fiscal year, but going forward, we intend to create a third engine as a third pillar in addition to these two engines, which continue to evolve.
- Our provisional name for the third engine is "Σ Business," the meaning of which is twofold. First, it represents the aggregation and summation of various efforts we have been making and sounding out since our previous Mid-term Plan, such as the investments we have made in various funds through our partnerships with regional financial institutions in various areas, and our dispatching of younger employees to fund companies. Second, this new business is meant to help bring together various parties from inside and outside the Bank so that they may press forward together. We intend to kick this business off as quickly as possible.
- As we have mentioned before, there is already an excessive amount of competition in Japan's lending business, and we can find no management rationale for joining it. It is for this reason that the Bank has elected to focus its efforts on financing through PE investments and other matters. We had principally focused on LP investments, which involves investments in funds, and we have learned a great deal from our efforts thus far. Furthermore, through our

subsidiary, Japan Post Investment Corporation, we have also advanced into GP business, which even engages in fund investment management.

- Using our past and present initiatives as a foundation, I hope to engage in full-scale domestic GP business efforts. This domestic GP business is a strategic starting point of our Σ Business, so we intend to engage in full-scale domestic GP business, and we are considering placing our focus on certain future developments, such as expansions to regional industries, and business developments for venture companies and other entities.
- Specifically, we intend to create a new B2B business whereby we seek out new business "seeds" from among our GP investee companies that can help revitalize communities, convert them into businesses that can provide specific products and services, introduce and mediate these businesses to local companies and municipalities across Japan, and act as an intermediary for them, by utilizing our regional bases of operation, and acquire income by collecting commissions.
- This Σ Business, with GP business as a strategic starting point, will contribute to the revitalization of communities, and support the growth of domestic GP investee companies. Furthermore, taking into account the fact that this business will utilize our regional bases of operation throughout Japan, it is the sort of new business that we think only Japan Post Bank can achieve.
- We hope to speak with you about our Σ Business in a tactical sense at a later date, such as during our next results report of Mid-term Plan. In addition, during the term of our next Mid-term Plan, although our first engine, retail business, and our second engine, market business, will remain core tools in our arsenal going forward, in order to lay a solid foundation to ensure that our Σ Business also becomes a profitable third engine within the term of the current Mid-term Plan, we intend to create a sustainable revenue base that revolves around all three engines.

[Summary]

- That concludes our discussion today on the Bank management's thought process behind our decisions on shareholder returns, and a brief bird's-eye view of the Bank's past and present efforts.
- Please do share with me your candid questions and opinions. I would very much like to hear how the market and our shareholders see our strategy and management plan.
- This concludes my comments, thank you for listening.

End

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