

Results for the Six Months Ended September 2022
Summary of Presentation (November 16, 2022)

[Introduction]

- This is Norito Ikeda, President of Japan Post Bank. Thank you for taking time out of your busy schedules today to participate in this Investors Meeting.
- Today, I will mainly speak about the Bank's future, namely our future business goals and new business plan that we provided some notice on in May, in addition to our current operations. Then, I would like to receive any questions that you have. Thank you for your cooperation.

[Results for the Six Months Ended September 2022]

- To begin with, please look at page 2 of the Investors Meeting presentation deck. Amid significant changes in the market environment, 1H net income was ¥158.6bn, which is generally in line with our plan. Progress against our plan was around 50%, and there are no changes to the full-year earnings forecast or the annual dividends forecast.
- Our earnings forecast for this fiscal year is for net income of ¥320.0bn, down approximately ¥30.0bn year on year, and we originally assumed a certain degree of market fluctuation risk, so our earnings forecast remains unchanged at the present time.
- We have prepared various management measures for rising overseas market interest rates, and, on the other hand, our earnings forecast takes into account the positive effect on revenue from things such as the fees in domestic retail and cost reductions, so although I cannot go as far as saying there has been no impact on the Bank's position, the impact has been within the anticipated range.

[About two existing businesses]

- Please look at page 22 of the presentation deck. The Bank has a retail strategy of complementarity between the physical and the digital. We are fully implementing digital retail services based on our incomparable physical post office network.
- More and more customers are using digital features, creating a battle of attrition among payment businesses, so we have clarified the pillars of the Bank's business strategy. "Promotion of linking of the Bank's accounts for payment", "use of an open platform for the Bank's digital service infrastructure" and "proposal of asset-building products matching the Bank's customers" are the focus of our efforts, and we are proceeding to establish and expand these pillars.
- In particular, the highlights are as follows:

The first is the expansion of digital and cashless services such as the Yucho Bankbook App, the Personal Financial Management App and Japan Post Bank Debit cards. We aim for these apps to become profitable through fees as a Co-creation Platform from FY2027/3.

The second is Tsumitate NISA at post offices. With this, we aim to further strengthen coordination with Japan Post and have the largest number of accounts in Japan.

The third is Yucho Fund wraps as a face-to-face service. This service has just recently begun, and we are currently in a period of accustomization for this business to become well-versed and provide well-formed explanations, so we are devising a detailed strategy with Daiwa Securities and will prepare to renew our efforts to promote it.

- Please see page 27 for an overview of our second engine, the market business. The Bank takes interest rate risks in Japan with Japanese government bonds, and mainly credit risks and some foreign interest rate risks with foreign securities. In terms of accounting, part of this business falls under non-recurring gains (losses), but this business is structured to take risks in alternative investments such as private equity funds and real estate funds.
- At present, the funding costs stemming from short-term interest rates of foreign currency are having a large impact, but we believe the rise in long-term interest rates will actually steadily provide benefits for new investment. Considering also positive effects on us assuming a reversal in interest rates by the FED, our handling of ALM takes into account the outlook for points such as these as well, and we are reviewing our investment portfolio as needed.
- The yen portfolio of ¥60tn due from banks, etc. has much room for positive rebuilding depending on Japan's monetary policy.
- Specifically, as in the first half of this fiscal year, to reiterate from the perspective of global asset allocation, we show our basic risk appetite on an asset class basis on page 34. We are increasing the balance of risk assets centered on credit assets in the IG area, and will proceed to selectively invest in quality funds in the medium to long term in the strategic investment area. Going forward, we will watch major domestic and foreign interest rate and credit trends and investment visions, and would like to further improve our earning mindset while paying attention to hedging costs from the perspective of enhancing our investments (while pursuing hedging risk).
- Under the current Mid-term Plan, we are aiming to expand the balance of risk assets by ¥20tn, and then shifting focus to the two areas of “strengthening of portfolio revenue management” and “expansion of collaborative business with regional financial institutions”. We will actively secure personnel and start working on these points at an early stage.
- With regard to these first and second engines, “Retail Senior Managing Executive Officer Kotouda” and “Market Senior Managing Executive Officer Kasama”, who lead these businesses, have mutually confirmed their resolve and thinking, and we would like to proceed aggressively.

[The third engine, “Σ Business”]

- To ensure we do not stop moving forward with a view to the future, in addition to the retail business that is the first engine and the market business that is the second engine, we have a third business based on the keywords of “credit to the businesses” that had been lacking in the

Bank. I mentioned it in May, but today I will provide an explanation of the portfolio to date and the strategy for the near future to provide analysts with a better understanding of this new business that we refer to as the “Σ Business”.

- Firstly, our tactical vision in investment management in the Bank’s market business has been focused on the two points of international diversification and technological advancement in both our in-house and outsourced investment operations as we proceed with the paradigm shift from Japanese government bonds to overseas revenue assets. In this regard, we have focused on our depth of human resources. See page 41 of the deck.
- As a result, we have tripled the number of asset classes we invest in, mainly focusing on credit and including debt and alternative instruments. Furthermore, we have been working to have deeper business communication with parties such as asset management companies. With a strategy to increase investment in private equity funds and real estate funds and a strategy of stable returns, we have learned about such market features as accepting the J-curve effect and the characteristics of asset management companies, and we have invested funds in excess of ¥4tn in private equity investment alone. However, there is no escaping exchange risk or liquidity risk in foreign investment.
- Furthermore, the Bank is a “narrow path” bank that has restrictions on credit and is prohibited from OTC transactions.
- To address this, we have conducted various research and trials of “an investment strategy to replace domestic lending that enables collaboration with many regional banks and financial institutions with higher risk than time-based lending”, including (1) breaking down and analyzing overseas private equity investments, (2) tracking the contacts and character of investment companies in Japan, (3) establishment and buyout investments by our subsidiary Japan Post Investment Corporation, (4) dispatching almost 30 employees for investment operations and (5) Contributing LP investment in “Regional Vitalization Funds” and strengthening coordination with regional financial institutions. As a result, combining the schemes on page 49 and real estate investments, we have provided approximately ¥400bn in domestic equity capital, and provided over ¥1tn in debt financing including Japanese local governments.
- Based on this, we believe that moving closer to being an operating company, participating in investment visions such as funding and development/dispatch of personnel through GP companies and providing necessary business support is in a way one of the goals of our privatization, and have made this our long-term strategy as the Bank’s third business.
- We are conscious of domestic venture investment and in some cases business revitalization as areas in which to invest, and would also like to consider a strategy of receiving stable dividends in the medium- to long-term. That is, we would like to make a business where returns contribute to revenue in a strategy that is not solely focused on IPOs and M&A.
- To support this, we are developing personnel able to provide solutions to operating companies and personnel to provide marketing support for the products of portfolio

companies to increase the value of portfolio companies. And all of these are collectively referred to as the Σ Business Strategy.

- To make a bold statement from the general perspective of the mission I mentioned earlier:

We think that the supply of high-risk equity capital driven by the private sector like in the US is required for economic growth in regional areas of Japan, but Japan is currently stuck in a “chicken or egg”^{*} situation because there is a lack of players guiding such initiatives. We believe that the Bank could make a certain contribution to the expansion of the market by taking the initiative as one such player, and could also contribute to the creation of the next generation of leading companies essential for the eventual growth of the Japanese economy through a collaborative strategy with regional financial institutions by expanding the supply of funding to Japanese startups.

* “Chicken or egg” situation: The supply of growth funds to Japanese companies is faced with a problem that, in a way, is like whether the chicken or the egg came first. That is, it is a problem in which not only are there no results because there is little investment, but also there is no investment because of the lack of results. (Source: Shinichi Fukuda, Professor, Graduate School of Economics, The University of Tokyo: Financial System Council “Working Group on Capital Market Regulations” (3rd Meeting), November 13, 2020)

[Summary]

- Today, I talked about the philosophy and purpose of mainly the third engine, from the general perspective of the path to be taken by the Bank.
- I would like to hear your frank questions and opinions to learn about how the market and shareholders view the management of the Bank.

End

[Disclaimer]

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