

Results for the Fiscal Year Ended March 2024
Summary of Presentation (May 21, 2024)

[Introduction]

- Hello everyone. I am Takayuki Kasama, president of Japan Post Bank. Thank you for taking the time out of your busy schedules to attend our investors meeting today.
- The baton was passed to me by former president Norito Ikeda in April of this year. Needless to say, Japan Post Bank is a unique bank that manages a huge amount of funds while providing universal financial services, especially services for individuals. I intend to take the course advanced by former President Ikeda to the next stage, and to work at an even faster pace than before to enhance the Bank's corporate value.
- In today's meeting, we will review the results for the fiscal year just ended, provide an overview of the outlook for our earnings and dividends for the current fiscal year, and review the Medium-term Management Plan. After that, we will take your questions.
- Comments on the details, including the quantitative data, will be provided later by Mr. Makoto Shinmura, Senior Managing Executive Officer. But before that, I would like to comment on our recognition of the business environment and the Bank's direction.
 1. In FY2024/3, despite the difficult market environment, including an increase in foreign currency funding costs due to persistently high policy interest rates overseas, the results surpassed our earnings forecasts thanks to the income from private equity (PE) funds, which have been our focus over the year, and real estate funds, as well as an increase in gains on the sale of stocks associated with operations for risk controls. In addition to exceeding our earnings forecasts, we recorded the highest level of profit since our listing, and achieved our Medium-term Management Plan's original net income target of 350 billion yen two years ahead of schedule.
 2. We recognize that the current financial environment, both domestically and internationally, is changing significantly in directions favorable for the Bank's business. At the same time, we also recognize that the competitive environment will intensify and continue to do so due to various challenges, such as rapid advancements in digitalization and the entry into the banking industry by competitors from other industries.

3. With this understanding in mind, as I mentioned earlier about the need to act with a sense of urgency, and as you all have been informed, we are already proactively introducing new initiatives in response to these changes in the business environment. For example, regarding the Market Business, the Japanese monetary policies that had been in place since 2016, specifically the negative interest rate and the YCC policies, were finally modified in the second half of last year and then abandoned in March of this year. Grasping these changes in the environment quickly, since August of last year, we have been restructuring our yen interest rate portfolio and have been actively purchasing JGBs in the long-term zone. I believe that such efforts can be understood from the information provided in today's materials.
4. In the Retail Business, we will aggressively expand uptake of our popular Yucho Bankbook App and increase strategic IT investments to improve the UI/UX for customers and enhance services, thereby laying the groundwork for increased customer loyalty, and, ultimately, earnings growth. The review of our Medium-term Management Plan also incorporates these initiatives. For the Σ Business, we have established a new wholly owned subsidiary that will be exclusively responsible for promoting the business, and we are making extensive preparations to turn the business profitable from the period covered by the next Medium-term Management Plan and beyond.
5. While I just pointed to a major issue that the Bank is facing, I would like to emphasize that we will remain keenly aware of changes in the environment and introduce strategies to respond as needed, thus minimizing the impact of such changes and steadily increase profits.
6. Under these policies, the targets of the Medium-term Management Plan have been revised upward, and we plan to increase profits every year to continuously mark the highest profit on record since the Bank's listing. We have also clarified the timing for achieving ROE of approximately 5%, which is the Bank's cost of capital. While it goes without saying that this is just a transit point, the goal is to achieve ROE that is higher than the cost of capital, while ensuring sound risk management.
7. The dividend payment for FY2024/3 was increased by 1 yen, and the Bank also announced a plan to raise dividends further in FY2025/3. Thereafter, we intend to continue the trend of increasing dividends in line with profit growth.

○ Now, Mr. Shinmura will comment in detail.

[Results for FY2024/3 and Plans for FY2025/3]

- I am Makoto Shinmura. I will explain our results and plans in more detail. First of all, please take a look at page 3 of the materials.
- In the results for FY2024/3, consolidated net income attributable to owners of parent totaled 356.1 billion yen, up 31 billion yen from the previous year, and marked the highest since the Bank was listed on the stock exchange. The amount represents an achievement rate of 106.3% of the full-year forecast for 335 billion yen.
- Despite a decrease in net interest income due to an increase in foreign currency funding costs, the Bank secured higher income than in the previous fiscal year owing to income from PE funds, which have been our focus over the years, and real estate funds, as well as an increase in gains on the sale of stocks in connection with operations for risk controls.
- The dividend payment for FY2024/3 was set at 51 yen per share, an increase of 1 yen per share from the dividend forecast announced in May 2023, reflecting the Bank's dividend policy, higher-than-projected net income, and the earnings forecasts of the Medium-term Management Plan, which will be explained later. This is the first dividend increase since the Bank's listing in 2015. The Bank had been paying dividends of 50 yen per share since its listing.
- Next, please refer to page 4 of the materials.

As for our earnings forecasts for FY2025/3, we project further year-on-year increases in both net income and dividends per share, to “365 billion yen or more” and 52 yen, respectively, on an increase in income from the yen interest rate portfolio and a recovery in PE funds, although foreign currency funding costs remain high.

- Now, please turn to page 5.

The following is a summary of the recently disclosed review of our Medium-term Management Plan covering the period through FY2026/3.

- We have revised the targets for the remaining two years of the Medium-term Management Plan in light of significant changes in the business environment that have occurred since the plan was formulated in 2021. The changes include rising domestic and overseas interest rates and greater-than-expected progress in the digitalization of society. Specifically, we have revised our financial targets upward, and we now aim for FY2026/3 net income of 400 billion yen or more, compared to our initial target of 350 billion yen or more.

- The expected profit growth through FY2026/3 is attributable to the projected increase in income from the yen interest rate portfolio, including JGBs, and the increase in income from credit assets and PE funds, as well as an increase in net fees and commissions. Continuing with the trend from FY2024/3 when we achieved the highest level of profits since the Bank's listing, we will aim to achieve record profits in FY2025/3 and FY2026/3 as well, thereby realizing record high earnings for three consecutive fiscal years.
- As for our dividend policy, in consideration of the balance between shareholder returns, investments for growth, and financial soundness, we will not change our dividend policy, which is to maintain a dividend payout ratio of approximately 50%, and we will aim to increase dividends in line with profit growth. As stated earlier, the Bank paid dividends of 51 yen per share in FY2024/3, and we expect the amount will be raised by another 1 yen to 52 yen per share in FY2025/3. In FY2026/3, the Bank aims to achieve net income of 400 billion yen or more and further increase dividends in line with the level of profits.
- We have also newly set a medium- to long-term target for ROE. We plan to raise ROE to 4% or more in FY2026/3, and aim to achieve ROE of 5% or more, a level higher than the cost of shareholders' equity, in the early stage of the next Medium-term Management Plan, which starts from FY2027/3. We consider 5% to be a stepping stone, and will aim to further increase ROE over the medium to long term while controlling the cost of shareholders' equity, and thus increase corporate value and ultimately improve PBR.
- The foregoing has been an outline of the quantitative goals. The following pages provide an explanation of the Bank's business strategy for achieving these financial goals.
- In this review of the Medium-term Management Plan, the Bank has revised its business strategy into a framework centered on the strategies for three businesses: Retail Business, Market Business, and Σ Business. I would like to briefly explain the key points of these three businesses.
- Let me start with the Market Business. Until now, we have been expanding the balance of risk assets, mainly foreign securities, to secure profits in the long-persistent low interest rate environment in Japan. However, now that domestic interest rates have shifted to an upward trend following the change in the Bank of Japan's monetary policy, from hereon, we are aggressively shifting our investments from deposits with the Bank of Japan to JGBs.

- Please see page 6.

Seizing the opportunities brought by the reversal of the yen interest rate trend, we started to restructure our yen interest rate portfolio in the previous fiscal year, reversing the formerly declining balance of Japanese government bonds. The graph on the right shows this progress. We intend to continue expanding the balance, mainly in the long-term zone, where we expect yields to improve.

- Next, please turn to page 7.

Here, the direction of ALM activities is shown. While maintaining and sustaining a stable funding base and deposit balance to support investments, we will continue to rebuild our yen interest rate portfolio. At the same time, we will continue to expand the balance of investments in strategic areas such as risk assets and PE, and pursue an optimal investment portfolio combining yen interest rate assets and risk assets. In view of the increase in the investment balance to date, we have upwardly revised our projections of the balance of risk assets at end-FY2026/3 from 110 trillion yen to 114 trillion yen, and the balance of investments in strategic areas from 10 trillion yen to 14 trillion yen.

- Next, I'd like to talk about the Retail Business. Please refer to page 9.

The basic policy for the Retail Business is to “accelerate the strategy for complementarity between the physical and digital channels.” We will further deepen engagement with our customers by combining the Yucho Bankbook App, which we consider to be the core of our digital services, with our nationwide network of 24,000 post offices, which is a strength unique to the Bank.

- Specifically, we will further improve the UI/UX and add to the functions of the well-received Yucho Bankbook App, while actively promoting the app at post offices nationwide to further expand the user base. On top of that, we will introduce and advertise a variety of products and services tailored to customer needs and develop new revenue opportunities, while strengthening data analysis through the Yucho Bankbook App. We also plan to use push notifications with the app to encourage customers to visit post offices, creating a virtuous cycle from the physical to digital and from the digital to physical. Since the number of accounts registered for the Yucho Bankbook App has increased by more than expected, the target for the number of users at end-FY2026/3 has been revised upward from 10 million to 16 million, and we aim to further boost the number to 25 million by the end of FY2029/3.

- In this way, we aim to expand utilization of the Bank's accounts and reinforce the stickiness of deposits through the strategy for complementarity between the physical and digital channels, thereby maintaining a stable funding base, which is one of our strengths, and developing new revenue opportunities.
- In addition, on page 10, we describe how we have steadily expanded our Retail Business and reduced general and administrative expenses to date. We will continue to grow our Retail Business, and while persisting with cuts in regular expenses, we will increase our top line by making strategic investments in IT and human capital for new growth, such as in DX, as well as endeavor to improve productivity.
- The third strategic business is the Σ Business. Please take a look at page 11. The Σ Business is positioned as a “corporate business for creating futures for societies and local communities through investment,” and at its core is the GP business through which we provide capital-intensive funds to companies nationwide to support their growth. In the review of the Medium-term Management Plan, we have clarified the characteristics of Japan Post Bank's unique GP business. The first characteristic of this business is to co-create with regional financial institutions and others for the development of societies and local communities, instead of relying solely on the Bank's own resources. The second is to utilize the Bank's nationwide network to meticulously identify local funding needs. And the third is to provide capital-intensive funds from a medium- to long-term perspective, utilizing our stable deposit base. The fourth is to support businesses we invest in by accompanying them through growth and resolution of issues they face, instead of just providing funds.
- Based on this thinking, Japan Post Bank Capital Partners, a wholly owned subsidiary, was newly established today, to play a central role in business succession and revitalization investments, venture investments, and ESG investments, in collaboration with partner companies.

[Summary (Mr. Kasama)]

- Thank you very much, Mr. Shinmura. I have three final points I would like to make.
- As I noted at the beginning, Japan Post Bank is a large and unique bank. Meanwhile, the business environment is changing very rapidly, including digitalization, and customers' values are also changing and diversifying. Under these conditions, in order to continue to provide services that are highly valued by our customers, it is necessary to consider the entire

foundation of our business and management from a “customer-oriented” perspective. When considering the Bank’s services, I see it as the president’s job to use customer feedback as a compass, so I intend to actively work to reflect these voices in our management.

- We believe that the most important asset that will enable us to compete successfully in these times of rapid change is our human capital. When it comes to the “promotion of human capital management,” we believe it is important not only to secure and develop human capital, but also to ensure that the human capital developed will contribute to the improvement of corporate value, such as through an increase in profits and reduction of risk. Since last year’s stock offering, our executives and employees have gained a heightened awareness of the need to enhance corporate value. I intend to take the lead in bringing all employees together to work to accelerate efforts towards this end.
- In order to continuously improve corporate value, we must consider how the Bank is perceived by the market. As a matter of course, we have taken into account the requests and opinions of our shareholders and investors in revising our Medium-term Management Plan. We intend to continue to value communication with the market, and welcome your frank comments and opinions, and look forward to exchanging views with you.

End

[Disclaimer]

This document is written solely for the purpose of disclosing relevant information regarding JAPAN POST BANK Co., Ltd. (“Japan Post Bank”) and its consolidated subsidiaries (the “Japan Post Bank Group”). This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States, Japan or any other jurisdiction.

This presentation contains forward-looking statements including forecasts, targets and plans of the Japan Post Bank Group. These statements are based on estimates at the time in light of the information currently available to Japan Post Bank. The statements and assumptions may prove to be incorrect and may not be realized in the future.

Any uncertainties, risks and other factors that may cause such a situation to arise include, but are not limited to, risks related to the effectiveness of risk management policies and procedures; risks related to business strategy and management planning such as market risk, market liquidity risk, credit risk and operational risk; risks related to the expansion of the scope of operations; risks related to the business environment; situation of the spread of COVID-19; risks related to domestic and overseas monetary policies; and other various risks. Please also see the Securities Report and Semi-annual Securities Report for material facts that Japan Post Bank recognizes as potentially affecting the Japan Post Bank Group’s actual results, performance or financial position. The Japan Post Bank Group’s actual results, performance or financial position may be materially different from those expressed or implied by such forward-looking statements.

The statements in this document are current as of the date of the document or the date otherwise specified, and Japan Post Bank has no obligation or intent to keep this information up to date.

The information concerning companies or parties other than the Japan Post Bank Group and the Japan Post Group is based on publicly available and other information as cited, and Japan Post Bank has neither independently verified the accuracy and appropriateness of, nor makes any warranties with respect to, such information. The information of the document may be revised without prior notice.