Results for the Six Months Ended September 2024
Summary of Presentation (November 19, 2024)

1. Introduction

- Welcome everyone. I am Takayuki Kasama, president of Japan Post Bank. Thank you for making the time to join us at our investors meeting today.

- It has been seven months since I took office as president in April of this year. During those seven months, I traveled to our branches and locations across the country and also exchanged views with both domestic and international investors. While exchanging opinions with various stakeholders, including investors, customers, and employees, I was reminded of the enormity of our Bank and had the opportunity to get a sense of everyone's expectations. I have also been thinking about how we can work swiftly with a sense of urgency to deliver on our pledge to improve corporate value, starting with what is feasible and achieving it as quickly as possible. For me, that is what the past seven months have been all about.

- In today's meeting, we will provide an overview of our recognition of the condition and direction of the business environment, a brief review of the Bank's FY2024 H1 results, our perspective on enhancing corporate value, and the outlook for earnings and dividends for the current fiscal year. After that, we would like to address your questions.

- First, I will comment on our recognition of the condition and direction of the business environment.

  1. The trends in the financial markets are finally becoming a boon for the Bank. Both the monetary policy revisions by the Bank of Japan and monetary policy shifts by the U.S. Fed and the financial authorities of other countries are advantageous for our Bank.
     Changes in Japan's monetary policy have led to an increase in the level of interest rates on the medium- to long-term Japanese government bonds in which we invest. In addition, we have started to earn interest income from due from banks, which had not been invested.
     As for investments in foreign securities, we believe that foreign currency funding costs will gradually decrease due to the narrowing of the difference in policy rates between Japan and the U.S.
     Moreover, income from private equity (PE) funds, which has been an area of focus for us, as well as real estate funds, is showing a trend toward recovery from the low levels marked last year. Accordingly, our FY2024 H1 results show that the Bank

achieved a progress rate of more than 60% toward the full-year earnings forecasts formed at the beginning of the fiscal year.

2. Based on the FY2024 H1 results and in recognition of the positive turnaround in business conditions, including the domestic and overseas interest rate environments, we have raised our earnings and dividend forecasts for the current fiscal year.

3. Commenting on our recent initiatives from the perspective of working “with a sense of urgency” as I mentioned earlier, I would like to note that we are making steady progress in restructuring our yen interest rate portfolio. The Bank has such a large amount of bond redemptions this fiscal year that the balance of the portfolio may not appear to be increasing by much. However, the JGBs that are currently being redeemed have return rates near zero. Conversely, the bonds being purchased have yields of around 80 bps or 90 bps, so we expect them to have a significant impact on earnings. I think such efforts on the part of the Bank can be discerned from today's meeting materials.

4. In the Retail Business, the Yucho Bankbook App remains popular, with the number of downloads and users continuing to grow. The balances of investment trusts and Yucho Fund Wraps are also increasing steadily.

5. In August, the Σ Business launched a new fund together with the J-Will Group to invest in business succession and revitalization projects. Aside from this, we are negotiating with potential investors who are interested in investing with us. We will steadily build up investments and are sparing no effort to lay the groundwork for generating profits in the period covered by the next Medium-term Management Plan and beyond.

6. However, not everything is proving to be a tailwind. The rapid progress of digitalization, the increasing value of bank deposits, and the entry of newcomers to the banking industry from other industries all remain challenges. We recognize that the trend toward an ever more competitive environment will be ongoing.

7. We are keenly aware of these changes in the business environment and will work to minimize the impact of such changes by introducing strategies to address them as needed, and at the same time, we will strive to steadily and soundly increase profits.

   Taking a slightly longer view on this point, it is worth recalling the various changes in the environment and events that could have impacted our business so far, such as the adoption and abandonment of the ultra-low interest rate policy in Japan, the Covid-19 pandemic, a series of natural disasters, the war in Ukraine and other international conflicts, and large interest rate hikes by the central banks of other countries. Against this backdrop, the Bank has been able to generate stable earnings on the strength of its ability to secure a stable source of income while thoroughly managing risk. And this has been underpinned by a highly diversified portfolio.

Going forward as well, various events are expected to occur. As for me, I intend to continue to work to secure earnings while carefully managing risk as I have to date, and build up earnings while rigorously analyzing changes in the financial environment, such as yen interest rate fluctuations, and other market events.

8. Based on this policy, we have again upwardly revised our earnings forecasts for the current fiscal year, after doing so most recently when we revised our Medium-term Management Plan in May. We indicated in our previous forecasts that our basic policy is to increase profits every year, and we will adhere to that policy.

   With regard to ROE, we are aware that there are various ways of looking at the cost of shareholders' equity. Based on this, the Bank will aim for cost of shareholders' equity of around 5% calculated based on the CAPM formula, and, of course, profits that exceed that level while maintaining sound risk management.

   In addition to increasing the dividend by 1 yen in FY2023, we have also formed a plan for a large increase in the dividend to 56 yen in FY2024. We intend to continue this trend of dividend increases in accordance with profit growth.

Now for a detailed explanation of the information presented in the meeting materials.

2. Regarding FY2024 H1 results and upwardly revised full-year forecasts

First, please see page 3 of the meeting materials.

- FY2024 H1 results show that consolidated net income attributable to owners of the parent totaled 222.8 billion yen, an increase of 40.6 billion yen from the same period of the previous year. This represents an achievement rate of 61% of the previously announced full-year forecast for 365 billion yen.

- We were able to secure a level of income far exceeding our initial forecast due to the increase in interest on JGBs and income from strategic investment areas such as PE and real estate funds, which had been expected from the beginning of the fiscal year, as well as an increase in interest from due from banks, etc. as a result of the Bank of Japan's interest rate hike at the end of July.

Next, please take a look at page 5 of the materials.

- As I mentioned earlier, in response to changes in the market environment, including the

Bank of Japan's interest rate hike and the U.S. Fed's interest rate cut, we have raised our full-year net income forecast to 400 billion yen, from our earlier outlook for 365 billion yen, and our year-end dividend forecast to 56 yen, from 52 yen previously. The 400 billion yen figure was our earnings target for FY2025, the final year of the current Medium-term Management Plan that was revised in May of this year, and we now hope to achieve it one year ahead of schedule. In the previous fiscal year, the Bank raised its dividend for the first time since it was listed on the stock exchange, and this fiscal year, another dividend hike is planned. We will continue to implement dividend increases in line with profit growth.

- Also, we are raising our ROE target to 4% or more for the current fiscal year. To achieve a P/B ratio above 1x, our policy remains the same in that, as a first step, we will aim to achieve ROE of 5% at an early stage of the period covered by the next Medium-term Management Plan, and then further increase ROE over the medium to long term. But we want to manage our operations at an accelerated pace so that we can achieve this as quickly as possible.

Now, please refer to page 6 of the materials.

- In achieving a P/B ratio above 1x, our focus is on restructuring our yen interest rate portfolio. Presented here is a simple simulation of our earnings under certain assumptions to show how our income will accumulate over the following years.

- The restructuring of our yen interest rate portfolio was first announced at the investors meeting last year. About a year has passed since then, and we are seeing visible effects even at present, but we still have a long way to go. The outstanding balance of government bonds stands at around 45 trillion yen, after decreasing to less than 40 trillion yen in 2023. Although the Bank is actively purchasing JGBs, the balance has not risen much due in part to frequent redemptions. However, the Bank still has about 60 trillion yen in due from banks that remain untapped as standby funds, so there is ample capacity to increase the balance. As shown on this page, if we continue what we have been doing for the past year for another four or five years, this page shows how much our earnings will grow and how much the cumulative effect will be in subsequent years. The Bank of Japan is gradually reducing its purchases of government bonds, and the market environment is changing in a direction that will allow us to achieve this goal sooner. We would like to restructure our portfolio as quickly as possible to seize the changes in the market environment and realize a Japan Post Bank with a P/B ratio above 1x.

- The progress of restructuring the yen interest rate portfolio is shown on the right side of the following page. The balance of JGBs has remained almost unchanged over the past quarter, but a look at the breakdown shows that we have purchased a considerable amount of bonds with maturities of over 7 years to 10 years and over 10 years, and the latter of these are mainly 12 years or close to 10 years. Since we disclose this material on a quarterly basis, we hope to be able to show that the balance of JGBs is accumulating as we move forward.

Next is our strategy for the Retail Business, which is described on page 8.

- Our basic policy in 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, as shown in the presentation materials, we hope to generate synergies between the physical and digital strategies through the Yucho Bankbook App, which has been well received as evidenced by the additional increase in the number of users by 1.59 million in the first half of this fiscal year alone. By expanding utilization of the Bank's accounts and strengthening the stickiness of deposits through the strategy for complementarity between the physical and digital channels, we aim to maintain a stable funding base, which is one of our strengths, and to develop new revenue streams.

<Conclusion>

I would like to mention one last point, which is something I spoke about six months ago.

As a publicly listed company, it is natural for us to think about how the Bank is perceived by the market in order to continuously improve corporate value. As a matter of course, we have taken into account the requests and opinions of our shareholders and investors in revising our latest annual plan. We will continue to value communication with the market, and look forward to hearing your candid comments and opinions so that we can have a productive exchange of views.

End

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