

Results for the Six Months Ended September 2025
Summary of Q&A (November 20, 2025)

Q1.

On page 10 of the Investors Meeting materials, you have listed “a distinctive asset management business” as one of the missions of the next Medium-term Management Plan. Do you see this as being an organic extension of your existing business or taking an inorganic approach? Please tell us what you can at the present time.

A1.

(Kasama) At the present time, nothing has been decided on, but we are thinking the method of utilizing subsidiaries that we already own as our basic policy. However, we are open to other ideas and will consider all aspects, both organic and inorganic.

Q2.

The deposit balance has declined year on year. What is your assessment of this point? What kind of countermeasures are you thinking about for maintaining and acquiring deposits going forward? In particular, if you have any ideas about approaches through post offices and branches, such as those you have conducted, please tell us about them.

A2.

(Kasama) We believe the recent decrease in the deposit balance partly reflects the impact of deposit withdrawals due to an inflation-driven increase in spending and the impact from purchases of retail JGBs, among others. Our due from banks, etc. balance is more than 60 trillion yen. This is one of reasons why we are not engaging in active measures for increasing the deposit balance at this point. And we consider deposits to be the core of our management base, and we are therefore watching the recent trend carefully. According to the situation, we will take appropriate countermeasures.

(Shinmura) With regard to deposits, we consider the maintenance and expansion of our customer base to be the core of our management base, and we are steadily working on basic operations, such as reaching out to customers who visit our branches.

Q3. (Additional question)

Can we assume that because the Bank has a due from banks, etc. balance of 60 trillion yen, some fluctuation in the deposit balance will not cause a significant issue?

A3.

(Kasama) Since the Bank manages the balance and duration of assets under management from an ALM perspective, your understanding is correct.

Q4.

Has there been any change in the Bank's investment policies on direct lending (DL) funds and others in light of increased credit risk in the United States recently?

A4.

(Kasama) Regarding the IG bonds that the Bank primarily manages in its credit operations, we continue to maintain a restrained investment approach due to persistently tight spreads.

Also, in the DL funds that you mentioned, we conduct investment in the form of outsourced investment, the important point is to select superior portfolio managers and we therefore intend to continue investing through them.

Q5.

Regarding fluctuations in income from foreign bonds investment trusts due to impacts from movements in the market values of foreign exchange forwards, in Q1, the income was negative year on year, but it seems to have recovered in Q2. Are you able to disclose any kind of measures for controlling such fluctuations due to this market value movement before the announcement of the next Medium-term Management Plan?

A5.

(Kasama) We are not able to completely eliminate the fluctuation in income from foreign bonds investment trusts due to impacts from movements in market values of foreign exchange forwards. However, we are gradually implementing measures that can mitigate the impacts. We will continue to pursue these measures as much as possible.

Q6.

On page 12 of the Investors Meeting materials, where you have a forecast for net income and ROE, I have the impression that you have presented an extremely aggressive pace for increasing profits. Could you also tell us your own ideas on expanding profits going forward in this regard?

A6.

(Kasama) The Bank has said it aims to achieve new record high profits this year since listing for the third consecutive fiscal year. On this page, we can see in the next Medium-term Management Plan that the Bank will further increase the pace of net income and ROE growth, which is indicated by the steeper gradient of the green dotted line relative to the current plan. We have expressed a strong determination to achieve this.

(Shinmura) In presenting our future outlook, as a result of deep, continuous internal discussions, we reached an internal consensus on aiming for the gradient shown in the graph after adequately verifying the feasibility. We have not disclosed the figures this time, but we intend to include them in the forecast that we will disclose next May.

Q7.

I'd like to ask about your digital payment business strategy. Going forward, when thinking about acquiring deposits or processing fees strategy, do you think that you can meet the Bank's targets and visions with its existing systems and apps? Or do you think that inorganic strategies will also be necessary?

A7.

(Kasama) The Yucho Bankbook App has recently topped 15 million users, and it is highly probable that we will reach the fiscal year-end target of 16 million. Going forward, we will set an even higher target, achieve a dominant position for our app in the banking sector in terms of user numbers, and then roll out various services based on the app. Meanwhile, our digital payment business strategy is to go beyond the Yucho Bankbook App and engage in areas such as Tokenized Deposits. Through these initiatives, we will look to provide customers not only with "safe, secure, and easy-to-use" services, but also "beneficial" services.

In the process, we may engage in inorganic strategies, but the things we should focus most on are popularizing the Yucho Bankbook App, and then to continue monitoring for information in the field of Tokenized Deposits, and make sure we are not late to conduct business.

(Shinmura) We see our digital strategy as the biggest area that we have to monetize going forward. On page 11 of the Investors Meeting materials, we have presented our Medium- to Long-term Vision as a “comprehensive financial platform.” We would like to make the retail business located at the top in this page into our next earnings pillar following the market business. I won’t comment on specific projects at this point, but we will make every effort to see that we are able to present specific plans in the future.

Q8.

At a previous meeting, President Kasama answered that the higher the yen interest rises, the better it is for the Bank. Currently, inflation and yen depreciation have both progressed further than expected, and long-term interest rates are also rising. In addition, the Bank of Japan’s terminal rate is also expected to rise. Do you still have the same view on interest rates as before?

A8.

(Kasama) Basically, it is as you have said—the higher the interest rate, the better it is for the Bank. However, in cases where a strong inversion of the yield curve is expected, we may need to reconsider our position.

In Japan today, due to concerns about fiscal policy, more attention is being paid to yield curve steepening than inversion. We do not think this is an environment where strong inversion is the main concern. From our perspective, we think that interest rates will continue to rise gradually, and we will adjust the pace of JGB purchases appropriately.

Q9.

Looking at the 1H financial results of the banking sector, it seems that lending demand is relatively strong. Looking ahead, if we find ourselves in a world where a considerable profit margin can be obtained in lending, is it possible that the Bank may engage in lending operations?

A9.

(Kasama) As you said, due to the strength of lending demand going forward, the lending spread could widen. Currently, the Bank conducts lending operations in the form of syndicated loans, but we participate after comparing the spread with corporate bonds and so forth, and the accumulation of balance is limited. If the lending spread were to widen, then the balance of syndicated loans could increase.

Q10.

With regard to the recently announced Tokenized Deposits, I imagine that you would start with launching a service as a means of payment linked with the trading of NFTs and security tokens. Amid expectations for the strengthening of the customer base and diversification of revenue sources, to what degree are you planning to expand this area during the period of the next Medium-term Management Plan?

A10.

(Kasama) With regard to digital deposits, I feel that there must be huge potential. For example, the money could be colored, various conditions could be attached to it, and so forth. For this, I think it is important to expand use cases of Tokenized Deposits and have customers experience the benefits of using them. Currently we are considering various ideas for achieving this.

(Shinmura) Tokenized Deposits represent an area that we should push forward proactively. They also have the function of infrastructure, making them highly compatible with us. Since we issued a press release, the response from various quarters has been greater than expected. I have the impression that our initiatives are moving ahead at speed.

Q11.

On page 6 of Japan Post Holdings' recent release "Key Initiatives of the Next Medium-term Management Plan (Outline)," it appears that the Bank and Japan Post Insurance will provide the functions of a comprehensive financial platform. I imagine that there will be some degree of overlap in some operations. Is there some kind of demarcation of such operations between the companies? Or conversely, is there an option for collaboration?

A11.

(Kasama) While there are some portions in common with Japan Post Insurance in that we both provide financial services. However, we handle different products, so we don't consider it an overlap. We see it more as two financial companies jointly providing a comprehensive financial platform. Going forward, in addition to our consulting services we have mainly provided at physical branches thus far, we believe that it will be possible to provide various comprehensive consulting services, and we aim to offer these services as a united Japan Post Group.

Q12.

On page 18 of the Investors Meeting materials, you show the trends in the balance of JGBs based on the remaining time to maturity, and we can see that the balance of JGBs with maturities of one year or less has decreased to 1.5 trillion yen. With the shift from due from banks to JGBs likely to progress going forward, has there been any change in your existing policy of steadily purchasing JGBs?

Also, on the same page, you say, "The duration is expected to average out through steady investment going forward." Can you explain the message of this page?

A12.

(Kasama) As you have noted, the balance of JGBs maturing in one year or less is diminishing, and we believe we have arrived at a phase for creating a laddered bond portfolio in the true sense. This is also the intended message of this page. By steadily investing in JGBs each year, we will ultimately build a 10-year laddered bond portfolio, which we intend to make our foundation portfolio. This is how we intended the page to be understood.

Q13.

Page 9 of the Investors Meeting materials shows four new business strategies. Among these, could you provide more detail about the "Regional and Corporate Solution Business Strategy"?

A13.

(Kasama) The “Regional and Corporate Solution Business Strategy” is an advancement on the Σ (Sigma) Business (domestic PE investment) under our current Medium-term Management Plan. Rather than simply providing corporations with equity capital, we intend to offer a wide range of solutions that combine the Bank’s various settlement services for corporate customers, and so forth.

Q14.

The recently announced Medium- to Long-term Vision refers to a “comprehensive financial platform.” Could you clarify what is meant by “comprehensive”? I believe your primary focus is on individual customers. Since the Bank has a relatively larger balance of assets related to market operations compared with other banks, it seems that you aim to build a business model capable of covering unexpected market movements. Could you provide more detail about this?

A14.

(Kasama) The top section of page 11 of the Investors Meeting materials shows our image of a “comprehensive financial platform.” Rather than becoming an investment platform, we considered how customers will use the Bank, and envisaged the provision of services to meet diverse needs. The grey section on the left shows the areas where we already have operations, and the green section on the right shows areas that we have yet to engage in, where we intend to provide services going forward.

Realizing this, we aim to increase “Japan Post Bank supporters” who will continue to use the Bank, which will in turn maintain and strengthen our customer base, and to become a “comprehensive financial platform.” Our idea is that as this becomes more established, it will form a complementary relationship with the asset side, on the lower part of the page, where it will become easier to invest.

(Shinmura) To add some further detail, our intention is to use the deposit and settlement base—the central element in the top part of the page—as a platform that will enable funds to flow to various services, including our partners’ financial products, where they will grow even further and then return to the Bank. The image of the Bank up until now has been that of a bank taking deposits. Going forward, we aim to be the kind of platform that people use on a daily basis, resulting in highly sticky deposits coming back to us. Moreover, to build a foundation that is resilient to environmental changes, we will take the approach of considering various ideas with our partners, rather than doing everything ourselves.

Q15.

The direction shown on page 13 of the Investors Meeting materials states “Further enhancement of corporate value.” Could you tell us your definition of corporate value? Equity investors emphasize not only increasing profit level, but also capital efficiency. Based on this, I would like to have a more detailed picture of your capital policy going forward, rather than simply summarizing it with the phrase “optimal balance.”

A15.

(Kasama) I think corporate value has various meanings; however, for a listed company, I think it means that we need to pay careful attention to our market capitalization and stock price. I also think that it is necessary to seek the company’s growth, and in this respect we are naturally conscious of capital efficiency. In terms of shareholder returns, to further enhance dividends in line with profit growth and so forth, we have stated that we will aim for progressive dividends. Furthermore, in addition to dividends, we also intend to consider share repurchases as appropriate, although these are also subject to constraints due to the shareholding ratio of Japan Post Holdings. In this way, we aim to consider various approaches to satisfy our shareholders and investors.

(Shinmura) I believe that management is far more aware of corporate value these days than in the past, including aspects such as price-to-book ratio. We would like to clearly set out how we can make a return to our shareholders, including ordinary shareholders other than Japan Post Holdings. However, in doing so, we intend to show the capital needed for our sustainable growth—which is a prerequisite for making shareholder returns—as well as the composition of that capital, and we also intend to continue communicating with our shareholders.

Q16.

On page 10 of the Investors Meeting materials, you refer to “a leading global market player.” Could you expand on this? Considering the scale of the Bank’s balance sheet, it could already be considered a leading global market player. What is it that you feel is missing at this point? Please explain your specific vision and image.

A16.

(Kasama) As you noted, the Bank has a balance of assets under management of approximately 200 trillion yen, so it is already a global player in terms of investment scale. However, the “leading global market player” that I envisage refers to achieving an acknowledged reputation making our market operations sophisticated from all over the world. For that, I believe that it is necessary for us to come to think that rather than being satisfied with investing of our own funds, they would prefer to entrust their management to the Bank.

Q17. (Additional question)

To realize the Bank’s Medium- to Long-term Vision, will you consider conducting large-scale M&As in the order of several hundred billion yen?

A17.

(Kasama) If the need truly arises, then I think it may be possible that we would consider. However, our basic stance is that we will not over-extend ourselves to make investments just for the sake of building a track record, but rather allocate capital where we consider it to be truly needed.

Q18.

Considering that recent interest rates have risen since the yen interest rate simulation on page 19 of the Investors Meeting materials, which was based on data from the end of September 2024. In light of this, the outlook for the future net income on page 12 appears to be somewhat conservative. Are you considering adjusting your portfolio, such as through JGB rotation?

A18.

(Kasama) With regard to bond rotation, at this point I am not able to give you a detailed answer, but we will make appropriate and timely decisions based on situational factors such as the interest rate forecast and the pace of JGB purchases.

Q19.

In the past, we consider that the Bank has only conducted share repurchases to offset the impact of secondary offerings by Japan Post Holdings and the Bank has not conducted share repurchases as part of shareholder returns. Has there been any change from the previous considering in the policy on share repurchases during the period of the next Medium-term Management Plan on page 13 of the Investors Meeting materials? As the Bank's capital appears to be showing signs of surplus, are you considering the continuation of share repurchases?

A19.

(Shinmura) Share repurchases have been an option for shareholder returns as we have previously stated. Under the next Medium-term Management Plan, we intend to continue giving this option due consideration, as we believe our shareholders' expectations will increase with regard to the use of capital—including growth investments—based on the recent PBR level and our expanding investment in JGBs with zero risk weight.

Q20.

Is your policy for growth investments to actively conduct large-scale M&As or to prioritize strengthening the Bank's customer base while investing a certain amount of capital with alliance partners?

A20.

(Kasama) Considering that we have an unrivalled customer base in Japan, from a perspective of further enhancing this strength, partnerships through alliances seem to be an obvious priority. On the other hand, after the recent secondary offering, our limitations on new business have shifted from one that requires permission to one that requires notification, and we have received an increasing number of very interesting proposals since then. In considering these, we do not intend to rule out large-scale investments; however, our basic stance is to weigh them from a perspective of how we can best serve our customers.

Q21.

The Bank's CET1 ratio may vary significantly with fluctuation of risk assets—which are the denominator—due to the impact of foreign exchange rate fluctuations. Have you considered measures to curb this impact from foreign exchange fluctuations under the next Medium-term Management Plan?

A21.

(Shinmura) It is true that the CET1 ratio has fluctuated significantly due to the impact of foreign exchange fluctuations. However, amid expectations of profit expansion going forward, we believe that it is more important to formulate capital policy with careful consideration about what investments will increase capital efficiency rather than to think about how to curb foreign exchange fluctuation risk to stabilize the CET1 ratio.

(Kasama) To add one point regarding hedge operations, when we consider factors such as net interest income, there are various arguments as to whether the complete elimination of risks due to foreign exchange fluctuations is actually the best thing for the Bank's portfolio. With respect to foreign exchange risks, we are currently putting detailed foreign exchange hedges in place for each product according to the situation, and we will continue to apply rigorous risk management as we invest.

End

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