

Results for the Fiscal Year Ended March 31, 2026
Summary of Teleconference Q&A (May 15, 2026)

Q1.

Regarding the earnings forecasts for FY2026, could you provide further detail on the assumptions for the forecasts and the factors of changes in net ordinary income stated on page 12 of the Selected Financial Information?

A1.

The assumptions for the earnings forecasts are stated on page 14 of the Selected Financial Information. Based on market consensus, we are expecting that the policy interest rate will be raised in FY2026. On this assumption, we expect earnings from our yen interest rate assets to increase substantially due to an increase in income from Japanese government bonds (JGBs) etc., as well as an increase in income related to yen interest rate risk-taking in our risk assets.

We expect earnings from risk assets to decrease, as we do not expect to record in FY2026 the gains from sales of stocks due to operations for risk controls conducted up to FY2025, although earnings from private equity (PE) are expected to remain solid. With regard to investment management, we plan to conduct flexible portfolio management in accordance with the market environment, with the aim of further increasing investment efficiency.

Net fees and commissions are expected to increase, mainly due to higher transaction volume.

General and administrative expenses are expected to increase to a certain degree due to aggressive growth investments such as human resource enhancement and IT investments, aiming for sustainable growth under the new Medium-term Management Plan.

Q2.

Looking at capital allocation, under the new Medium-term Management Plan, you have set the CET1 ratio target for normal times at 11% to 13%. Could you share the thinking behind this?

A2.

Under the previous Medium-term Management Plan, the target level for the CET1 ratio during normal times was approximately 10% as the minimum level to be maintained. However, we changed our approach to setting the target range based on the nature of our portfolio and other factors—for example, the high ratio of securities investment among our investment assets. Accordingly, we set the range at around 11% to 13%. Going forward, we will continue to carefully monitor the market environment and conduct capital control within this range, aiming to conduct capital management while ensuring financial soundness.

In FY2025, the shareholding ratio of Japan Post Holdings decreased below 50%, which has given management a greater degree of freedom. We believe that the Bank is still growing, and going forward, we will aim to use our capital for making timely investments in order to secure sustainable net interest income, etc., as well as inorganic investments targeting expansion of earnings including net fees and commissions.

Q3.

With regard to the dividend policy under the new Medium-term Management Plan, would you consider measures for additional shareholder returns, such as conducting share buybacks, even in the event that the CET1 ratio is below 11%?

A3.

In terms of shareholder returns, we have set the target range for our CET1 ratio in normal times at 11% to 13%, but this does not mean that 11% is the absolute lower limit. With continuing stable dividend payments as our policy, we will also consider making additional returns through share buybacks and so forth, taking into account factors such as the market environment, opportunities for growth investments, and our forecast for the future capital surplus.

Q4.

You have said that the earnings forecasts for FY2026 assume the policy interest rate hikes. What impact would a delay in the policy interest rate hikes have on the earnings forecasts for FY2026?

A4.

Our earnings forecast is on page 10 of the new Medium-term Management Plan. Even in a scenario where the yen interest rate stays at the current level, we expect to achieve an ROE of approximately 9%. The reason for this is that interest rate levels have already risen high enough to create an environment where we can implement various strategies in our portfolio management, taking the market environment into account. Even if the policy interest rate hikes in FY2026 differs from our projection, by optimizing our portfolio management, we believe we have sufficient capacity to achieve our earnings forecast.

Q5.

In “Growth investment, etc.” and “Additional shareholder returns, etc.” under “Capital Allocation” on page 15 of the new Medium-term Management Plan, the size of the graphs is about the same for both, and they seem to be about half the size of dividends. Is this due to aiming for a total payout ratio of 70% or higher? Could you explain your approach here?

A5.

First, our basic approach to capital management is to promote the enhancement of shareholder returns primarily through a progressive dividend policy, considering the optimal balance among shareholder returns, financial soundness, and growth investments.

With regard to growth investments, rather than setting a target amount, we think it is more important to firmly capture opportunities that will contribute to enhancing corporate value. We will select investments on the premise that they can further increase ROE and deliver sufficient risk-adjusted return from a pure investment perspective.

We will consider as needed the feasibility and the scale of additional shareholder returns in light of the market environment, growth investment opportunities, and the policy of Japan Post Holdings regarding its holdings of the Bank’s shares.

However, at this point, we have not made a clear determination regarding the specific allocation for this.

Q6.

Please explain about the “Profit Roadmap” on page 11 of the new Medium-term Management Plan. Comparing the three-year profit plan over the new Medium-term Management Plan period with the earnings forecasts for FY2026, it appears that you are expecting considerable profit from yen interest rate assets in FY2026. What are your expectations?

A6.

Under our assumed yen interest rate rise, we believe that we can plan for a certain level of JGB rotation aimed at increasing future earnings, ensuring stability, and improving our risk/return. We expect to implement various operations flexibly in accordance with the market environment and other factors.

Q7.

With regard to PE funds, I believe that performance is currently extremely strong, with unrealized gains being built up while recording realized gains. Could you discuss the status of your investments in IT-related stocks, such as AI, and your approach to the associated risks?

A7.

We have built a highly diversified portfolio for PE investment, characterized by extremely small-scale positions. We have invested selectively through highly experienced fund managers.

Information technology accounts for around 25% of those investments, and we are monitoring the impacts of the spread of AI on SaaS. At present, we do not have any significant concerns.

When we make investments, we project various factors, such as risk/return and environmental changes, and we have also anticipated risks associated with AI and related fields for several years now, and invested selectively with a focus on highly specialized areas. Therefore, for software companies, we have limited our exposure in areas that we assume to be susceptible to the impact of AI, and we believe that the impact at present is small.

However, this is also a rapidly changing field, and we will continue to monitor the situation.

Q8.

With regard to Capital Allocation on page 15 of the new Medium-term Management Plan, you have “Risk-weighted assets improvement.” Could you explain this in detail? Do you have a plan to reduce risk assets?

A8.

Improving risk-weighted assets is more about taking steps to review the asset composition and management to reduce the amount of risk within the same investment scale, rather than simply reducing the balance of risk assets. For example, we envisage moving the distribution of risk assets by transferring them to higher-grade assets with lower risk weighting.

The balance of risk assets at the end of the previous fiscal year was ¥109 trillion, which fell short of our KPI of around ¥114 trillion; however, considering the current market environment of narrowing credit spreads on foreign bonds, we believe our judgment in this was rational.

We intend to act flexibly in response to the market environment with regard to “Risk-weighted assets improvement”.

End

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