

Results for the Fiscal Year Ended March 2026
Summary of Q&A (May 20, 2026)

Q1.

With regard to capital allocation on page 14 of the IR Presentation, could you explain in more detail about your approach in setting the CET1 ratio target in a range between 11% and 13%? Also, there seems to be some gap between the CET1 ratio of 9.85% at the end of FY2025 and this range. Could you provide an image of the improvements for each factor?

A1.

(Kasama) The target level for the CET1 ratio during normal times under the previous Medium-term Management Plan was approximately 10%. However, we expect to see an increase in the CET1 ratio in conjunction with profit growth as we have entered a new stage under the new Medium-term Management Plan. Taking this into consideration as well, and as a result of continuous discussions, we concluded that it would be appropriate to present a range with an upper and lower limit. Accordingly, based on the results of our stress tests and the nature of our portfolio, such as the high ratio of investment securities among our investment assets, we reached a decision to set the CET1 ratio target range at 11% to 13%.

With regard to the capital allocation on page 14 of the presentation, we expect net income to accumulate beyond the results at the end of FY2025, and approximately 50% of net income to be reduced by dividends. However, for the other factors—"Risk weighted assets improvement," "Growth investment, etc.," and "Additional shareholder returns, etc."—we have not clearly determined a specific allocation. Therefore, it is not necessary to read into the length of the graphs for each factor.

(Shinmura) The target range for the CET1 ratio during normal times is set at 11% to 13%, but that does not mean that we are thinking of 11% as a lower limit. As stated on page 14 of the presentation, even if the ratio is below 11%, under our basic policy of continued stable dividends, we plan to examine additional shareholder returns as necessary, based on the outlook for future capital surplus.

Q2.

Looking at the balance of JGBs based on the remaining time to maturity on page 44 of the IR Presentation, it appears that the balances of bonds with remaining maturities other than “more than 7 years to 10 years” also increased from the end of December 2025. Up until now, I think you have invested mainly on 10-year JGBs. Is it your policy to also purchase bonds with shorter maturities going forward?

A2.

(Kasama) As we have previously explained, we aim to create a laddered portfolio. Depending on interest rate levels and the shape of the yield curve, we feel there is ample potential to target bonds with maturities that we would not have considered previously from a perspective of risk-adjusted returns. Therefore, I hope you understand the increases and decreases in balances to be the result of responding flexibly according to the market environment and aiming to build a solid portfolio. Moreover, going forward, we intend to make investments taking a flexible approach, in light of various considerations, such as interest rate levels and forecasts, and demand and supply.

Q3.

With regard to the capital allocation on page 14 of the IR Presentation, what kind of scenario are you envisaging within the management team?

We understand the 50% dividend payout ratio as shown in the materials, but how should we understand the balance between growth investment, etc. and additional shareholder returns, etc.?

A3.

(Kasama) The growth investment, etc. and additional shareholder returns, etc. shown in the diagram in the presentation do not specifically indicate the current expected allocations, etc.

With regard to growth investment, etc., we believe it is important to identify and capitalize on opportunities with precision by carefully examining the details of the investment to determine whether or not it will contribute to increasing the Bank’s corporate value, while maintaining a solid understanding of the associated risks.

Similarly, with regard to additional shareholder returns, etc., we will examine these on an ongoing basis, while referring to the market environment, the status of our industry peers, and other factors.

Q4.

With regard to the profit roadmap during the new Medium-term Management Plan on page 11 of the IR Presentation, yen interest rates have increased from the level at the end of March. Should we simply view this as an upside factor for earnings due to improved returns on yen interest rate assets? Or should we also assume that some adjustment by portfolio rotation, etc. may be considered?

Also, could you please provide a breakdown of the over 200.0 billion yen in earnings from risk assets?

A4.

(Kasama) As we have stated, we think the rise in yen interest rates will have a positive impact by increasing interest income from JGBs. However, depending on the status of interest rates going forward, we expect to make proper investment decisions with regard to investment maturities and timing. We will select the optimal investments for continuing to secure stable earnings.

Regarding our earnings from risk assets, we are not able to disclose details. However, as shown on page 11 of the IR Presentation, we expect that private equity (PE) and real estate income will continue to be one of the growth drivers going forward.

Q5.

In setting the target range for the CET1 ratio in normal times at 11% to 13% in the new Medium-term Management Plan, I think you would have considered the results of stress tests. Could you tell us specifically what kind of stress cases you considered in setting this level? Also, is it possible that the target range could change during the new Medium-term Management Plan in line with future changes in the balance sheet?

A5.

(Kasama) We are unable to discuss details of specific stress scenarios, but we have confirmed that even when applying various stresses to multiple parameters generally used by financial institutions in stress testing, such as interest rates, the Bank is able to maintain sufficient soundness. With regard to changing the target range, since we set the current CET1 ratio range at 11% to 13% by examining various stress scenarios, while considering a certain degree of change in our balance sheet, we intend to maintain this range of CET1 ratio over the three years.

Q6.

I understand that all along, the Bank's stance has been to flexibly consider the pace of JGB purchases in light of the market environment. Currently, it seems a little subdued. Could you share your thoughts on the current purchasing pace in light of factors such as the recent interest rate environment and trends in the Bank's deposit balance?

A6.

(Kasama) We have conducted stable and flexible JGB purchases, taking account of the monetary policy trends of the Bank of Japan, the market environment, and various other situations. This stance remains unchanged. We think that the Bank's deposits are highly sticky, and rather than adjusting our JGB purchasing pace while monitoring trends in deposit balances, we are adjusting the pace while looking at the status of the asset side, based on the market environment, such as interest rate forecasts.

Q7.

On page 46 of the IR Presentation, there is a conceptual income image of the investment shift from BOJ demand deposits to JGBs. Could you explain the intention behind this illustration? Should we understand that it is consistent with the forecast for income of over 600.0 billion yen from Yen interest rate portfolio in the new Medium-term Management Plan on page 11 of the presentation? Or should we see it simply as an illustration of earnings for reference that is separate from the plan?

A7.

(Kasama) With regard to page 11 of the IR Presentation, as shown on page 31 of the same presentation, we use implied forward rates as the interest rate assumption. And by continuing to purchase JGBs stably going forward and accumulating them, along with other factors, by FY2028, we expect to increase earnings from Yen interest rate portfolio by over 600.0 billion yen compared with FY2025. On the other hand, the conceptual income image on page 46 of the presentation is created to provide an understanding of the Bank's earnings model to a wide range of investors, so it should be understood purely as an illustrative example based on certain assumptions.

(Shinmura) This conceptual income image is an updated version of a slide that we disclosed previously to provide a deeper understanding of the impact of changes in the interest rate level on the Bank's earnings. The assumed 10-year JGB yield of 200 bps on this page is an assumption purely for this illustration, which shows that we have an earnings structure in which an increase in the yield beyond the assumption would enable further earnings, as shown in yellow.

Q8.

In the new Medium-term Management Plan, the level of cost of shareholders' equity recognized by the Bank has been revised upward from the previous level of 5% up to 6% to 8%. Was this level calculated based on CAPM? Or was it calculated using some other method?

A8.

(Kasama) The cost of shareholders' equity can be calculated by various methods, including CAPM, and we are aware that the calculation results of CAPM can vary depending on factors such as the period for which the data is used. Taking into account these calculation results, we decided to present it as a range, and we have disclosed a range of 6% to 8% as the level we recognize as the cost of shareholders' equity. Looking ahead, we are committed to management that is conscious of the cost of shareholders' equity, and we will continue working toward it while receiving feedback from everyone.

Q9.

Regarding the financial targets of the new Medium-term Management Plan, they appear highly likely to be achieved. Could you tell us if there are any risks that are not observable from the outside?

A9.

(Kasama) We expect that the yen interest rate will rise to a certain extent going forward, and therefore we have a reasonably high probability of achieving our financial targets. If we were to provide examples of risks, they would include a shift in yen interest rates toward a declining phase, although this seems unlikely to occur, and the disruption of overall market activity due to geopolitical risks.

Q10.

The deposit balance decreased by 2% from the previous fiscal year-end. Given the large number of elderly users, what kind of measures are you thinking of to address the risk of the deposit balance decreasing due to an increase in spending under an inflationary environment? Also, could you share your outlook for the deposit balance during the new Medium-term Management Plan?

A10.

(Kasama) As you have recognized, the Bank has a large number of elderly users as well. However, we believe this presents various opportunities. Under the new Medium-term Management Plan, we plan to expand our lineup of products and services, including inheritance solutions, which we have not fully focused on in the past, and to provide comprehensive financial consulting. Moreover, through these, we aim to secure access to younger generations as well.

With regard to deposit trends going forward, we expect the shift from deposits to investments to progress further, and we will continue initiatives to prepare for the future, such as an initiative to meet customers' asset management needs through Japan Post Bank Asset Management Co., Ltd.

(Shinmura) We monitor deposit trends closely, since we consider them to be the core of our management base. In terms of the current decline in deposit balances, while partly attributable to the impact of people withdrawing deposits in response to increased spending driven by inflation, we do not think the declining trend has advanced significantly, since there is also an impact from an increase in the sale of retail JGBs etc. In addition, from a perspective of the Bank's total assets under management, including retail JGBs and Japan Post Bank Asset Management Co., Ltd., we aim to steer this trend toward strengthening our customer base by encouraging customers to use more the Bank amid the shift from deposits to investments. We will steadily promote the new Medium-term Management Plan through the expansion of transactions with our customers, including asset management.

Q11.

The Bank's funding rate on deposits for FY2025 is 0.16%, which is low compared with other banks. I understand that the reason for this is that the majority of your deposits are individual deposits, with no corporate deposits, and therefore this would seem to give you an advantage in terms of yield. Is this understanding correct? Also, what are your assumptions about the Bank's funding rate on deposits going forward?

A11.

(Kasama) As you have recognized, we have an extremely small share of deposits from corporate customers, and individual customers account for the majority of our deposits. This is one factor in our relatively low deposit funding costs compared with other banks. In addition, a further factor is that we do not conduct aggressive preferential interest rate campaigns, although we have revised our interest rate on deposits to the same level as that of other banks.

Our ability to maintain our deposit base even in this situation is also one of our strengths. We will continue to leverage our network strengths to maintain and strengthen our customer base, and we will remain dedicated to being customers' bank of choice.

Q12.

Under the new Medium-term Management Plan, your interest rate assumptions are that the yen interest rate will rise. Even if the interest rate were to stop rising, by creating a laddered portfolio, the earnings increase effect should continue until low-yielding JGBs purchased in the past are redeemed and replaced with high-yield JGBs. In other words, it appears the income increase effect will continue for a certain period after the interest rate stops rising. Is that correct?

A12.

(Kasama) That is correct. Moreover, even if interest rates were to decline, if we are able to invest at higher yields than the low-yield bonds that we purchased in the past, the average yield from our portfolio would improve and earnings would grow.

Q13.

With regard to the retail business and fees and commissions, as the KPI for the number of accounts registered for the Yucho Bankbook App, you are aiming to reach 25 million accounts by the end of FY2028. This represents a significant 30% increase from the current 16.62 million accounts. How will this contribute to the Bank's fees and commissions?

A13.

(Kasama) Increasing the number of accounts registered for the Yucho Bankbook App is not directly for the goal of increasing fees and commissions. By diversifying and enhancing contact points between the Bank and customers, we aim to increase customer convenience, and encourage them to use more of the Bank's other products and services. As a result of this, we aim to drive further strengthening of the customer base.

Q14.

Are you planning any significant changes in physical infrastructure going forward, including ATMs, which are one of the Bank's strengths? Also, can we assume that the IT investment plan includes expenses for physical infrastructure maintenance?

A14.

(Kasama) We consider ATMs to be one of our strengths, and as we are able to provide various services through them, we consider them to be an extremely effective channel. In addition, the IT investment plan includes the maintenance expenses required to continue maintaining and strengthening our ATM network.

Q15.

On page 4 of the IR Presentation, for FY2028, your ROE targets are for around 9% if the yen interest rates maintain their current level and around 10% if the yen interest rates move in line with the implied forward rates. In addition, the net income target is over 1 trillion yen. Considering that the Bank benefits significantly when the yen interest rate rises, would be possible that you would be able to reach even higher profit levels in such a case?

A15.

(Shinmura) Our basic approach is based on the desire to grow profits stably and sustainably. Rather than aiming for a short, sharp increase in profits over the three-year period of the new Medium-term Management Plan, we believe it is preferable for the Bank and its shareholders and investors to grow profits over the longer term beyond that.

(Kasama) To achieve stable, sustainable growth, we believe it is extremely important to build a robust portfolio. Rather than seeking to maximize near-term profits, we set our FY2028 targets—ROE of approximately 10% and net income of over 1 trillion yen—in our pursuit of sound profit growth over the long term.

Q16.

In the area of growth investments, it looks as though you have made progress on initiatives to a certain extent, such as link with points ecosystem and utilization of Japan Post Bank Asset Management Co., Ltd. Could you tell us if there are any areas where the Bank recognizes that it still has work to do?

A16.

(Kasama) With regard to growth investments, we aim to increase elements that can be combined with our existing businesses to generate synergies in our traditional business operations. Currently, we are receiving a large number of proposals from outside for alliances and so forth, and we are carefully reviewing each of these.

Broadly speaking, as you have recognized, we have already made some progress on preparing core elements of our business strategy under the new Medium-term Management Plan, such as the points ecosystem and the asset management business. Our focus now will be on carefully selecting and pursuing promising opportunities going forward.

Q17.

You say that rising yen interest rates are positive for the Bank, but what do you think about unrealized losses on held-to-maturity bonds? Also, should we understand that you are not thinking about operations to replace held-to-maturity bonds?

A17.

(Kasama) As I mentioned in my previous answer, we see the rise in interest rates as a positive factor. On that basis, we are conducting asset-liability management and controlling our yen interest rate risk, including for held-to-maturity bonds. The Bank holds held-to-maturity JGBs with the intention of holding them to maturity, and we have no intention of selling them before maturity.

End

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