

Small Meeting with Outside Members of the Board of Directors
Summary of Q&A (September 16, 2026)

(Present)

Kenzo Yamamoto, Outside Member of the Board of Directors

Keiji Nakazawa, Outside Member of the Board of Directors

Junko Moro, Outside Member of the Board of Directors

Kenichi Imai, Executive Officer and General Manager of the IR Department

Akemi Morita, Head of the Board of Directors Office, Corporate Planning
Department

Q1.

Could you share your evaluation of the current status of the Bank's governance and Board of Directors?

A1.

(Director Nakazawa) The Bank's Board of Directors has 14 members, 9 of whom are independent outside directors, comprising 64% of the total. They include business executives, lawyers, and experts in financial services, accounting, and corporate finance, as well as internal controls and auditing, with diverse experience and knowledge. As the chairperson, President Kasama leads the meetings, which are extremely productive including the meeting frequency and content of deliberation. The Board has been able to spend sufficient time discussing the formulation of the Medium-term Management Plan and related matters among all the directors.

Q2. (Additional Question)

In addition to discussion at Board of Directors meetings, it must also be important for the members to understand the actual frontline operations when thinking about management. What do you think about this point?

A2.

(Director Nakazawa) I think that when thinking about management of the Bank, it is essential not only to have discussion in the Board of Directors, but also to have an understanding of the frontline operations.

Personally, I value the idea that the front line is where we find the truth. Through my activities on the Audit Committee, I have visited areas including Hokkaido, Chugoku, Shikoku, and Hokuriku. At the places I visited, I

exchanged opinions with employees at the Bank's directly operated branches, Administration Service Centers, and Operation Support Centers, as well as with Japan Post regional office directors and postmasters.

Understanding the Bank's front lines as well as the realities of its operations, including the post office network, is extremely important for thinking about its management.

When actually visiting the front lines, I can directly hear comments that aren't communicated through documents alone. For example, when I visited Hokuriku, I heard from people at the sites that had experienced the Noto Peninsula Earthquake. They shared frank opinions, explaining that they had adopted a basic policy that, in the case of major disasters, they will prioritize the safety of customers and employees, and not make an unreasonable effort to restart operations depending on traffic conditions and the status of damage. They also requested that they would like the Bank to further strengthen its support for post offices in the form of provision of supplies.

I shared this feedback with executive management, which led to concrete action, including visits to the sites by executive officers.

I also shared my experience of the Great East Japan Earthquake in 2011, and made a record of frontline experiences for future disaster readiness and mitigation, which I shared with people in other regions.

To be prepared for natural disasters such as the earthquake in Kumamoto and the torrential rain in Chiba, it is important to act with a sense of urgency at all times. Next month, I will visit Kumamoto, where I plan to hear opinions from people on the front lines.

Q3.

The market environment is changing rapidly, and views on risk are also changing. How are the directors involved in risk management with respect to the market environment? What points do you consider to be important?

A3.

(Director Yamamoto) As you have noted, recently there have been some extremely large movements in interest rates and foreign exchange rates, and as the financial environment is highly uncertain, we are taking care to discuss matters with due caution.

While rising interest rates contribute to increased interest income for the Bank, they also increase unrealized losses on its securities holdings. Therefore,

we carefully review the results of multiple stress tests and strive to confirm that there is sufficient capital and adequate funding liquidity.

One of the immediate issues we are facing is how to deal with declining deposit balances as we enter “an era of positive interest rates”. Declining deposits do not have an immediate major impact on earnings, but deposits are the source of funds for securities management, and the very foundation of the Bank’s business. Therefore, we intend to check in detail on our efforts to strengthen the customer base, and the results of those efforts.

Q4. (Additional question)

From a risk management perspective, do you consider the checks and balances on the Bank’s investment division to be effective?

A4.

(Director Yamamoto) One thing that has made a strong impression on me since coming to the Bank is that it has an extremely rigorous risk management system in place. I understand that many of the human resources are formerly from financial institutions that have rigorous risk management, and that they have built the current system. Thanks to their efforts, a robust risk management system has been established, and I believe that checks and balances provided by the second and third lines of defense are functioning effectively.

And as an outside member of the board of directors, I too intend to continue monitoring the risk management system and the coordination between the first, second, and third lines of defense.

Q5.

In your role as outside members of the board of directors, how were you involved in formulating the Medium-term Management Plan announced in May of this year, what impression did it leave on you, and how do you evaluate the Medium-term Management Plan?

A5.

(Director Moro) The current Medium-term Management Plan is the first since President Kasama took office, and the first since the percentage of the Bank’s shares held by Japan Post Holdings was reduced below 50%. The Medium-term Management Plan materials that you have seen begin with a

message from President Kasama, and I felt they have been designed in various ways to make them easy to understand and promote inside the organization.

What I paid particular attention to, and spoke out about, was the need not only to indicate the macroeconomic changes such as population decrease and changes in social structure, but also to provide concrete information about how this will impact the Bank and how serious these challenges are. Based on my past experience, I placed particular emphasis on how changes in the external environment and the future outlook were incorporated into the Bank's management strategy.

(Director Yamamoto) What impressed me most about the new Medium-term Management Plan was indeed the setting of financial targets of net income exceeding 1 trillion yen and ROE of around 10%, to be achieved by fiscal 2028. I have served as outside member of the board of directors for six years, and I honestly felt moved that we have finally come this far. I intend to focus my efforts on achieving these ambitious targets.

At the same time, I recognize that a major challenge under the Medium-term Management Plan, such as how to provide what kind of services to customers in diverse ways and quickly; in other words, how can the Bank reinforce the customer base? There are already some new ideas such as asset management that have been realized. I hear that there has been active discussion taking place at various levels in workplaces, and I feel confident that as an organization we have begun rising to the challenge.

Q6. (Additional Question)

Could you tell us what measures and KPIs in this Medium-term Management Plan you consider to be particularly important?

A6.

(Director Moro) Naturally, the financial targets are key, but I also think that the metrics for human capital are important. However, human capital metrics such as engagement do not improve significantly in the short term. The important thing is not only the numerical data themselves, but continuous effort and organizational transformation. I also think it is necessary to consider whether or not we have successfully developed human resources capable of executing the management strategy, and whether we have developed an organization that can respond to environmental changes.

(Director Nakazawa) In terms of KPIs, I think that aiming for net income of over 1 trillion yen and ROE of around 10% is an extremely important message for the Bank. In particular, aiming to lift ROE from its previous level to around 10% means raising the Bank's earning power and capital efficiency a step higher, and therefore I see them as important targets.

Q7. (Additional Question)

Some people might consider that the financial targets such as net income and ROE have been set too low. What would you say to that view?

A7.

(Director Yamamoto) Personally, I see them as challenging targets, but given the changing interest rate environment, I think it is only natural that some would suggest we should aim for a higher ROE. I will strive to ensure that the Bank is able to meet stakeholders' expectations.

To add a further comment, I always keep in mind that ultimately we are a bank. Banks must focus first and foremost on protecting the deposits entrusted to them by their customers. By doing this, we will ensure that we have the trust of customers and the market, and on top of that I intend to strive to further increase our earning power.

(Director Nakazawa) I don't think that our targets are low; rather, I think our targets reflect our aim to balance increasing profitability and sustainable growth, while ensuring financial soundness and factoring in a certain level of risk. I would like to see this plan steadily executed, and to continue discussing our long-term vision, targets, management strategies, and other matters thoroughly at Board of Directors meetings.

(Director Moro) It is important to set ambitious targets, but even more important is to consider what kind of measures we will take to realize the targets, and under what assumptions.

I think that precisely when performance is strong, it is important to look ahead to future environmental changes and drive transformation. Therefore, I think it is important not only to look at our target levels, but to continually confirm how we will change our organization, human resources, and business foundation to realize them.

Q8.

How do the outside members of the board of directors understand and view the decline in deposit balances?

A8.

(Director Moro) As an outside member of the board of directors, I consider the decline in deposit balances to be an important management issue.

On the other hand, this issue is not something that we can expect to change dramatically in the short term; rather, I think it is important that we work steadily to address it while considering the Bank's situation, and its relationships with local communities.

The Bank has numerous touch points with local customers, and when we think about maintaining and recovering deposit levels, rather than looking simply at interest rates or product appeal, we also need to think carefully about how to strengthen touch points with customers. In addition, with regard to sales activities and various kinds of measures, I don't think that just one initiative will lead to a significant result. I think that valuing our relationships with communities while continuously strengthening touch points with customers will probably stem the outflow of deposits.

(Director Yamamoto) I am sure there are various factors behind the current decrease in the deposit balance, but one of these is probably changes in population trends. In other words, as the number of people dying in rural areas increases, I think that inheritances may be increasing.

I am aware that the number of elderly people in around half of the prefectures in Japan, particularly in rural areas, is expected to peak out during the 2020s, with an attendant peak in money flowing out to the cities due to inheritances. I think that one of our major themes is how to capture this money in the cities.

I am expecting the Yucho Bankbook App to be used for this purpose. The app already has a large user base of around 17 million people, and I think it will be a source of major business opportunities in the future.

It is important that we examine how to set up this platform so that even more customers can use the services. In addition to financial instruments, we also need to provide diverse services to customers by further developing our cooperation with the post office network, and looking at collaboration with other companies as well. There are various challenges, but I would like to address them by bringing together many ideas and focusing on enhancing the platform.

Q9.

As outside members of the board of directors, what is your perspective on monitoring unrealized losses on JGBs and interest rate risk associated with the increase in the yen interest rate?

A9.

(Director Yamamoto) I hear about the status of securities investment and total asset and liability management (ALM) through meetings of the Risk Committee, which meets at least six times a year.

The rise in the yen interest rate will lead to an increase in interest income in the future, while on the reverse side, it will also cause an increase in unrealized losses on JGBs and other assets. I consider this balance while looking carefully to see that total capital and liquidity have been adequately secured.

At the same time, I believe stress testing is important, and I seek explanations on the impacts on earnings and unrealized losses under various stress scenarios, as well as checking the level of the capital adequacy ratio under the highest stress scenario. In addition, I assess the approach of executive management regarding their policy on responding to potential risks, and, as a director, I engage in the necessary discussion.

Q10.

Is the company conducting management that is conscious of the cost of capital and stock price? Also, please tell us about any issues you are conscious of as an outside member of the board of directors.

A10.

(Director Yamamoto) Naturally, we are always extremely conscious of the cost of capital and stock price. As Japan sees the return of positive interest rates, I've been pleased to see that this kind of management is now being discussed more clearly.

Currently, the Bank's cost of capital is estimated to be between 6% and 8%. Based on this assumption, the Bank aims to achieve a higher ROE.

To that end, I believe that what we need to do now as an organization is what is repeatedly emphasized in the Medium-term Management Plan, and that is to continue taking on the challenge of non-linear growth. Within the Bank, people are actively taking on new challenges, and I have noticed a significant change in the mood of the Bank. Employees, including younger employees, are

starting to show extremely strong willingness to take on challenges, and this gives me a great sense of confidence as an outside member of board of directors.

Q11.

What do you think about the need to strengthen the effectiveness of governance when the Bank has a parent company, and about your role as outside member of the board of directors?

A11.

(Director Nakazawa) Regarding governance when there is a parent company, I think this is an extremely important theme. The underlying premise is that since the Bank is a member of the Japan Post Group, it is important that we respect the overall management policy of the Group and work to enhance the Group's synergies. For example, in the area of brand strategy, the Bank does not work independently but as part of the overall Group, including Japan Post and Japan Post Insurance, and we can expect this to have a greater impact.

At the same time, the Bank is a listed company on the Prime Market. Therefore, while it has a role to play as a member of the Group, it must also safeguard its independence and business continuity as a listed company, and aiming for sustainable growth and medium- to long-term enhancement of corporate value is an extremely important mission.

Therefore, it is important that the Bank listens attentively to the opinions of its shareholders, and that it considers matters with particular attention to the expectations of minority shareholders. I myself remain mindful of the interests of minority shareholders as I participate in discussions at Board of Directors meetings.

From a perspective of effectiveness of governance, it is extremely important to monitor conflicts of interest. Currently, matters that involve a potential conflict of interest are confirmed and reviewed by the Board of Directors; however, looking ahead at the change in the percentage of the Bank's shares held by Japan Post Holdings and its capital relationship, I would like to take a more rigorous approach to monitoring conflicts of interest to safeguard the Bank's independence and business continuity.

Q12.

What are your thoughts about human resource strategy linked with management strategy?

A12.

(Director Moro) I feel that there has been an extremely high level of investor interest in human capital over the past few years. I believe this shows deeper understanding of the essential need to cultivate and develop human resources to realize corporate growth over the medium to long term, and of the importance of this theme.

I myself have a long-standing involvement in human resource development, and I am delighted to see that it has become the subject of such attention, although I also feel a heightened sense of responsibility.

Given that people execute management strategy, what I consider particularly important is whether the human resource strategy is integrated with the medium- to long-term management strategy.

The Bank is sometimes noted for the higher average age of employees and the age composition of its workforce. However, I recognize that the knowledge of highly experienced human resources is a significant asset. I believe that using AI and DX to ensure that their knowledge is properly passed on to the next generation before these human resources retire will help to create a strong organization.

As an outside member of the board of directors, I intend to carefully monitor the initiatives of executive management, and also to encourage them.

Q13.

With regard to the metrics for evaluating the management team, please share your evaluation of the current situation and of any issues going forward.

A13.

(Director Nakazawa) In evaluating the management team, I think it is important to focus not only on operating performance, but also on the leadership shown by top management, how seriously executive management is engaging with management issues, and whether the corporate culture is changing in a good direction.

Looking at the current situation, I feel that the Bank's corporate culture has become extremely positive under the leadership of President Kasama. I also have the impression that the executive officers are well qualified to undertake management.

Meanwhile, in terms of issues going forward, I would point to the development of young talent. The Bank could also be more active in circulating

human resources and knowledge between head office and our regional offices.

I also hope that younger employees will take on challenges without fear of failure. There is a level of discipline that the Bank should observe as a financial institution, but thinking about sustainable growth going forward, it is vital that younger employees gain experience and grow while occasionally learning from failure. How to develop such talent and give them opportunities to be actively involved is an important priority for the management team.

Furthermore, I think there is a need to review the evaluation and compensation system so that senior employees can contribute their experience, knowledge, and other attributes toward enhancing corporate value.

In evaluating the management team, I think it is important to take a comprehensive view, considering not only short-term operating results, but also initiatives for sustainable management, change in corporate culture, development of the next generation of human resources, circulation of human resources to connect the front lines and head office, and initiatives to enhance corporate value over the medium to long term.

Q14.

Please share as much as possible of the points currently being discussed with regard to considering M&A.

A14.

(Director Yamamoto) There aren't any specific M&A deals that I can tell you about, so this is just a general point. Under the current Medium-term Management Plan, we have articulated our medium- to long-term vision for "who we want to be 15 years in the future" is "Japan's leading comprehensive financial platform" and "a leading global market player."

M&A is an extremely important option for realizing this vision, and naturally we recognize that it is an essential part of our strategic toolkit.

If a specific deal were to emerge, I would consider it extremely important to carefully examine the philosophy of the other organization and the character of its management team, to conduct thorough due diligence, and to discern whether it aligns with the Bank's business strategy and whether a return on investment can be expected.

On top of that, if the deal proceeds further, I think it would also be important to strengthen the Bank's internal organizational structure to ensure smooth post-merger integration.

Q15.

What are your thoughts about the balance of shareholder returns and growth investment as outside members of the board of directors?

A15.

(Director Nakazawa) I think that the balance of shareholder returns and growth investment is an extremely important point for discussion when considering the Bank's medium- to long-term enhancement of corporate value.

Under the current Medium-term Management Plan, the Bank has set out a plan for roughly doubling its profit over the three-year period compared to the final fiscal year of the previous Medium-term Management Plan. I view it as very positive from the perspective of enhancing shareholder returns that the Bank aims to pay progressive dividends in line with this profit growth.

On the other hand, the Bank needs to continue investing in digital payments, asset management, regional and corporate solutions, human capital, and new technologies such as AI. I believe that placing too much priority on short-term shareholder returns and excessively restricting the capital and internal reserves needed for future growth investments may not necessarily support the interests of shareholders over the medium to long term.

On the other hand, it is not the case that anything is acceptable as long as it is labelled a growth investment. It is important to check the purpose of the investment, its expected returns, risk, capital efficiency, and post-investment management structure, and ensure that the investment will contribute to enhancing the Bank's corporate value.

With regard to shareholder returns, I understand that the Bank may consider an interim dividend while maintaining a balance between growth investment and financial soundness. Furthermore, we will also consider share buybacks such as the one conducted in fiscal 2025 as an option, taking into account factors such as the status of capital accumulation, the market environment, opportunities for growth investments, and Japan Post Holdings' policy on holding the Bank's shares.

As an outside member of the board of directors, I plan to promote rigorous discussion in the Board of Directors to ensure that the Bank is not excessively biased toward any one of shareholder returns, growth investment or financial soundness, and that it has achieved the best balance for contributing to the Bank's sustainable growth and enhancement of corporate value over the medium to long term.

Q16.

I hear that in formulating the current Medium-term Management Plan, the Bank reviewed and discussed its approach to the cost of shareholders' equity. What is your assessment of that point as outside members of the board of directors?

A16.

(Director Yamamoto) I believe that the review of the Bank's approach to the cost of shareholders' equity was undertaken with the intention of clarifying what we intend to do for shareholders other than the parent company, now that the percentage of the Bank's shares held by Japan Post Holdings has fallen below 50%.

As an outside member of the board of directors, I consider this review and discussion to have been extremely important from a perspective of clarifying the Bank's increased awareness of the capital markets.

As I mentioned before, the Bank's cost of capital is currently estimated at a level between 6% and 8%. We are aiming to realize ROE of around 10% by fiscal 2028, and I think that we should strive to aim for an even higher level beyond that.

Q17.

How do you view collaboration with other companies and other industries? Also, could you tell us your perspective on confirming the necessity and appropriateness of such collaboration as outside members of the board of directors?

A17.

(Director Moro) I believe collaboration with other companies and industries is extremely important, and we have established it as an important theme in the Medium-term Management Plan. At this point, we have announced several collaborations centered on the Yucho Bankbook App, and I expect the scope for collaboration to expand further.

The Bank has a nationwide post office network and a customer base of 120 million accounts. However, in order to adapt swiftly and efficiently to customers' diverse needs and the advance of digital technology, I believe we also need to collaborate with external partner companies. By leveraging their respective strengths, I believe we will provide better value to customers and increase the

corporate value of the Bank itself.

At the same time, the Bank is a financial institution, and it is also extremely important to consider whether alliance partners and services align with the Bank's brand value and customer-oriented stance. Rather than pursuing fleeting public attention, I think we should confirm that collaboration will deliver services that customers can use with confidence over the long term, and that it will ultimately strengthen the customer base and deposit base while leveraging the Bank's strengths.

Q18.

It appears that we may be entering an environment in which market rates are expected to rise above the policy and long-term interest rates assumed in the Medium-term Management Plan. How do you view the situation as outside members of the board of directors?

Also, if such a situation did arise, are there any considerations that the Bank should bear in mind? With the interest-rate environment changing from day to day, please tell us what kind of discussions you are having with executive management, including President Kasama.

A18.

(Director Yamamoto) I am chair of the Risk Committee, which as I mentioned earlier meets at least six times a year to review the financial situation and the Bank's portfolio, as well as conducting stress tests at least twice a year in the first and second half.

In these stress tests, we naturally apply more severe assumptions in response to any changes in market conditions. First the executive management reviews the assumptions, taking the current interest rate conditions into account, and then they are assessed by the Risk Committee and the Board of Directors.

If interest rates were to continue to increase, we would consider various factors. For example, the unrealized losses on JGBs would increase, but at present the Bank has extremely high liquidity, so it seems unlikely that a situation would arise in which the Bank will be forced to sell them immediately.

Furthermore, in line with changes in the interest-rate conditions, we also intend to carefully confirm the trend for deposit balances.

We intend to take a range of possible scenarios into account when making decisions.

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