Results for the Six Months Ended September 2021
Summary of Q&A (November 22, 2021)

Q1.

In light of the view that you aim to stably increase dividends with a dividend payout ratio of 50 to 60%, are you confident that you will secure net income of at least around ¥290 billion next fiscal year for a dividend per share (hereinafter "DPS") of ¥47 ?

A1.

As you understand, we have not changed our earnings forecasts at this time, but our confidence is rising and we want to make the effort.

Q2.

The level of the CET1 ratio (common equity tier 1 capital) of 14.26% (as of Sept. 30, 2021, international standard, excluding unrealized gains on available-for-sale securities basis) indicates that there is a reasonable surplus of capital even considering the balance of risk assets increasing by approximately ¥17 trillion during the period covered by the Medium-term Management Plan (hereinafter "Mid-term Plan").

Is there an implication that you will implement additional shareholder returns such as share buybacks based on recognition of this surplus?

A2.

Various discussions on measures to provide shareholder returns are currently underway within the bank. The profits level for this fiscal year is higher than when the Mid-term Plan was formulated, and while there are many materials to monitor such as market trends at this point, we recognize that room for discussion has arisen.

Q3.

What is your outlook for the profits of private equity (hereinafter "PE") for next fiscal year onwards, including risk factors?

A3.

When setting earnings targets, we consider factors such as the market investment ratio, region, sector and strategy. For example, by region we assign around 50% to North America and around 25% to Europe, by sector we assign around 20% to information technology, and in strategy we also carefully look at the content of investment such as assigning around 40% to buyouts.

In 1H, it is possible that the assumptions were estimated to be a little low, but this diversification paid off and we were able to obtain additional profits. Furthermore, in 1H, profits from investments made in FY2017/3 and FY2018/3 accounted for the majority simply due to the so-called J-curve effect, and profits from investments in FY2019/3 and FY2020/3 are expected to contribute next after that.

With regard to risk factors, we are particularly monitoring factors such as the large number of buyouts in information technology. We will need to carefully monitor whether or not this is a temporary phenomenon caused by the COVID-19 pandemic.

Q4.

Is it possible that you will revise the targets under the Mid-term Plan due to the strong performance in 1H?

A4.

We are keeping figures at the same level at the present time, but it is our view that revising these requires consideration of many events such as increased dependence on PE, interest hikes in the U.S. and associated increases in foreign currency funding costs. For this reason, we expect that we will be able to indicate something around the time of the announcement of earnings forecasts next May.

Q5.

You have suggested that you will implement additional measures to provide shareholder returns including share buybacks, but I do not think there is much meaning in doing so at a small scale of around ¥100 billion.

On the other hand, share buybacks in the trillions of yen would have a significant negative impact on Japan Post Holdings at the current share price level. In this context, what was the intent behind suggesting that the bank will implement additional measures to provide shareholder returns including share buybacks?

A5.

I am fully aware of your opinion. As I mentioned earlier, a variety of discussions about measures to provide shareholder returns are currently underway within the bank, and no specific decisions have been made regarding share buybacks or additional shareholder returns.

We will continue to consider what the best methods for providing shareholder returns are, including share buybacks.

Q6.

With the increasing likelihood of a hike in interest rates in the U.S. from next year, I think it is easy to assume that foreign currency funding costs will increase. What steps will you take in anticipation of this?

A6.

Naturally, we are closely monitoring foreign currency funding costs and trends in U.S. interest rate increases, and the initially planned net income of ¥260 billion for FY2022/3 was also planned by conservatively estimating these trends.

It is difficult to predict interest rates, etc., but we will continue to monitor these.

Q7.

The policy on shareholder returns in the Mid-term Plan states that you "will target increases to DPS compared to projected dividend levels for FY2022/3." With the revision made this time, is it correct to assume that ¥47 is the bottom end.

A7

We use a method based on the dividend payout ratio, so I cannot definitively say that it is the bottom end. However, we will endeavor to stably increase DPS where feasible.

Q8.

I do not think there are any concerns with PE, but with regard to foreign bonds investment trusts, a 10bp rise in U.S. short-term interest rates is expected to lead to an increase in foreign currency funding costs of around ¥15 billion.

Going forward, it is believed that U.S. short-term interest rates are certain to rise due to a hike in interest rates in the U.S. What steps are you considering to take?

A8.

We recognize foreign currency funding costs to be a significant point of discussion, and have repeatedly discussed considering foreign currency deposits as a means of funding, but considering factors such as market size and feasibility, we are currently handling this by adjusting funding periods and increasing commercial paper (CP) and funding sources.

Q9.

With regard to sales of investment trusts:

1. Despite an increase in the number of sales, the value of sales has decreased and investment-trust-related commissions have also decreased. What is your outlook from the perspective of net fees and commissions?
2. What initiatives are being taken to strengthen the organizational structure and sales of investment trusts?

A9.

With regard to sales of investment trusts, considering our relationships with other companies in the Group (such as problems related to solicitation of Japan Post Insurance products), we will strengthen customer-oriented systems and would also like to focus on sales of cumulate-type NISA in post offices.

Furthermore, we would also like to begin discretionary investment services by collaborating with Daiwa Securities. From the perspective of being customer-oriented, we will begin by providing services in directly operated branches according to age and knowledge regarding investments, for example, and will aim to launch service during 2022.

Q10.

With regard to your digital strategy:

1. What benefits will the Rakuten Card that is planned in the near term provide to the bank if the issuer is Rakuten and the bank only refers customers?
2. You claim that the alliance with Rakuten will allow Rakuten's knowledge to be used

throughout the Group, but what are your specific expectations in banking?

A10.

As you are aware, we only receive intermediary fees for referring customers for Rakuten Card. We know there are various opinions about this, but we perceive it to be a good opportunity to learn about the workings of Rakuten Card, which has a large share of the domestic market, including know-how and its point system.

We would like to proceed with this alliance without rushing, while we analyze aspects such as what kind of customers will use it.

End