Results for the Fiscal Year Ended March 2020
Summary of Q&A

Q1.

Regarding the "undetermined" dividends forecast, even if the net income for the fiscal year ending March 2021 reached ¥200 billion, the dividend payout ratio for dividends of ¥50 would rise to approximately 94%. Will the high dividend payout ratio be one of the reasons that limit dividend payments?

A1.

We are fully aware that the dividend payout ratio is at a high level at approximately 70%. However, we would like to maintain dividends of ¥50 during the current Medium-Term Management Plan so that we can make returns to investors. It also depends on the market environment, but we would like to be able to increase profits as much as possible and pay dividends of ¥50 at a lower dividend payout ratio. We announced "undetermined" for this term as we are unable to make any predictions about the range of future market fluctuations, but we intend to make dividends in line with the Medium-Term Management Plan.

Q2.

Could you please tell us again about the outlook for the reduction in agency commissions paid to Japan Post Co., Ltd. going forward?

A2.

Low-cost operation is a very important subject and is a major concern within the Japan Post Group. We have been working since last fiscal year to reduce the cost of our counter operations because the amount of agency commissions change linked to the cost of the counter operations at our directly-operated branches. The calculation formula for agency commissions is shown in the Securities Report. And cost reductions at directly-operated branches take two years to affect the amount of agency commissions. We are currently looking to lower them by tens of billions of yen over three to four years. We would like to implement digitization effectively and on a large-scale to speed this process up even further.

Q3.

Regarding dividends, I know that you are planning to maintain dividends of ¥50 if possible even if the dividend payout ratio is high during the current Medium-Term Management Plan, but is there any possibility of reviewing the dividend policy from a sustainability perspective for the next Medium-Term Management Plan?

A3.

The next Medium-Term Management Plan will be discussed in the future, but the main points will focus on (1) how much we can reduce our agency commissions and (2) dividends. We would like to refrain from informing you about the next Medium-Term Management Plan at this time, but in any case, we would like to build larger revenue sources from a sustainability perspective.

There are three things that I am considering regarding the next Medium-Term Management Plan. The first is what we call the "Optimization Strategy," which will look at how Japan Post Bank is going to advance privatization within its current business. To do this, we are advancing various low-cost operations and are also attempting to take a position that will allow us to quickly deal with a new business whenever it is granted approval. The second thing is something that has been brought up before—funds return to the regional communities. This is currently progressing simply, but we intend to speed it up more. The third is the "Separation Strategy." We formed an internal specialist team approximately six months ago and are thinking about whether it would be possible to create a new business outside of the framework of the Banking Act of Japan. While we believe that the timing in which these new revenue sources can be implemented and have an effect are critical, we would like to think about dividends from a sustainability standpoint where possible.

I have received many comments from you all regarding agency commissions since I was first appointed President. I would like to respond to this properly, but for now I would like to raise it as an issue for near future.

Q4.

I got the impression that the unrealized gains/losses from the fluctuation of credit spreads is highly sensitive in securities management, but what policies, if any, such as the restructuring of medium- to long-term portfolios, are you going to change?

A4.

As you can see, we are making progress in management in Strategic Investment Areas, with a forecast balance of approximately ¥4-5 trillion. Especially for PE, we can say that we have shifted from traditional asset management that is more sensitive to credit to more advanced portfolio management. We are currently advancing this process and would like to continue to focus on it in the next Medium-Term Management Plan.

Q5.

I understand that for credit spreads, as soon as HY turns from unrealized losses into unrealized gains it can be recognized as revenue, so results fluctuate, but how much does HY credit spread need to be improved to turn unrealized losses into unrealized gains?

A5.

This will touch on P/L, but when we calculated the sensitivity of the credit spreads and reduced the IG by 30bp and HY by 100bp, we found that the net income would increase by approximately ¥25 billion.

This term, the non revenue dividends from investment trusts are expected to be approximately ¥210 billion, but this is due to be returned as gains on redemption upon redemption, etc.

Q6.

Will the "undetermined" dividends for the current fiscal year be dividends of ¥50 as originally planned if the profit plan for ¥200 billion is achieved? Or, if you determine the dividend amount based not only on profit but on multiple conditions, what factors other than profit would be taken into consideration?

A6.

This is not a question that can be answered with a simple yes or no, and we would like to think about it after looking at the overall balance of affairs. We would like to make more profit than our net income target of ¥200 billion. We would like to be able to both pay dividends to our investors and increase our internal reserves. If the credit spread is reduced, there will be room for an upturn in revenue. We also intend to expand our retail business in Japan, so we would like to be able to increase our revenue (more than our net income target) and maintain our dividends.

Q7.

Regarding foreign currency funding costs, President Ikeda has explained that "if foreign currency funding costs were to decline by 10bp versus the assumptions, there would be an approximate ¥20 billion impact on net income," but when considering the interest rates cut by FRB, it is thought that hedge costs will improve by approximately ¥200 billion. Has the figure of approximately ¥63 billion in fluctuation in the net interest income on page 38 of the material taken into account the improvement of funding costs and the reduction in the amount of income revenue due to the redemption of JGB?

Also, are the figures for net income, regarding the sensitivity of the credit spread and the hedge cost, before or after tax?

A7.

The figures we use are after tax.

As I mentioned, if foreign currency funding costs were to decline by 10bp versus our assumptions, there would be an approximate ¥20 billion impact on net income. The impact from foreign currency funding costs forms the revenue impact on the plan, and we drew up this year's plan after accounting for a interest rates cut by FRB, etc. They are forecasts of how much revenue impact a 10bp reduction would have that use the Implied Forward Rates as a base.

It is the same for credit spread, where we explain how big a fall from the hypothesized plan would be required to impact revenue.

Q8.

How many funds will be maturing over the next 1–3 years and return non revenue dividends?

A8.

While there was a deduction from book value due to non revenue dividends of several hundred billion yen from both the current plan and past results, revenue is expected to improve by tens of billions of yen during the next Medium-Term Management Plan.

END