

Japan Post Holdings Co., Ltd. – Comprehensive Financial-Statement Analysis (FY ended 31 Mar 2025)

Evaluation viewpoint	Key indicator	Formula / Source	FY 2025 result	FY 2024	Comment
Short-term Safety	Current ratio (non-consolidated parent)*	Current Assets / Current Liabilities (Curr. Assets – Inventories) / Curr. Liab.	377 %	344 %	Abundant liquidity at the holding company level
	Quick ratio*	–	377 %	343 %	Inventories are immaterial
Long-term Safety	Equity ratio (consolidated)	Equity / Total Assets	3.06 %	3.44 %	Extremely low capital buffer
	Debt-equity ratio	Liabilities / Equity	31.0 ×	28.0 ×	Leverage rose on thinner equity base
Profitability	Net-profit margin	Net Income ÷ Ordinary Income	3.23 %	2.24 %	Improved YoY but still slim
	Ordinary-income margin	Net Ordinary Income ÷ Ordinary Income	7.10 %	5.57 %	Cost control, higher interest income
	ROE (consolidated)	Net Income / Equity	3.8 %	2.6 %	Below 8 % market hurdle
Efficiency	ROA (consolidated)	Net Ordinary Income / Total Assets	0.27 %	0.22 %	Typical for financial conglomerate
	Asset-turnover	Ordinary Income / Total Assets	0.039 ×	0.040 ×	Flat; large balance-sheet banks/insurer weigh down turnover

Evaluation viewpoint	Key indicator	Formula / Source	FY 2025 result	FY 2024	Comment
Growth	Ordinary-income YoY	—	▲ 4.3 %	+7.6 %	Postal-rate hike offset but markets softened
	Net-ordinary-income YoY	—	+21.9 %	+1.6 %	Higher spreads at Bank & Insurance
	Net-income YoY	—	+37.9 %	▲ 37.7 %	Profit rebound from prior-year charges
Cash-flow Quality	Operating CF	Statement of CF	¥2.79 tn (+¥5.15 tn)	▲ ¥2.36 tn	Swing to positive on banking inflows
	Free CF (proxy)	Op CF + Inv CF	¥7.48 tn	▲ ¥10.08 tn	Large security sales distort comparability
Credit Quality	Moody's / S&P long-term rating	A1 / A	Outlook: Stable	Stable	Good external validation
ESG / Disclosure	Equity ratio & CF data disclosed; liquidity gap, CCC, ESG KPIs largely not	—	—	Disclosure still thin vs. peers	

* Liquidity ratios are shown for the parent company because the consolidated group (bank + insurer) does not publish “current” classifications comparable to industrials.

Overall Assessment

- Liquidity is strong at the holding-company level, and the group holds ¥67.1 tn in cash and due-from-banks.

- Capital adequacy is the weakest point: a 3 % equity ratio and a 31 × D/E leave the group highly sensitive to market-value swings in its mammoth securities portfolio and interest-rate volatility.
- Profitability improved but remains modest. Bank and insurance spreads buoy earnings, while the core postal/logistics network is still loss-making.
- Efficiency is inherently low for a financial conglomerate; nevertheless, turnover has stagnated.
- Cash-flow turned positive, aided by security disposals—structurally volatile.
- External credit ratings stay mid-single-A thanks to implicit government support and dominant retail deposit franchise.

Key Challenges

1. Ultra-low equity cushion exposes the group to mark-to-market swings and Basel/solvency changes.
2. Structural drag in post-office counter services—fees keep eroding while personnel costs climb.
3. Disclosure gaps: consolidated current assets/liabilities, asset-quality metrics, ESG KPIs and cash-conversion figures are sparse, limiting investor transparency.
4. Capital allocation: high cash pile but ROE < 4 % indicates inefficient deployment.

Strategic Recommendations

Area	Action	Expected Impact
Capital structure	Gradually lift equity ratio to ≥5 % via profit retention, selective asset sales, or hybrid securities; align with global postal peers	Lower leverage risk, support rating headroom
Profitability	Postal & logistics turnaround: dynamic pricing post-rate-hike, network rationalisation, automation (sorting robots, route optimisation) by 1–2 pp	Narrow core-business losses, raise margin

Area	Action	Expected Impact
Asset efficiency	Deploy surplus cash into higher-yield yet duration-matched instruments; continue trimming low-ROA legacy loans/securities	Improve ROA / ROE by ~0.3 pp
Cost discipline	Accelerate RPA/DX to curb personnel & outsourcing spend; target ¥100 bn gross savings over 3 yrs	Lift net margin ~0.8 pp
Disclosure & ESG	Publish quarterly liquidity gap table, CCC, Scope-1/2 CO ₂ roadmap, and link management pay to ESG metrics	Enhance investor confidence, ESG ratings
Shareholder returns	Adopt cap-utilisation trigger: increase buybacks when CET1 > target; maintain ¥50 DPS but tie excess cash to repurchases	Raise total payout without hurting buffer

Implementing the above would fortify the balance sheet, lift sustainable ROE toward the 6–8 % range, and align Japan Post with global best practices in transparency and capital efficiency while supporting its universal-service mandate.