

UNOFFICIAL TRANSLATION

Although the “Bank” pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

Medium-term Management Plan

(Fiscal Year 2019/3 to Fiscal Year 2021/3)

JAPAN POST BANK Co., Ltd.
May 15, 2018

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Numerical Targets

Income targets

- **Net ordinary income** (consolidated basis)
⇒【FY2021/3】 390 billion yen
- **Net income attributable to owners of parent**
(consolidated basis)
⇒【FY2021/3】 280 billion yen

Sales

- **Assets under management**
⇒【3 years】 Around +1.8 trillion yen
- **Investment trusts balance**
⇒【3 years】 Around +1.7 trillion yen
(【End of FY2028/3】balance: 10 trillion yen)
* Cumulative total of “sales-cancellations” over 3 years (different from market value basis)
- **Net fees and commissions**
⇒【FY2021/3】 +30% (compared to FY2018/3)

Investments

- **Balance of risk assets***
⇒【End of FY2021/3】 Around 87 trillion yen
* Balance other than interest-bearing yen assets (JGBs, etc.)
(Existing Satellite Portfolio (SP) +Base Portfolio (BP) loans)
- **Balance of strategic investment area***
⇒ 【End of FY2021/3】 Around 8.5 trillion yen
* Existing alternatives (PE, HF, real estate funds (equity))
+ real estate funds (debt (non-recourse loans, CMBS)),
direct lending funds

Expenses

- **Predetermined expenses**
⇒【FY2021/3】 ▲30 billion yen (compared to FY2018/3)
* Excluding expenses pertaining to the consumption tax rate increase and the allocation of resources to growth areas

The Bank aims to decrease general and administrative expenses as a whole compared to FY2017 while allocating resources to growth areas that contribute to the improvement of customer convenience and the increase of future income.

- **Improvement of operating efficiency**
⇒【3 years】 Equivalent to ▲2 thousand employees
* Equivalent to about ▲10% of the number of employees in FY2018/3 (including non-regular employees)

Shareholder returns

- **Dividends per share**
⇒【3 years】 Secure 50 yen per year
*considered the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves

Capital adequacy ratio

- **Capital adequacy ratio**
⇒ Level to be kept is set at around 10%
(after consideration of strengthening of financial regulations)

2 Environmental Awareness and Direction of Initiatives

Build JP Bank's brand even amid changes in the environment

Environment



Have more people say “JP Bank, of course”

Direction to take

The Bank will use the post office network to continue to stand by the side of its customers, and steadfastly support each of the wide range of individuals across Japan, spanning from small children to the elderly, throughout their long lives.

Providing “new convenience” and “peace of mind” to customers

- Supporting customers' lives through the utilization of new technologies
- Contributing to high-quality asset building by customers through our engagement in consulting operations that match customers lifestyles and needs
- Realization of the enhancement and expansion of the national network (Building the “Consult JP Bank or the Post Office” brand)
- Enhancement of products and services that match customers diverse needs

Promotion of internationally diversified investments and supply of risk money to domestic industry through the effective utilization of capital

- Fully utilizing capital to take risks centered on risk assets and promote the enhancement and diversification of investments

Contribution to development of the Japanese economy through vitalization of regional economies

- Creation of a new circulation of capital for local enterprises in cooperation with regional financial institutions (Enriching the lives of customers throughout Japan)

Strengthening of business management systems

- Development of professional human resources able to meet the changing needs and expectations of customers
- Promoting the enhancement and diversification of market investment in addition to enhancement of risk governance to secure stable earnings in the medium term and soundness of finances
- Improvements in credibility through appropriate responses to external threats (such as cyber-attacks) and financial crime (such as money laundering and the financing of terrorists)

3 Framework of Initiatives

Growth strategy seeking to “always help individual customers to live securely” + “contribute to local communities”

[The Bank’s strengths]

- High recognition, branding power and credit worthiness
- Largest number of customers among Japanese banks

[The Bank’s operating base]

- Sense of security and trust from individual customers
- Tangible and intangible local community network

Goals

Aim to further enhance the corporate value of the Bank in three ways

Provision of High-quality Customer-oriented Financial Services	Diversification and Sophistication of Investment Management	Funds Flow to Regional Communities
<ul style="list-style-type: none"> ○ Support of asset building ○ Enhancement of convenience of settlement services 	<ul style="list-style-type: none"> ○ Alternative investments ○ Utilization of derivatives 	<ul style="list-style-type: none"> ○ Investment in regional vitalization funds ○ Use of common administration with regional financial institutions

Consideration of capital policy and dividend policy from a medium-term perspective

Initiatives

Sales strategy		Diversification and sophistication of investment management	Regional vitalization funds
Support of asset building (consulting services)	Support of daily living (enhancement of settlement services)	<ul style="list-style-type: none"> ○ Promotion of internationally diversified investments ○ Expansion of alternative investments ○ Strengthening of risk management system 	<ul style="list-style-type: none"> ○ Discovery of customers' needs ○ Expansion of LP investments, participate in GP operations ○ Business partnerships with regional financial institutions
<ul style="list-style-type: none"> ○ Expansion of assets under management (from savings to asset building) ○ Customer-oriented asset building support ○ Provision of new services such as account overdrafts 			

Strengthening of Business Management Systems

Internal management stance	Governance and business management	Human resource strategy	Business process reform (BPR)	Utilization of Fintech	System
<ul style="list-style-type: none"> ○ Customer-oriented business operation ○ Compliance 	<ul style="list-style-type: none"> ○ Risk appetite framework(RAF) 	<ul style="list-style-type: none"> ○ Diversity ○ Human resource development ○ Personnel strategy 	<ul style="list-style-type: none"> ○ Improvement of administrative flow ○ Cashless and paperless operation 	<ul style="list-style-type: none"> ○ Payment business ○ Opening of platform (API) 	<ul style="list-style-type: none"> ○ Effective IT investment and utilization of AI ○ Next-generation systems

4 Value Provided to Customers: Provision of High-quality Customer-oriented Financial Services

In addition to enhancement of settlement services, provide added value for customers by contributing to the building of high-quality portfolios for customers

Ensuring secure living

Contribution to asset building
(Portfolio building)

Investment trusts

+

JGBs and variable annuities

- Face-to-face proposals according to the lifestyles stages of individual customers
- Asset building from a medium- to long-term perspective
- Customer-oriented product lineup
- Development and strengthening of sales system

- Vitalization of referrals from investment trust sales support locations by utilizing the nationwide network of post offices to respond to customers' needs

Enhancement of products and services
(Provision of products according to customers' needs)

Enhancement of consulting according to life events such as employment, retirement and inheritance

Contribution as hub and contact point in local communities

Maintaining and utilizing local community network

Coordinating with and opening to regional financial institutions

More convenience in everyday life

Enhancement of settlement service
(Provision of liquidity)

Steady provision of existing services

Teigaku deposits and time deposits

Ordinary deposits

Receipt of pension payments and transfer of wages

Automatic payments

Provision of "new convenience"

Deployment of services based on a sense of security which is the Bank's strength

Enhancement of cashless payments

Smartphone settlement

Debit cards

mijica (prepaid card)

Enhancement of product lineup

Account overdraft service

Expansion of channels

Smartphone app

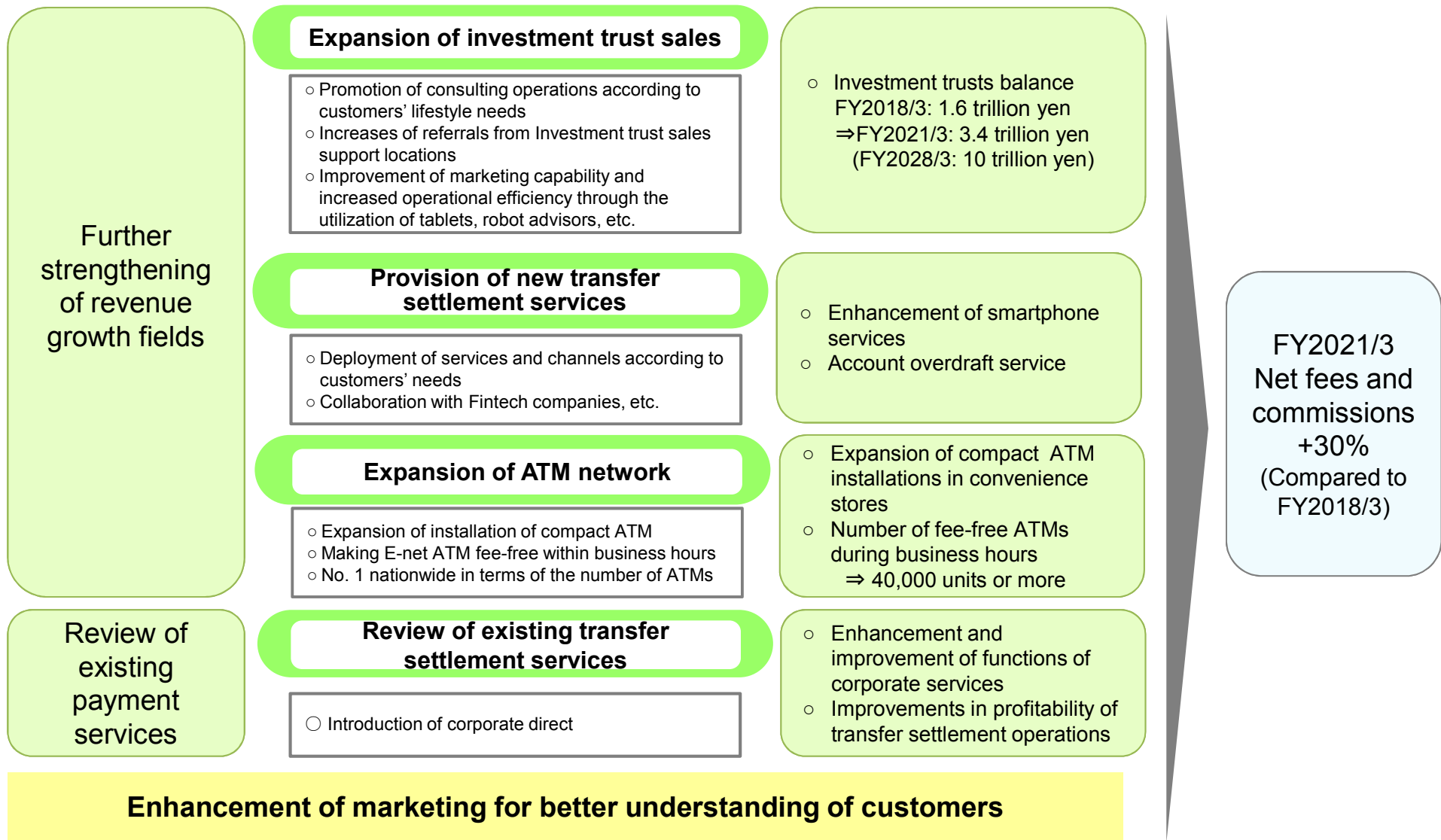
Expansion of ATM network

Compact ATMs (convenience stores)

E-net ATM (Fee-free within business hours)

Growth and expansion of Net fees and commissions in the medium to long term by providing added value to customers

Content of Initiatives



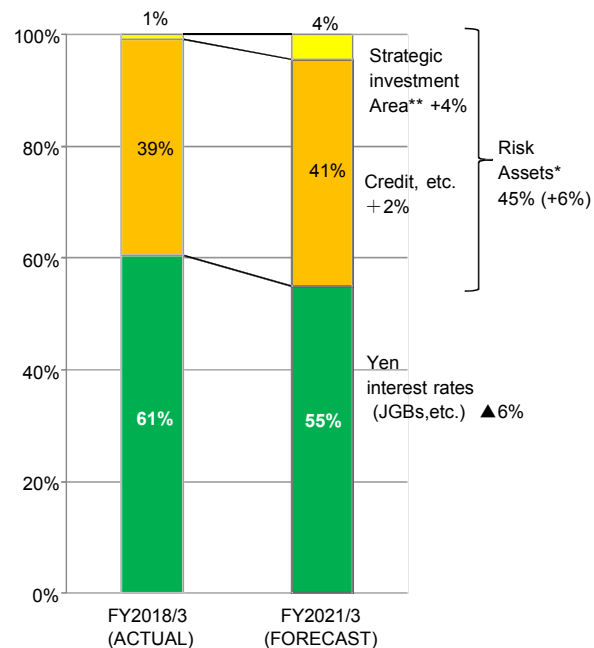
6-1 Diversification and Sophistication of Investment Management

Aim to secure stable earnings in the medium to long term through promoting the diversification and sophistication of investment management

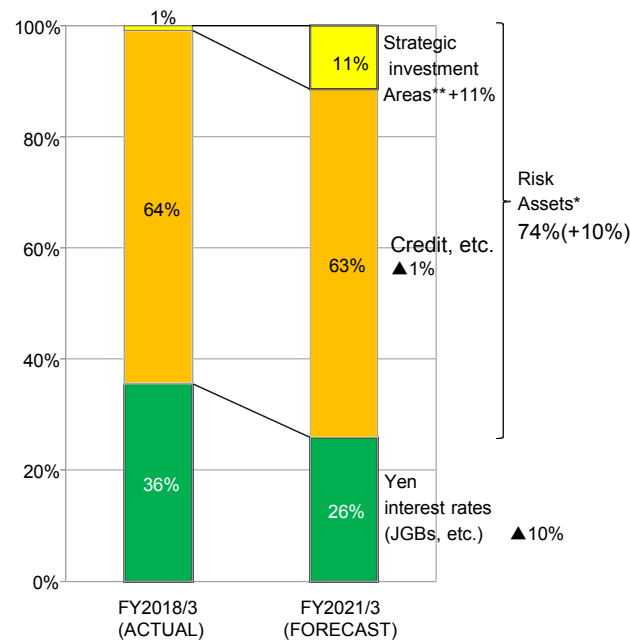
- The earnings from JGBs, etc. that accounted for a large portion of revenues initially after privatization are in significant decline due to the decrease in interest rates.
- Aim to secure stable earnings by fully utilizing capital to take risks centered on risk assets such as overseas credit and alternative investments.
- Although the capital adequacy ratio will decline with the increase in risk assets, the capital adequacy ratio will be maintained at a level that can reassure and obtain the trust of customers and shareholders.

Impact on various indicators, etc.

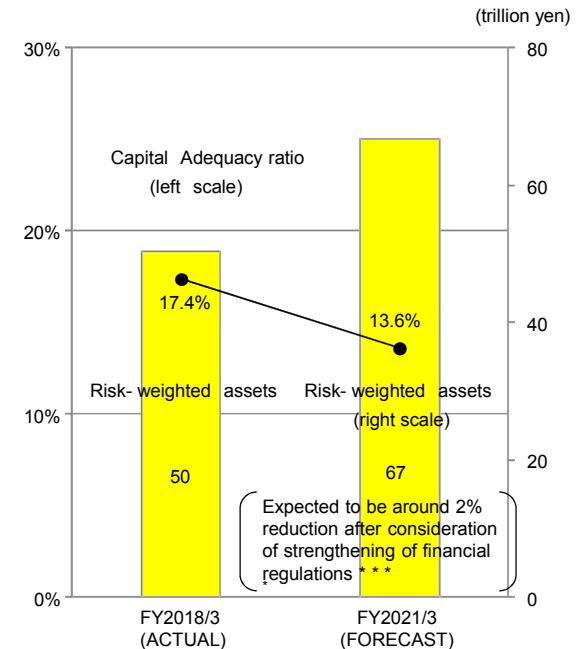
• Portfolio assets



• Net interest income, etc.



• Capital adequacy ratio



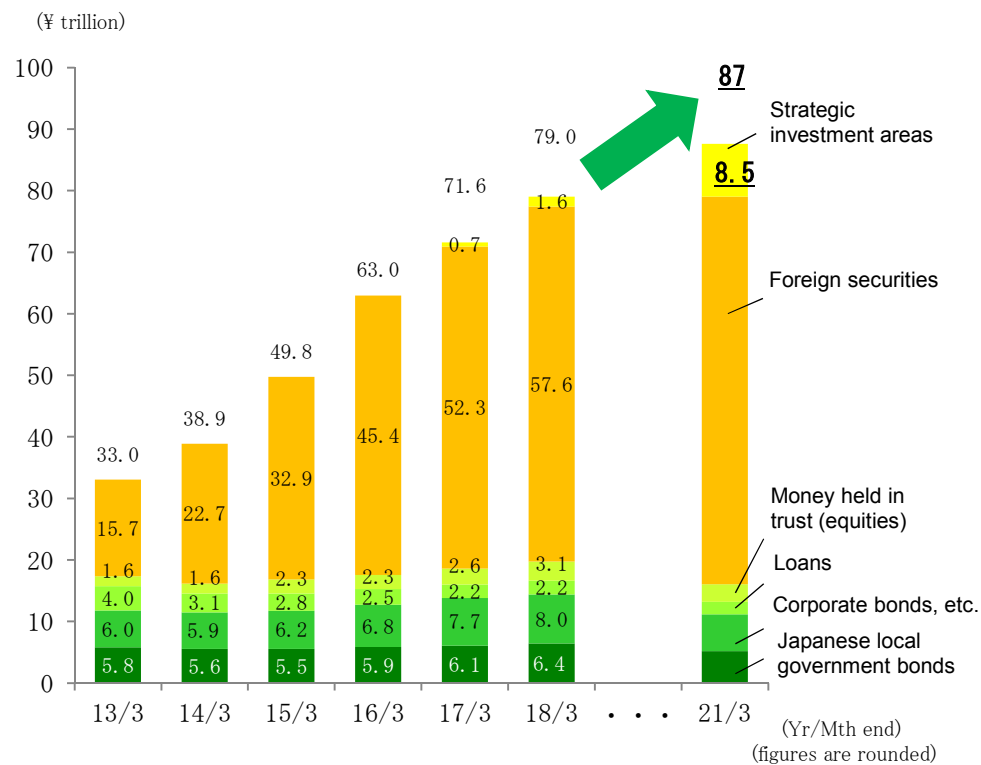
*Assets other than yen interest rates (JGBs, etc.)(existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)
** Existing alternatives (PE, HF, real estate funds (equity))+ real estate funds (debt(non-recourse loans, CMBS)), direct lending funds

*** Review of standard methods pertaining to credit risks, etc. (Planning for January 2022 and after)

6-2 Diversification and Sophistication of Investment Management: Balance of Risk Assets

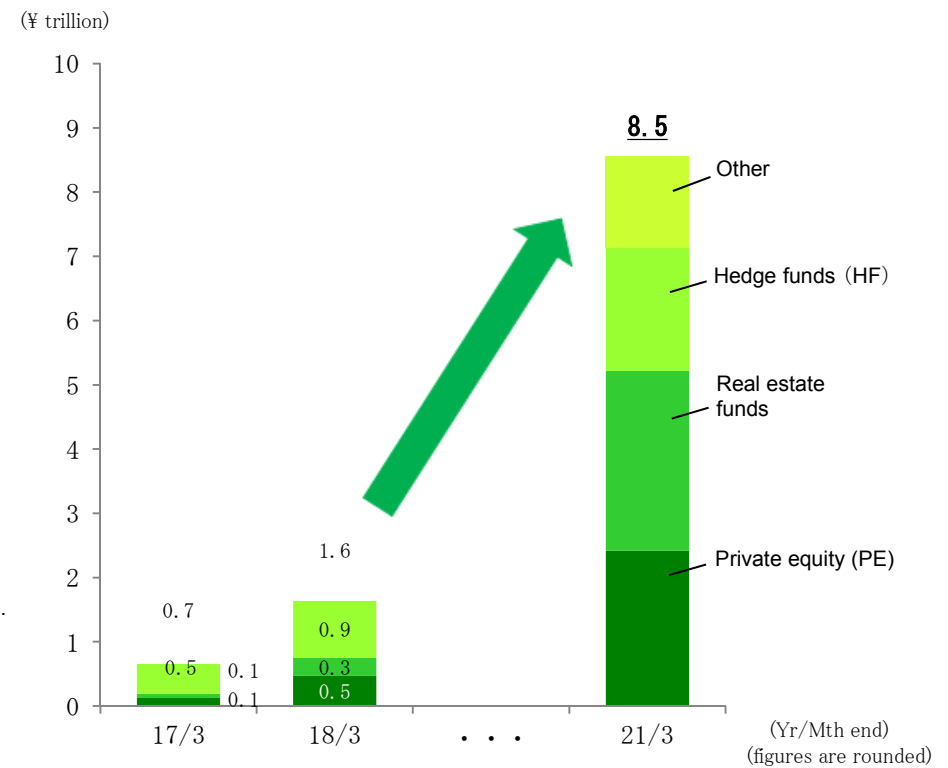
- Promotion of diversification and sophistication of investment management to respond to the reduction of interest income from JGBs, etc.
- The balance of risk assets will increase to around 87 trillion yen by the end of FY2021/3, and the balance of strategic investment area will increase to around 8.5 trillion yen by the end of FY2021/3.

Balance of risk assets



Risk assets: Assets other than interest-bearing yen assets (JGBs, etc.) (Existing SP +BP loans)

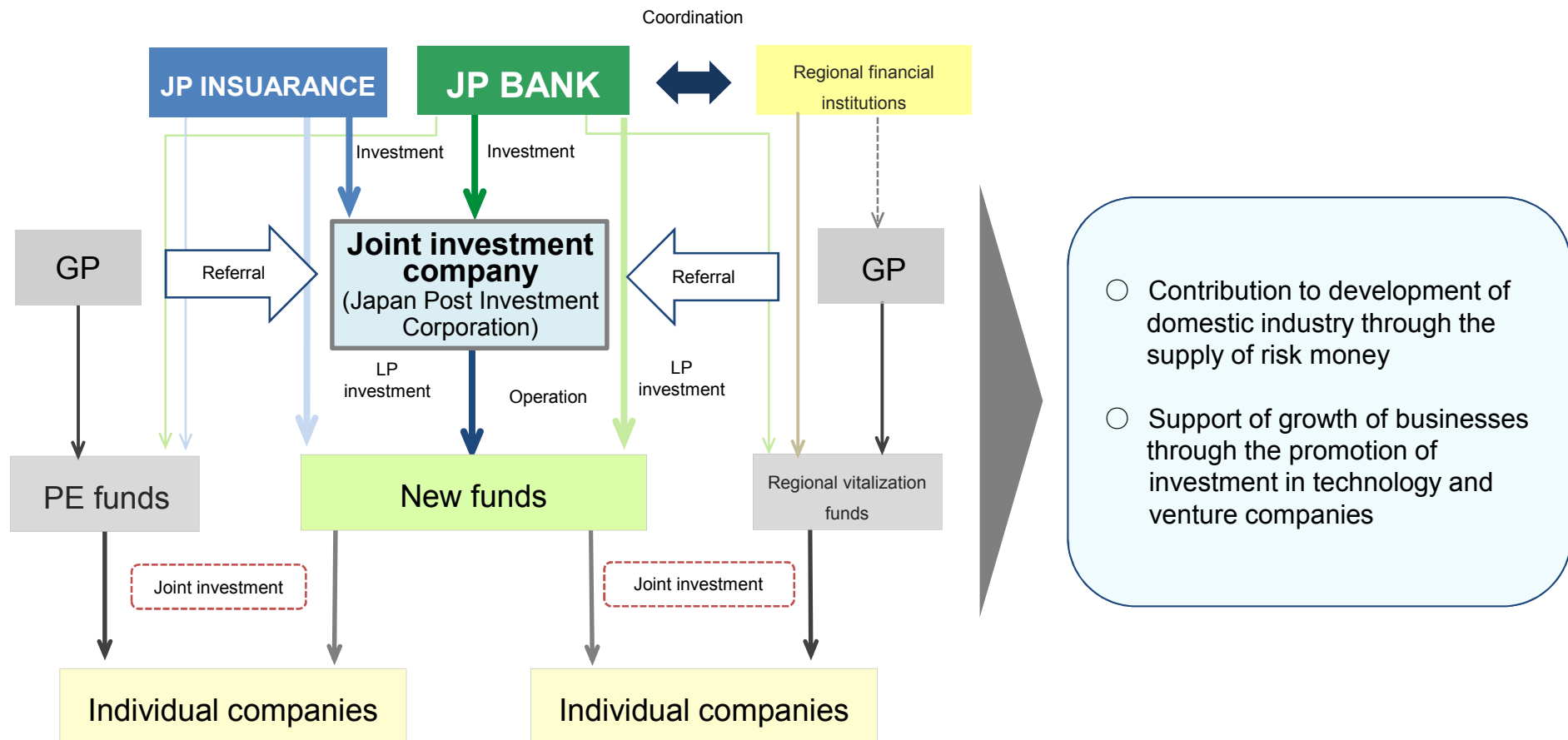
Balance of strategic investment areas



Strategic investment area: Existing alternatives (PE, HF, real estate funds (equity)) + real estate funds (non-recourse loans, CMBS), direct lending funds

6-3 Diversification and Sophistication of Investment Management: PE Investment through Joint Investment Company

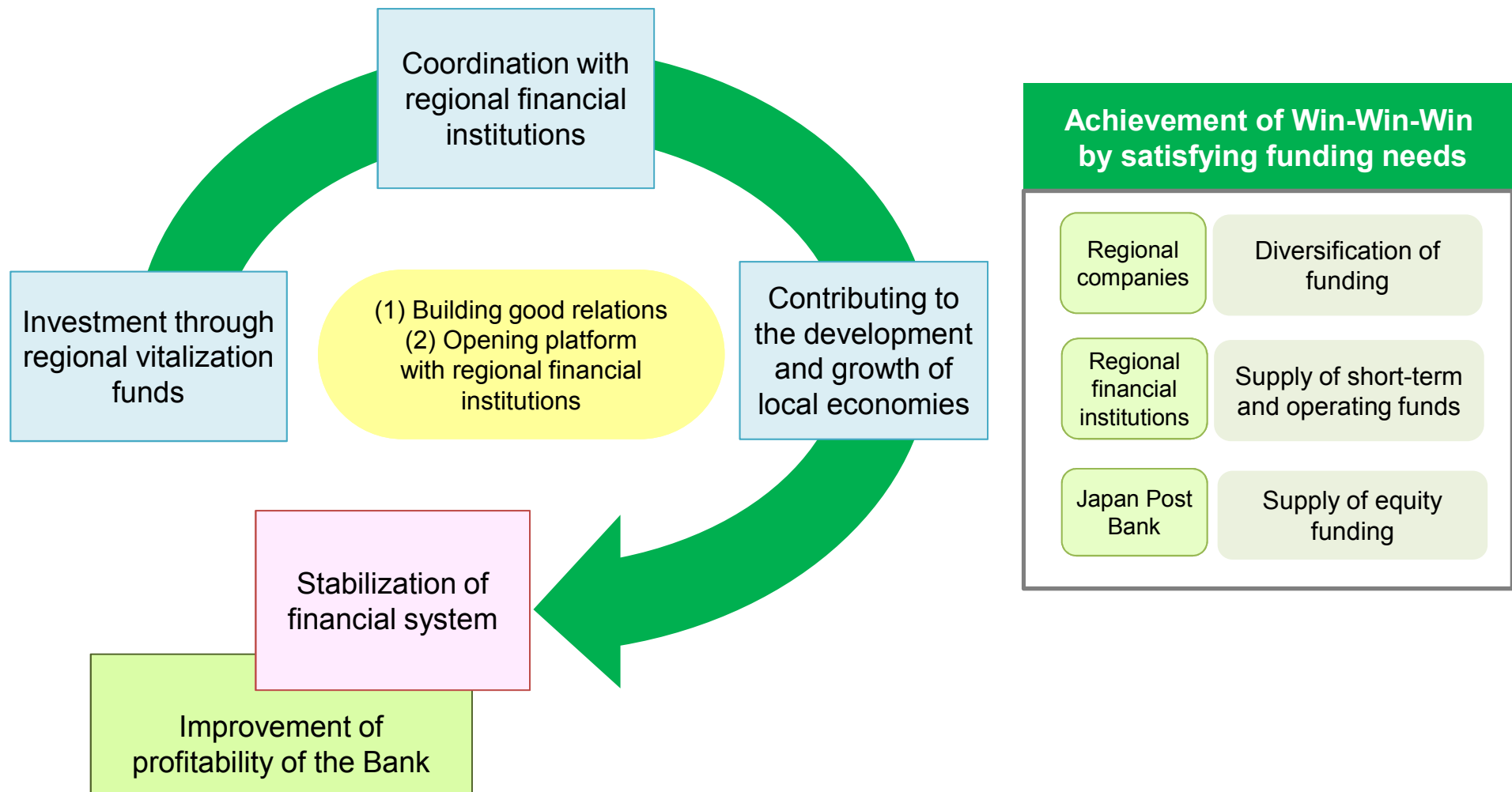
- Aim to further expand earnings through the acquisition of private equity investment opportunities through a joint investment company
- Support the management of portfolio companies through the supply of equity funds



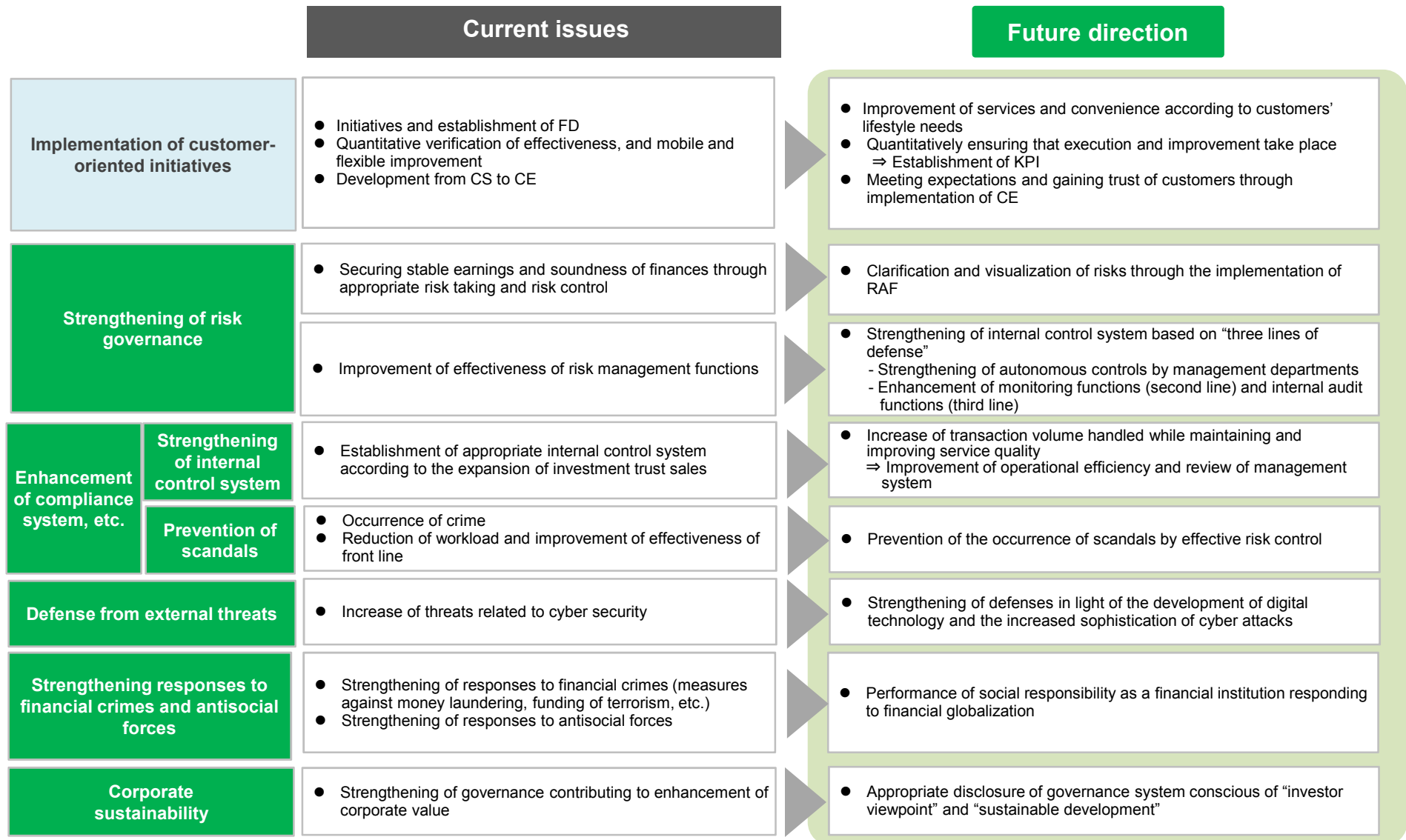
- Contribution to development of domestic industry through the supply of risk money
- Support of growth of businesses through the promotion of investment in technology and venture companies

7 Funds Flow to Regional Communities

- **Coordinate and cooperate with regional institutions through regional vitalization funds**
- **Contribute to development and growth of regional economies through the supply of equity funding to regional companies**
- **Contribute to the stabilization of regional financial systems in the medium to long term through such initiatives**

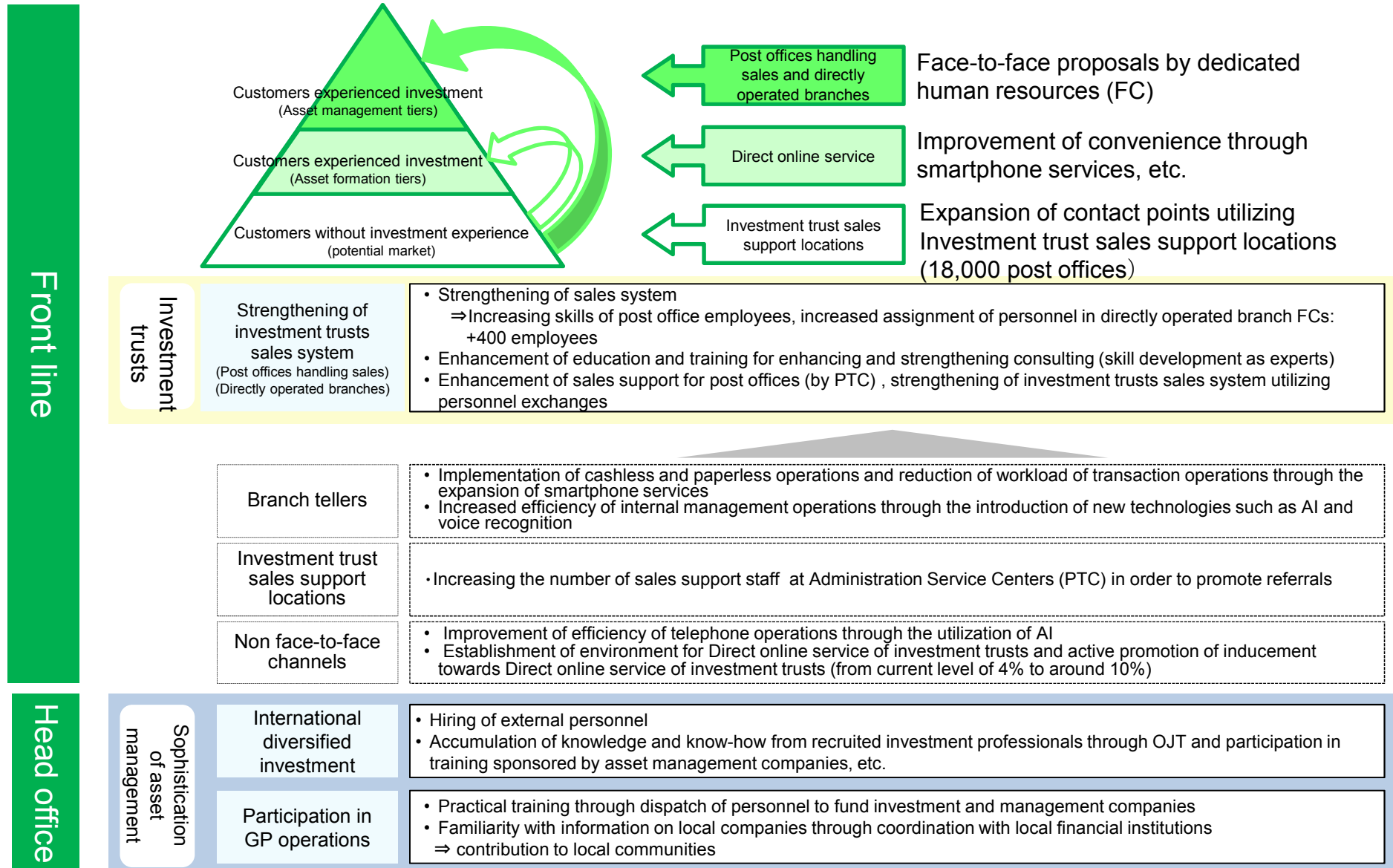


The Bank will work to maintain and improve the quality of services and to strengthen compliance system to secure the trust of customers and shareholders in the medium to long term

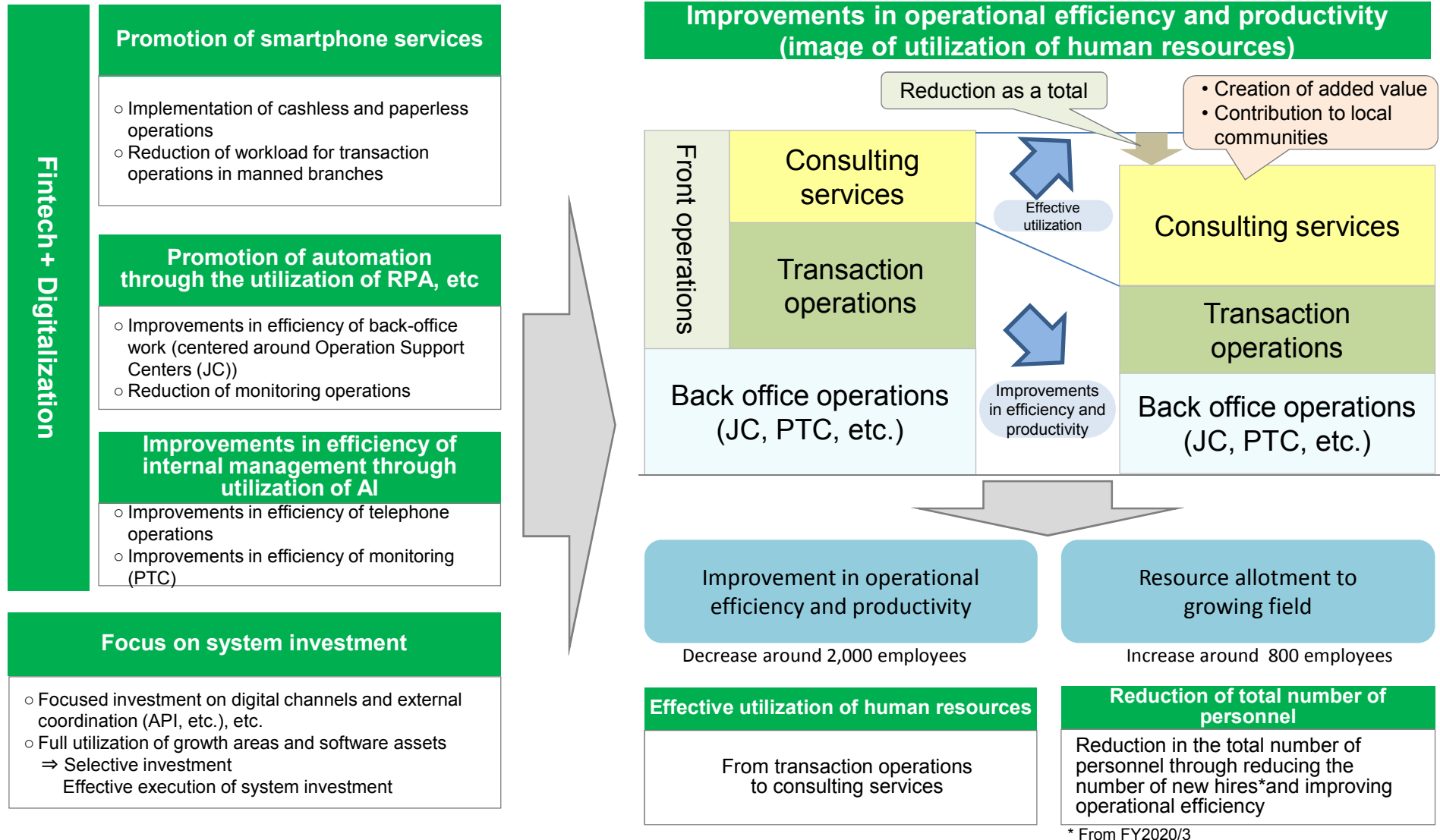


9 Human Resource Development as the Creation of a Foundation for Growth

- Develop human resources that achieve provision of added value for customers and contributions to local communities
- Support the growth of each employee through the enhancement of human resource development programs such as systematic training



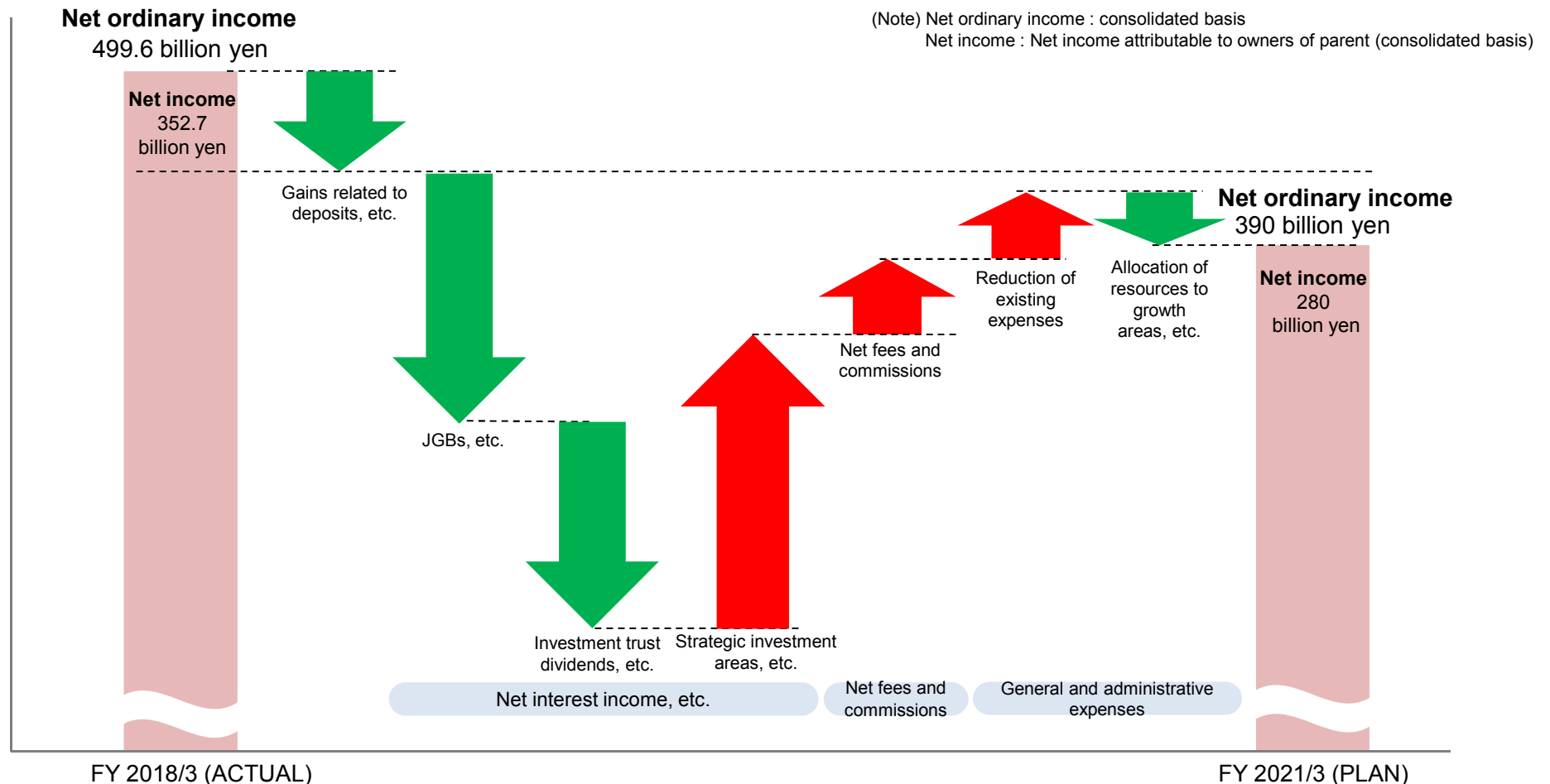
Reallocate management resources to create added value for customers and the Group and to strengthen the corporate structure



11 Changes in Net Ordinary Income (FY2021/3)

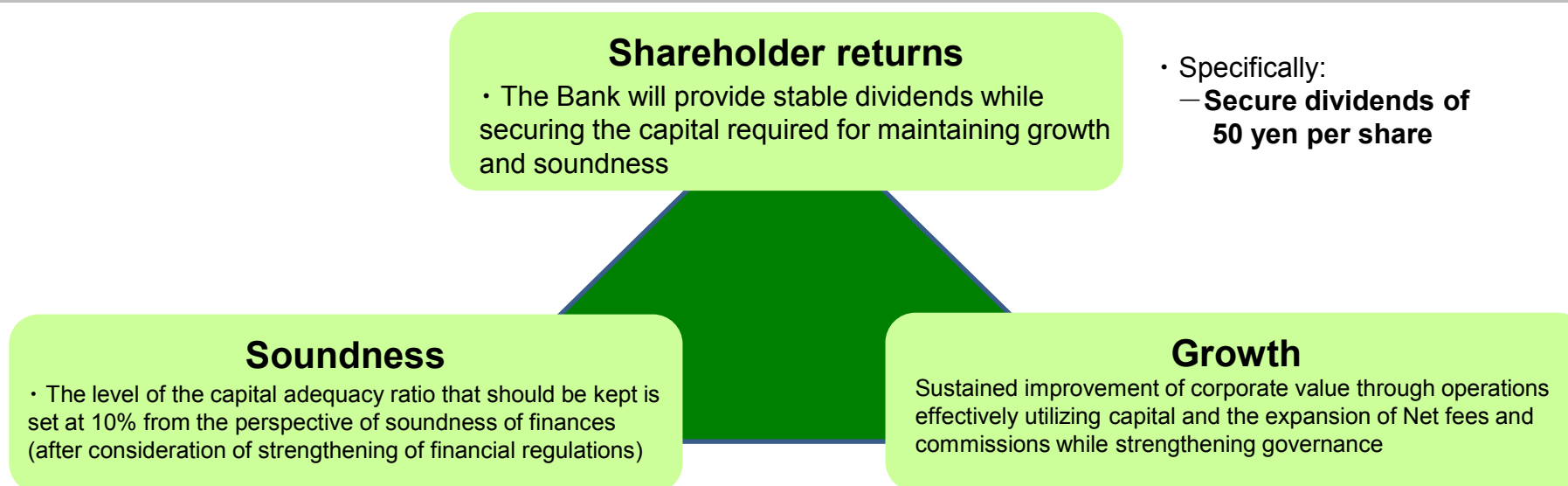
- In Net interest income, the reduction of interest income from JGBs, etc. is covered by risk assets.
- Aiming for +30% in Net fees and commissions compared to FY2018/3 through investment trusts and ATM alliances, etc.
- Aiming to achieve Net ordinary income 390 billion yen and Net income 280 billion yen.

Changes in Net Ordinary Income (FY2021/3)



12 Capital Policy

- The Bank will maintain the current level of dividends (securing 50 yen dividend per share) throughout the duration of the Medium-term Management Plan.
- The dividend policy will be determined by considering factors such as the importance of returns for shareholders, implementation of stable dividends, enhancement of capital adequacy to promote diversification and sophistication of investment management, trends in international financial regulations, and the level of earnings.
- In order to secure enough dividend capital to maintain stable payment of dividend, and to ensure the flexibility and mobility of future capital policy, the Bank will reduce the amount of legal capital surplus and transfer the same amount to other capital surplus (Proposal submissions to the 12th General Meeting of Shareholders)



■ Shareholder return policy (Summary)

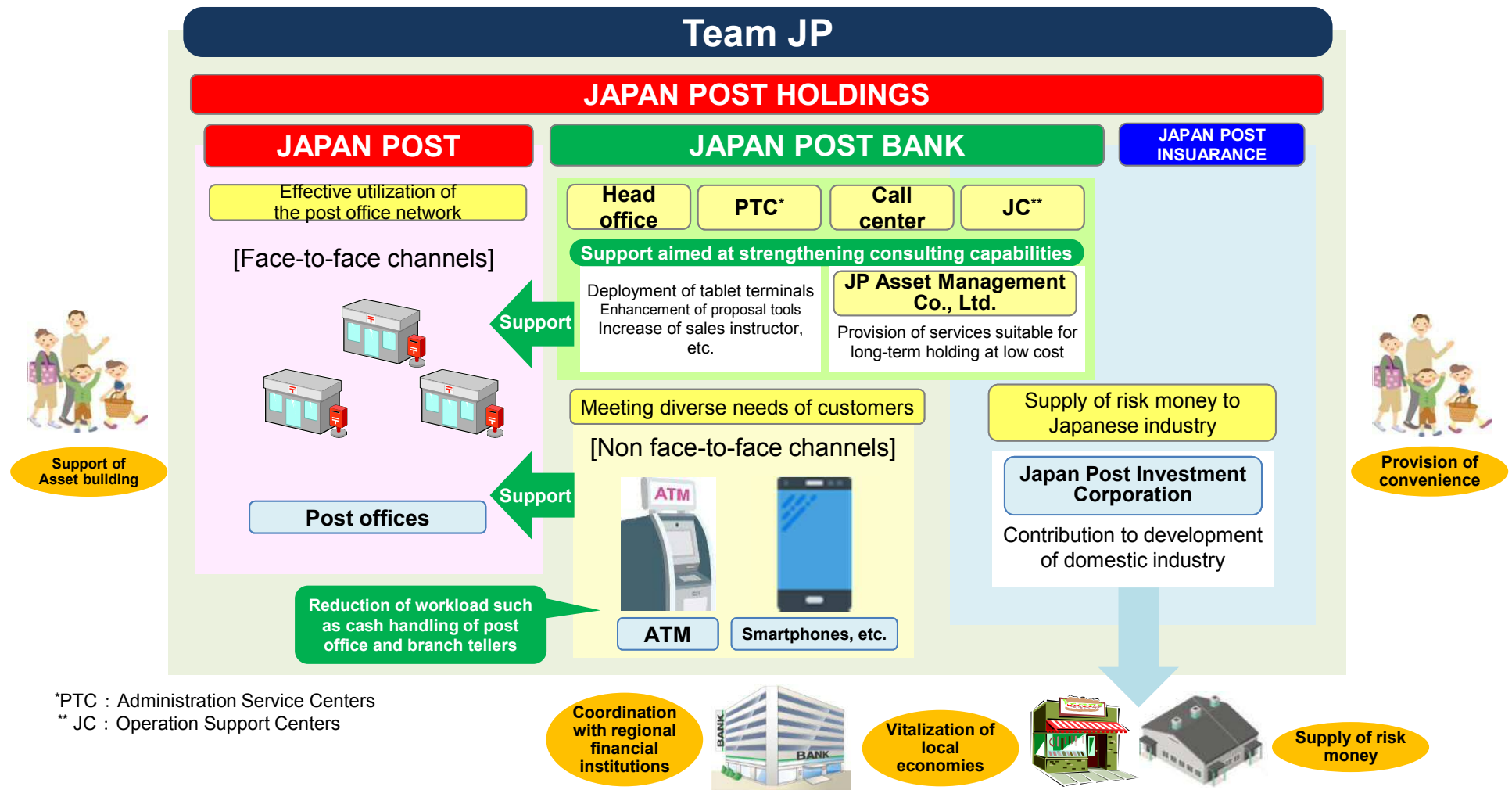
Current state	Medium-term Management Plan (FY2019/3 to FY2021/3)
During the period until FY2018/3, the Bank: <ul style="list-style-type: none"> • aimed to make the payout ratio 50% or more of net income • aimed to maintain stable dividends per share • shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves 	During the period until FY2021/3, the Bank : <ul style="list-style-type: none"> • aims to secure dividends of 50 yen per share • aims to maintain stable dividends per share • shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves

(Reference) Contribution as a Member of Team JP

○ As a Member of Team JP, the Bank will:

- introduce and utilize new technology as much as possible,
- provide “new convenience” and “peace of mind” to customers; and
- implement support aimed at improving consulting capabilities and reducing administrative workload.

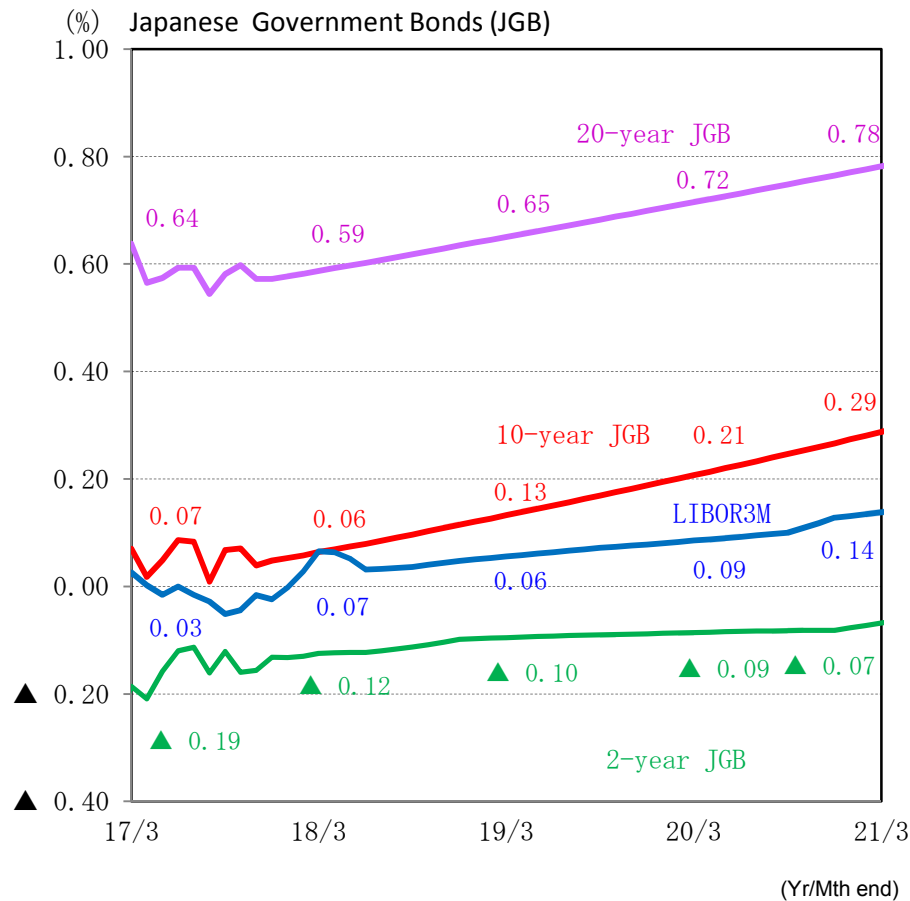
⇒Contribute to the ensuring of universal services by supporting the stable and efficient operations of the post office network



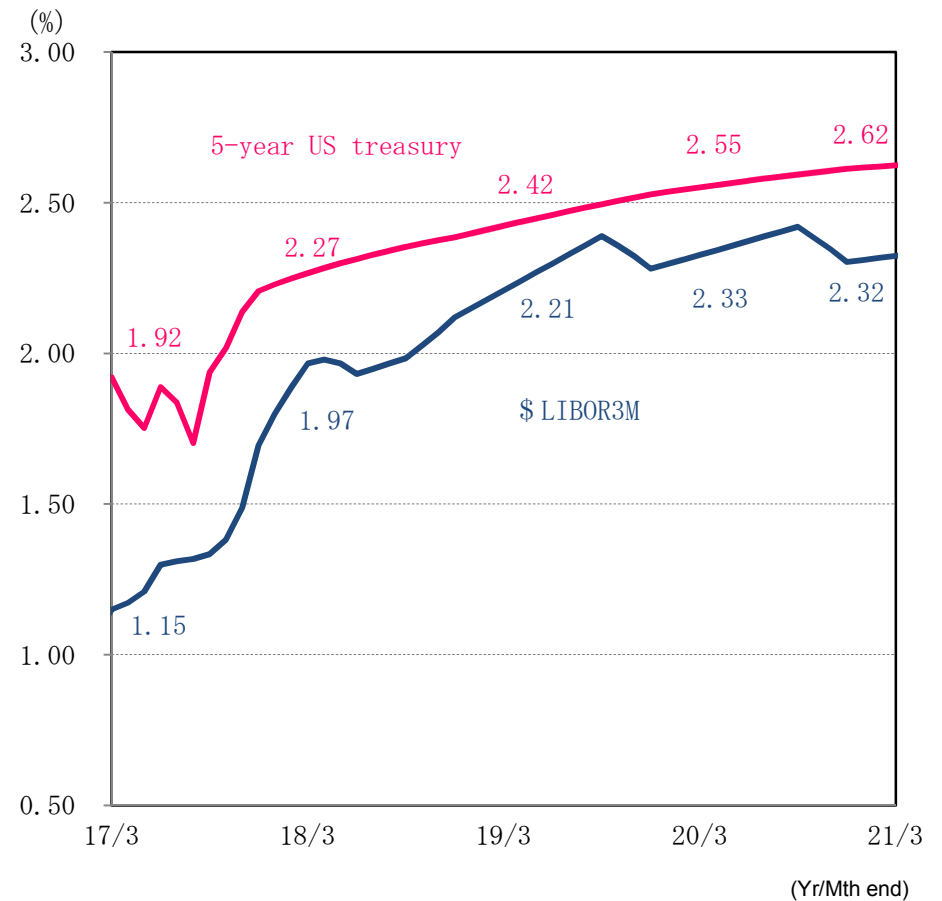
(Reference) Main Assumptions

- Interest rates shown for Japan and overseas are IFR (Implied Forward Rate) as of December 31, 2017
- The exchange rates and share prices are fixed as of December 31, 2017 (USD 1: JPY 113.00; EUR1: JPY134.94; TOPIX: 1,817.56 pts)
- The consumption tax rate to be raised from the current 8% to 10% in October 2019

Assumptions for Japanese interest rates



Assumptions for US interest rates



(Reference) Glossary

	Page	Term	Meaning
1	1,6,7	CMBS	Securitized products used as collateral for the bundling of loans taken out on commercial real estate (such as hotels and offices)
2	1,6	Capital adequacy ratio (Domestic standard)	An important indicator of soundness of management using the ratio calculated with core capital as the numerator and a figure indicating the size of the risk of assets held, etc. (credit risk and operational risk in the Bank) as the denominator.
3	3	BPR	Abbreviation of Business Process Re-engineering. A corporate reform method for increasing the efficiency of business by fundamentally reviewing existing organizations and operations, and redesigning the duties, operational flow, etc. from the perspective of processes.
4	3,8	LP	Abbreviation of Limited Partner. An investor in a fund (fund operation is delegated to the GP). The Bank obtains a variety of knowhow as a step leading to investment as a GP through observer participation, etc. in investment committees of funds.
5	3,8,11	GP	Abbreviation of General Partner. The entity operating a fund that selects deals and makes investment decisions. Has unlimited liability to creditors that is not restricted to the amount of its investment.
6	3,10	RAF	Abbreviation of Risk Appetite Framework. The framework for management using risk appetite* as a common term within the bank in relation to general risk taking policies including the distribution of capital and the maximization of earnings. * Type and total amount of risk that should be accepted for the achievement of business plans based on the distinctiveness of the Bank's business model.
7	3,11,12	AI	Abbreviation of Artificial Intelligence. Using a computer to realize the intellectual activity of a human.
8	3,12	API	Abbreviation of Application Programming Interface. A program enabling people outside the bank to connect to the bank's systems to use their functions. Of these, "open APIs" are those for which the bank provides an API to Fintech companies and allows access to the bank's systems based on customer consent.
9	10	FD	Abbreviation of Fiduciary Duty. Customer-oriented business operation. It refers to each employee seriously thinking "What can I do for the customer" and acting accordingly to provide the very best service for each customer in all operations.
10	10	CE	Abbreviation of Customer Experience. The expected level of customer satisfaction.
11	12	RPA	Abbreviation of Robotic Process Automation. Automation of formulaic tasks such as document preparation and data entry by utilizing artificial intelligence, etc

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