

# 2nd Engine: Market Business

As one of the largest institutional investors in Japan, JAPAN POST BANK will work to both realize sound and profitable investments, and contribute to the realization of a sustainable society.



**Hideki Nakao**  
Managing Executive Officer

**Masato Tamaki**  
Senior Managing Executive Officer

## Main Business

We use the deposits entrusted to us by our customers as resources to invest in securities, etc., in domestic and overseas financial markets.

### External Environment and Social Issues

- Shift in monetary policy
- Increase in domestic interest rates
- Fluctuations in overseas interest rates
- Depreciation in the value of the yen
- Demands of a sustainable society

## Market Business Strengths and Resources

### Diverse Human Resources

- Market operations Professional human resources (As of April 1, 2024) **97**

### Deposit/Capital Bases

- Total assets under management **¥231.0 trillion**
- Financial soundness (consolidated) **Capital adequacy ratio (domestic standards) 15.01%**

Common equity tier1 (CET1) capital ratio (International standards)\* **13.23%**

\* Based on excluding unrealized gains on available-for-sale securities.

- Shareholders' equity **¥9.5 trillion**

### Trusted Brand

- Brand strength based on the trust built since the Bank's founding
- Know-how accumulated since the beginning of operations
- Customer base **Approx. 120 million accounts** (Retail deposit ratio: Approx. 97%)

### Strategy (Medium-term Management Plan / Market Business Enhancement)

- 1 Pursuit of an Optimal Investment Portfolio (ALM Policy)
- 2 Restructuring of the Yen Interest Rate Portfolio
- 3 Pursue Diversified Investment in Foreign Assets
- 4 Further reinforcing risk management

## OUTPUT

### Pursue Diversified Investment in Foreign Assets

- ▶ Balance of risk assets **¥107.4 trillion**
- ▶ Balance of strategic investment areas **¥12.1 trillion**

### Restructure Yen Interest Rate Assets

## OUTCOME

### Customers

- Provide a sense of security and pay interest through the stable management of entrusted deposits

### Shareholders/Investors

- Securing of stable core revenue

### Regional communities

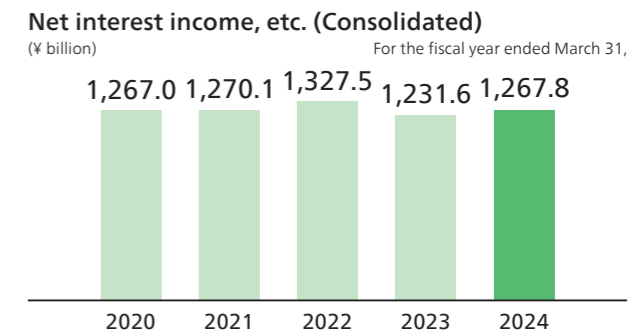
- Contribute to regional communities through ESG investments and loans

### Environment

- Contribute to the global environment through ESG investments and loans

## FY2024/3 Performance

The actual results for FY2024/3 net interest income, etc., which are mainly equivalent to market business revenues, were ¥1,267.8 billion. Against the backdrop of rising foreign currency procurement costs, non-recurring gains grew by ¥36.2 billion compared with the previous fiscal year due to an increase in gains on sales of stocks associated with operations for risk controls, in addition to the contribution from gains related to private equity and other funds.



## FY2024/3 Results and Future Initiatives

### Pursuit of an Optimal Investment Portfolio (ALM Policy)

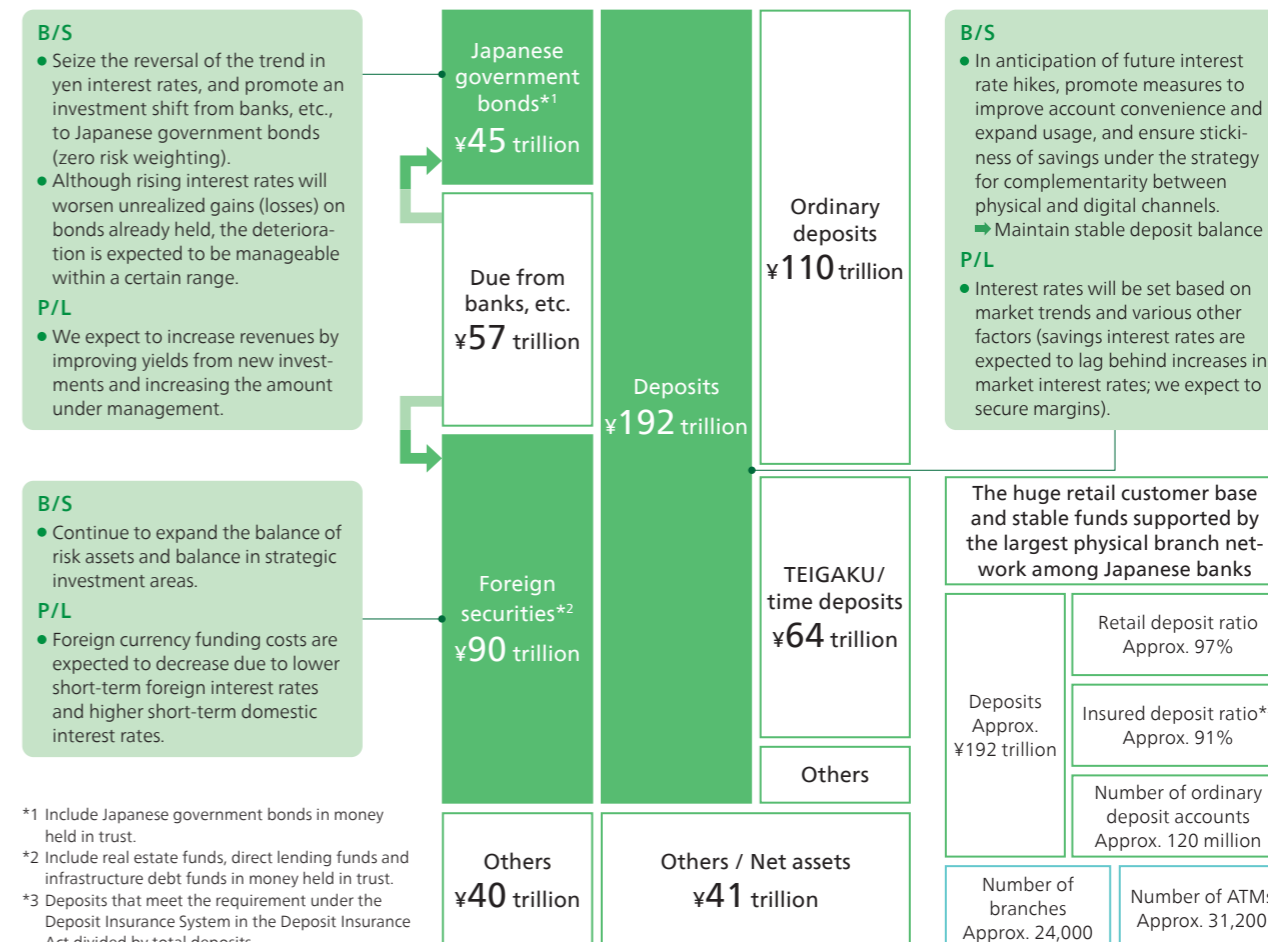
On the funding procurement (liabilities) side, JAPAN POST BANK will maintain and deepen its customer base through complementarity between physical and digital channels, thereby maintaining and sustaining a stable funding base and

balance of deposits centered on highly sticky retail deposits.

On the asset management (asset) side, the Bank will pursue an optimal investment portfolio that combines yen interest rate assets, such as Japanese government bonds, with risk assets, such as foreign securities.

### Total assets as shown on the Bank's balance sheet (non-consolidated):

**¥233 trillion** (as of March 31, 2024)



\*1 Include Japanese government bonds in money held in trust.

\*2 Include real estate funds, direct lending funds and infrastructure debt funds in money held in trust.

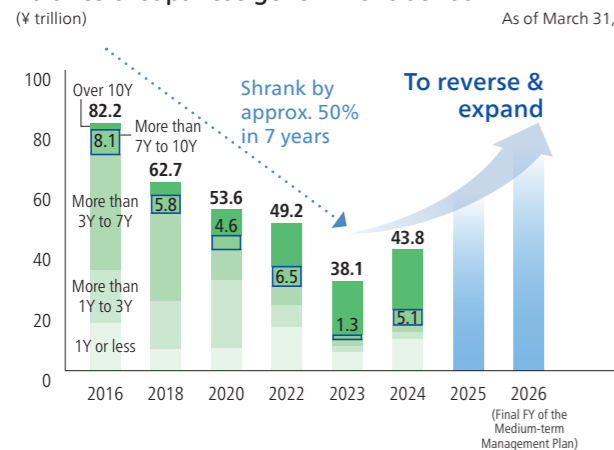
\*3 Deposits that meet the requirement under the Deposit Insurance System in the Deposit Insurance Act divided by total deposits



### Restructuring of the Yen Interest Rate Portfolio

Seizing upon the reversal trend in yen interest rates, the Bank will promote a shift in investments from deposits to Japanese government bonds in an effort to restructure its yen interest

#### Balance of Japanese government bonds\*1



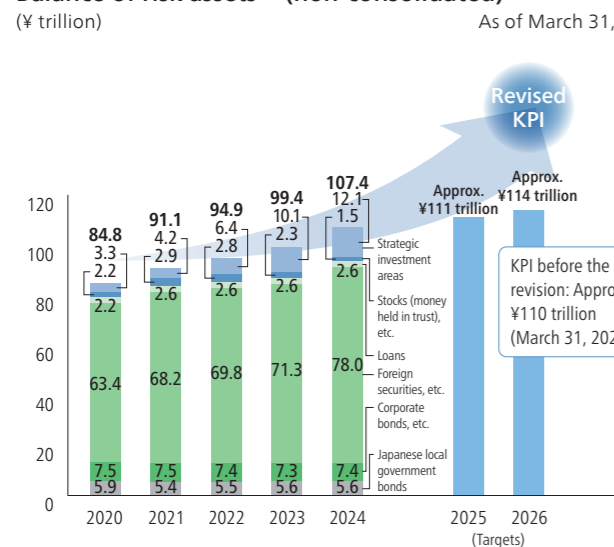
\*1 Except Japanese government bonds in money held in trust.

\*2 Consolidated, management accounting basis. "Risk assets" consist of Japanese local government bonds, corporate bonds, loans, stocks (money held in trust), foreign securities, and strategic investment areas, etc. Yen interest assets and risk assets include income and expenses related to internal fund transactions among portfolios.

### Pursue Diversified Investment in Foreign Assets

Continue to utilize capital to increase the balance of risk assets and balance in strategic investment areas up through the end of FY 2026/3, while remaining conscious of risk-adjusted returns.

#### Balance of risk assets\*1 (non-consolidated)



\* Following application of the Implementation Guidance on Accounting Standard for Fair Value Measurement (revised in 2021), from FY2023/3 the balance of private equity funds and real estate funds will, with the exception of some assets, be based on market value.

\*1 Assets other than yen interest rate assets (Japanese government bonds, etc.)

\*2 Private equity funds, real estate funds (equity, debt), direct lending funds, infrastructure debt funds, etc.

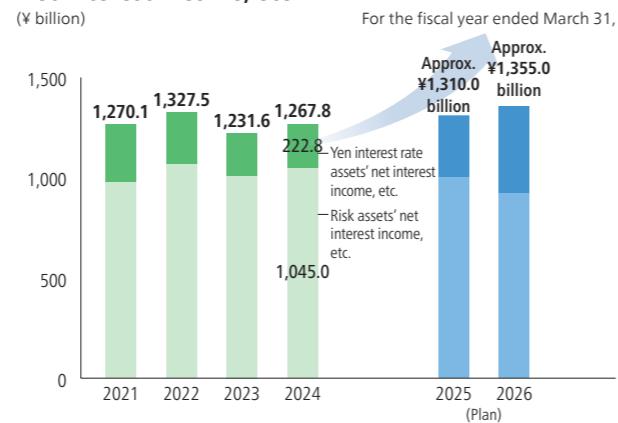
### Further Reinforcing Risk Management

Under the current Medium-term Management Plan, in addition to capital adequacy ratio (domestic standard), the Bank has set and manages the minimum target level common equity tier1 (CET1) capital ratio (internationally unified standard, excluding valuation gains on available-for-sale securities) of approximately 10% as the target level in normal times. We are also steadily promoting more advanced stress tests and stronger monitoring to further reinforce risk management.

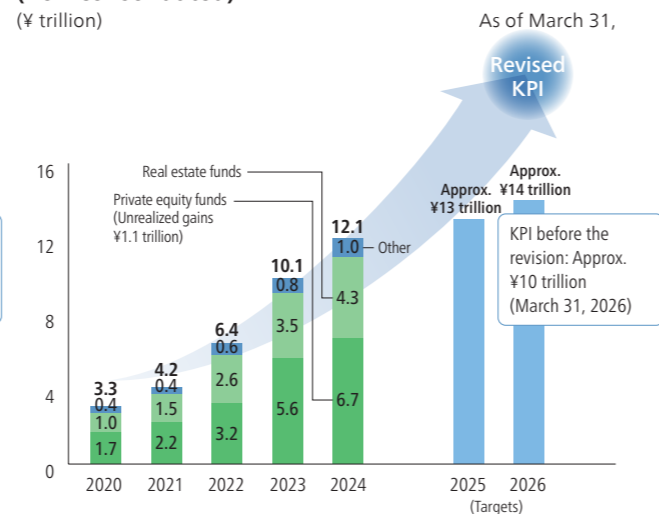
As of the end of March 2024, the capital adequacy ratio (domestic standard) was 15.01% and the CET1 ratio was 13.23%,

rate portfolio. The Bank thereby aims to reverse and expand income from yen interest rate assets while securing risk asset-related income.

#### Net Interest Income, etc.\*2



#### Balance of strategic investment areas\*2 (non-consolidated)



exceeding the target level in normal times (approximately 10%).

#### Initiatives to strengthen risk management

- Enhancement and upgrading of monitoring systems to support portfolio management (strategic investment areas, credit portfolio, foreign currency liquidity, etc.)
- Maintain sufficient financial soundness and strengthen risk management systems (e.g., conduct stress tests in light of changes in the internal and external environments)
- Respond appropriately to revisions and tightening of international financial regulations



**Aya Tanaka**  
Private Equity Investment Department

## Expanding Strategic Investment Areas

### Private Equity Investments

I joined JAPAN POST BANK in 2013 as a new graduate, coming in on a career track, and have engaged in private equity (PE) investing operations since 2016. Since the Bank began PE fund investment operations in 2016, it has come to boast one of the largest investment volumes in the world, with the balance of assets under management totaling around ¥6 trillion on a fair value basis. Along the way, I have gained experience in a variety of roles, including roughly seven years seconded to a PE

Corporation, a Bank subsidiary, where I handled investment operations for individual companies and domestic buyout funds, among other things.

I am currently mostly in charge of planning assistance involving overall PE fund investments, monitoring investee funds, and contract management operations. I will continue to hone my capabilities and deepen my expertise from various angles to contribute to the growth of the Bank's portfolio and its earnings.

### Foreign Corporate Bond Investments

I joined the Investment Division of JAPAN POST BANK in 2020 as a mid-career hire, coming in on a professional track. Leveraging the experience and skills I had previously acquired on the buyer side, I am currently engaged in the in-house management of foreign corporate bond investments as a credit analyst. Specifically, I analyze the past performance of investee companies in the sectors I am in charge of (pharmaceuticals, insurance, etc.) and forecast future earnings. I also travel overseas to visit existing investee

companies as well as new investee companies directly, daily gathering the information needed to execute investment decisions, such as through interviews with management teams and IR staff. I will continue to carefully take stock of the market as I engage in analytical operations. I am also a member of a group within my division that promotes women's participation and advancement in the workplace, through which I hope to help create welcoming workplaces for female employees.



**Aki Sakamoto**  
Global Credit Investment Department



**Rina Ogiso**  
Risk Management Department

## Deepening Risk Management

### Managing Risk for the Asset Management Portfolio

I joined JAPAN POST BANK in 2018 as a new graduate, coming in on a career track. Since 2020, I have served as a member of the Risk Management Department, where I am currently engaged in managing risks for the Bank's asset management portfolio. Specifically, I am involved in using statistical methods to measure credit risk and calculating capital adequacy and CET1 ratios. The Bank's asset management portfolio is one of the largest and most unique in Japan. This means that, on top of gauging market conditions and

being knowledgeable about various laws and regulations, we need to have a thorough understanding of the product features of the assets the Bank holds. Working closely with relevant departments to gather information, I am striving to enhance the Bank's risk management, eager to embrace the challenges that come from a situation that changes daily.

I will continue to help further strengthen the Bank's risk management while addressing growth in the balance of risk assets in strategic investment areas.



## Building a Strong Operational Structure



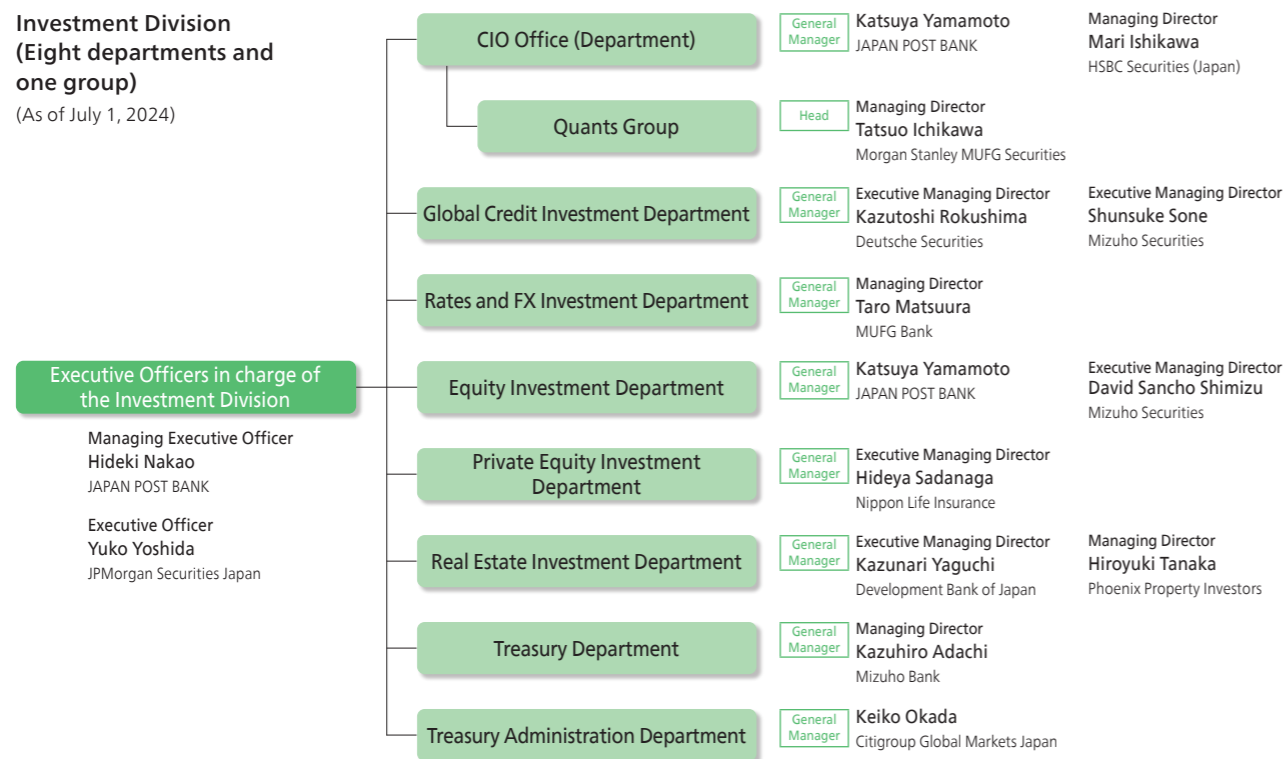
Under the supervision of the dedicated Executive Officers in charge, the Bank's Investment Division comprises eight departments and one group, specializing in different fields. The management at the General Manager-level is staffed by specialized human resources with a wide range of experience. In addition to promoting the expansion of human resources in market-related departments to both strengthen risk management and other systems, and to develop the infrastructure, we are actively recruiting and training market human resources.

Specifically, in addition to appointing investment division officers from outside the company and continuously hiring human resources specializing in the market, including risk management, we are implementing, on an ongoing basis, basic and applied training programs conducted by professionals for our younger human resources.

### Operational Structure

#### Investment Division (Eight departments and one group)

(As of July 1, 2024)



Note: Main former appointment listed below name.



## Sustainability × Market Business

### JAPAN POST BANK ESG Investments and Loans

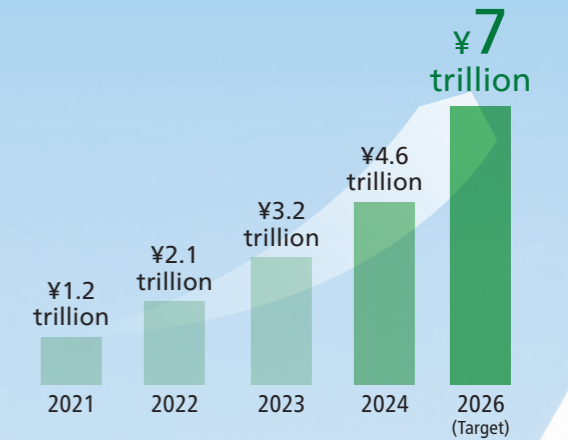
#### Promoting ESG-themed investments and loans

Along with functioning as a Bank that provides services throughout Japan, JAPAN POST BANK operates as one of the country's largest institutional investors with a primary focus on rates and FX investments. In aiming to achieve a carbon free society and a sustainable society more generally, the Bank recognizes the importance of countries and corporations, among others, working together. The Bank therefore established a target for the balance of ESG-themed investments\* as part of its Medium-term Management Plan that kicked-off in FY 2022/3 in order to meet its obligations as an institutional investor. Likewise, the Bank actively invests in green bonds and loans, transition bonds and loans, and other areas. When recently revising the current Medium-term Management Plan, the Bank increased the target for FY 2026/3 from ¥4 trillion to ¥7 trillion. With this change, the Bank will appropriately tap into high-value loan demand targeting the expected shift away from carbon use, and through financing will further drive initiatives implemented by investees targeting solutions to various social issues.

\* ESG bonds (green bonds, social bonds, sustainability bonds, etc.) and loans to the renewable energy sector, regional vitalization funds, etc.

#### Balance of ESG-themed investments

For the fiscal year ended March 31,



#### Estimating positive impacts coinciding with investments and loans

Funding provided by JAPAN POST BANK is allocated to various projects in Japan and abroad in the renewable energy business, for example. In order to measure the outcomes of these projects, among its ESG-themed investments and loans the Bank estimated the positive impacts of green bonds and social bonds based on impact reports disclosed by investee companies, as well as on information vendor data.





There is no unified international standard regarding impact estimation methods, meaning the current estimate was made in a searching manner. Amid the growing importance of climate change, declining birthrates and aging populations, and other social and environmental issues,

however, the Bank recognizes the importance of realizing a positive cycle that links the creation of these impacts with improvements to economic and social growth and sustainability. Given this recognition, the Bank will make further efforts towards enhancing impact measurement and application methods.

See the Sustainability Progress Report for details on positive impacts.

**More information**  
 Sustainability Progress Report  
[https://www.jp-bank.japanpost.jp/en/sustainability/report/pdf/sustainability-progress-report\\_en.pdf](https://www.jp-bank.japanpost.jp/en/sustainability/report/pdf/sustainability-progress-report_en.pdf)

#### Examples of positive impacts created through ESG-themed investments and loans

<b>Contribution to GHG emissions reduction</b>  Approx. <b>16,000,000 t-CO<sub>2</sub>/year</b> Contribution to GHG emissions reduction realized by companies, etc. through funding provided by the Bank	<b>Reduce or forgo water use</b>  Approx. <b>430,000 tons/year</b> Amount of water use reduced or avoided as a result of projects implemented by companies, etc., through funding provided by the Bank
<b>Those who experience an improvement in health</b>  Approx. <b>7,300 persons/year</b> Number of persons who experienced an improvement in health as a result of services offered through funding provided by the Bank	<b>Job creation</b>  Approx. <b>10,000 persons/year</b> Number of jobs created as a result of businesses implemented through funding provided by the Bank