



# JAPAN POST BANK

## Investors Meeting FY2021/3

May 21, 2021

Director, President and Representative Executive Officer

Norito Ikeda

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## Consolidated Subsidiaries, etc.

Consolidated subsidiaries	4 companies Principal companies: JAPAN POST BANK LOAN CENTER Co., Ltd. Japan Post Investment Corporation
Affiliates accounted for by the equity method	ATM Japan Business Service, Ltd. JP Asset Management Co., Ltd.

Note: All Japanese yen figures in the financial statements of JAPAN POST BANK Co., Ltd. (the “Bank”) and its consolidated subsidiaries have been rounded down, unless otherwise noted. Accordingly, the total of each account may not be equal to the combined total of individual items.

# Today's Key Points

## — (1) Review of Financial Results for FY2021/3 and the Previous Mid-term Plan —

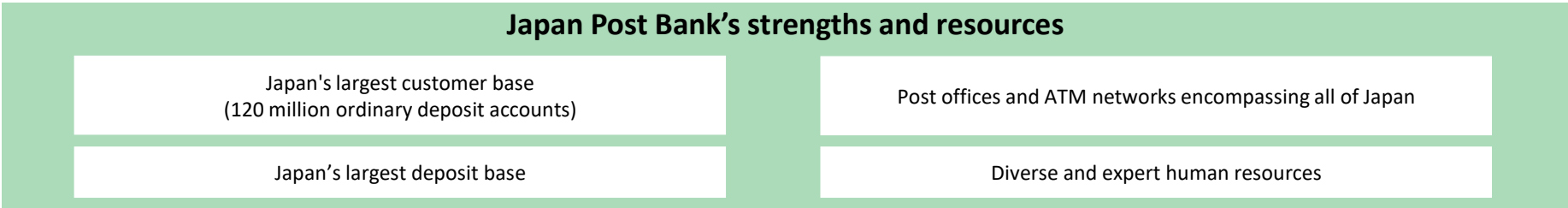
- Stronger net income than projected due to improving market conditions and a reduction in general and administrative expenses (¥280.1bn, achievement rate of 103.7%\*<sup>1</sup> compared to plan). Dividend set at ¥50 per share.
- All targets other than investment trust balances were achieved during the previous Mid-term Plan (FY2019/3 - FY2021/3). The Bank strengthened its financial base in advance of the new Mid-term Plan.

	Items	Mid term targets (FY2021/3)	Results (FY2021/3)	Review													
Profit targets	Ordinary income (consolidated basis)	¥390.0bn	¥394.2bn	<ul style="list-style-type: none"><li>Even as low interests have continued, and under the harsh environment created by the spread of COVID-19, etc., we have advanced in each initiative, and achieved our profit targets.</li></ul>	<div>Plan and Actual Net Income</div> <div>Cumulative profit for 3 years (Plan) : ¥810.0bn Cumulative profit for 3 years (Actual) : ¥819.7bn</div> <div><p>(¥bn)</p><table><thead><tr><th>Fiscal Year</th><th>Plan</th><th>Actual</th></tr></thead><tbody><tr><td>2019/3</td><td>260.0</td><td>266.1</td></tr><tr><td>2020/3</td><td>270.0</td><td>273.4</td></tr><tr><td>2021/3 (FY)</td><td>280.0</td><td>280.1</td></tr></tbody></table><p>Note: The plans for FY2019/3 and FY2020/3 are earnings forecasts, and the plan for FY2021/3 is the target in the previous Mid-term Plan. (Earnings forecast for FY2021/3 is ¥270bn)</p></div>	Fiscal Year	Plan	Actual	2019/3	260.0	266.1	2020/3	270.0	273.4	2021/3 (FY)	280.0	280.1
	Fiscal Year	Plan	Actual														
2019/3	260.0	266.1															
2020/3	270.0	273.4															
2021/3 (FY)	280.0	280.1															
Net income (consolidated basis (attributable to owners of parent))	¥280.0bn	¥280.1bn															
Retail	Assets under management	Around ¥+1.8tn in 3 years	¥+9.0tn in 3 years	<ul style="list-style-type: none"><li>Advanced efforts such as “asset formation from savings” and enhancement of payment services, and net fees and commissions have increased by +32% compared to FY2018/3.</li><li>Going forward we will need to work to ensure thoroughness of services while also working to further disseminate customer-oriented business operations.</li></ul>													
	Balance of investment trusts	Around ¥+1.7tn in 3 years	¥+0.9tn in 3 years														
	Net fees and commissions (compared to FY2018/3)	+ 30%	+ 32%														
Investment	Balance of risk assets	Around ¥90tn* <sup>2</sup>	¥91.1tn	<ul style="list-style-type: none"><li>In order to compensate for decreases in revenue from Japanese government bonds, we have been steadily building up our risk asset balance and our strategic investment areas balance. As the risk of stress events being realized has increased, a key issue is enhancing stress resistance.</li></ul>													
	Balance of strategic investment areas	Around ¥4 to 5tn* <sup>2</sup>	¥4.2tn														
Costs	Predetermined expenses (compared to FY2018/3)	¥ (30.0)bn	¥ (58.2)bn	<ul style="list-style-type: none"><li>Work reforms and productivity improvement are progressing. FY2021/3 general and administrative expenses were reduced by ¥ 33.6bn compared to FY2018/3. Going forward it will be necessary to further advance DX, and strive for further productivity increases.</li></ul>													
	Administrative efficiency (compared to FY2018/3)	Equivalent to (2,000) people	Equivalent to (2,533) people														
Shareholder returns	Dividends per share	Secured 50 yen in 3 years	Implemented 50 yen dividends	<ul style="list-style-type: none"><li>Implemented shareholder returns in accordance with policies from previous mid term management plan.</li></ul>													
Capital Adequacy Ratio	Capital Adequacy Ratio	Approx. 10% (Levels to be secured)	15.53%	<ul style="list-style-type: none"><li>We ensured financial soundness while advancing risk-taking to secure profit.</li></ul>													
Funds Flow to Regional Communities		<ul style="list-style-type: none"><li>In addition to advancing contributions to regional vitalization funds in collaboration with regional financial institutions (cumulative total of 32 cases as of the end of FY2021/3), we advanced the flow of funds to regional communities by making decisions on contributions to investment and business management companies (Japan Platform of Industrial Transformation, Inc.), etc.</li><li>Advanced collaborations with regional financial institutions that utilize ATM networks, and aggregation of operational processes that utilizes Operation Support Centers.</li></ul>															
Strengthening of Business Management Systems		<ul style="list-style-type: none"><li>Advanced customer-oriented business operations, risk governance enhancements, enhancements of anti-cyber attack systems, enhancements of compliance systems, enhancements of anti-money laundering and combating the financing of terrorism responses, and enhancements of ESG initiatives, etc.</li></ul>															

\*<sup>1</sup> The achievement rate to forecast for net income attributable to owners of parent, revised upwards in November 2020. \*<sup>2</sup> Values following review changes published in May 2019.

■ Based on our reassessment of the previous mid-term management plan, our awareness of the business environment and business issues at hand, and our strengths and resources, we will position the next 5 years under the new Mid-term Management Plan as a period for “deepening trust, and taking on the challenge for financial innovations,” advance our 5 key strategies, and aim for innovations to our business model and enhancements to business sustainability.

Basic Policies of the Medium-term Management Plan (FY2022/3 through FY2026/3)



\* Although the target period for the Mid-term Management Plan is 5 years, we will revise the plan in around 3 years as necessary depending on changes in the business environment

\* DX is an abbreviation of “digital transformation.” Refers to the innovation of work and business models into superior forms through the active use of data and digital technology

## — (2) Financial Targets in the Mid-term Management Plan —

- We will strive for a consolidated net income of ¥350.0bn or greater by FY2026/3.
- In addition to fulfilling our duty<sup>\*1</sup> to provide universal services in finances, we will advance our efforts to improve profitability and efficiency.
- We will set a capital adequacy ratio (domestic standard) of approximately 10%, and a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

<sup>\*1</sup> Japan Post Bank has certain obligations as a bank related to the provisions of the Japan Post Company Act, and provides “simple savings, remittance and payment services” via our nationwide post-office network.

<Consolidated Basis>		FY2021/3 Performance	FY2024/3 targets	FY2026/3 targets
Profitability	Consolidated net income (attributable to owners of parent)	¥ 280.1bn	¥ 280.0bn or greater	¥350.0bn or greater
	ROE (based on shareholders' equity)	3.06%	3.0% or greater	3.6% or greater
Efficiency	OHR (Basis including gains (losses) on money held in trust) <sup>*2</sup>	72.34%	72% or less	66% or less
	General and administrative expenses (compared to FY2021/3)	—	¥(25.0)bn	¥(55.0)bn
Soundness	Capital adequacy ratio (Domestic standards)	15.53%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)
	CET1 (Common equity tier1 capital) ratio (international standards) <sup>*3</sup>	14.09%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)

<sup>\*2</sup> Keeping in mind that Japan Post Bank manages securities that utilize money held in trust of a considerable scope, we will establish OHRs as targets that include in the denominator operational profit/loss pertaining to money held in trust.

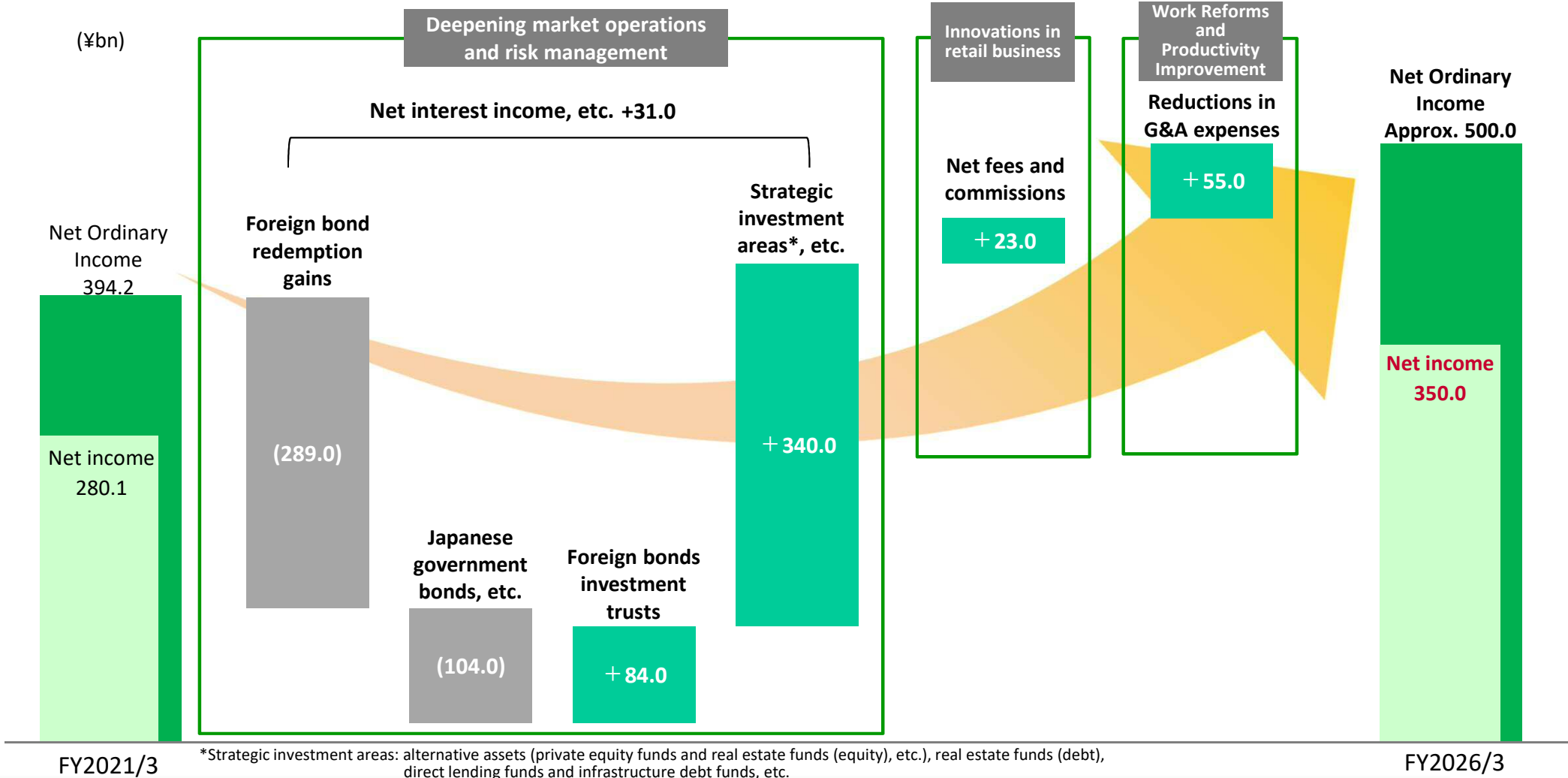
Calculated as general and administrative expenses ÷ (net interest income, etc. + net fees and commissions). Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales etc.).

<sup>\*3</sup> Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

— (2) Profit Roadmap in the Mid-term Management Plan —

- Due to reductions in redemption gains on foreign bonds, and revenue from redemption of Japanese government bonds, the plan for FY2022/3 sees a decrease in income compared to FY2021/3. Thereafter, our plan is to improve profits toward FY2026/3 through full-scale realization of profits in strategic investment areas (J-curve effect), expansion of net fees and commissions, and reductions in general and administrative expenses, among other efforts.
- In addition to enhancement of corporate value via the 5 key strategies, we will strive to thoroughly provide value to our customers, regional societies, shareholders and employees, etc.

(Causes of changes in net ordinary income)



## — (2) Shareholder return policies, etc. in the Mid-term Management Plan —

### Shareholder return policy

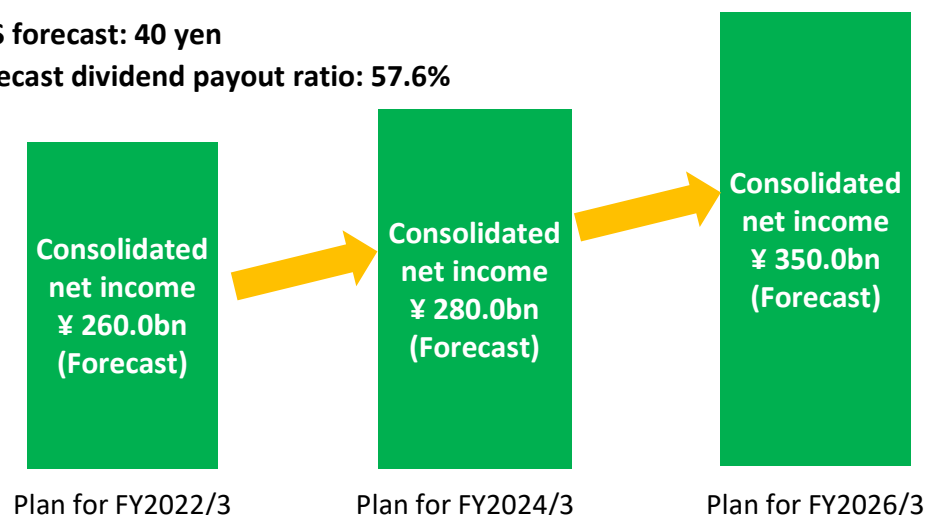
- Taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan (FY2022/3 through FY2026/3), the basic policy is to maintain a dividend payout ratio of approximately 50%.
- However, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends and we will target increases to dividends per share (DPS) compared to projected dividend levels for FY2022/3.

### Basic thought process behind the shareholder return policy

- We will strive for thorough shareholder returns through the expansion of medium-to-long-term income via our corporate efforts.
- Even as the market environment remains opaque, we will strive to secure financial soundness, utilize internal reserves as risk-taking resources, and, in order to maintain sustainable revenue improvements and corporate value enhancements, our policy will be to set a dividend payout ratio of approximately 50%.

DPS forecast: 40 yen

Forecast dividend payout ratio: 57.6%



### Other policies pertaining to shareholder returns, etc.

- We will also consider implementing additional shareholder return policies depending on future expansions in income, the repleteness of internal reserves and the status of regulatory trends, etc.
- In order to express our gratitude to our shareholders for their daily support, enhance the appeal of investing in Japan Post Bank's shares and thereby increase the number of our shareholders, among other reasons, throughout the duration of the Medium-term Management Plan period (FY2022/3 through FY2026/3), we will also consider providing shareholder benefits (details will be disclosed following a decision on the matter).
- As for the frequency of dividends, taking into consideration the status of Japan Post Bank's investment portfolio, our policy will be to issue annual dividends once each year while the market remains significantly opaque due to the effects of COVID-19, among other factors.
- With respect to presently retained treasury stock (approximately ¥1.3tn), our policy will be one of cancellation (details will be disclosed following a decision on the matter).

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## **- Mid-term Management Plan -**

# **1. New Medium-term Management Plan (FY2022/3 through FY2026/3)**

**~ Deepening trust, and taking on the challenge for financial innovations ~**

### **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.

# The Mission of Japan Post Bank

## The Management Philosophy of Japan Post Group

**We aim for the happiness of customers and employees, and will contribute to the development of society and the region.**

## The Management Philosophy of Japan Post Bank

**We aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.**

## The Mission of Japan Post Bank

**Providing “reliable and thorough” financial services “safely and securely” to anyone and everyone throughout Japan.**

**Contributing to the development of regional community economies by enhancing funds flow to, and relationships with, communities using various frameworks.**

**As one of the largest institutional investors in Japan, Japan Post Bank will work to both realize sound and profitable operations, and contribute to the realization of a sustainable society.**

**Realizing both the enhancement of corporate value, and contributing to the solution of social issues such as SDGs (ESG management)**

# Basic Policies of the Medium-term Management Plan

- Based on our reassessment of the previous mid-term management plan, our awareness of the business environment and business issues at hand, and our strengths and resources, we will position the next 5 years under the new Mid-term Management Plan as a period for “deepening trust, and taking on the challenge for financial innovations,” advance our 5 key strategies, and aim for innovations to our business model and enhancements to business sustainability.

Reviewing our previous medium-term management plan (FY2019/3 through FY2021/3)

Even under challenging management environments, we steadily worked toward solidifying the foundation necessary to realize our ideal state

Provision of High-quality Customer-oriented Financial Services	Advanced efforts such as “savings and asset formation,” and thoroughness of payment services, and service transactions, etc. Net fees and commissions increased by 32% compared to FY2018/3	Strengthening of Business Management Systems
Funds Flow to Regional Communities	In collaboration with regional financial institutions, advance investments into regional vitalization funds (cumulative total of 32), etc.	
Diversification and Sophistication of Investment Management	Increase risk asset balance to ¥ 91tn, strategic investment area* balance to ¥ 4.2tn	

\*Private equity, real estate, etc.

## Awareness of the business environment and business issues

Shrinking population, ageing society, diversification of lifestyles	Providing customer-oriented services Expanding products and services
Local economic downturns	Contributions to vitalization of communities
Digital innovation	Creating new value Addressing the digital divide problem
Changing to new lifestyles	Addressing no-contact and non face-to-face needs Security enhancements
The demands of realizing a sustainable society	ESG management
Low interest rates becoming long-term, and increased risk of stress events manifesting	Deepening market operations and risk management Enhancing the capital base

## Basic Policies of the Medium-term Management Plan (FY2022/3 through FY2026/3)

“Deepening trust, and taking on the challenge for financial innovations”

-Innovating our business model and enhancing business sustainability-

- 1 Innovating retail business into a new form by realizing complementarity between the physical and the digital
- 2 Business reforms and productivity improvement through the active utilization of digital technology
- 3 Enhancing funds flow to regional communities and the regional relationship functions through various frameworks
- 4 Deepening market operations and risk management with an awareness of stress tolerance
- 5 Strengthening the management base to become a more trusted bank

Advancing DX

Advancing ESG management

## Japan Post Bank's strengths and resources

Japan's largest customer base  
(120 million ordinary deposit accounts)

Post offices and ATM networks  
encompassing all of Japan

Japan's largest deposit base

Diverse and expert human resources

\* Although the target period for the Mid-term Management Plan is 5 years, we will revise the plan in around 3 years as necessary depending on changes in the business environment

\* DX is an abbreviation of “digital transformation.” Refers to the innovation of work and business models into superior forms through the active use of data and digital technology

# 5 Key Strategic Points

## ① Innovating retail business into a new form by realizing complementarity between the physical and the digital

- In addition to expanding digital services that put safety and security first, and can be readily used by all customers, we will promote the dissemination of digital services by actively utilizing our post-office network
- We will develop an open, “Co-creation Platform” that actively utilizes our customer base and provides optimized services through collaborations with various business operators, including companies outside of the Group
- After organizing our asset-management product line-up in our face-to-face channels into products suitable for Japan Post Bank’s customer base, we will utilize post-office network to primarily promote cumulate-type investments to our beginner-level investment customers
- In addition to providing transaction channels and methods that take into account our customers’ needs, we will review and newly establish our fees from the perspective of providing stable services

## ② Business reforms and productivity improvement through the active utilization of digital technology

- We will establish self-processing of routine transactions (the teller tablet system, etc.), and, in tandem with our expansion of digital channels, we will advance the expansion of options for customer choices in transaction channels and the optimization of branch teller’s work.
- We will reform work at our operation support centers by automating work operations in a comprehensive manner by combining digital technologies
- In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses, including commissions paid to Japan Post and drastically reduce expenses overall

## ③ Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

- We will contribute to the vitalization of regional communities by supplying assets (particularly equity funds) via various frameworks
- We will address financial needs suited to the real conditions of each community as a “regional financial platform”
- We will work to develop new business opportunities that enhance regional relationship functions and actively utilize regional information

## ④ Deepening market operations and risk management with an awareness of stress tolerance

- While remaining aware of risk-adjusted return, we will expand our risk asset balances and strategic investment area balances
- In order to prepare for the occurrence of stress events, we will develop stress-resistant portfolios and deepen our risk management systems
- We will contribute to the realization of a sustainable society via ESG investments

## ⑤ Strengthening the management base to become a more trusted bank

- In order to become a bank that enjoys even greater trust from customers, we will advance sustainable reforms to our organizational culture and enhancements to our internal control systems
- While maintaining a high quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT

Advancing DX

Advancing ESG management

# Financial Targets

- We will strive for a consolidated net income of ¥350.0bn or greater by FY2026/3.
- In addition to fulfilling our duty<sup>\*1</sup> to provide universal services in finances, we will advance our efforts to improve profitability and efficiency.
- We will set a capital adequacy ratio (domestic standard) of approximately 10%, and a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

<sup>\*1</sup> Japan Post Bank has certain obligations as a bank related to the provisions of the Japan Post Company Act, and provides “simple savings, remittance and payment services” via our nationwide post-office network.

<Consolidated Basis>		FY2021/3 Performance	FY2024/3 targets	FY2026/3 targets
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	ROE (based on shareholders' equity)	3.06%	3.0% or greater	3.6% or greater
Efficiency	OHR (Basis including gains (losses) on money held in trust) <sup>*2</sup>	72.34%	72% or less	66% or less
	General and administrative expenses (compared to FY2021/3)	—	¥(25.0)bn	¥(55.0)bn
Soundness	Capital adequacy ratio (Domestic standards)	15.53%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)
	CET1 (Common equity tier1 capital) ratio (international standards) <sup>*3</sup>	14.09%	Approx. 10% (Levels to be secured)	Approx. 10% (Levels to be secured)

<sup>\*2</sup> Keeping in mind that Japan Post Bank manages securities that utilize money held in trust of a considerable scope, we will establish OHRs as targets that include in the denominator operational profit/loss pertaining to money held in trust.

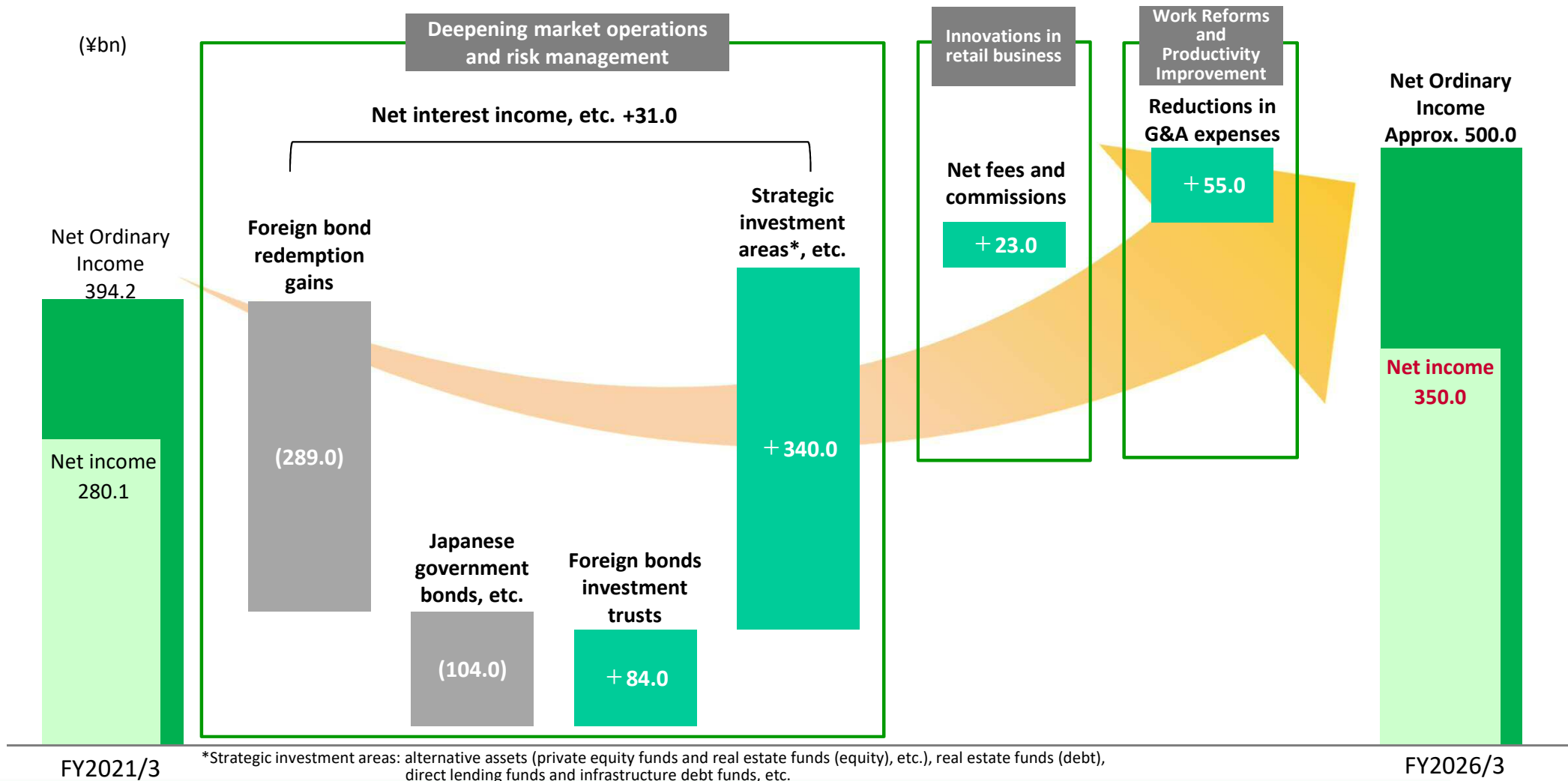
Calculated as general and administrative expenses ÷ (net interest income, etc. + net fees and commissions). Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales etc.).

<sup>\*3</sup> Excluding unrealized gains on available-for-sale securities. FY2026/3 targets are based on full implementation of Basel III.

# Profit Roadmap

- Due to reductions in redemption gains on foreign bonds, and revenue from redemption of Japanese government bonds, the plan for FY2022/3 sees a decrease in income compared to FY2021/3. Thereafter, our plan is to improve profits toward FY2026/3 through full-scale realization of profits in strategic investment areas (J-curve effect), expansion of net fees and commissions, and reductions in general and administrative expenses, among other efforts.
- In addition to enhancement of corporate value via the 5 key strategies, we will strive to thoroughly provide value to our customers, regional societies, shareholders and employees, etc.

## (Causes of changes in net ordinary income)

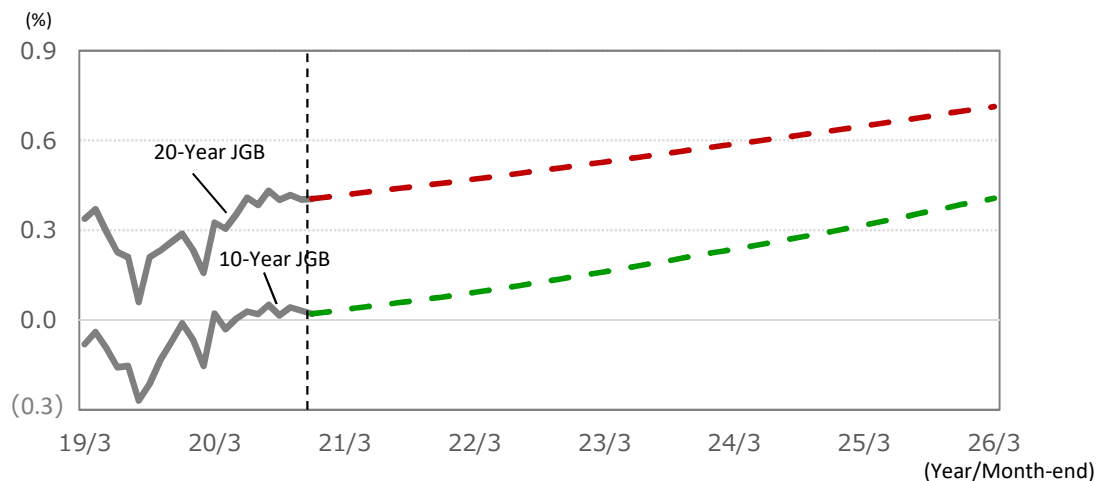


# (Reference) Assumptions for profit plan

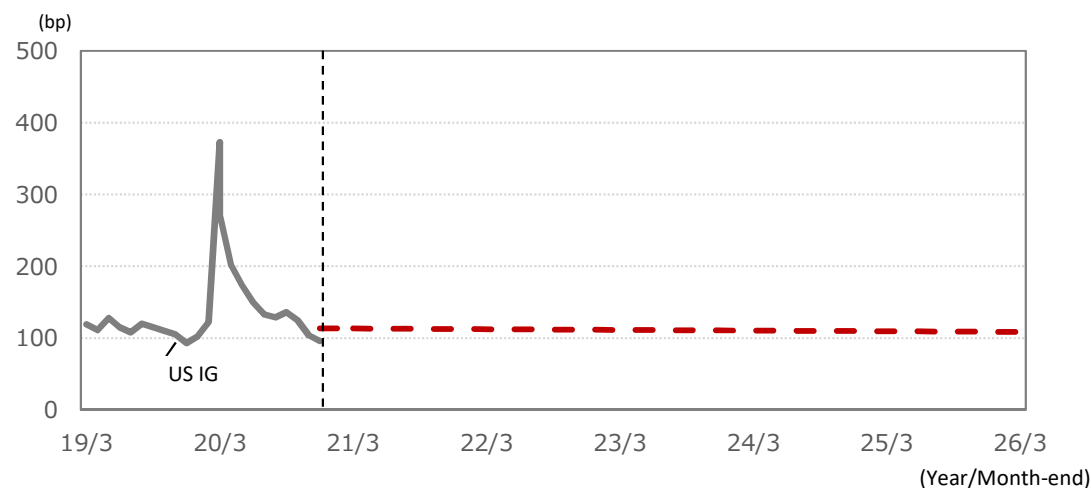
■ Domestic and foreign market interest rates are based on the Implied Forward Rates\*<sup>1</sup> as of December 31, 2020.

■ Foreign credit spreads\*<sup>2</sup> are the levels as of December 31, 2020, and are expected to remain largely stable.

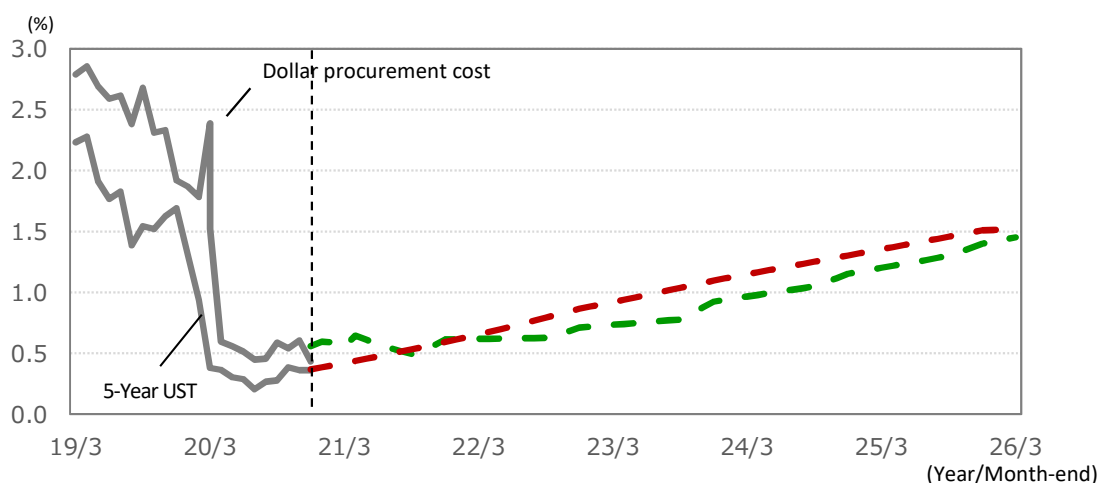
## Yen interest rate



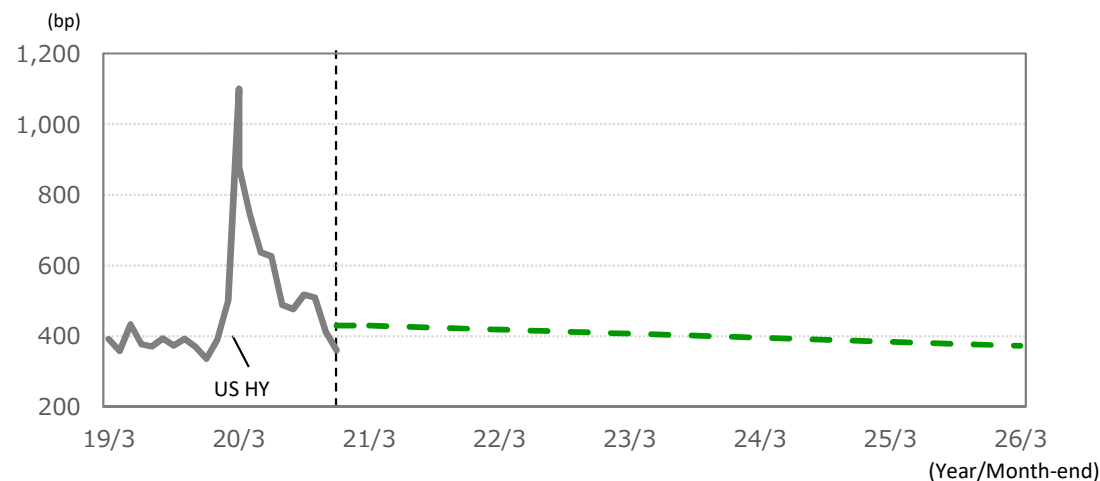
## US IG corporate bonds credit spreads



## US interest rate / Dollar procurement cost



## US HY corporate bonds credit spreads



\*1 Future projected interest logically calculated based on market interest rates (yield curve) as of December 31, 2020

\*2 Interest rates added, according to the issuer's ability to repay debt, to the standard interest rate of government bonds, etc.

# Retail Business Innovations ① Digital services strategy

- In addition to expanding digital services that put safety and security first, and can be readily used by all customers, we will promote the dissemination of digital services by actively utilizing post-office network.
- We will develop an open, “Co-creation Platform” that actively utilizes our customer base and provides optimized services through collaborations with various business operators.

Customers choose their optimal channels

## Physical channels



- Provision of services through the post-office network
- Guide customers to channels optimal for them
- Intimate support for digital services
- While enhancing Group cooperation, enhance businesses such as digital services to corporate clients

Utilize network of approx. 24,000 post offices across the country

## Digital channels



- Continually improve UI/UX\*1 while putting safety and security foremost, and expand digital services that all customers can readily use

Expand functions and usage of bankbook app  
(Include basic banking functions)

Apps for household accounting and household finance consulting (newly developed)

Apps that allow customers to personally confirm the present and future conditions of their household finances, and choose products and services that align with their intentions

Providing optimal services through cooperation with various business operators



Cooperate with the Group platform app\*2 as well

Complementarity of the physical and the digital



Reflect customer opinions in service improvements

## Support Channel

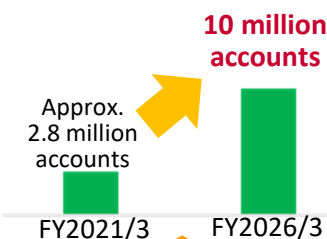


- Enhance posture and implement expert support

Enhance call centers, etc.

## KPI

Number of accounts registered in the bankbook app



Japan's largest customer base (120 million ordinary deposit accounts)

## Database utilization image

### Integrated database

Transactional behaviour, etc.	Customer intentions
-------------------------------	---------------------

Proposing optimal products and services to customers  
(Propose using app-based publications and push notifications, etc.)

Establish and utilize customer databases that integrate transactions, etc. of various channels

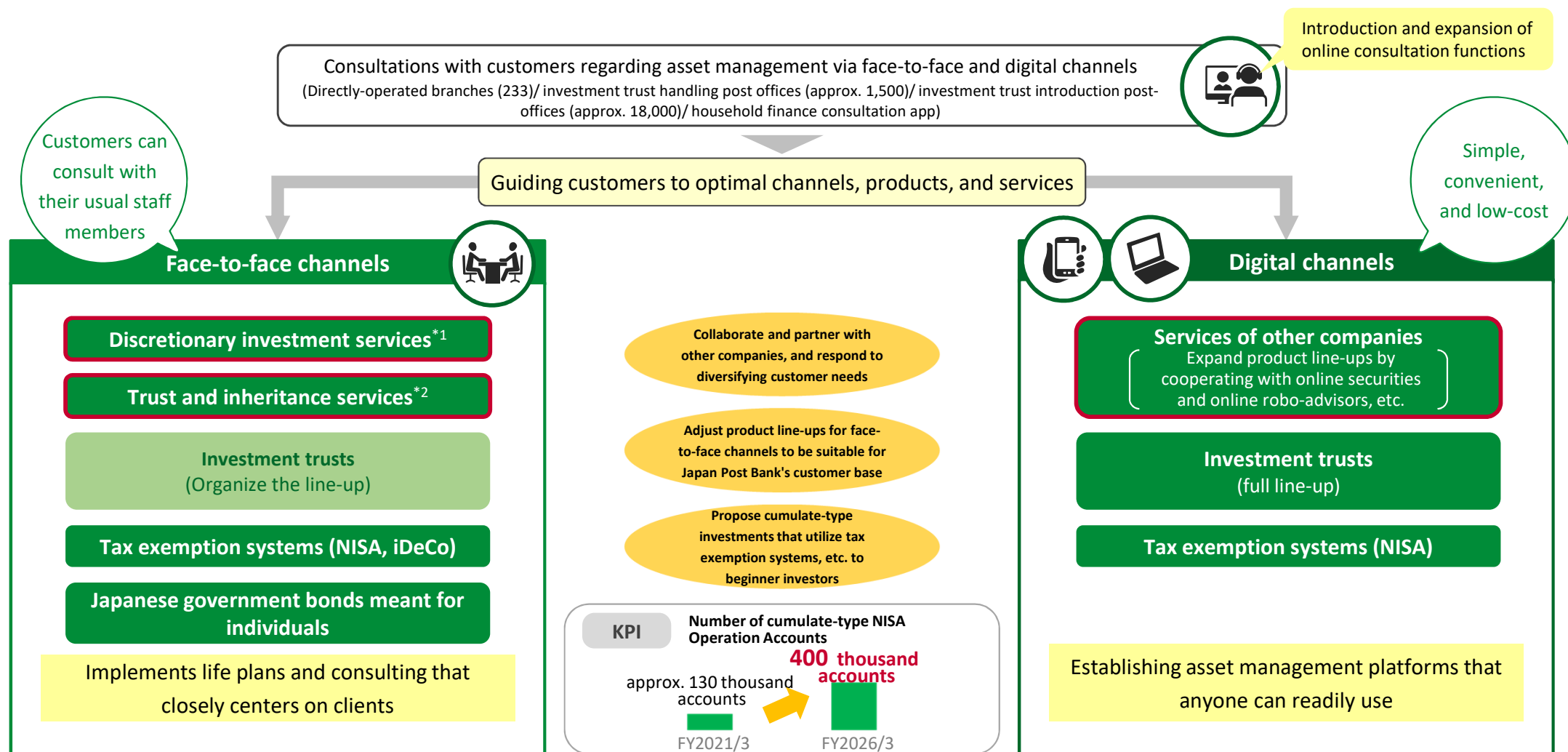
\*1 Abbreviations of User Interface/User Experience. In addition to making the services easier to operate and use, we will work to improve the value of the experience customers gain from using services.

\*2 Based on the concept of “Post-Office in Hand,” this singular platform app allows users to use the various products and services offered by the Japan Post Group in a cross-sectional manner (under development).



# Retail Business Innovations ② Asset building support business

- After organizing our asset-management product line-up in our face-to-face channels into products suitable for Japan Post Bank's customer base, we will utilize post-office network to primarily promote cumulate-type investments to our beginner-level investment customers.
- In the digital channels, we will develop web and app-based environments that anyone can easily use under competitive fee levels.



Note) Products and services in red frames are planned for introduction during the mid-term plan period

\*1 This service has Japan Post Bank accept discretion from the customer to make investment decisions, and mediates products that have the Bank conduct everything from sales to management of investments based on such investment decisions (authorization required).

\*2 This service conducts mediation for products handled by trust banks that engage in testamentary trusts, inheritance trusts, and inheritance adjustment business (authorization required).

## Retail Business Innovations ③ New business

- By cooperating with various business operators, we will expand new services that respond to customer needs.

### Services in support of a long life

#### **Flat 35 direct handling** (service started May 2021)

We will address customer needs by expanding our residential loan product line-up. By strengthening our sales capabilities and personnel, we will strive to achieve sound increases to executed residential loan amounts.

**Discretionary investment services<sup>\*1</sup>**

#### **Services for elderly customers**

**Trust and inheritance services<sup>\*1</sup>**

**Investment trust dissolution delegation services<sup>\*2</sup>**

### Services that heighten convenience

#### **Account Overdraft services** (service started May 2021)

By expanding payment services, we will work to improve convenience for customers.

We will also advance the development and utilization of credit assessment models and marketing models that utilize big data and AI.

#### **Cooperation with the Rakuten Group**

(Collaboration in fields such as cashless payment)

**International remittance services via partnerships with fund transfer businesses**

**New brand debit cards**  
(Integration with cash cards)

**Consider advancement into the digital currency field**

We will expand new products and services that actively utilize our customer base, and involve collaborations with various business operators, including companies outside of the Group (an open “Co-creation Platform”)

We will consider establishing a FinTech subsidiary (companies that increase the sophistication of banking businesses, etc.)

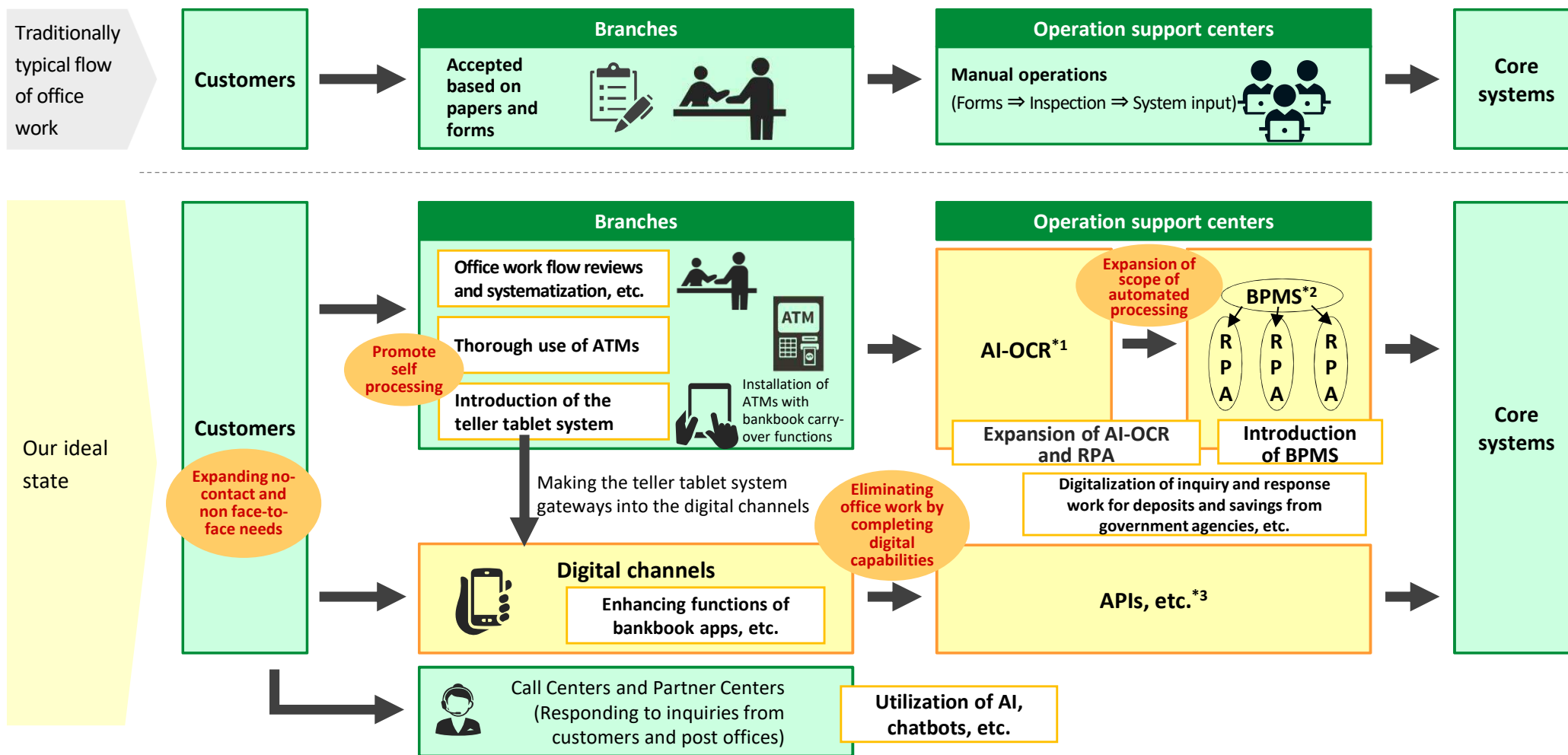
**We will provide optimal products and services via optimal channels through cooperation with various business operators, and complementarity of the physical and the digital**

<sup>\*1</sup> Authorization required

<sup>\*2</sup> A service that delegates the dissolution of investment trusts retained by customers to designated family members

## ① Work reforms for directly-operated branch tellers and operation support centers, etc.

- We will establish self-processing of routine transactions (the Teller Tablet System, etc.), and, in tandem with our expansion of digital channels, we will advance the expansion of options for customer choices in transaction channels and the optimization of branch teller's work.
- We will reform work at our operation support centers by automating work operations in a comprehensive manner by combining digital technologies.



\*1 OCR that utilizes AI to enhance recognition rates of handwritten characters, etc.

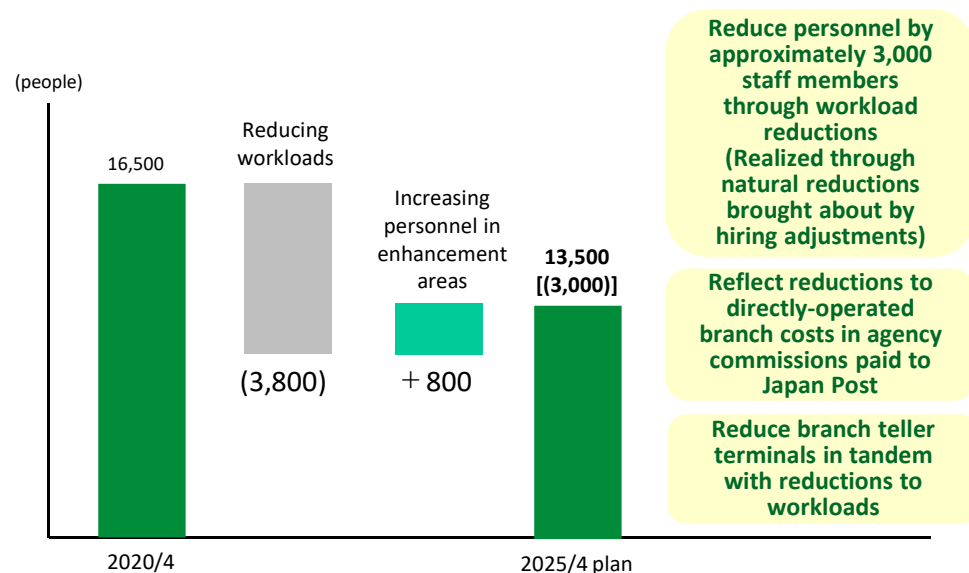
\*2 Abbreviation of Business Process Management System. This system automatically activates RPAs, and systematically controls work flows that require human confirmation work, etc., and conducts automatic process management.

\*3 Abbreviation of Application Programming Interface. Standard technology that links together digital channels such as smartphone apps and external systems with the internal systems of banks.

## ② Productivity improvement through shifts in management resources

- In addition to increasing personnel in enhancement areas such as our digitalization response, etc. through planned skill increases, we will drastically reduce workloads through work reforms and plan for a reduction in overall personnel of 3,000 individuals.
- In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses and drastically reduce expenses overall by ¥ 55bn.

### Personnel plans



#### Reducing workloads

- Work optimization at directly-operated branches and operation support centers via the utilization of digital technology and the expansion of digital service use, etc.
- Work optimization throughout the company via work reviews, etc.

#### Increasing personnel in enhancement areas

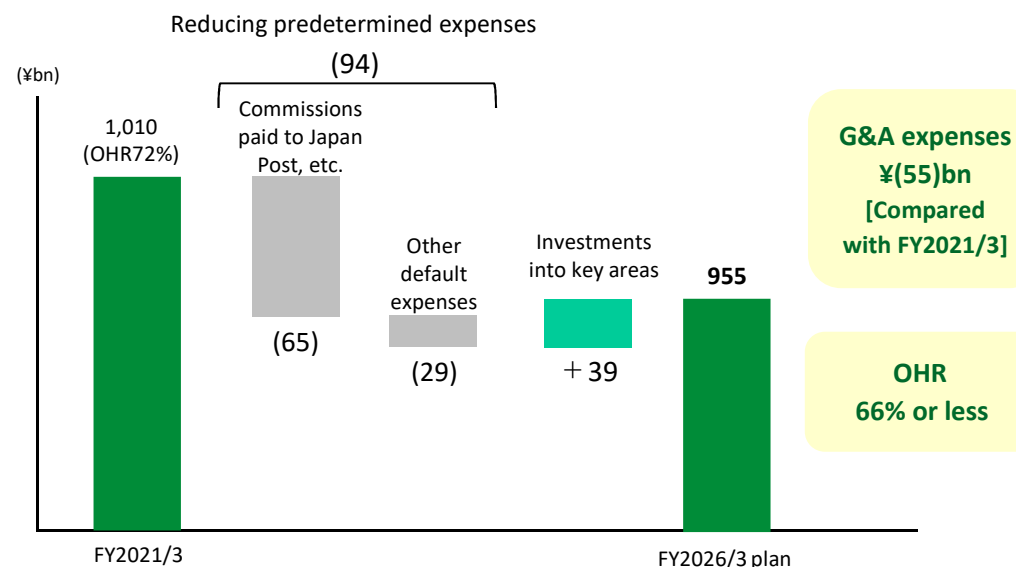
- Strengthening loans and corporate sales of directly-operated branches, and increase the number of senior life advisors\*<sup>1</sup>
- Personnel enhancements, etc. for specialized areas such as markets, GP\*<sup>2</sup>, DX, cyber security, etc.

### Improving productivity

\*1 Employees who provide more delicate and sophisticated responses to elderly customers.

\*2 GP(General Partner) : a fund operator that selects projects and makes investment decisions.

### Reductions in G&A expenses, and OHR\*<sup>3</sup> improvements



**G&A expenses  
¥(55)bn  
[Compared  
with FY2021/3]**

**OHR  
66% or less**

#### Reducing predetermined expenses

- Reductions in commissions paid to Japan Post
- Personnel reductions through workload reductions
- Efficient distribution of ATMs outside branches
- Reductions to costs associated with deposits and bankbooks
- Reductions to various non-personnel expenses, etc.

#### Investments into key areas

- Increasing personnel in enhancement areas
- Investments in DX advancements
- Security enhancements
- Enhancements to AML/CFT\*<sup>4</sup>
- New business advancements, etc.

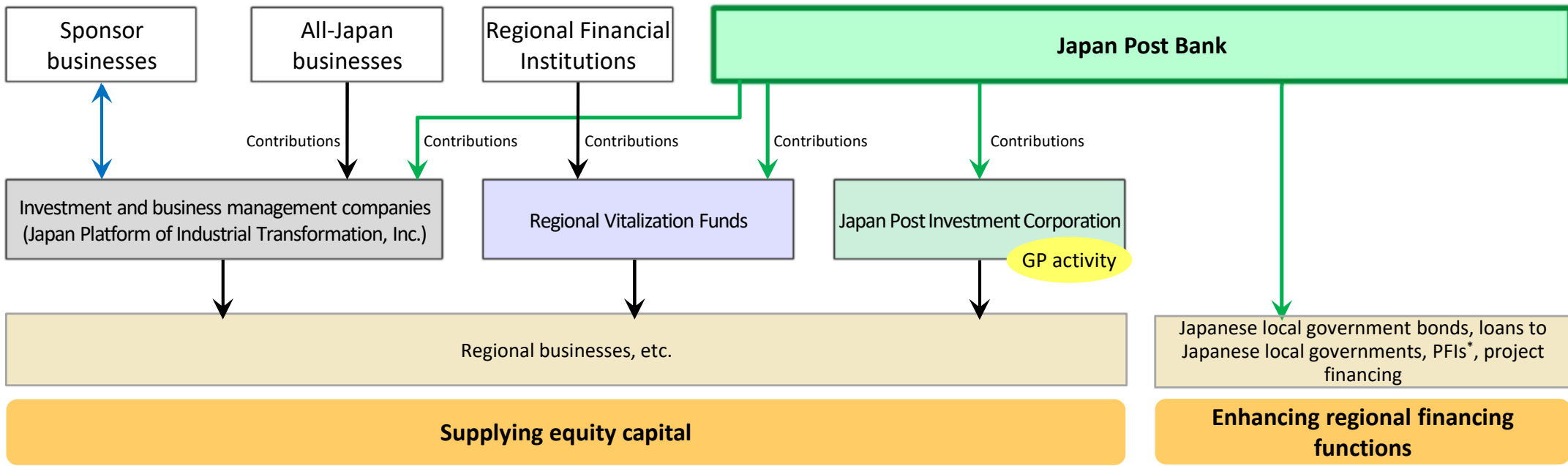
\*3 Basis including gains (losses) on money held in trust

\*4 "Anti-money laundering" and "combating the financing of terrorism"

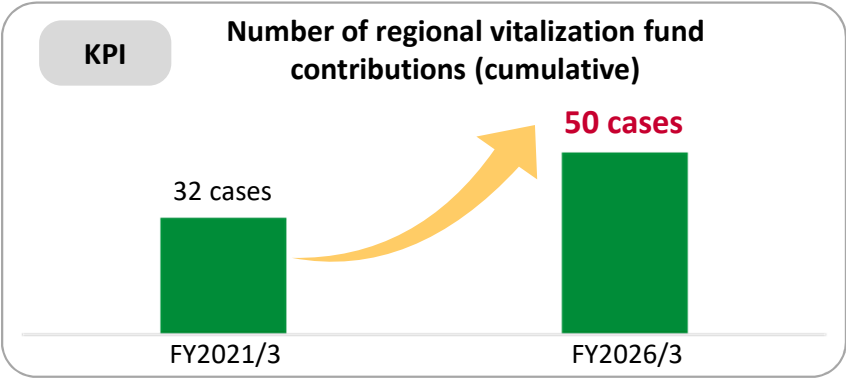
① Funds flow to regional communities

- We will contribute to the vitalization of regional communities by supplying assets via various frameworks
- In particular, we will respond to the equity funding (risk money) needs of communities by capital supplies through funds, etc.

(Policy regarding Funds Flow to regional communities)



Considering, among other matters, investment schemes that circulate capital through regions by using regional funds to finance regional projects



\* Abbreviation of Private Finance Initiative.  
A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public.

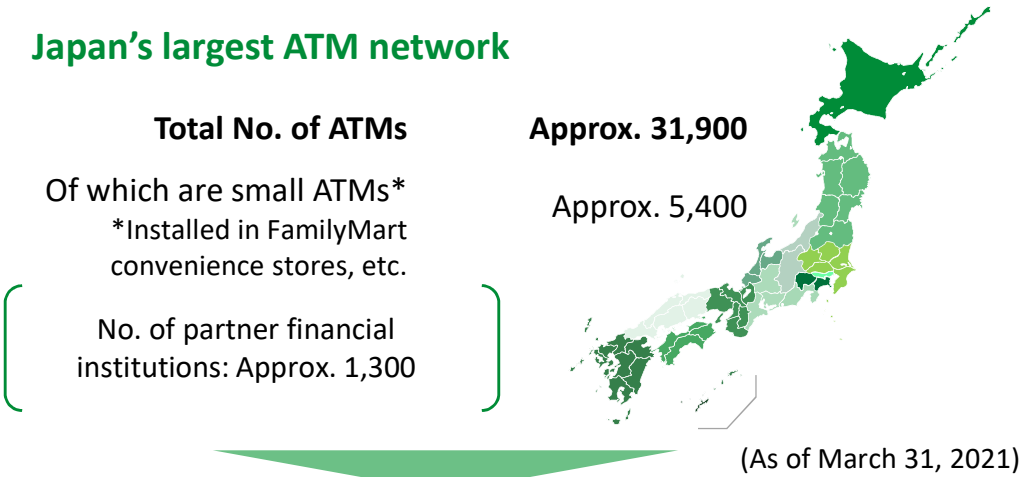
(Reference) Balance of financing to regions:  
approximately ¥ 7tn (as of the end of FY2021/3)

② Realizing regional finance platforms

■ By cooperating with regional financial institutions, we will act as a “regional financial platform” to respond to financial needs suited to the actual conditions of each region, by utilizing Japan Post Bank's ATM network and aggregation of operational processes, among other efforts.

Use of JP Bank's ATM Network

Japan’s largest ATM network



Developing platforms for Japan Post Bank ATMs\*

\*A partnership arrangement for waiving fees when an ATM card of a regional financial institution is used at a JP Bank ATM. Terms and conditions for waiving fees are set by each financial institution.

<Banks developing platforms> (As of March 31, 2021)

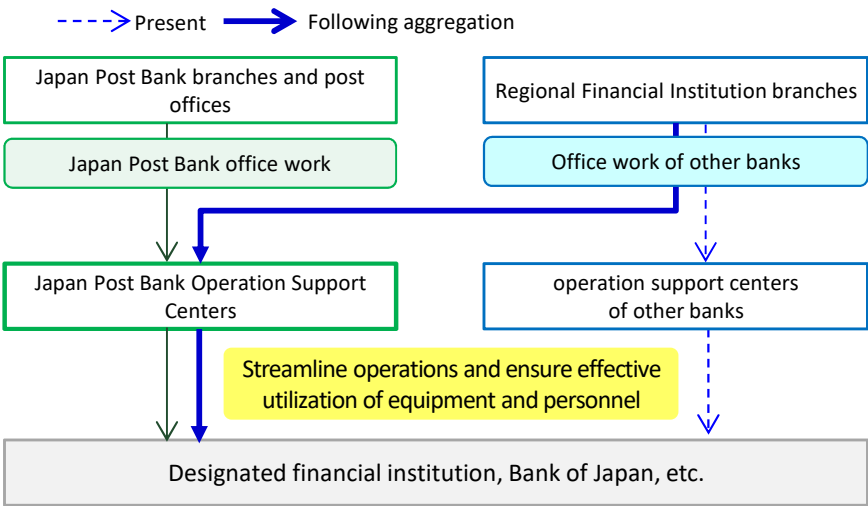
Free of fees across the country	11 banks
Limited to certain regions, conditionally free of fees	5 banks
Total	16 banks

Promotion of additional expansions

Aggregation of Operational Processes

■ We will advance the aggregation of each respective financial institution's operational processes by utilising excess capacity in the 11 Japan Post Bank operation support centers.

<Image of the aggregation of operational processes encompassing tax and public money collection>

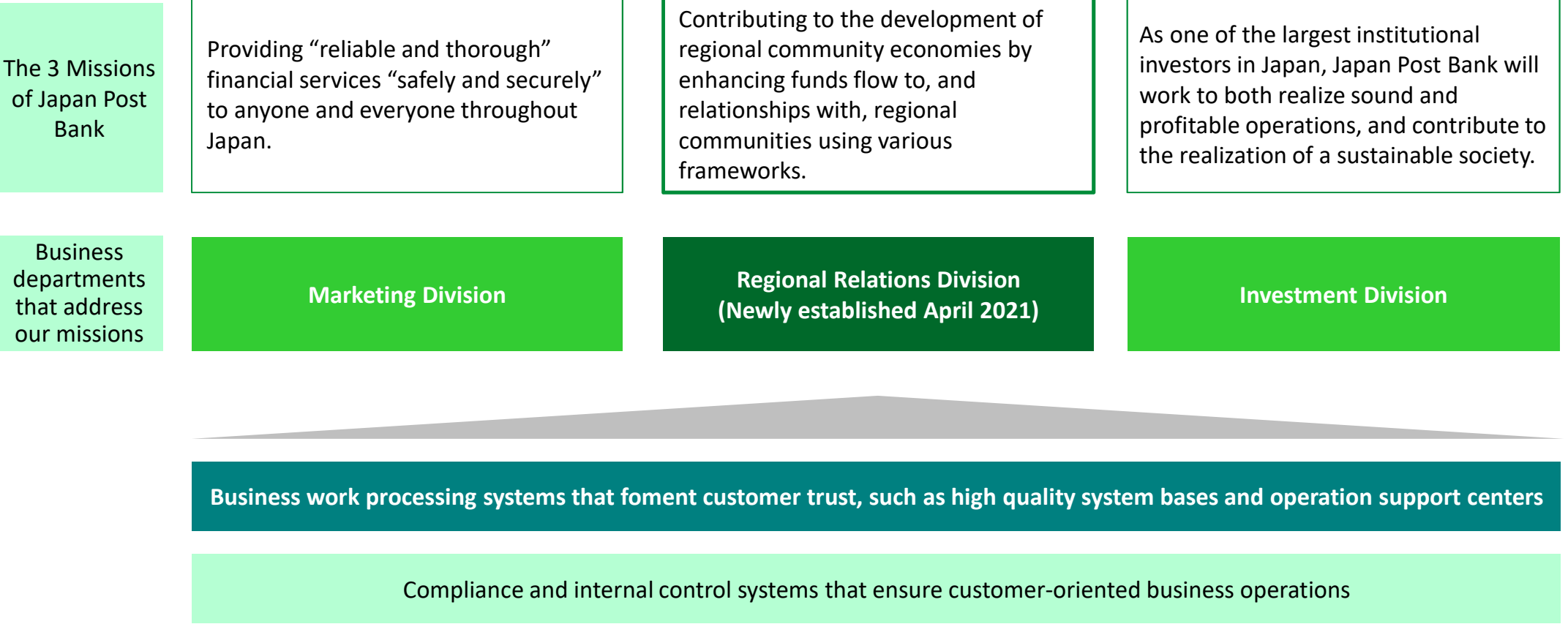


Forming “Regional financial platforms” by promoting the aggregation of operational processes, which is a “non-competitive area” in the banking industry

KPI	Number of financial institutions that have implemented the aggregation of operational processes	
	FY2021/3	FY2026/3
	3 financial institutions (2 Operation Support Centers)	Expanded to approx. 20 financial institutions (11 Operation Support Centers)

③ Enhancing implement systems

- In order to enhance our efforts regarding or mission of “contributing to the development of regional community economies,” and to advance ESG management, we newly established a “regional relations division.”
- We will work to develop new business opportunities that enhance Group cooperation and actively utilize regional information





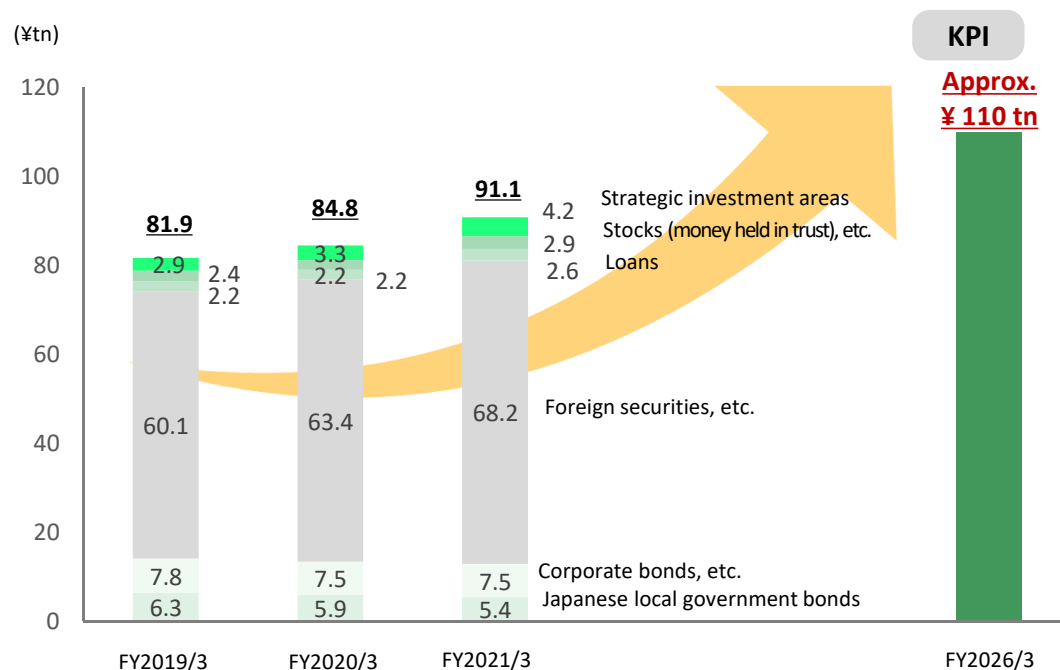
## ① Advancement of global asset allocation

- In accordance with the risk appetite framework\*, and after clarifying the types and levels of risks to be acquired, we will expand global asset allocations while staying aware of risk-adjusted return. As the low-interest environment continues, we will work to ensure stable core revenues.
- We will build up balances of risk assets to approximately ¥ 110tn around the investment grade (IG) area. For strategic investment areas among risk assets, we will build up balances to approximately ¥ 10tn by selectively advancing investments.

\*A business management framework used as common language between banks pertaining to all aspects of risk-taking policies, including the capital distribution and profit maximization of risk appetites (the type and total quantity of risks a company should willingly take on to fulfil its business plans after taking into account the unique aspects of the company's own business model).

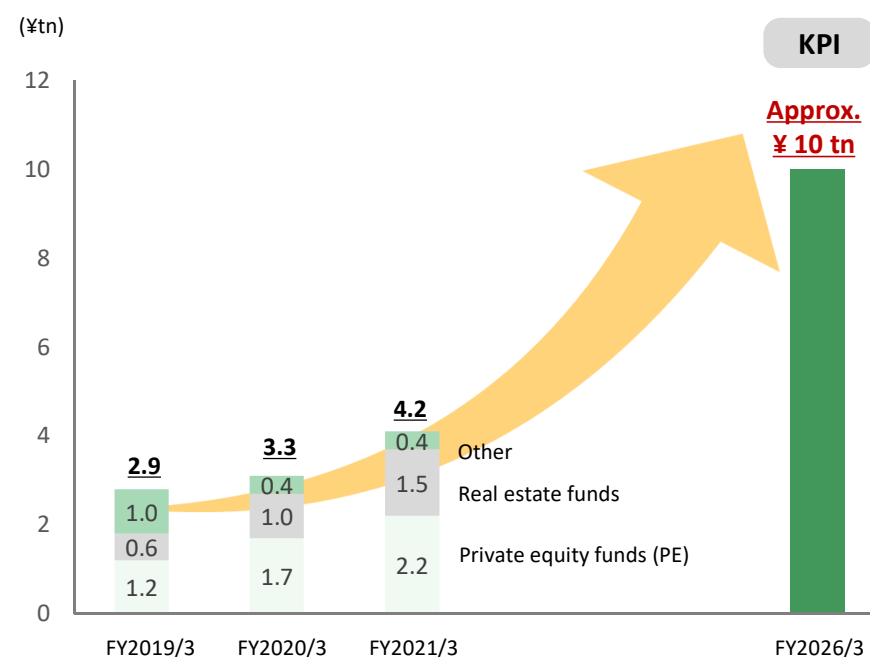
### Balance of risk assets

Risk assets : assets other than yen interest rates (JGBs, etc.)



### Balance of strategic investment areas (among risk assets)

Strategic investment areas: alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.



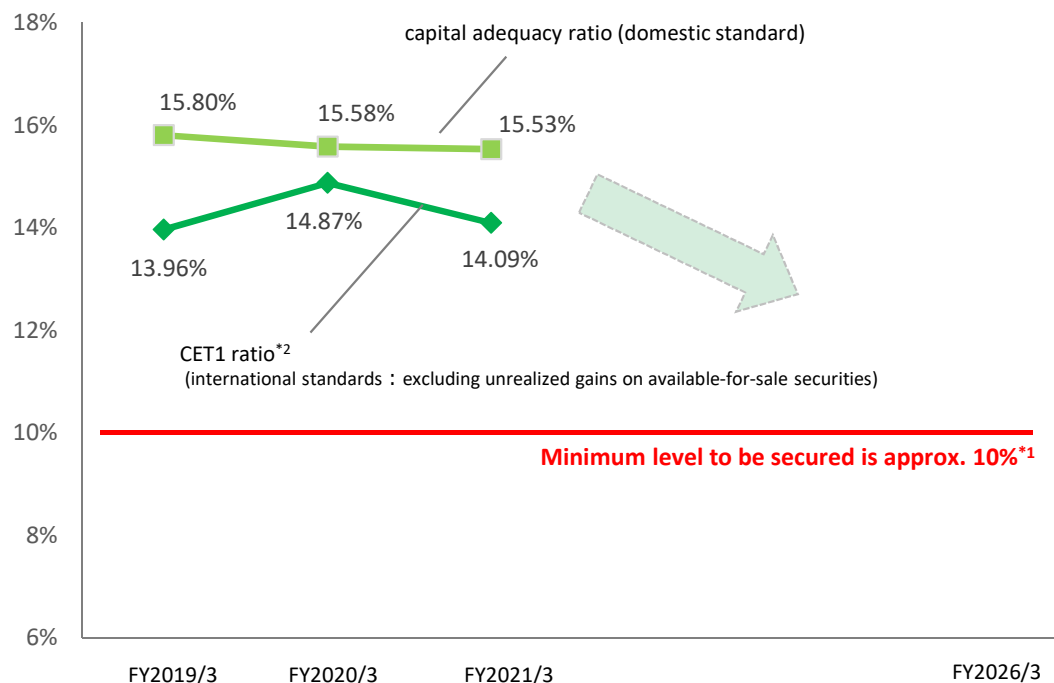
As profits from redemptions of foreign bonds and revenues from Japanese government bonds have decreased, there has been a full-scale realization of revenues from strategic investment areas (J-curve effect)



## ② Enhancement to stress tolerance, deepening of risk management

- In order to prepare for the occurrence of stress events, we will advance the development of stress-resistant portfolios and deepen our risk management systems.
- We will set a capital adequacy ratio (domestic standard) of approximately 10%, and a CET1 ratio of approximately 10%<sup>\*1</sup> as minimum levels to be secured in ordinary times. We will work to achieve improvements to our earnings by actively utilizing our capital and taking appropriate risks, while ensuring thorough financial soundness.

### Trends in capital adequacy ratio and CET1 ratio



\*1 Excluding unrealized gains on available-for-sale securities. The FY2026/3 CET1 ratio is based on full implementation of Basel III.

\*2 Although Japan Post Bank is a domestic standard bank, we set targets for CET1 ratio, which is an internationally unified standard, while taking into consideration the increased importance of international finance systems, etc. that come along with the proliferation of global asset allocations.

### Various policies oriented toward the deepening of market operations and risk management

- Developing a stress-resistant portfolio
- Sophistication of stress tests, monitoring enhancement, and enhancement of tail risk capture
- Responding to the finalization of Basel III
- Variegated risk/return analyses
- Sophistication of foreign currency liquidity risk management (includes consideration of diversification of foreign currency acquisition methods)
- Enhancement of expert personnel for market operations and risk management
- Establishing infrastructure necessary to continue operations during crises (remote environments, etc.)

① Internal reforms necessary for Japan Post Bank to become a more trusted bank

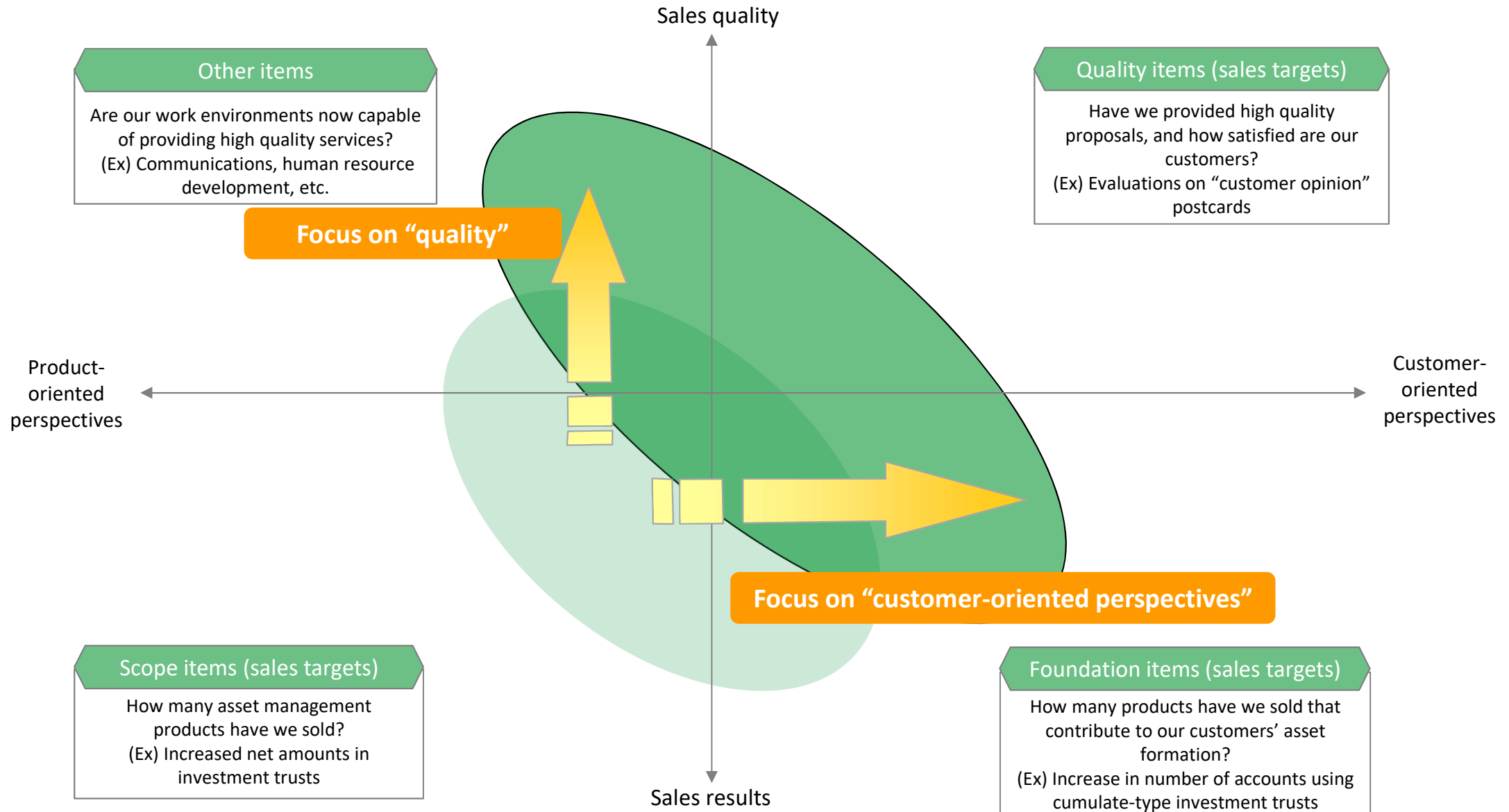
- We will work to realize sustainable reforms to our corporate culture whereby each of our employees earnestly listens to customer opinions, and implements customer-oriented work operations in their day-to-day activities.
- As social and economic environmental changes continue in their severity, we will improve risk sensitivity and enhance our various management systems, including those of our external partners, while maintaining a prompt and flexible response to changes.



All employees will work to realize “customer-oriented business operations,” and work to make Japan Post Bank an even more trusted bank among our customers

## (Reference) Reviewed sales targets and personnel evaluation systems

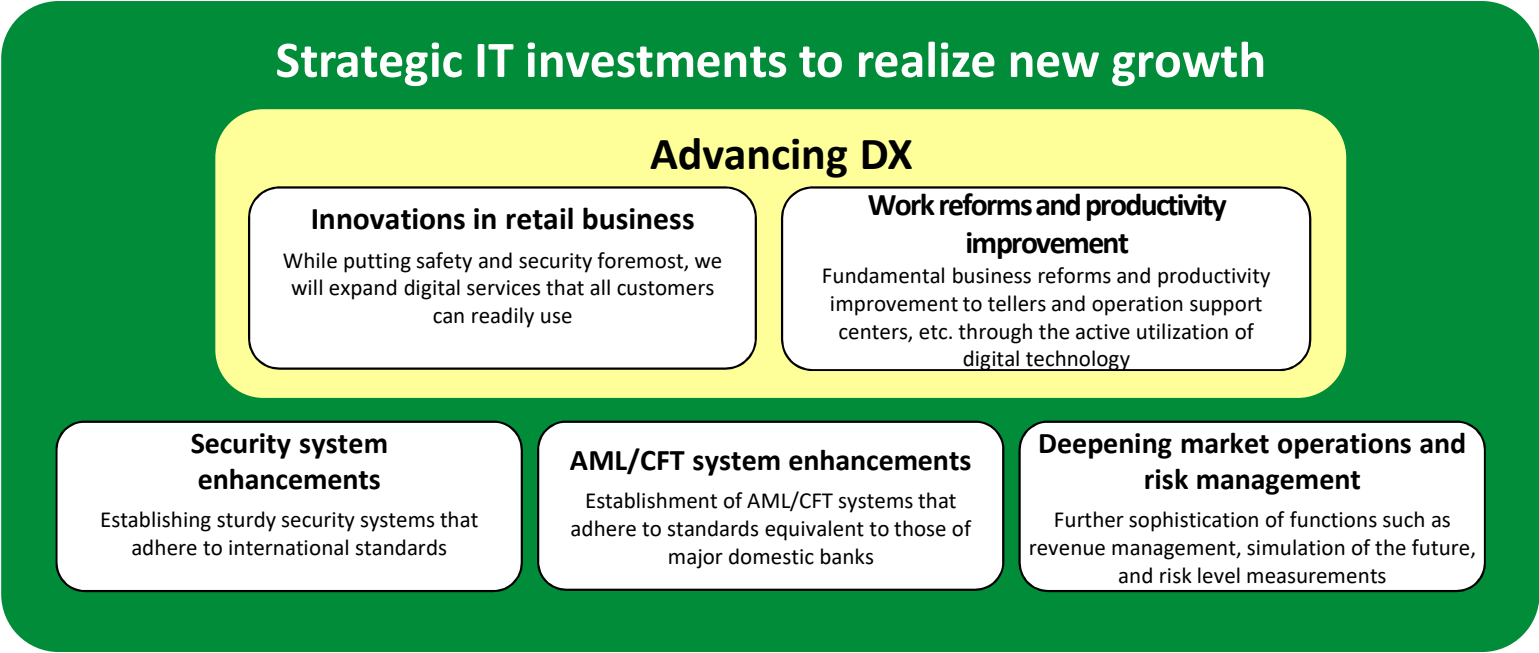
- In order to advance customer-oriented sales, we will focus on “sales quality” over “sales results,” and continually revise sales targets and personnel evaluation systems so that they put greater emphasis on “customer-oriented perspectives” rather than “product-oriented perspectives.”



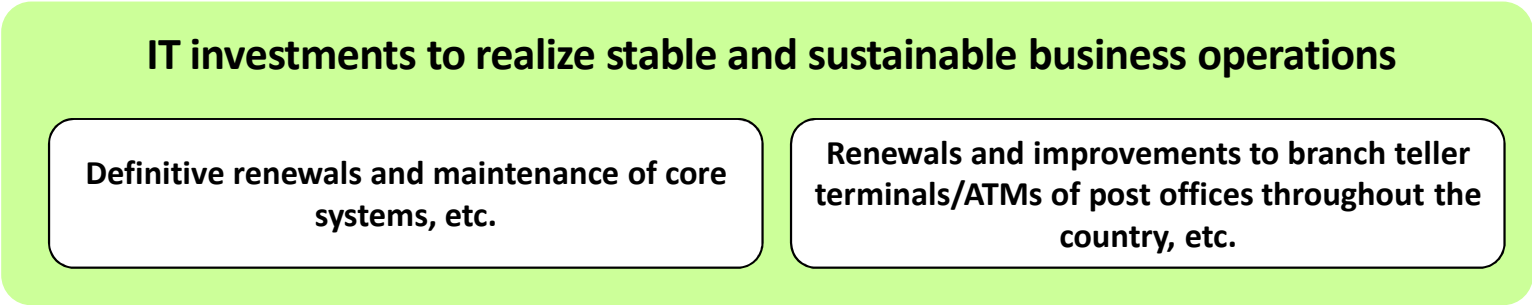
② IT investment plan

■ During the 5 year period of the Mid-term Management Plan, we plan a total of approximately ¥ 630bn in IT investments\*. Approximately ¥ 500 bn is planned for “IT investments to realize stable and sustainable business operations,” while another ¥ 130bn is planned for “strategic IT investments to realize new growth.”

\* Facilities investments + expenses cash flow basis



Strategic IT investments of **approx. ¥ 130bn** over 5 years are planned







IT investments of **approx. ¥ 500bn** over 5 years are planned

While maintaining a high-quality system base that can support trust in our Bank, we will assertively advance strategic investments in IT

Total: **approx. ¥ 630bn**

## ① Solving social issues in unison with business activities

- In order to realize a sustainable society, and prompted by the management philosophies and missions of the Japan Post Group and the Japan Post Bank, we established 4 priority issues (materialities) to be addressed both in terms of importance to stakeholders, and the impact of Japan Post Bank's business activities.
- We connected the 4 materialities to management strategies and specific initiatives, and advanced ESG management after setting KPIs.

Materiality	Key initiatives taken to solve issues	Target KPIs (FY2026/3)	Realizing SDGs
Providing "safe and secure" financial services to anyone and everyone throughout Japan	<ul style="list-style-type: none"> <li>- Utilizing post offices networks across the country</li> <li>- While putting safety and security foremost, we will expand digital services that all customers can readily use</li> <li>- Developing an open, "Co-creation Platform"</li> <li>- Consulting that closely centers on clients</li> </ul>	<ul style="list-style-type: none"> <li>- Number of accounts registered in the Bankbook app: <b>10 million accounts</b></li> <li>- Number of Cumulate-type NISA Operation Accounts: <b>400 thousand accounts</b></li> </ul>	
Contributing to regional economic expansions	<ul style="list-style-type: none"> <li>-Flow of funds to regional communities via various frameworks</li> <li>-We will address financial needs suited to the real conditions of each regional community as a "regional financial platform"</li> <li>-Enhancing relationship functions of regional communities</li> </ul>	<ul style="list-style-type: none"> <li>- Regional vitalization fund participation cases : <b>cumulatively 50 cases</b></li> <li>- Number of financial institutions that have aggregated operational processes: <b>roughly 20 financial institutions</b></li> </ul>	
Reducing environmental impact	<ul style="list-style-type: none"> <li>- Enhancing initiatives based on TCFD*1 proposals</li> <li>- Advancement of shift to paperless transactions, reductions in CO2 emissions</li> <li>- Advancement of ESG investment</li> </ul>	<ul style="list-style-type: none"> <li>- CO2 emissions reduction rate: <b>(46)%</b> (FY2031/3 targets/FY2020/3 comparison)</li> <li>- ESG themed investment balance: <b>¥ 2tn</b></li> </ul>	
Advancement of work style reforms, and sophistication of governance	<ul style="list-style-type: none"> <li>- Make work more worthwhile for employees</li> <li>- Advancement of diversity management</li> <li>- Expand flexible work styles, eliminate harassment</li> <li>- Board of directors that balances independence, diversity, and expertise</li> </ul>	<ul style="list-style-type: none"> <li>- Ratio of women in managerial positions : <b>20%*2, 3</b></li> <li>- Rate of employees taking childcare leave: <b>100%</b> (Regardless of gender)</li> <li>- Rates of employee with disabilities : <b>2.7% or more</b></li> </ul>	

\*1 Abbreviation of Task Force on Climate-related Financial Disclosures. An organization established at the proposal of the Financial Stability Board for the purpose of thoroughly realizing corporate information disclosure pertaining to climate change, in which the representatives of the central banks and financial supervisory authorities, etc. of key nations participate.

\*2 Goals for achievements by April 2026

\*3 (Japan Post Group targets) Ratio of female managers of 30% at headquarters by April 1, 2031

## ② Providing “safe and secure” financial services to anyone and everyone throughout Japan

- Utilizing our massive network base, we will provide “safe and secure” financial services to everyone throughout Japan.
- We will endeavour to maintain and enhance the stability and robustness of system bases that support massive financial settlements, and continue to secure the trust of customers.

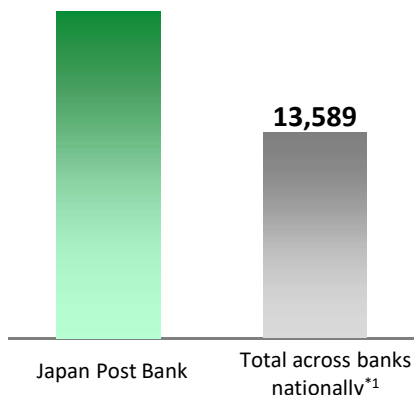
### Network bases

#### Total No. of branches

Approx. 24,000 branches

<Domestic store network branch>

Approx. 24,000



#### Total No. of ATMs

Approx. 31,900 units

Of which are small ATMs\*

\*Installed in FamilyMart convenience stores, etc.

Approx. 5,400 units

Partner financial institution  
cards usable at ATMs

Approx. 1,300 companies

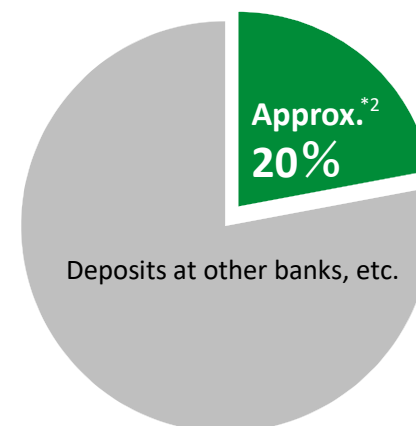
### Customer bases

#### No. of ordinary deposit accounts (Total deposit balance)

Approx. 120 mn accounts

(Approx. ¥ 190 tn)

<Proportion of deposits with Japan Post Bank  
attributable to deposits and savings with the  
household financing division>



#### Digital services

▶ Accounts registered with Yucho Direct

Approx. 9.3 mn accounts

▶ Number of accounts registered in the  
bankbook app

Approx. 2.8 mn accounts

⇒ To 10 million accounts<sup>\*3</sup>

#### Asset building

▶ Number of investment trust accounts

Approx. 1.2 mn accounts

▶ Number of cumulate-type NISA  
Operation Accounts

Approx. 130 thousand accounts

⇒ To 400 thousand accounts<sup>\*3</sup>

**High quality system bases that support massive settlement amounts**

Note) The above figures represent totals as of March 31, 2021, excluding the figures for \*1 through 3 below

\*1 Source: Japanese Bankers Association HP “National Bank Financial Statement Analysis (National Bank Capital, Number of Stores, Number of Bank Agents, Number of Officers and Employees List),” total domestic head offices and branch offices (as of the end of September 2020)

\*2 This figure represents Japan Post Bank personal savings (as of Sept. 30, 2020) divided by the total amount of household deposits in the Bank of Japan's “funding circulation statistics” (as of Sept. 30, 2020)

\*3 Target KPI figures for the end of FY2026/3

## ③ Contributions to expansions of regional economies, reducing the environmental impact of regional economies

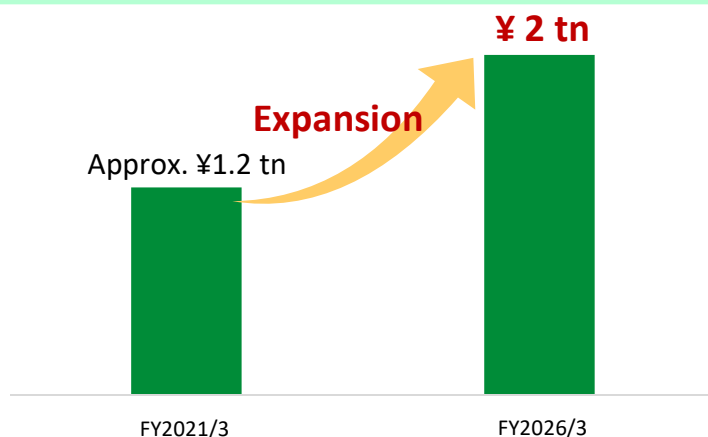
- In addition to making investments based on ESG investment policies, we will expand ESG themed investment balances\*<sup>1</sup>, and contribute to the realization of a sustainable society.

Furthermore, we will enhance funds flow to various regions via contributions to regional vitalization funds.

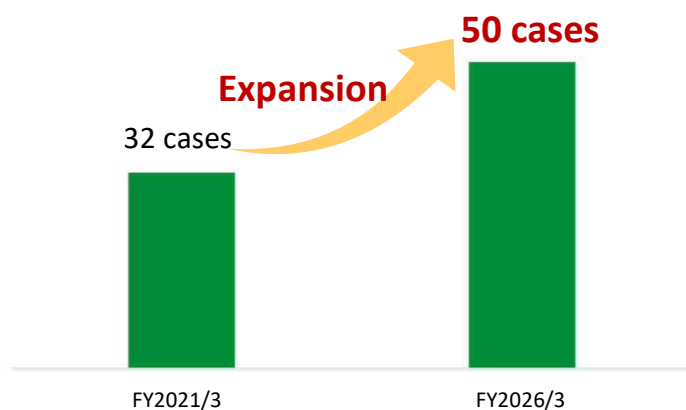
- With respect to market operations, we will take ESG elements into further consideration, such as ESG integration\*<sup>2</sup>.

### ESG investment advancement

#### KPI Balance of ESG-themed investments



#### KPI Cumulative number of regional vitalization fund contributions



#### ESG Investment Policy

- Advancement of global asset allocations based on various international agreements, etc.
- Assertively supplying risk money to various regions
- Further sophistication of ESG investment policies based on international circumstances and partnership with stakeholders, etc.

#### Expansion and sophistication of ESG integration

- Expansion of investment management that conducts investee evaluations, including ESG factors
- Calculation of investee CO2 emissions and application of such calculations to investment decisions, etc.

\*1 ESG bonds (green bonds, social bonds (including pandemic bonds), sustainability bonds), loans to the renewable energy sector, and regional vitalization funds, etc.

\*2 Refers to analysis and evaluation, during the investee selection process, of not just financial information, but also of non-financial information, such as the effects of the investee's business activities on ESGs



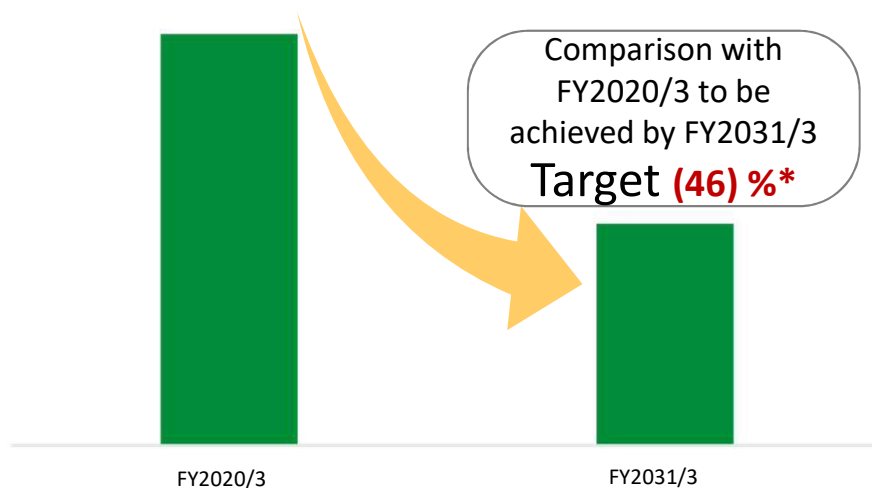
## ④ Reducing the environmental impact of regional economies

- In order to realize carbon neutrality by 2050, we will strive for CO2 emission rates of (46)% compared to FY2020/3 by FY2031/3.
- In addition to advancing conversions to renewable energy in the electricity contracts for each of Japan Post Bank's facilities, we will boost CO2 emission reductions for the company and society as a whole through engagements with investees.
- We will enhance initiatives based on the proposals of TCFD through climate change risk scenario analyses and further sophistication of management systems.

### Reduction of Japan Post Bank's CO2 emissions

Conversion renewable energy in the electricity contracts for each of Japan Post Bank's facilities

KPI Reduction of CO2 emissions



### Advancement of engagement with investees

- Engagements with investee companies
  - ✓ Select parties to engage with based on the CO2 emission quantities of investee companies, etc.
- Boost CO2 emission reduction efforts of parties with which we engage

### Enhancement of initiatives based on proposals by TCFD

- Sophistication of scenario analyses
  - ✓ Implementation of quantitative analyses
  - ✓ Utilize analyses and evaluation results in engagements with investees, etc.
- Sophistication of climate change risk management systems

\*Levels that will allow Japan to reach its targets (goal of carbon neutrality by 2050, (46)% compared to FY2014/3 by FY2031/3). Presumes that renewable energy dissemination and shifts toward carbon neutrality have advanced significantly in Japan. Japan Post Bank will boost efforts to achieve carbon neutrality in Japan and throughout the world through the application of the resources available to us.



⑤ Advancement of work style reforms

- We will develop an environment where employees can voluntarily and independently grow and challenge themselves, and make work more worthwhile for each individual employee.
- We will promote working environments so that employees have an easier time working by advancing diversity management and expanding flexible work styles.

Make work more  
worthwhile for  
employees

- Human resource development (career development support)
  - ✓ New development of age-based career designs
  - ✓ New development of selectable training (expansion of choices for active learning)
  - ✓ Human resource development toward the provision of services that respond to customer expectations and trust
- Utilization of human resources
  - ✓ Voluntary and ambitious job selection and expertise improvements through in-house recruitment
  - ✓ Selection of young employees to serve as managers for bases of operation (thorough implementation of training)
- Securing and training human resources for specialized fields\*
  - ✓ New graduate hires through specialized courses, mid-career hires of specialized human resources
  - ✓ Advancement of training through dispatches to other companies and programs to help employees obtain qualifications, etc.

Advancement of  
diversity  
management

- Empowerment of Women
  - Introduction of role models, development of next generation of management candidates, etc.
- Assertive promotion of health management
  - Prevention of lifestyle-related diseases, mental health measures, etc.
- Support the work activities of generations providing childcare and nursing care, and those treating diseases (utilization of online tools)
- Promoting the hiring of employee with disabilities

Expansion of  
flexible work  
styles, elimination  
of harassment

- Expansion and promotion of flexible work styles
  - ✓ Expansion of telecommuting, promotion of flex-time systems, etc.
- Elimination of harassment
  - ✓ Enhancement of consultation systems, further dissemination of understanding

Various actual results (FY2021/3)

● Ratio of women in managerial positions (April, 2021)	15.7%
● Rate of employees taking childcare leave (Regardless of gender)	99.5%
● Rates of employee with disabilities	2.7%
● Ratio of women in corporate officer (July, 2020)	14.2%
● Average monthly overtime working hours	7.4 h.
● Rate of employees taking annual leave *1	93.1%

Target KPIs (FY2026/3)

● Ratio of women in managerial positions (April, 2026)	20%*2
● Rate of employees taking childcare leave (Regardless of gender)	100%
● Rates of employee with disabilities	2.7% or more

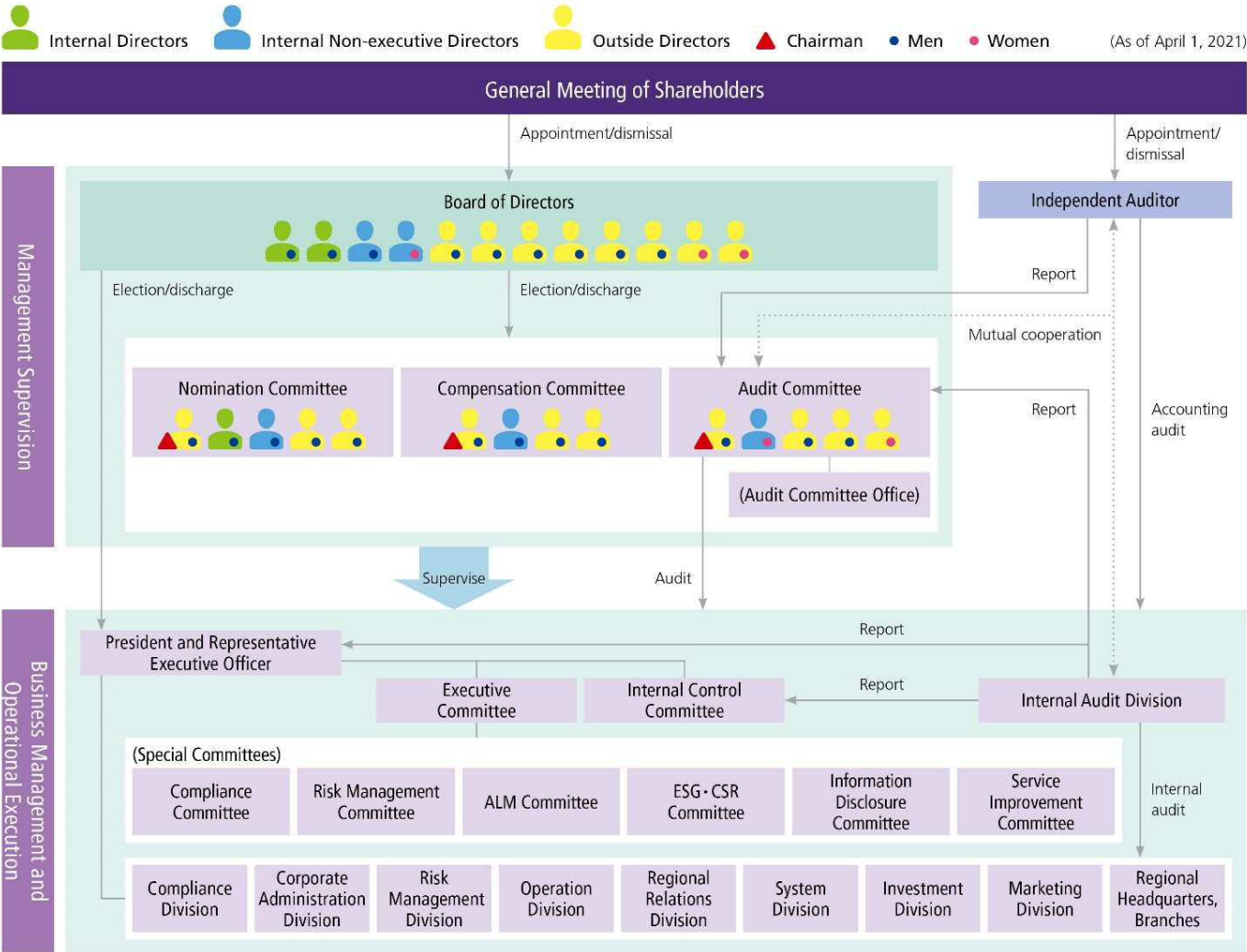
\*1 Proportion of paid leave taken annually compared to number of days of paid leave acquired annually

\*2 (Japan Post Group targets) Female management membership ratio of 30% at headquarters by April 1, 2031

\*Markets, ALM, and risk management, GP, cyber security, digitalization advancement, analytics (data analysis), marketing, etc.

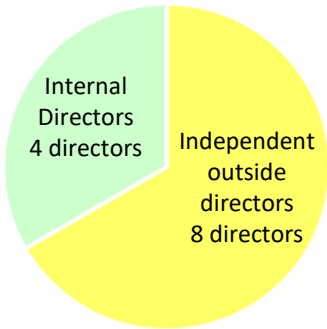
- We will maintain a board of directors that balances independence, diversity, and expertise, under a system involving corporations adopting a committee system such as the Nomination Committee.
- In the future, we will continue initiatives to further the sophistication of governance.

Corporate Governance System



Composition of the Board of Directors  
(as of April 1, 2021)

► Ratio of outside directors: 66%



► Ratio of women directors: 25%

► Chairs of each committee are all outside directors

► Diverse expertise of outside directors

Management	3 persons
CS enhancements, human resource development	1 person
Finance, accounting	1 person
Internet marketing	1 person
Legal	1 person
Finance	1 person

## (Reference) External Evaluations

- Our previous ESG efforts were evaluated, and we were selected as an SRI Index Brand. Our efforts to create employee-friendly working environment were also well-received.

### Inclusion in Indices

#### MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF JAPAN POST BANK CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JAPAN POST BANK CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.  
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

#### MSCI Japan Empowering Women Select Index (WIN)

An index composed of companies that are leading in promoting and maintaining gender diversity, created by MSCI



#### Euronext Vigeo Eiris World 120 Index

An index composed of the best 120 companies as evaluated by Vigeo Eiris in terms of corporate social responsibility

### External evaluations



#### Platinum Kurumin

Ministry of Health, Labour and Welfare: Certification as a childcare support company when certain conditions are met



#### Health and Productivity Management Organization

Ministry of Economy, Trade and Industry /Nippon Kenko Kaigi: Certification for corporations and other organizations that provide health management for employees (this system was designed by METI)



#### Nikkei Smart Work Management Survey 3.5 Stars

During the 4th Nikkei Smart Work Management Survey, which selects companies leading advances in productivity innovation through work style reforms, JAPAN POST BANK received 3.5 stars



#### Tomonin

Ministry of Health, Labour and Welfare: Certification as a nursing care support company



#### “PRIDE Index” Gold

work with Pride (private organization): Assessment index for initiatives targeted at LGBT and other sexual minorities in the workplace

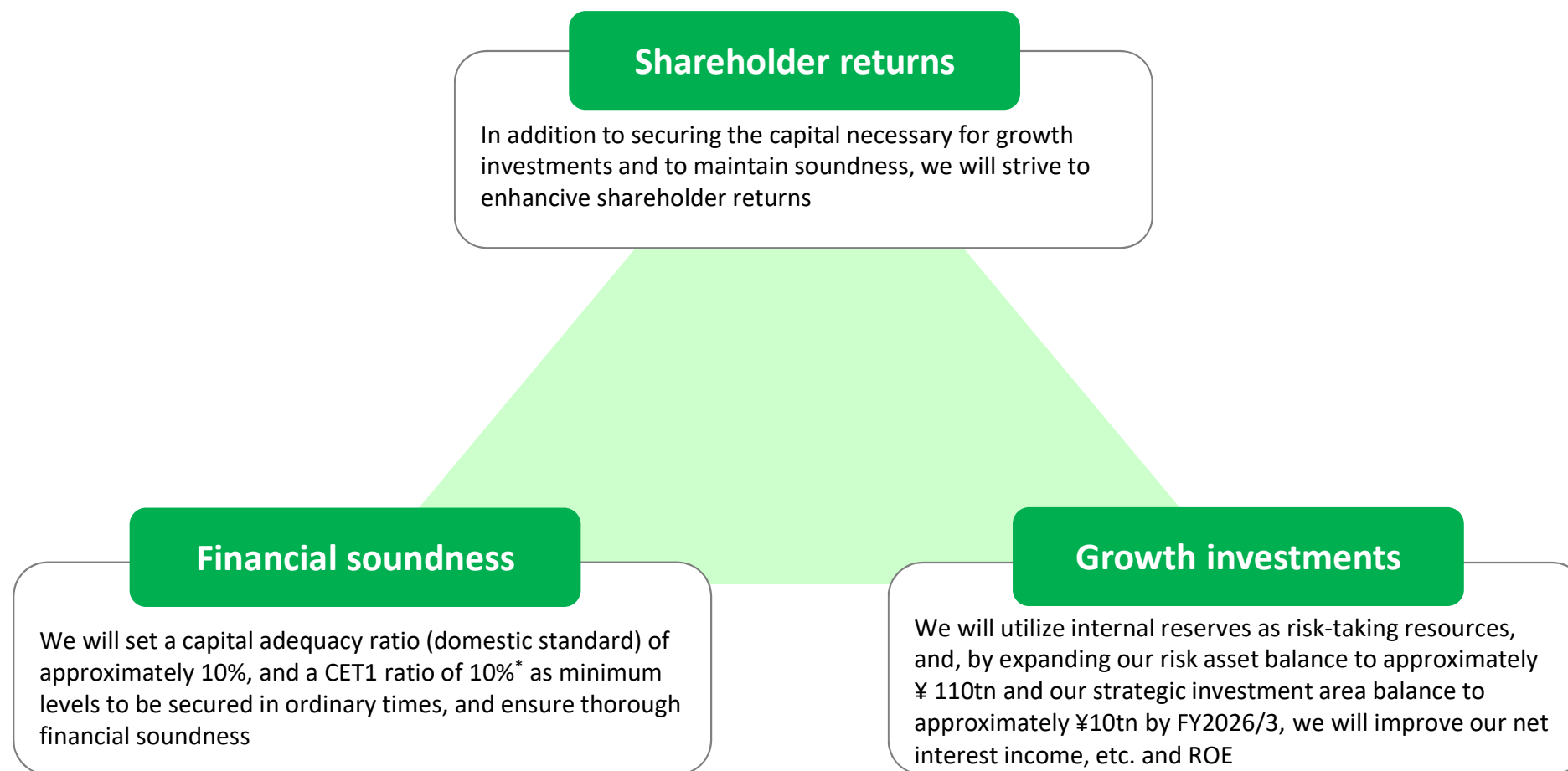


#### Nikkei “SDG Management” Survey 3.5 Stars

Japan Post Bank has been recognized as a 3.5 star entity under the Nikkei SDGs Management Survey. The survey is a comprehensive examination of corporate attitudes towards solutions to environmental, social, and economic issues (contributions to the SDGs), as well as the details of SDGs-related businesses

## ① Basic thought process

- Our capital policy is operated by balancing shareholder returns, financial soundness, and growth investments.
- As a Japan Post Group policy, Japan Post Holdings Co., Ltd. aims to make its shareholding ratio in Japan Post Bank 50% or less as soon as possible during the mid-term management plan. Japan Post Bank has been steadily driving forward the privatization process in line with the policy.



\* Excluding unrealized gains on available-for-sale securities. \*FY2026/3 figures are based on full implementation of Basel III.

## ② Shareholder return policies, etc. in the mid-term management plan

### Shareholder return policy

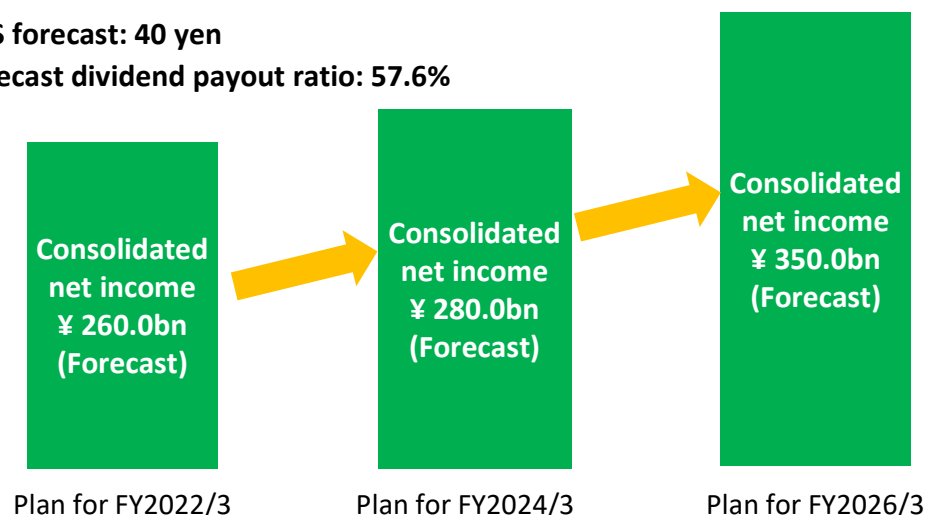
- Taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan (FY2022/3 through FY2026/3), the basic policy is to maintain a dividend payout ratio of approximately 50%.
- However, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends and we will target increases to dividends per share (DPS) compared to projected dividend levels for FY2022/3.

### Basic thought process behind the shareholder return policy

- We will strive for thorough shareholder returns through the expansion of medium-to-long-term income via our corporate efforts.
- Even as the market environment remains opaque, we will strive to secure financial soundness, utilize internal reserves as risk-taking resources, and, in order to maintain sustainable revenue improvements and corporate value enhancements, our policy will be to set a dividend payout ratio of approximately 50%.

DPS forecast: 40 yen

Forecast dividend payout ratio: 57.6%



### Other policies pertaining to shareholder returns, etc.

- We will also consider implementing additional shareholder return policies depending on future expansions in income, the repleteness of internal reserves and the status of regulatory trends, etc.
- In order to express our gratitude to our shareholders for their daily support, enhance the appeal of investing in Japan Post Bank's shares and thereby increase the number of our shareholders, among other reasons, throughout the duration of the Medium-term Management Plan period (FY2022/3 through FY2026/3), we will also consider providing shareholder benefits (details will be disclosed following a decision on the matter).
- As for the frequency of dividends, taking into consideration the status of Japan Post Bank's investment portfolio, our policy will be to issue annual dividends once each year while the market remains significantly opaque due to the effects of COVID-19, among other factors.
- With respect to presently retained treasury stock (approximately ¥1.3tn), our policy will be one of cancellation (details will be disclosed following a decision on the matter).

## **- Mid-term Management Plan - Appendix**



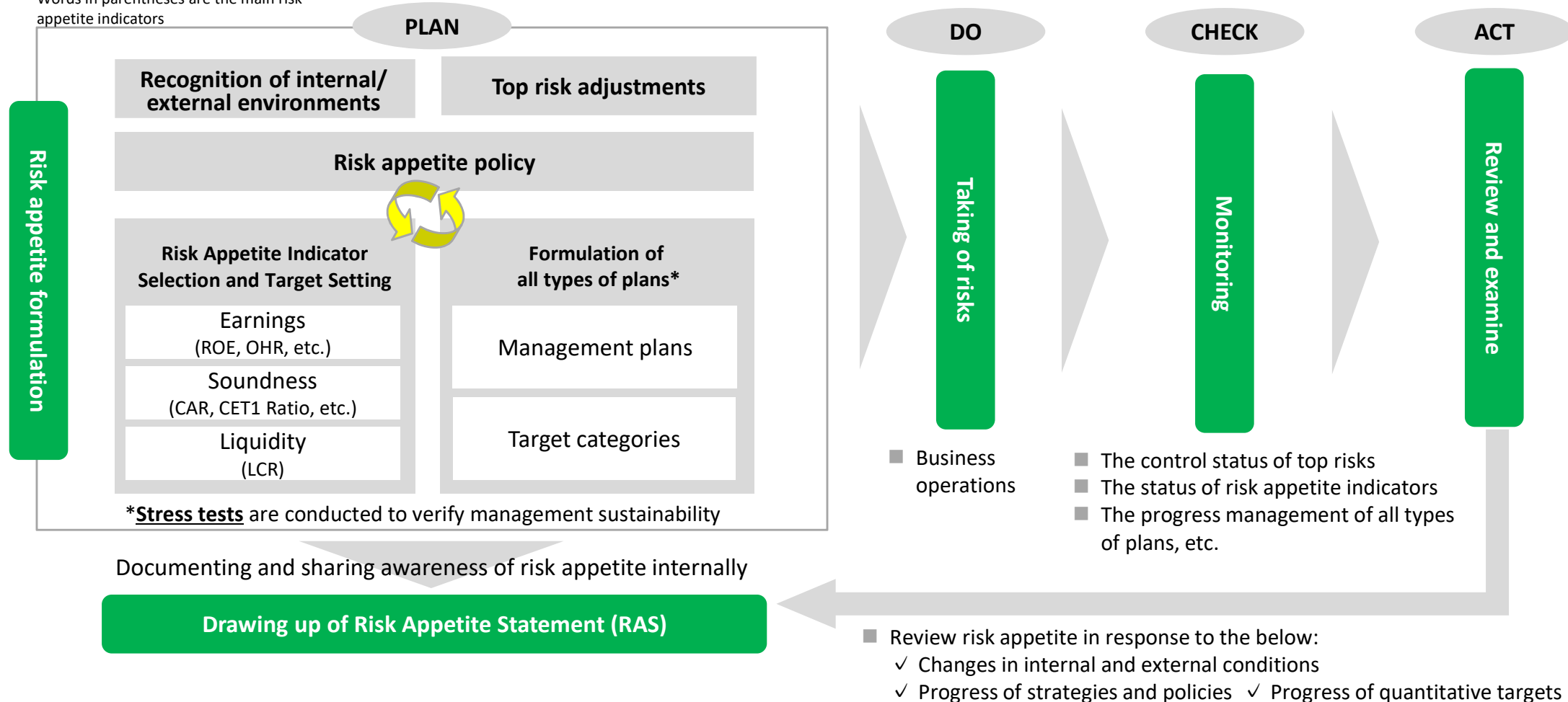
# Risk Appetite Framework – (1) Management Process –

- We conduct business operations in line with the Risk Appetite Framework (RAF)\*, in order to ensure medium- to long-term profitability and financial soundness.
- Based on the RAF, risk appetite policies and indicators as well as top risks are discussed in conjunction with the formulation of management plans.

\* A business management framework used as common language between banks pertaining to all aspects of risk-taking policies, including the capital distribution and profit maximization of risk appetites (the type and total quantity of risks a company should willingly take on to fulfil its business plans after taking into account the unique aspects of the company's own business model).

## [Risk Appetite Framework Management Process]

Words in parentheses are the main risk appetite indicators



## Risk Appetite Framework — (2) Top risk —

- We select the top risks that we recognize as potentially having a particularly significant impact on our business, performance, and financial position. These risks are selected following deliberation by the Board of Directors and Executive Committee within the risk appetite framework and in consideration of their degree of impact and probability.
- We reflect the actions we take against the selected risks in our management plans. We set monitoring indicators and regularly check they are under control, and put in place additional measures as and when needed.

### Top risk/Main measures

#### Insufficient customer-oriented business operations

- ✓ Quality controls for customer-oriented business operations
- ✓ Appropriate disclosure of information, improved second-line\* functions, deeper discussions in Special Committees

\* Management divisions such as the Risk Management and Compliance Division, etc.

#### Money laundering/Terrorist financing

- ✓ Improve systems and enhance measures against money laundering/terrorist financing

#### Cyber attacks

- ✓ Sound execution of cybersecurity action plans

#### System disruptions

- ✓ Improve system monitoring, etc.
- ✓ Formulate contingency plans, and conduct emergency response training

#### Pandemics, major disasters

- ✓ Take measures to prevent the spread of infection, and ensure the continuity of important operations

#### Climate change risks, etc.

- ✓ Build up ESG investments (targeted)
- ✓ Improve disclosures based on qualitative and quantitative analysis of transition risks and physical risks

#### Economic and social changes, Advancements in technology, etc.

- ✓ Promote digitalization with safety and security as the top priorities
- ✓ Secure new revenue sources, drive new business, and improve the income and expenditure of existing services

#### Market/Credit/Liquidity risk, etc.

- ✓ Improve portfolio stress tolerance
- ✓ Improve internal control systems from the standpoint of being an internationally active bank
- ✓ Improve specialized human resources in investing and risk management



# Stress Tests

- We perform stress tests based on multiple stress scenarios that assume deterioration in macroeconomic conditions to assess the impact on our financial condition and capital adequacy ratio, for the purpose of verifying the appropriateness of business plans from the forward-looking standpoint of business sustainability.

## Performing Stress Tests

### Flow

#### (1) Designing Scenarios

#### (2) Determine Scenarios

#### (3) Estimate Impact

#### (4) Report to Board of Directors

### Overview

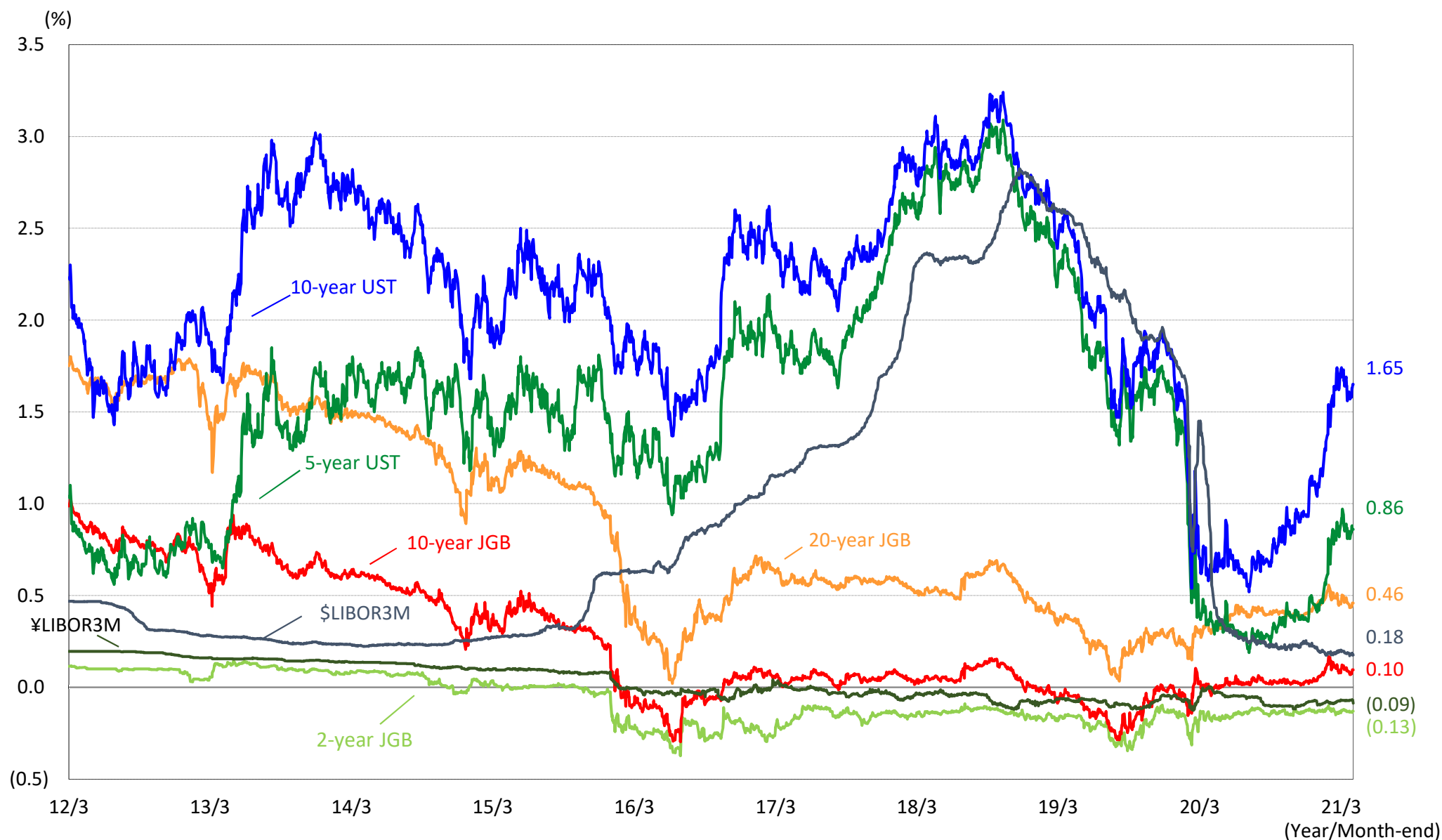
- ✓ Consider stress events that should be reflected in the scenarios, based on risks taken into account by market participants such as international organizations, national authorities and financial institutions and their economic outlooks.
- ✓ Draft multiple scenarios based on the probability and impact of stress events.

- ✓ Hold preliminary discussion regarding scenarios with the relevant departments.
- ✓ Determine the scenarios after consultation in the ALM Committee.

- ✓ Estimate the amount of impact on capital adequacy ratio, unrealized gains/losses on securities, net interest income and risk exposure under each scenario.

- ✓ Based on these estimates, verify the appropriateness of business plans in terms of business sustainability.
- ✓ Report the results of verification to the Board of Directors.

## Long-term trend of interest rates, etc.



Source: JGB interest rate information – Ministry of Finance Japan, etc.

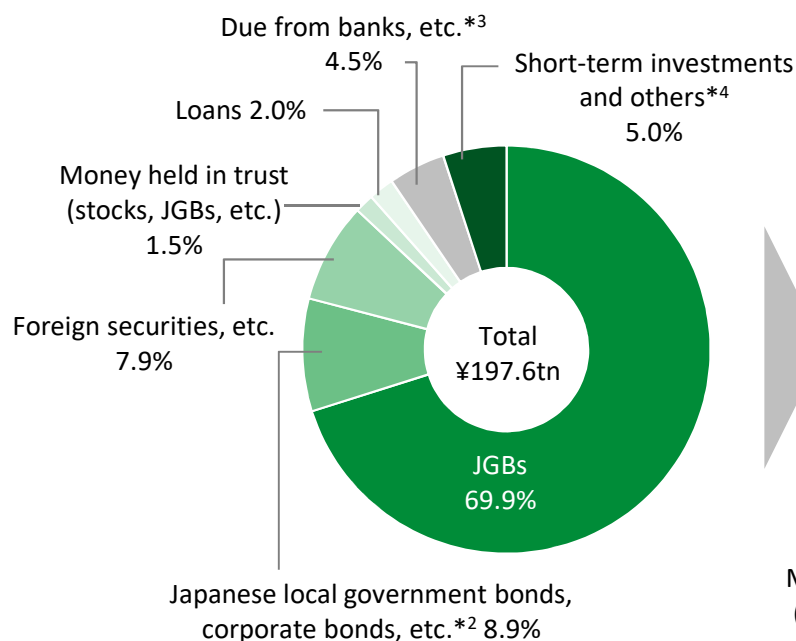
Note: All figures are as of Apr. 30, 2021

# Change in Investment Portfolio

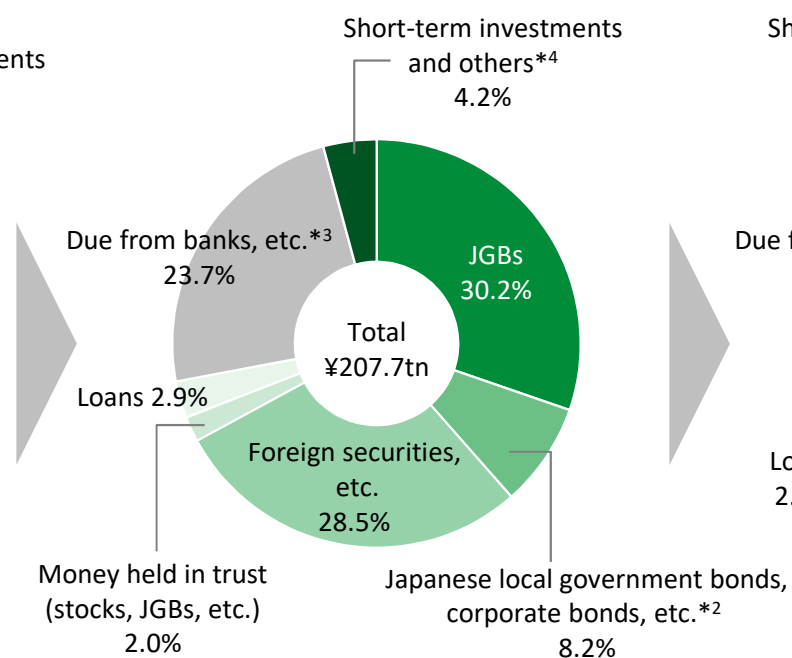
■ Amidst challenging investment conditions with prolonged ultra-low interest rates in Japan, we shifted our investment focus from JGBs to Risk assets\*<sup>1</sup> under appropriate risk management.

## Change in Investment Portfolio (Non-consolidated)

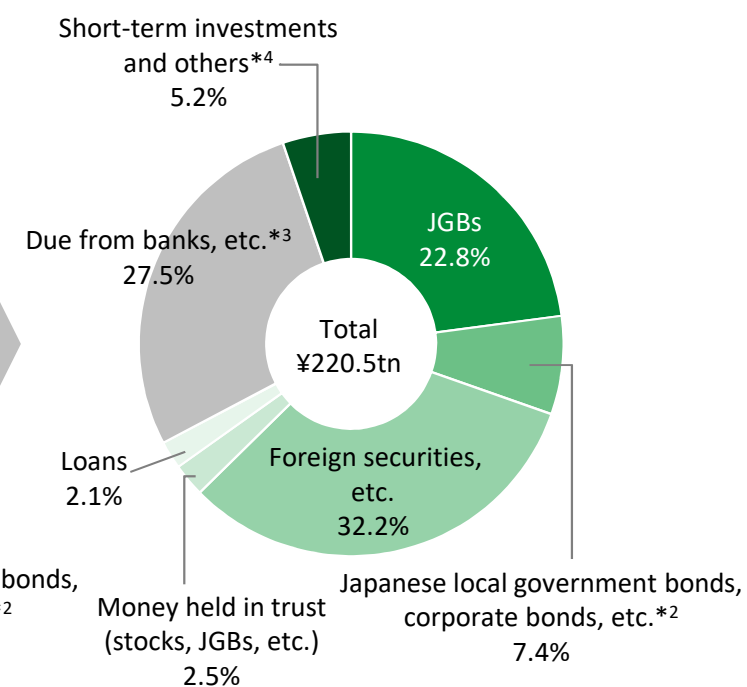
As of Mar. 31, 2013



As of Mar. 31, 2018



As of Mar. 31, 2021



JGBs	69.9% [¥138.1tn]
Foreign securities, etc.	7.9% [¥15.7tn]

JGBs	30.2% [¥62.7tn]
Foreign securities, etc.	28.5% [¥59.2tn]

JGBs	22.8% [¥50.4tn]
Foreign securities, etc.	32.2% [¥71.1tn]

\*1 Assets other than yen interest rates (JGBs, etc.).

\*2 "Japanese local government bonds, corporate bonds, etc." consists of Japanese local government bonds, commercial paper, Japanese corporate bonds and Japanese stocks.

\*3 "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

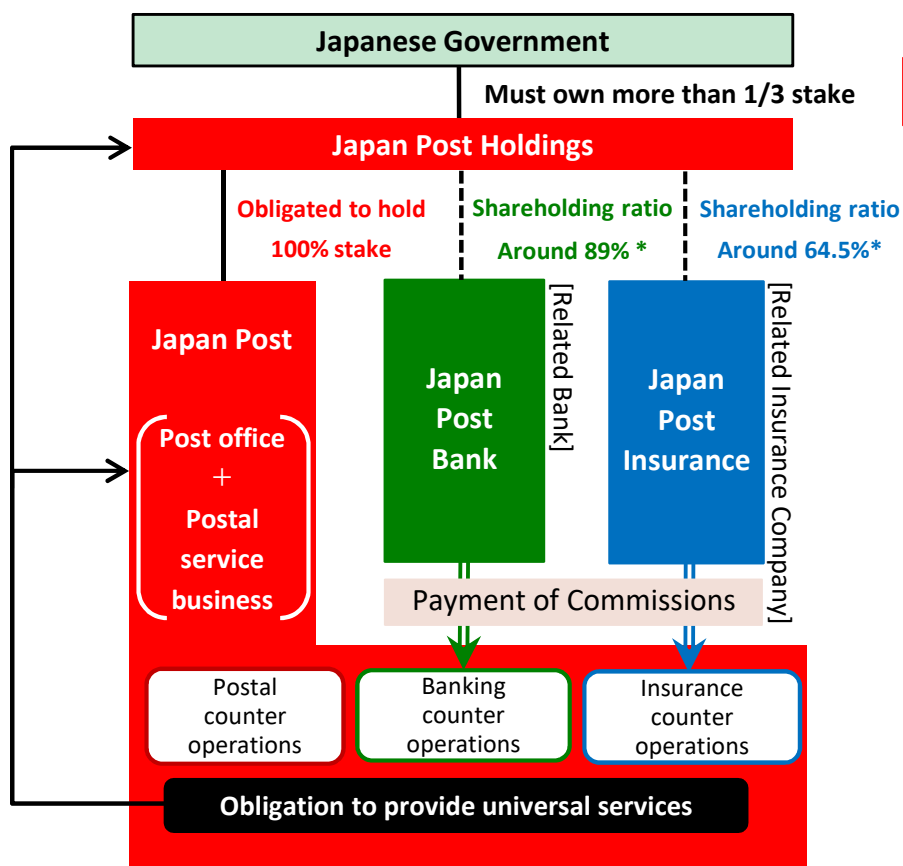
\*4 "Short-term investments and others" consists of call loans and receivables under resale agreements, etc.

## – (1) Relationship with Group Companies, etc. –

- The Postal Service Privatization Act stipulates that Japan Post Holdings should dispose of its shares in the two financial services companies as soon as possible. However, it has continued to hold a majority stake ever since privatization.
- As a Japan Post Group policy, Japan Post Holdings aims to make its shareholding ratio in the Bank 50% or less as soon as possible during the mid-term plan. The Bank has been steadily driving forward the privatization process in line with the policy.

Note: As of Apr. 30, 2021

### Relationship with Group Companies



\* Excluding treasury stock

### Limitations on New Business, etc.

- ✓ Currently, the regulations of the Postal Service Privatization Act (additional regulations) apply in addition to the regulations of the Banking Act.
- ✓ Once Japan Post Holdings has disposed of all of its shares in the Bank, the additional regulations will be rescinded and only the regulations of the Banking Act will apply.

E.g. : Personal loans, discretionary investment services, trust and inheritance services, and bilateral loans for corporations.

		Japan Post Holdings' shareholding ratio		
		Over 50%	50% or less	0%
New business	Banking Act *1	None	None	None
	Postal Service Privatization Act *1	Permitted	Notification	None
Owning affiliates	Banking Act *1	Notification	Notification	Notification
	Postal Service Privatization Act *1	Notification	Notification	None
Owning subsidiaries				
Banks	Banking Act *1	Permitted	Permitted	Permitted
	Postal Service Privatization Act *1	Prohibited	Prohibited	None
Other	Banking Act *1	Permitted*2	Permitted*2	Permitted*2
	Postal Service Privatization Act *1	Permitted*3	Permitted*3	None
Mergers and acquisitions (M&A)				
Financial*4 institutions	Banking Act *1	Permitted	Permitted	Permitted
	Postal Service Privatization Act *1	Prohibited*5	Prohibited*5	None
Other	Banking Act *1	Permitted	Permitted	Permitted
	Postal Service Privatization Act *1	Permitted	Permitted	None
Restrictions on the Maximum Amount of Deposit	Banking Act *1	None	None	None
	Postal Service Privatization Act *1	Regulated	Regulated	None

\*1 Permission is to be sought from, and notifications are to be made to: the Commissioner of the Financial Services Agency (Japan) in the case of the Banking Act; the Commissioner of the Financial Services Agency (Japan) and also the Minister for Internal Affairs and Communications in the case of the Postal Service Privatization Act.

\*2 May provide notification for making into subsidiaries companies that exclusively perform dependent services or specific financial operations.

\*3 May provide notification for making into subsidiaries companies that exclusively perform dependent services, engaged in financial research and studies, and companies that provide consultation in relation to the accumulation of personal wealth.

\*4 Banks, long-term credit banks, shinkin banks, credit cooperatives, labor banks, shinkin bank associations, credit cooperative associations, labor bank associations, and Shoko Chukin Bank.

\*5 Permitted in the case of acquisitions of operations other than deposit operations.

## — (2) Overview of Regulations Surrounding the Bank —

### (Ref.) Overview of Regulations Surrounding the Bank

Summary of Regulations				
Universal Service Obligation Related to Banking Service (Imposed on Japan Post Holdings and Japan Post)		<ul style="list-style-type: none"> <li>■ Obligation to provide basic banking services (acceptances and withdrawals of ordinary, TEIGAKU and time deposits, and remittance, etc.) through the post office network</li> <li>■ Japan Post has Bank Counter Services Agreement with the Bank</li> </ul>		
Share- holding	Japan Post Holdings ⇒ the Bank		<ul style="list-style-type: none"> <li>■ Japan Post Holdings must aim to dispose all of their shares within the earliest possible timeframe while considering the management situation of the Bank, and the impact on the fulfillment of obligations to provide universal services</li> </ul>	
Regulations on the Bank	Regulations under the Banking Act		<ul style="list-style-type: none"> <li>■ Same regulation is imposed as a “Bank” under the Banking Act</li> </ul>	
	Additional Regulations*2	Restrictions on Scope of Business	Current	<u>Permitted</u> by the Commissioner of the Financial Services Agency (of Japan)*1 and the Minister for Internal Affairs and Communications ( + Consultation with the Postal Privatization Committee + Supervision)
			After Japan Post Holdings disposes of 50% or more (Voting rights basis)	<u>Notification</u> to the Commissioner of the Financial Services Agency (of Japan)*1 and the Minister for Internal Affairs and Communications ( + Obligation to care for fair competition + notice to Postal Privatization Committee + Supervision)
			After Japan Post Holdings disposes of all shares	Same regulation is imposed as a “Bank” under the Banking Act
		Restrictions on the Maximum Amount of Deposit	<ul style="list-style-type: none"> <li>■ Maximum amount of deposits (ordinary deposits:¥13mn/fixed-term deposits:¥13mn) are stipulated by the enforcement order of the Privatization Act</li> </ul>	

\*1 The authority of the Prime Minister of Japan has been delegated to the Commissioner of the Financial Services Agency (of Japan), with some exceptions (such as the decision not to apply part of the Postal Service Privatization Act when 50% or more of shares have been disposed of).

\*2 The regulations of the Postal Service Privatization Act apply in addition to the regulations of the Banking Act.

## — (3) Agency Commissions Paid to Japan Post, etc. —

- Expenses associated with outsourcing to Japan Post consist of 1) subsidies and 2) agency commissions.

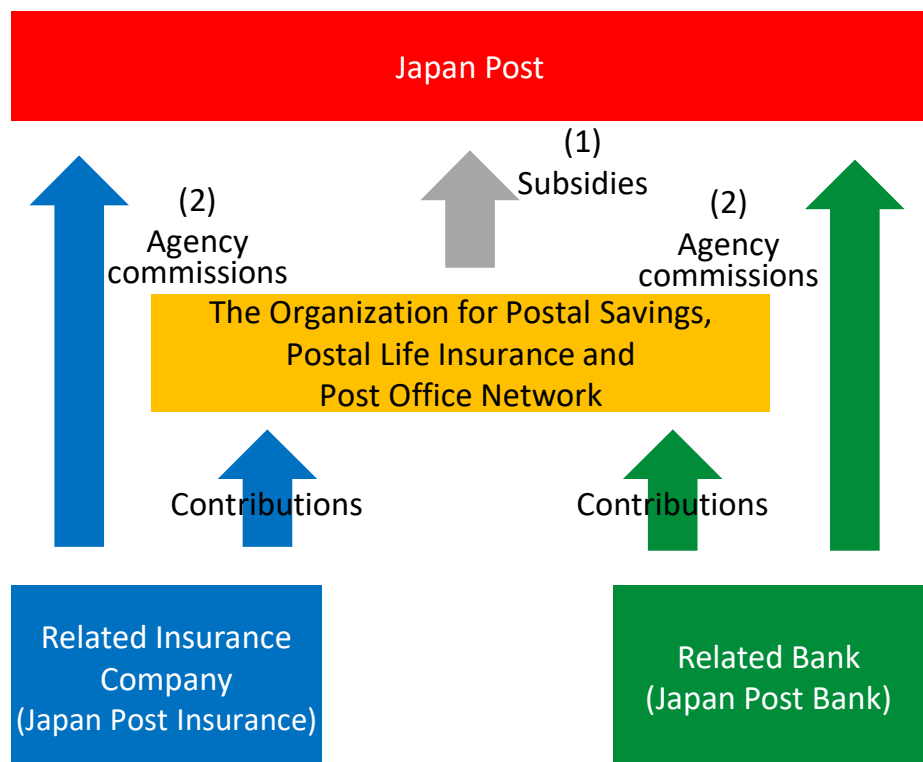
(1) Subsidies are calculated each fiscal year by the Organization for Postal Savings, Postal Life Insurance and Post Office Network and approved by the Minister of Internal Affairs and Communications (Japan).

Subsidies are funded by contributions from the Bank and Japan Post Insurance.

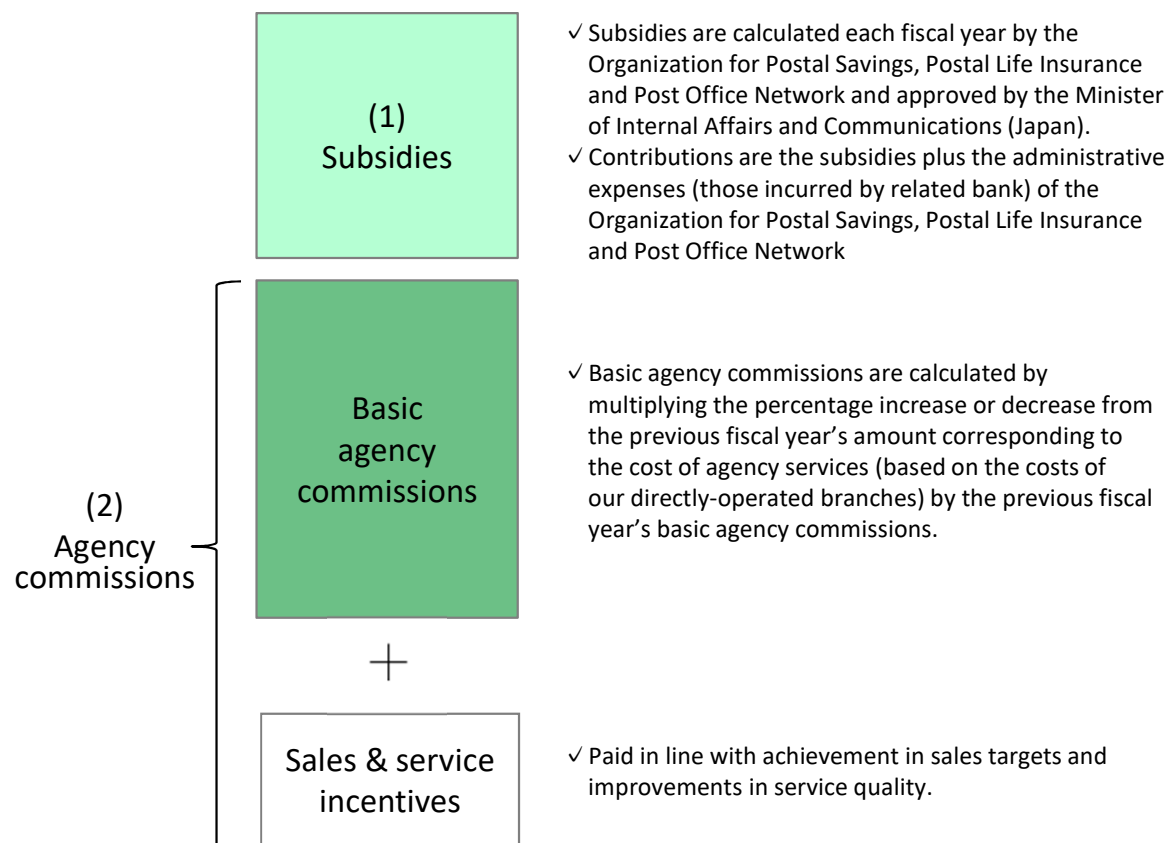
(2) Agency commissions consist of basic agency commissions (commission for operating deposits, investment trusts, and for remittance and settlement services) and sales & service incentives.

- The structure of the basic agency commissions is that will reflect any change in operating efficiency of our directly-operated branches.

### Contribution System

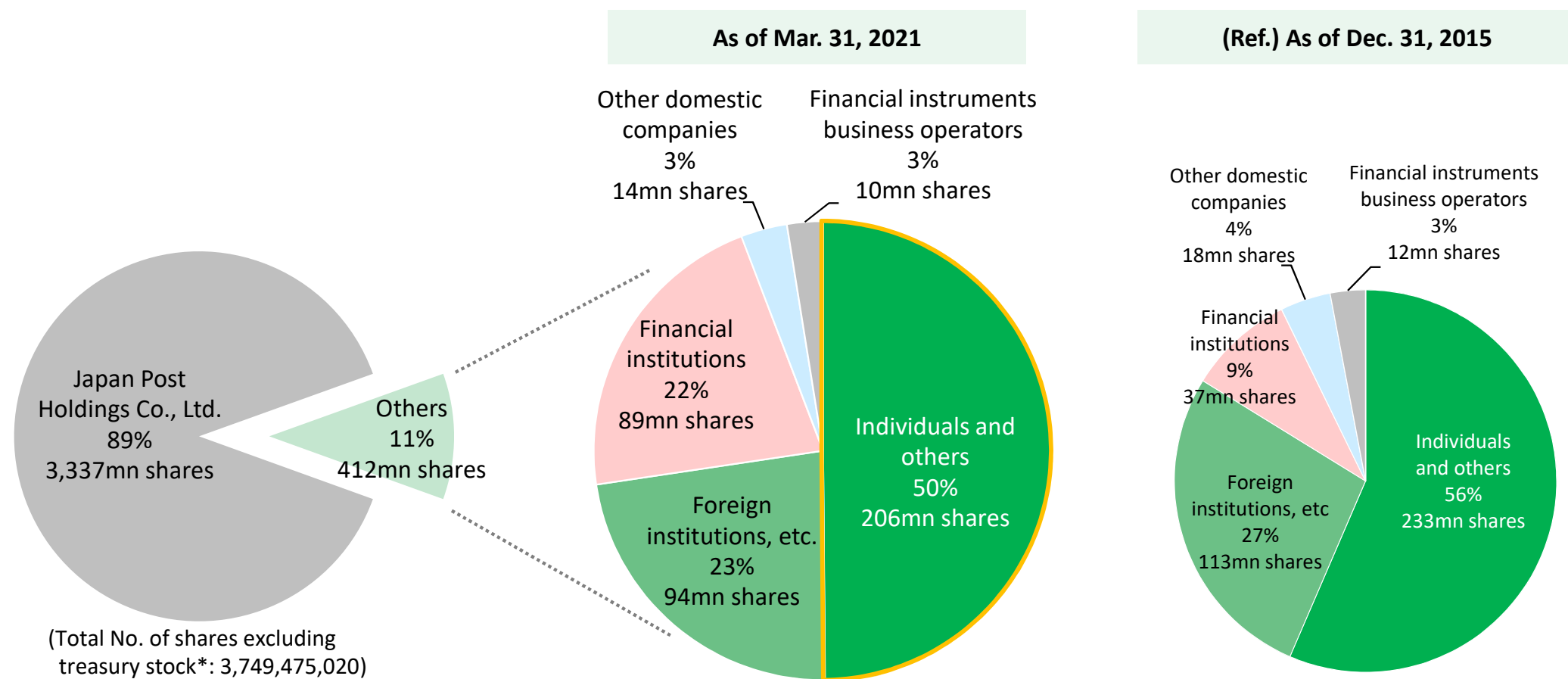


### Structure of Expenses Associated with Outsourcing to Japan Post



# Shareholder Composition

■ Individual shareholders make up approximately half of the Bank's shareholders (excluding Japan Post Holdings).



(Total No. of shares excluding treasury stock\*: 3,749,475,020)

(Ref.)

Total No. of outstanding shares	4,500,000,000
No. of treasury stock*	750,524,980

Note: All figures are rounded

\* Treasury stock excludes the Bank's shares held by stock benefit trust



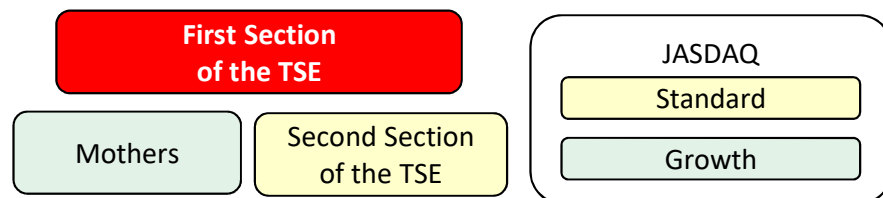
# Reorganizing the Market Segments (Tokyo Stock Exchange)

- Tokyo Stock Exchange (TSE) is scheduled to transition to its new market segments in April 2022. At present, the Bank has not met the requirements for continued listing criteria in the Prime Market.
- In order to remain in the Prime Market, the Bank needs to meet the criteria or submit a “Plans to meet the continued listing criteria” and disclose our progress on that plan to undergo transitional measures.

Note: Based on information available as of Apr. 7, 2021

## Conceptual Images of Reorganizing the Market Segments (TSE)

### [ Current Market Segments (Through Apr. 2022) ]



### Reorganizing the current 5 market segments into 3 new market segments

- ✓ Listed companies will **proactively choose a new market segment for listing**.
- ✓ If continued listing requirements are not met, submitting “Plans to meet the continued listing criteria” is required.

### [ New Market Segments (Beginning Apr. 2022) ]

	< 5 requirements for continued listing in the Prime Market >				Our current status
	①	No. of Shareholders	At least 800 shareholders	Met	
<div>Prime Market</div> <div>Standard Market</div> <div>Growth Market</div>	②	No. of Tradable Shares	At least 20,000 units	Met	
	③	Tradable Share Market Cap	At least ¥10bn	Met	
	④	Trading Value	At least ¥20mn (daily avg.)	Met	
	⑤	Tradable Share Ratio	At least 35%	Not Met	

Apr. 2022 :  
Beginning of indexing for each new market (Prime Index, etc.)

## The Bank's Responses

### < Current >

Our ⑤ Tradable Share Ratio does not meet the requirement, resulting in disqualification from the Prime Market.

### < Response >

- ✓ As a Japan Post Group policy, Japan Post Holdings aims to make its shareholding ratio in the Bank 50% or less as soon as possible during the mid-term plan. The Bank has been steadily driving forward the privatization process in line with the policy.
- ✓ In order to remain in the Prime Market, the Bank intends to follow the schedule outlined by the TSE as follows.

## Schedule

	Jun. 30	Base date for transition
2021	During Jul.	Notification of whether requirements are met for continued listing in the new market segments Notification of procedures, documentation, etc. required for selection of new market segment
	Sep. 1 – Dec. 30	Listed companies to choose their market segment [ Submitting the following documents to TSE ] ① Application form for segment selection ② A document that verifies the board's decision on the segment selection ③ Plans to meet the continued listing criteria (if needed) ④ Corporate Governance Report based on revised Corporate Governance code*
2022	During Jan.	Publication of list of new market segments to which listed companies belong (TSE HP)
	Apr. 4	New market segment (transition completed)
2023	By Jun. 30	Disclosing the progress of ③ above (if needed)

\* Rules applied only to companies listed on the Prime Market scheduled to take effect Apr. 4, 2022.

# Response to the Cessation of LIBOR

- **LIBOR\*1 will cease at the end of December 2021, with the exception of certain USD settings. Although we have few loans that reference LIBOR, we are taking prompt steps in line with our plan to shift to alternative benchmarks.**

\*1 London Inter-Bank Offered Rate

## Events So Far

- Around summer 2012 ✓ LIBOR rate-fixing scandal came to light
- July 2014 ✓ FSB\*2 publishes "Reforming Major Interest Rate Benchmarks"
- July 2017 ✓ The FCA\*3, the supervisory authority that regulates LIBOR, announced it would not compel panel banks to provide LIBOR submissions beyond the end of 2021
- August 2018 ✓ In Japan, the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks was established
- June 2020 ✓ The Financial Services Agency (of Japan) and the Bank of Japan jointly wrote letters to CEOs
- March 2021 ✓ IBA\*4 the LIBOR operator, decides that LIBOR will cease at the end of December 2021, with the exception of certain USD settings (Some USD settings will continue to be published until the end of June 2023)

\*2 Financial Stability Board \*3 Financial Conduct Authority \*4 ICE Benchmark Administration

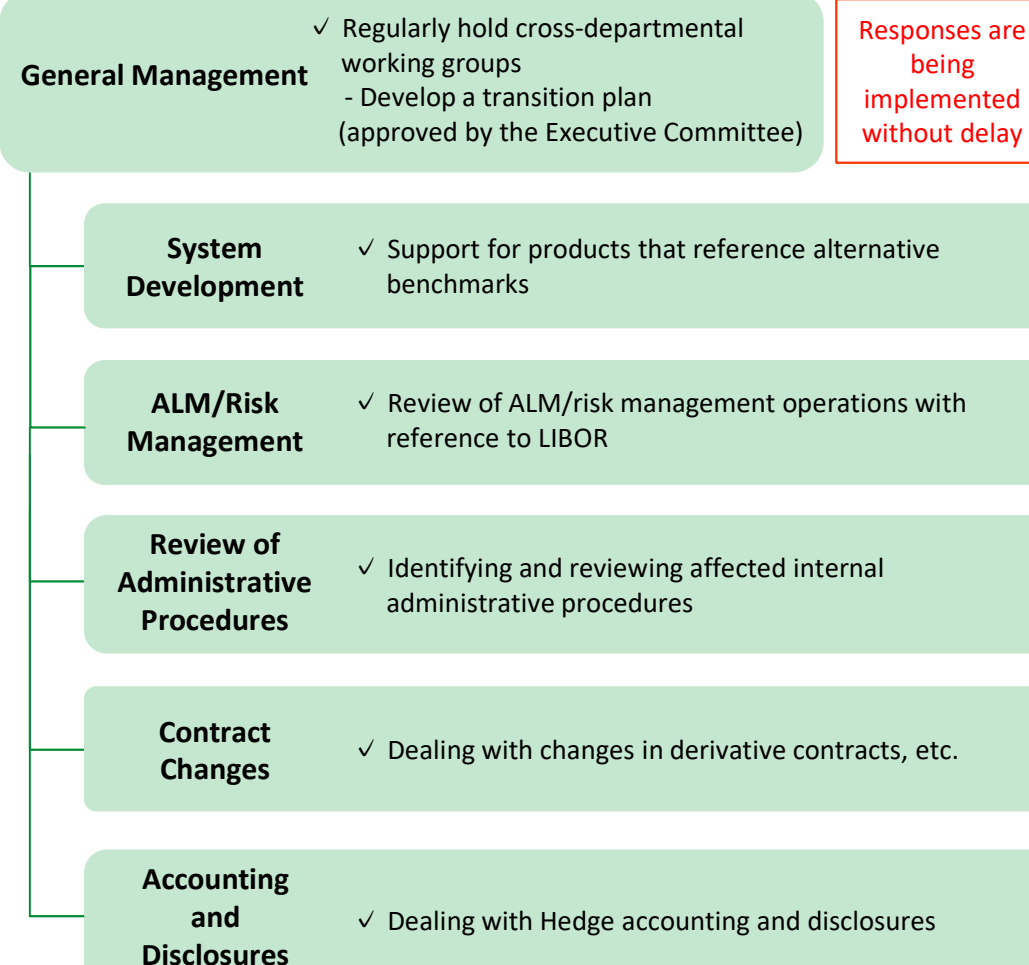
## Alternative Benchmarks

[Characteristics of alternative JPY LIBOR benchmarks that have some degree of support from the Committee]

	Overnight RFR Compounding (in arrears)	Term RFRs (TORF*5)	TIBOR
Rate on which the interest benchmark relies	Uncollateralized overnight call rate	JPY OIS	TIBOR
Timing of interest rate decisions	In arrears (immediately before the interest rate payment date)	In advance (at the commencement of the application rate)	In advance (at the commencement of the application rate)

\*5 Tokyo Term Risk Free Rate

## The Bank's Main Responses (As of Mar. 31, 2021)



## **- Financial Results - 2. FY2021/3 Financial Results**

# Overview of FY2021/3 Results

## — (1) Results —

1. Mid-term Plan

Appendix

2. Results  
(FY2021/3)

3. Forecasts  
(FY2022/3)

Financial Data

Overview

Asset  
Management

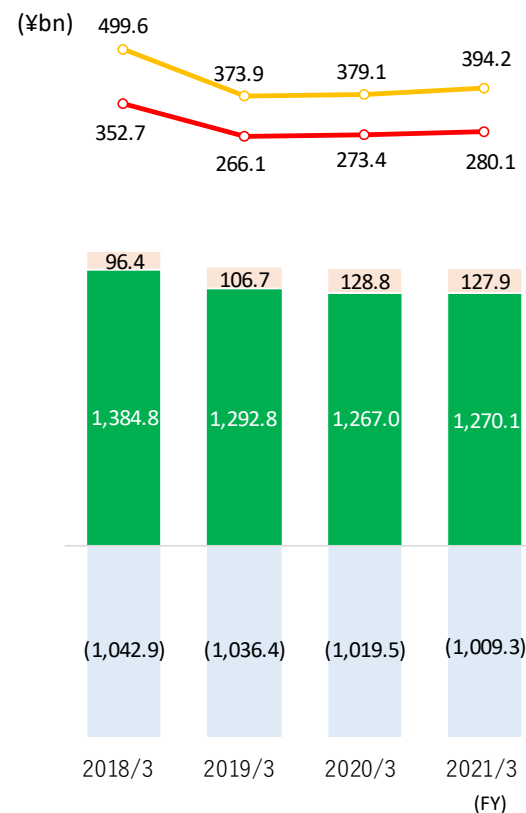
Fee

Cost

- Net income attributable to owners of parent was ¥280.1bn for the FY2021/3, representing an increase of ¥6.6bn compared to the previous year driven primarily by factors such as improvements in the market environment and a reduction in general and administrative expenses. The achievement rate to forecast, had revised upwards in November 2020, was 103.7%.
- As a result of the favorable results, we have decided to pay dividends at ¥50 per share.

### Results for FY2021/3 (Consolidated)

■ Net interest income, etc.  
■ General and administrative expenses  
■ Net fees and commissions  
○ Net ordinary income  
○ Net income attributable to owners of parent



	FY2020/3	FY2021/3		Increase (Decrease)	
	Actual	Forecast	Actual	YoY	Compared to Forecast
Net interest income, etc.* <sup>1</sup>	1,267.0	1,265.0	1,270.1	① 3.1	5.1
Net fees and commissions	128.8	130.0	127.9	(0.9)	(2.0)
General and administrative expenses	1,019.5	1,030.0	1,009.3	② (10.2)	(20.6)
Net ordinary income	379.1	375.0	394.2	15.0	19.2
Net income attributable to owners of parent [Achievement rate* <sup>2</sup> ]	273.4	270.0	280.1 [103.7%]	6.6	10.1
Dividend per share [Dividend payout ratio]	¥50 [68.5%]	¥50 [69.4%]	¥50 [66.9%]	-	-

Main drivers of increase and decrease

- ① Although net interest income decreased from the previous year, net interest income, etc. improved due to a increase in gains on foreign exchanges
- ② Compared to the previous year, G&A expenses have improved because of decreases in IT expenses and commissions on bank agency services, etc. paid to JAPAN POST, caused by voluntary limitations on business by the post office

\*1 Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales, etc.)

\*2 The achievement rate to forecast for net income attributable to owners of parent, revised upwards in November 2020.

# Overview of FY2021/3 Results

## — (2) Result of Operations, Financial Conditions —

1. Mid-term Plan

Appendix

2. Results  
(FY2021/3)

3. Forecasts  
(FY2022/3)

Financial Data

Overview

Asset  
Management

Fee

Cost

### Results of Operations (Non-consolidated)

(¥bn)

	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Gross operating profit	1,314.2	1,319.0	4.8
Net interest income	976.8	961.8	(14.9)
Net fees and commissions	128.8	127.9	(0.9)
Net other operating income (loss)	208.4	229.2	20.7
Gains (losses) on foreign exchanges	202.1	254.6	52.5
Gains (losses) on bonds	8.0	(25.9)	(34.0)
General and administrative expenses*	1,020.2	1,010.1	(10.0)
Provision for general reserve for possible loan losses	0.0	—	(0.0)
Net operating profit	293.9	308.8	14.9
Non-recurring gains (losses)	85.1	85.4	0.3
Gains (losses) related to stocks	11.5	(188.4)	(200.0)
Gains (losses) on money held in trust	72.8	272.7	199.9
Net ordinary income	379.0	394.3	15.2
Net income	273.0	279.8	6.7

\* General and administrative expenses exclude non-recurring losses.

### Financial Conditions (Non-consolidated)

(¥bn)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
Assets	210,905.1	223,847.5	12,942.3
Cash and due from banks	51,663.9	60,768.0	9,104.1
Call loans	1,040.0	1,390.0	350.0
Receivables under resale agreements	9,731.8	9,721.3	(10.5)
Money held in trust	4,549.7	5,547.5	997.8
Securities	135,198.4	138,183.2	2,984.8
Loans	4,961.7	4,691.7	(270.0)
Liabilities	201,917.5	212,485.4	10,567.9
Deposits	183,004.7	189,593.4	6,588.7
Payables under repurchase agreements	14,855.6	14,886.4	30.8
Payables under securities lending transactions	2,219.3	1,504.5	(714.8)
Net assets	8,987.6	11,362.1	2,374.4
Total shareholders' equity	9,058.7	9,244.8	186.1
Total valuation and translation adjustments	(71.0)	2,117.2	2,188.3

# Overview of FY2021/3 Results

## — (3) Management Indicators —

1. Mid-term Plan

Appendix

2. Results  
(FY2021/3)

3. Forecasts  
(FY2022/3)

Financial Data

Overview

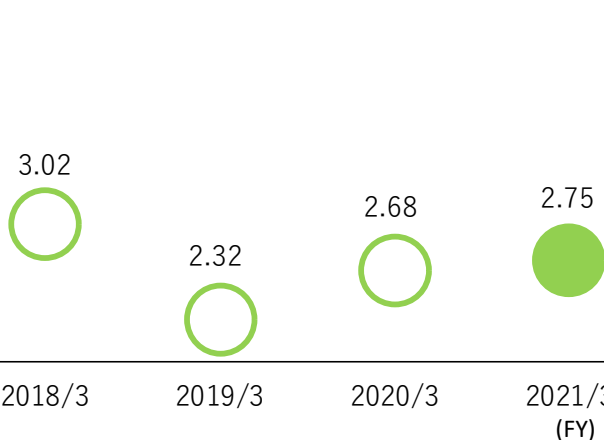
Asset  
Management

Fee

Cost

### ROE (net assets basis, Non-consolidated)\*<sup>1</sup>

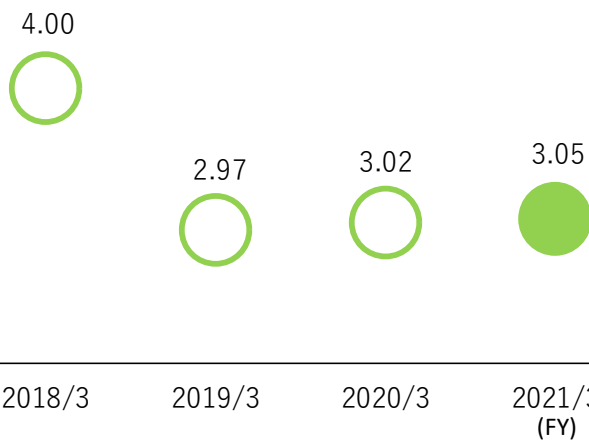
(%)



\*<sup>1</sup> Net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

### ROE (shareholders' equity basis, Non-consolidated)\*<sup>2</sup>

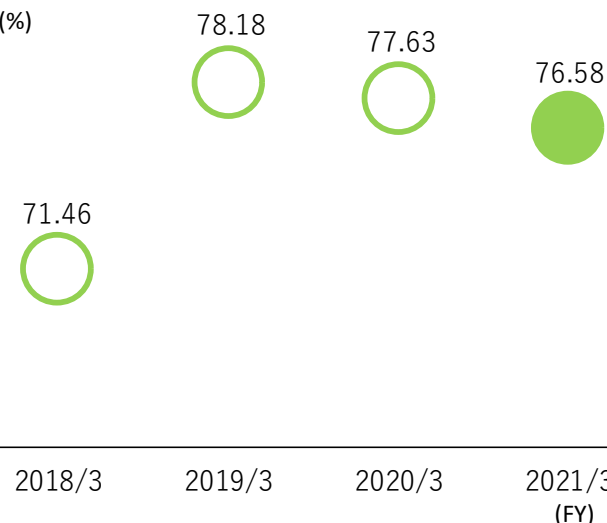
(%)



\*<sup>2</sup> Net income / [(sum of total shareholders' equity at the beginning and the end of the fiscal year) / 2] x 100

### OHR (Non-consolidated)\*<sup>3</sup>

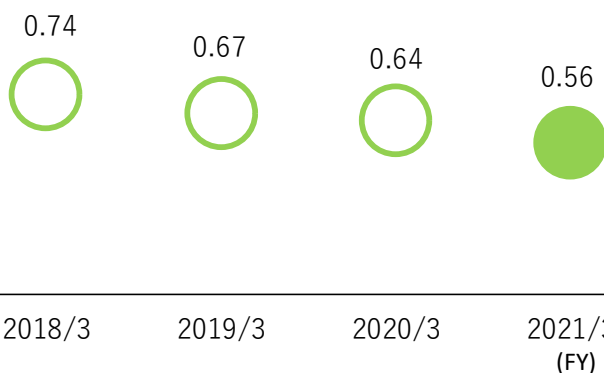
(%)



\*<sup>3</sup> (General and administrative expenses / gross operating profit) x 100  
The definition of OHR is different from the OHR stated in the financial targets of the new mid-term plan.

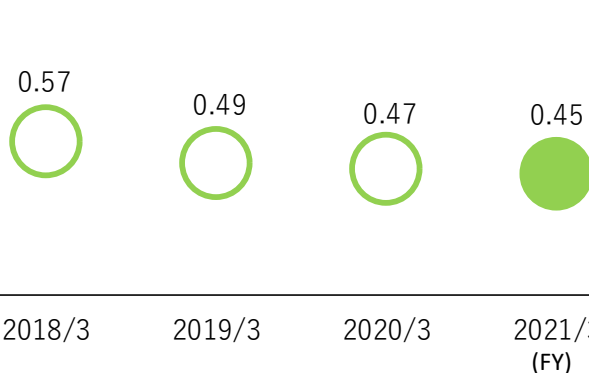
### Yield on interest-earning assets (Non-consolidated)

(%)



### Interest rate spread (Non-consolidated)

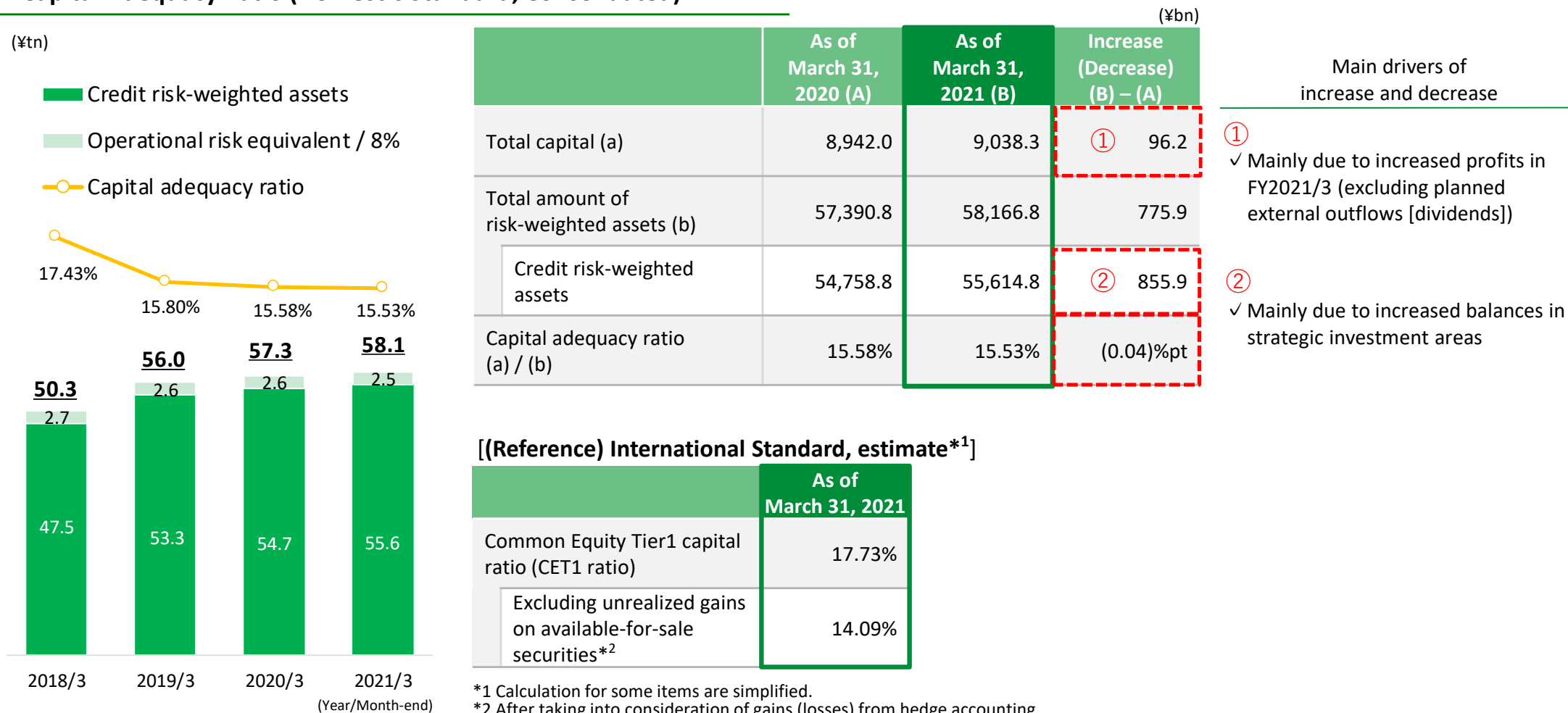
(%)



# Capital Adequacy Ratio

- The capital adequacy ratio (domestic standard, consolidated) as of the end of March 2021 was 15.53%, down 0.04%pt from the end of the previous fiscal year, as the increase in the total amount of risk-weighted assets (denominator) had a greater impact than the increase in total capital (numerator).
- In particular, under continued risk-controlled approach to portfolio management, the total amount of risk-weighted assets (denominator) increased, primarily due to increased balances in strategic investment areas.

## Capital Adequacy Ratio (Domestic Standard, Consolidated)



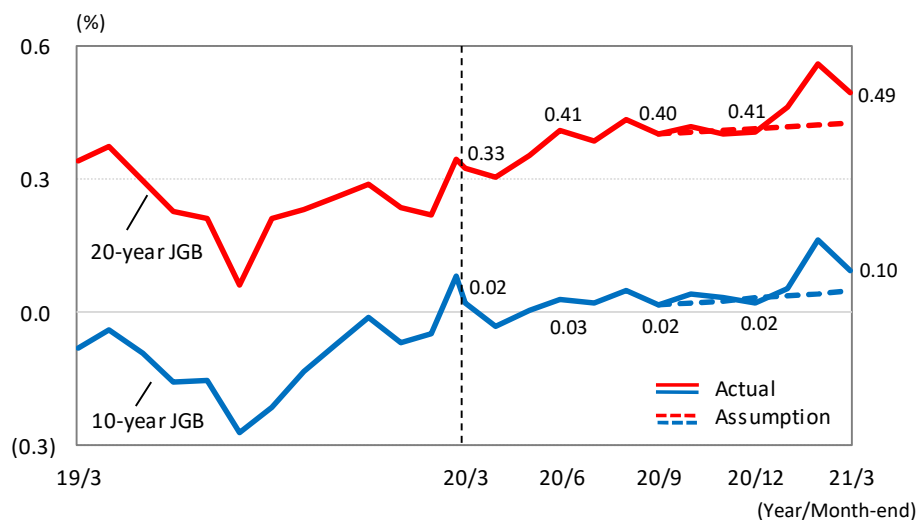


# Market Situation

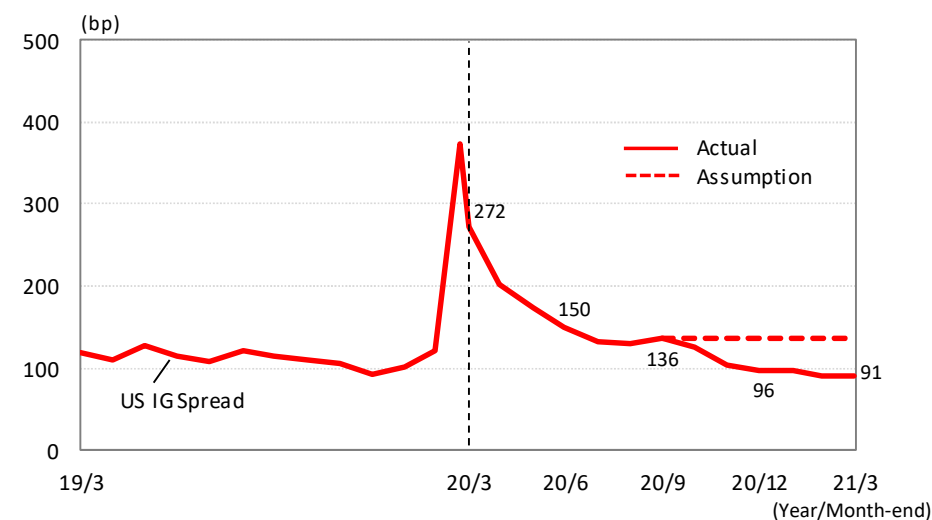
■ In FY2021/3 Q4, both credit spreads and dollar procurement cost remained lower than expected, while domestic and foreign interest rates rose.

## Assumptions and Actuals

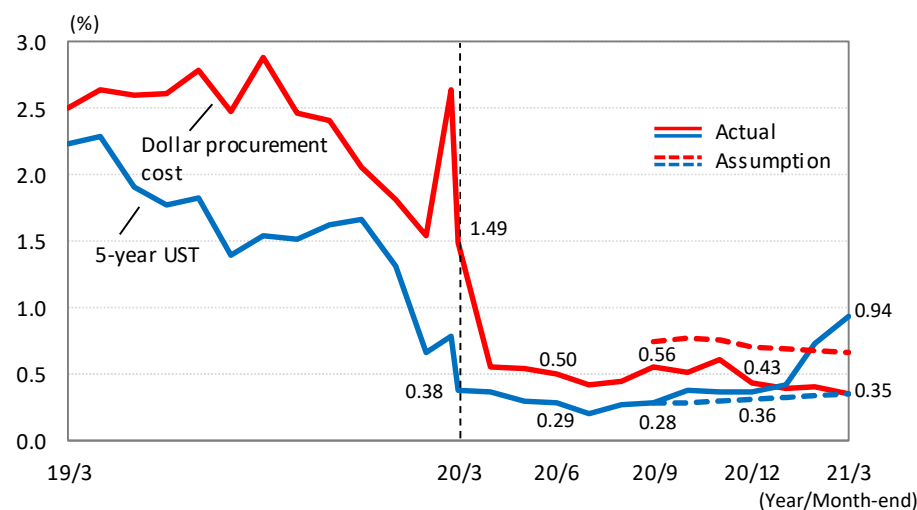
Yen interest rates



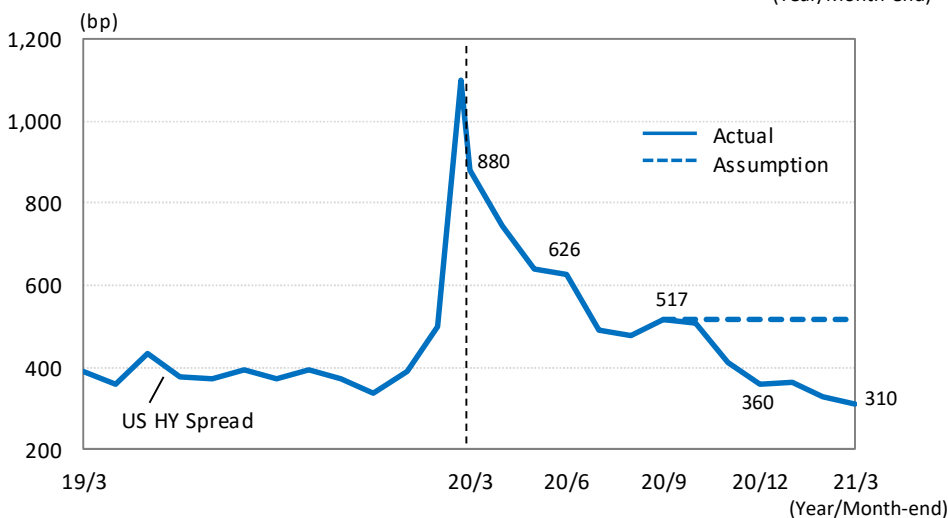
US IG spread



US interest rate  
Dollar procurement cost



US HY spread



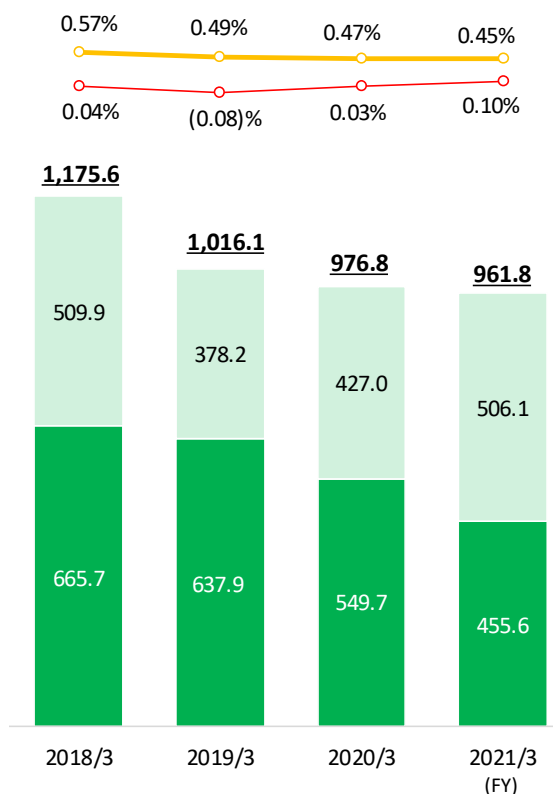
# Income Analysis

- Net interest income was ¥961.8bn for the FY2021/3, representing an decrease of ¥14.9bn compared to the previous year driven primarily by the decrease in domestic net interest income, in particular, due to the redemption of previously invested high-yield bonds, etc. While interest expenses in the overseas market decreased sharply due to the lower in foreign currency funding costs related to lower the US short-term interest rates.

## Income Analysis (Non-consolidated)

(¥bn)

■ Net interest income (Domestic) ■ Net interest income (Overseas)  
 — Interest rate spread — 10-year JGB yield



### Domestic

	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Net interest income	549.7	455.6	(94.0)
Interest income	629.0	518.3	(110.7)
Interest on Japanese government bonds	428.1	364.6	① (63.4)
Interest expenses	79.3	62.6	(16.7)

Main drivers of increase and decrease

- ① ✓ Redemption of previously invested high-yield bonds, etc. and ongoing low interest rate environment

### Overseas

	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Net interest income	427.0	506.1	79.1
Interest income	789.4	751.4	(37.9)
Interest on foreign securities	787.4	750.9	② (36.5)
Interest expenses	362.3	245.2	③ (117.0)

- ② ✓ Lower yields on foreign bonds

- ③ ✓ Lower foreign currency funding costs related to lower the US short-term interest rates

### Total

	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Net interest income	976.8	961.8	(14.9)
Interest income	1,318.0	1,198.2	(119.7)
Interest expenses	341.1	236.3	(104.7)

Source: JGB interest rate information – Ministry of Finance Japan

Notes: 1. "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").  
 2. For a part of interest income and expenses, transactions between "domestic" and "overseas" are offset to calculate totals. As a result, the total of each account may not be equal to the combined total of "domestic" and "overseas" of each item.

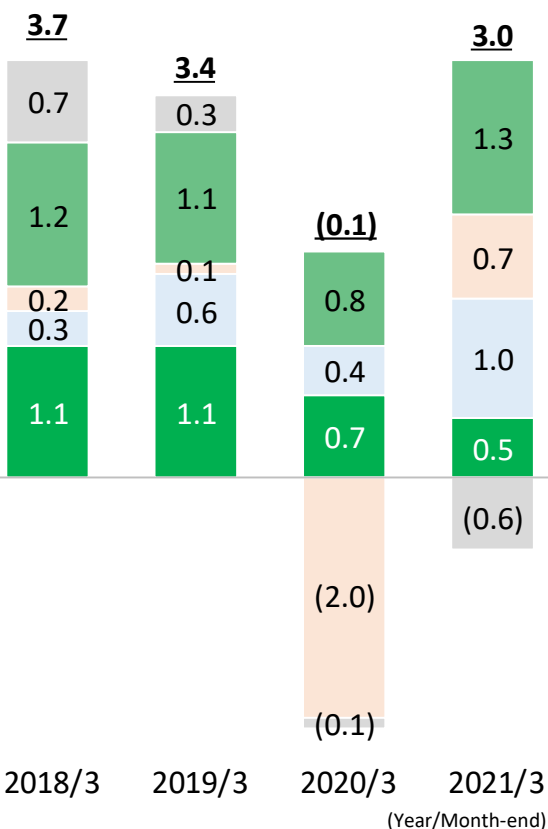
# Unrealized Gains (Losses) on Financial Instruments

- Net unrealized gains on financial instruments (available-for-sale) after taking into consideration of gains (losses) from hedge accounting were ¥3.0tn as of March 31, 2021 (before application of tax effect accounting), increased by ¥3.1tn from March 31, 2020. Unrealized gains (losses) of investment trusts, in particular, have improved significantly because of the tightening of foreign credit spreads (refer to page 54).

## Available-for-sale Securities (Non-consolidated)

(¥tn)

■ Japanese government bonds ■ Foreign bonds  
■ Investment trusts ■ Domestic stocks  
■ Others



	As of March 31, 2021 Amount on the balance sheet / Notional amount		AS of March 31, 2021 Net unrealized gains (losses) / Net deferred gains (losses)		Main drivers of increase and decrease
		YoY		YoY	
Available-for-sale	118,940.5	3,004.3	3,586.8	3,216.2	
Securities (a)	113,392.9	2,006.4	2,407.2	3,158.8	
Japanese government bonds	29,917.0	(2,680.8)	542.7	(251.4)	
Foreign bonds	23,505.1	(201.7)	1,031.3	① 601.9	① ② ✓ Tightening of foreign credit spreads
Investment trusts*	47,591.1	5,690.1	776.2	② 2,816.6	
Others	12,379.5	(801.0)	56.8	(8.3)	
Effect of fair value hedge accounting (b)			(173.5)	(481.8)	
Money held in trust (c)	5,547.5	997.8	1,353.1	539.2	
Domestic stocks	2,261.7	402.0	1,363.4	③ 546.8	③ ✓ Rises in domestic stock prices (TOPIX)
Others	3,285.8	595.7	(10.2)	(7.5)	
Derivatives for which deferred hedge accounting is applied (d)	16,210.0	(130.2)	(538.0)	(65.3)	
Total (a) + (b) + (c) + (d)			3,048.8	3,150.8	

\* Investment trusts are mainly invested in foreign bonds.

# Asset Management – (1) Investment Assets –

- Investment assets at the end of March 2021 was ¥220.5tn, representing an increase of ¥13.0tn compared to the previous year driven primarily by factors such as increases in investment trusts and amounts due from banks, etc. Specifically, the increases in investment trusts were because of a recovery in fair value and increases in balances, and increases in amounts due from banks, etc. were increases in Bank of Japan deposits.

## Investment Assets (Non-consolidated)

- Japanese government bonds
- Japanese local government bonds, corporate bonds, etc.
- Foreign securities, etc.
- Money held in trust (stocks, JGBs, etc.)
- Loans
- Due from banks, etc.
- Short-term investments and others

(¥bn)

Main drivers of  
increase and decrease

Categories	As of			Main drivers of increase and decrease
	March 31, 2021	%	YoY	
Securities	138,183.2	62.6	2,984.8	
Japanese government bonds	50,493.4	22.8	(3,142.6)	
Japanese local government bonds, corporate bonds, etc.*1	16,522.5	7.4	617.6	
Foreign securities, etc.	71,167.2	32.2	5,509.7	
Foreign bonds	23,505.1	10.6	(201.7)	①
Investment trusts*2	47,591.1	21.5	① 5,690.1	✓ Recovery in fair value due to the tightening of foreign credit spreads ✓ Increases in balances
Money held in trust (stocks, JGBs, etc.)	5,547.5	2.5	997.8	
Domestic stocks	2,261.7	1.0	402.0	
Loans	4,691.7	2.1	(270.0)	②
Due from banks, etc.*3	60,667.0	27.5	② 9,181.6	✓ Increases in ordinary deposit balances due to factors such as special cash payments paid in response to the spread of COVID-19, and reductions in consumption resulting from voluntary isolation
Short-term investments and others*4	11,505.7	5.2	181.5	
Total	220,595.4	100.0	13,075.8	

\*1 "Japanese local government bonds, corporate bonds, etc." consists of Japanese local government bonds, commercial paper, Japanese corporate bonds and Japanese stocks.

\*2 Investment trusts are mainly invested in foreign bonds.

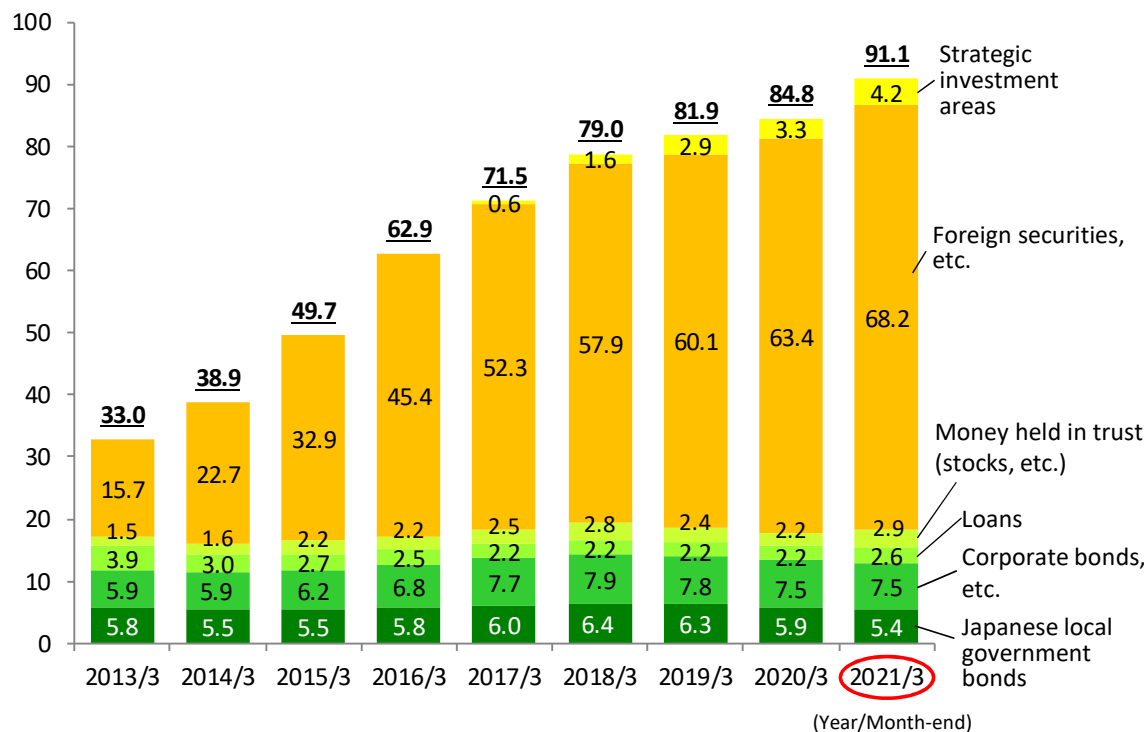
\*3 "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

\*4 "Short-term investments and others" consists of call loans and receivables under resale agreements, etc.

- We will continue with diversification and sophistication of investment management to respond to reductions in interest income from JGBs, etc.
- The balance of risk assets\*<sup>1</sup> at the end of March 2021 was ¥91.1tn, an increase of ¥6.2tn primarily driven by increases in balances of foreign securities, etc.
- The balance of strategic investment areas\*<sup>2</sup> was ¥4.2tn, an increase of ¥0.9tn primarily driven by increases in balances of private equity funds (PE) and real estate funds

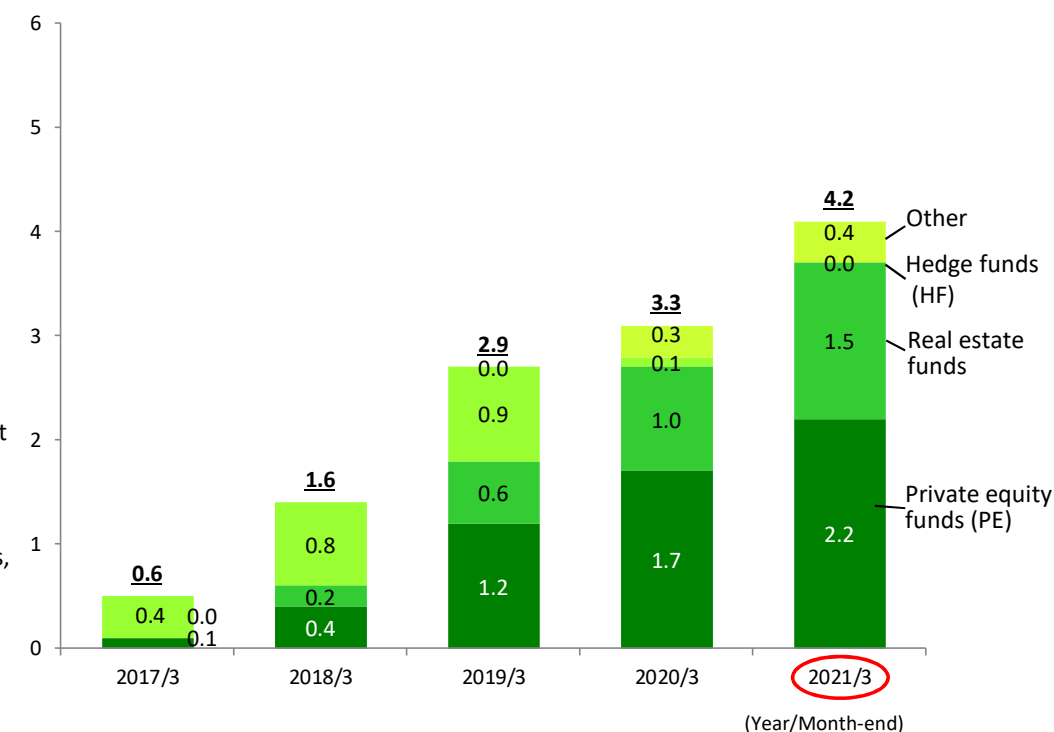
### Risk Assets (Non-consolidated)\*<sup>1</sup>

(¥tn)



### Strategic Investment Areas (Non-consolidated)\*<sup>2</sup>

(¥tn)

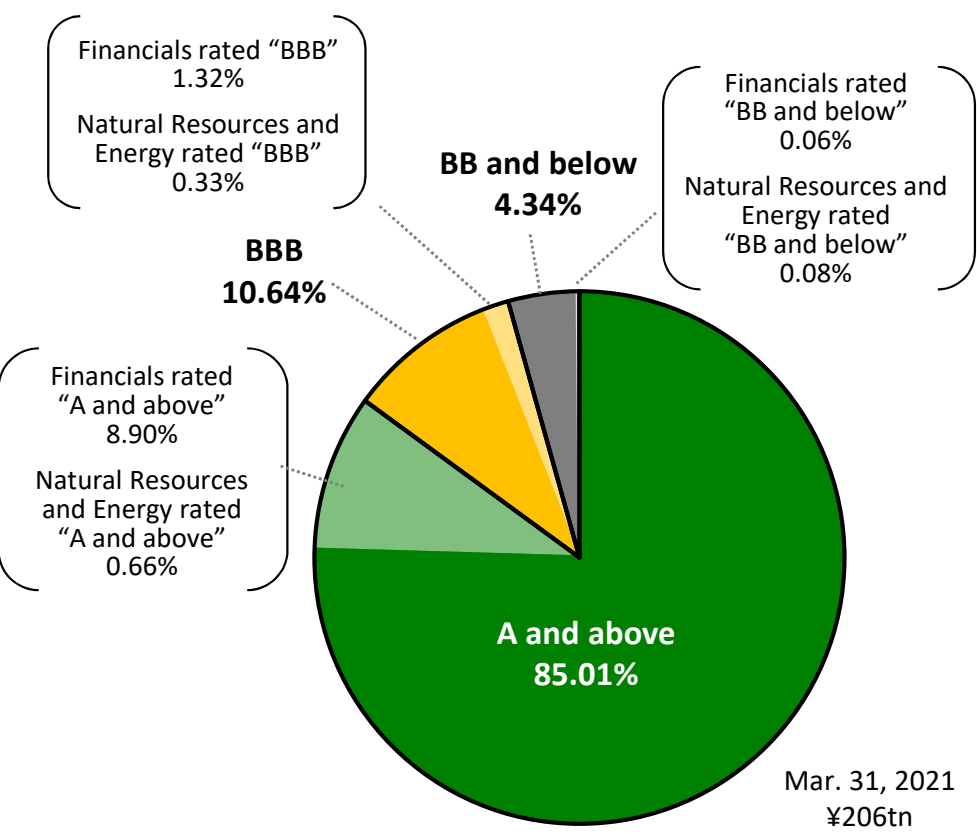


\*1 Risk Assets: Assets other than yen interest rates (JGBs, etc.)

\*2 Strategic investment areas: alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

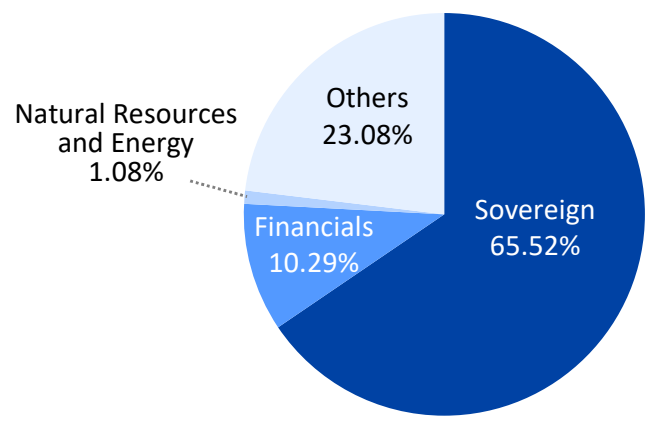
■ Breakdown of the Bank's investment assets,  
By credit rating: around 85% are rated A or above, and around 95% are rated IG (BBB or above).

Exposures Classified by Ratings (Non-consolidated)



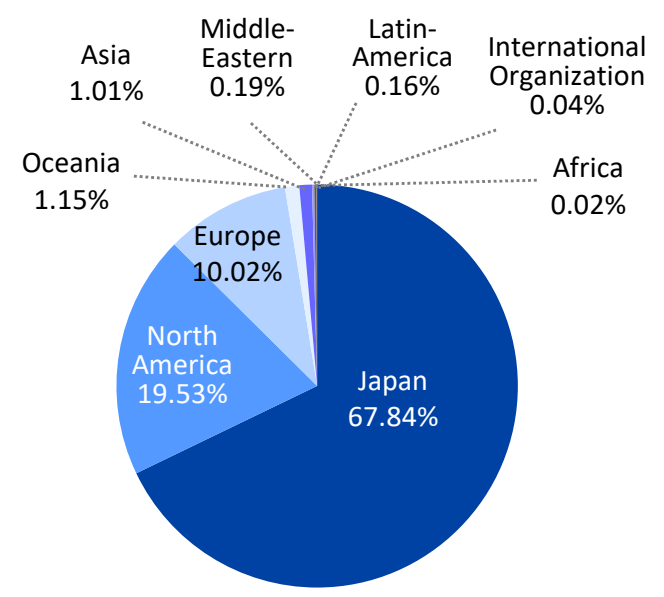
Notes: 1. The range of assets covered in this page includes bonds and/or loans to sovereign entities, financial institutions and industrial corporations, etc.  
2. Exposures are calculated on the management accounting and book value basis.  
3. Rating categories are based on the Bank's internal ratings.

Exposures Classified by Sector (Non-consolidated)



Note: "Sovereign" includes exposures to national and/or local governments and central banks, etc.

Exposures Classified by Region (Non-consolidated)



### Balance (Non-consolidated)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
(¥bn)			
Yen interest rates assets	113,956.9	120,954.3	6,997.3
Short-term assets	57,186.6	66,942.3	9,755.6
Japanese government bonds and government guaranteed bonds	56,770.3	54,012.0	(2,758.2)
Risk assets	84,870.5	91,120.7	6,250.1
Japanese local government bonds	5,986.3	5,493.8	(492.5)
Japanese corporate bonds, etc.	7,594.4	7,534.2	(60.1)
Foreign securities, etc.	63,402.3	68,213.1	4,810.7
Loans	2,291.7	2,637.3	345.6
Money held in trust (stocks), etc.	2,286.0	2,976.8	690.8
Strategic investment areas	3,309.6	4,265.2	955.6

Notes: 1. Since these figures are calculated on management accounting basis, they are not equal to the figures for balance of each categories on page 42 and 57, and also the sum of “Yen interest rates assets” and “Risk assets” is not equal to the “Total” on page 42 and 57.  
2. Strategic investment areas: alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

### Net Gains and Losses (Including Fees and Expenses) (Non-consolidated)

(Average balance: ¥tn, Net gains (losses): ¥bn)

	FY2020/3		FY2021/3	
	Average balance	Net gains (losses)	Average balance	Net gains (losses)
Total portfolio	197.4	376.7	204.0	388.9
Yen interest rates assets	114.0	(480.5)	116.1	(581.8)
Customer-based funding and marketing	—	(774.3)	—	(840.7)
Investment side, etc.	—	293.7	—	258.8
Risk assets	83.4	857.3	87.9	970.8

Notes: 1. Management accounting basis.

2. Average balance of the respective portfolios is calculated as the average of the beginning and ending balances for each period.

3. Net gains and losses are calculated by the below formula. Total of net gains and losses for each portfolio is largely equal to the Bank's net ordinary income.

Net gains/losses = Net interest income, etc. (Interest income – Interest expenses (including net gains and losses on sales, etc.)) + Net fees and commission income (Fees and commission income – Fees and commission expenses) – Expenses (equivalent to general and administrative expenses in our statement of income)



# Deposit Balance

- Deposit balance at the end of March 2021 was ¥189.5tn, representing an increase of ¥6.5tn compared to the previous year driven primarily by factors such as increases in balances of ordinary deposits, etc. Ordinary deposit balance, in particular, increased due to factors such as transfers from TEIGAKU deposits at maturity, special cash payments paid in response to the spread of COVID-19, and reductions in consumption resulting from voluntary isolation.

## Deposit Balance (Non-consolidated)

(¥tn)

■ Fixed-term deposits ■ Liquid deposits ■ Other deposits



	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
Liquid deposits	87.5	101.3	13.7
Transfer deposits	7.7	9.1	1.4 ①
Ordinary deposits, etc.*	79.3	91.5	① 12.2
Savings deposits	0.5	0.6	0.1
Fixed-term deposits	95.2	88.1	(7.1)
Time deposits	5.2	4.7	(0.5)
TEIGAKU deposits	90.0	83.4	② (6.6)
Other deposits	0.1	0.1	0.0
Total	183.0	189.5	6.5

Main drivers of  
increase and decrease

✓ Transfers from TEIGAKU deposits at maturity  
✓ Special cash payments paid in response to the spread of COVID-19, and reductions in consumption resulting from voluntary isolation

② ✓ Concentration of TEIGAKU deposits at maturity (Added a premium to interest rates 10 years ago)

\* Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

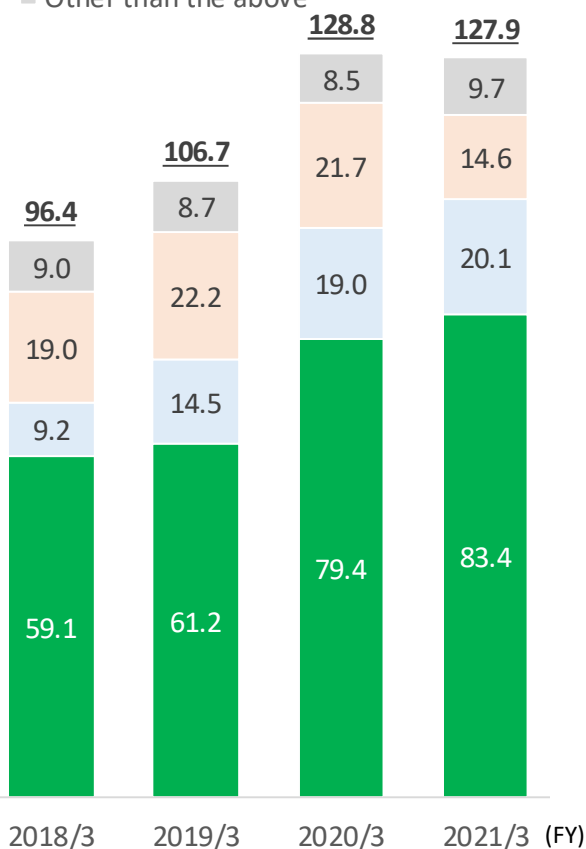
# Fees and Commissions – (1) Summary –

- Net fees and commissions for FY2021/3 decreased by ¥0.9bn year on year to ¥127.9bn. In particular, although exchange and settlement transactions fees increased due to changes to fees associated with electronic transfers and increases in the immediate transfers transactions due to increased demand by people staying at home, investment trust related commissions decreased significantly.

## Fees and Commissions (Non-consolidated)

(¥bn)

- Exchange and settlement transactions
- ATM related commissions
- Investment trust related commissions
- Other than the above



	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)	Main drivers of increase and decrease
Net fees and commissions	128.8	127.9	(0.9)	
Exchange and settlement transactions	79.4	83.4	① 3.9	① ✓ Changes to fees associated with electronic transfers (Apr. 2020 onward) ✓ Increases in the immediate transfers transactions due to increased demand by people staying at home
Zengin-net fee	11.9	12.9	0.9	
ATM related commissions	19.0	20.1	② 1.0	② ✓ Expanded installation of compact ATMs in locations such as FamilyMart convenience stores
Investment trust related commissions	21.7	14.6	③ (7.1)	③ ✓ Voluntary limitations on business by the post office, and reductions in numbers of customers and opportunities for soliciting customers brought about by the spread of COVID-19
Variable annuities	0.5	0.2	(0.2)	
JGBs related commissions	1.3	1.2	(0.1)	
Credit cards	4.7	4.4	(0.2)	
Consumer loans	1.1	1.2	0.1	
Other	0.7	2.4	④ 1.6	④ ✓ Changes to fees associated with reissue of bankbooks and cash cards, etc. (Apr. 2020 onward)

- Increased revenue from immediate transfer services and electronic transfers have driven increased earnings from exchange and settlement transactions-related fees.
- We have developed a range of services across digital channels, in response to the trend for digitalization. User numbers have increased due to demand from those staying at home in connection with COVID-19.

### Income and Expenditure of Key Exchange and Settlement Transactions-related Products

- In FY2021/3, immediate transfer services and electronic transfers drove an increase in exchange and settlement transactions-related fees.

#### [Income and Expenditure of Key Exchange and Settlement transactions-related Products (Management Accounting Basis)] (¥bn)

	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Automatic payments	25.8	25.3	(0.5)
Regular payments	19.8	18.1	(1.6)
Electronic transfers	2.3	5.4	3.1
Immediate transfers	3.3	4.5	1.1

Changes to fees  
(Apr. 2020 onward)

Increase in transactions  
due to high demand from  
those staying at home

### Resumption of Immediate Transfer Services

- The immediate transfer services of some payment operators, which had been suspended due to incidents of fraudulent use\*1, resumed in January 2021 after security was improved, starting with operators who had been able to confirm that they had no problems with their service systems (customer protection systems, etc.)

#### Suspension of Immediate Transfer Service of Some Payment Operators (Sep. 2020)

- ✓ Account registrations/account changes
- ✓ Transfers (charges)

#### Initiatives to Improve Security

- Established a task force personally directed by the President and Representative Executive Officer.
- ✓ Implemented comprehensive inspections regarding security systems' strength
- ✓ Established security-enhancing measures based on inspection results
- Steadily implement security-enhancing measures
  - ✓ Putting monitoring systems in place
  - ✓ Notifications to customers, etc.
- Confirm compliance with various guidelines\*2

#### Staggered Resumption (Jan. 13, 2021 onward)

Out of the 10 companies

**7 companies**

have resumed services

(as of Mar. 31, 2021)

### Developing Services Across Digital Channels

- We have developed a range of services across digital channels, in response to the trend for digitalization.
- User numbers have increased due to demand from those staying at home in connection with COVID-19.

(All figures are as of Mar. 31, 2021)



#### ゆうちょ通帳アプリ Yucho Bankbook App

- You can use your smartphone to check your current balance and deposits/withdrawals details at any time.
- Number of users: approximately 2.8 million users



#### ゆうちょダイレクト Yucho Direct

- You can access your account using a computer and smartphone, etc. anytime and anywhere.
- Various types of money transfers, investment trusts transactions, etc. are available.
- Registered accounts: approximately 9.3 million accounts



#### ゆうちょPay Yucho Pay

- Smartphone payment app using QR code
- Yucho Pay Points feature added (Sep. 2020)
- Available at approximately 210 thousand stores



Other: credit cards, debit cards, etc.

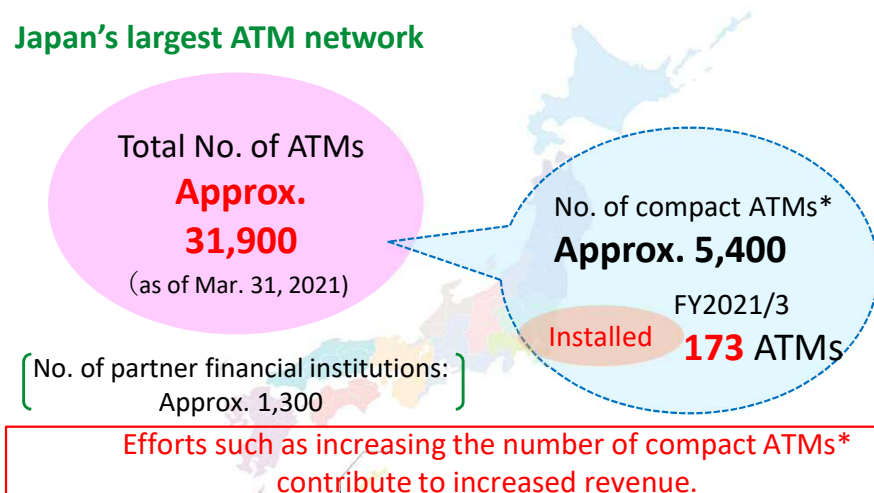
\*1 Fraudulent users opened payment service accounts of customers other than themselves, connected these accounts with customers' bank accounts, and fraudulently put money on their own payment service accounts.

\*2 Guidelines for Account Linkage with Fund Transfer Service Providers (Japanese Bankers Association), and Guidelines for the Prevention of Fraud in Bank Account Linkage (Japan Payment Service Association).

- In our ATM business we will continue to make efforts to increase profits, such as by increasing the number of compact ATMs installed.
- In our investment trusts sales business, we shifted our policy from focusing on sales amount to focusing on sales quality from FY2021/3, in line with our initiatives to improve our customer-oriented approach.

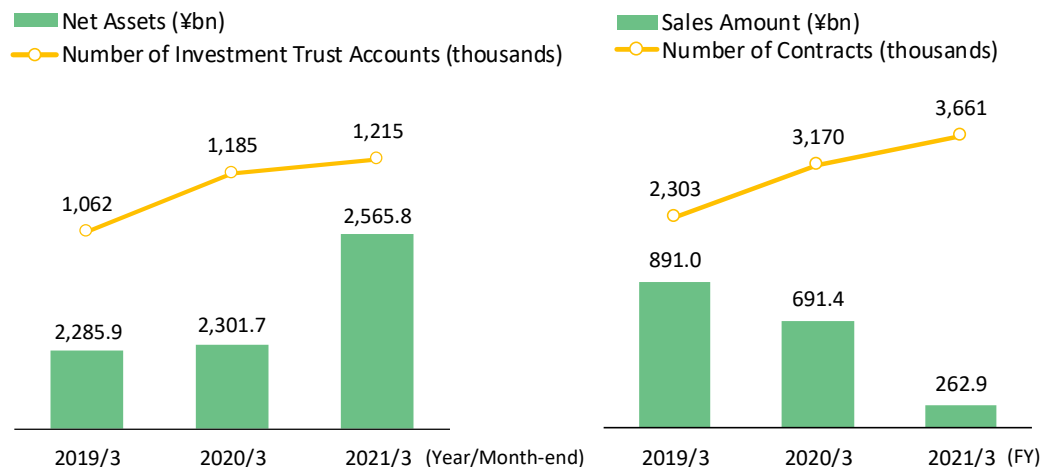
### ATM

#### Japan's largest ATM network



\* Installed in FamilyMart convenience stores, etc.

### Investment Trusts Sales



### Initiatives to Improve Our Customer-Oriented Approach

- Based on our reflections regarding the improper investment trust sales, we have revised sales targets/evaluation system to promote customer-oriented business operations.

#### Key Revisions in FY2021/3

##### Sales Targets

##### Phased out

Flow  
targets

- ✓ Investment trusts sales amount

##### New

"Quality" category  
"Cumulate-type" target

- ✓ Customers' opinions
- ✓ After-sales follow-up rate
- ✓ Increase in number of accounts using cumulate-type investment trusts

#### Evaluation System (Evaluation Weight)

##### Reduced

Stock  
targets

- ✓ Net increase in investment trusts

##### Increased

Quality/Cumulate-type  
related targets

- ✓ Customers' opinions
- ✓ After-sales follow-up rate
- ✓ Increase in number of accounts using cumulate-type investment trusts

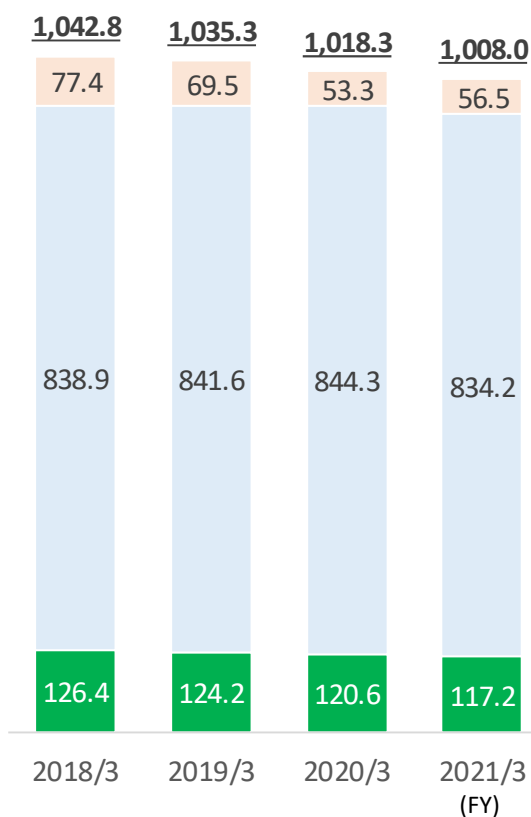
We will continue to review sales targets and evaluation system  
in the new Mid-term Plan

- General and administrative expenses for FY2021/3 decreased by ¥10.2bn year on year to ¥1,008bn, driven primarily by factor such as the reduction of non-personnel expenses. Commissions on bank agency services, etc. paid to JAPAN POST, in particular, decreased as a result of voluntary limitations on business by the post office, and reductions in numbers of business activities brought about by the spread of COVID-19.

### G&A Expenses (Non-consolidated)

(¥bn)

- Personnel expenses
- Non-personnel expenses
- Taxes and dues



	FY2020/3 (A)	FY2021/3 (B)	Increase (Decrease) (B) – (A)
Personnel expenses*	120.6	117.2	(3.3)
Salaries and allowances	98.6	96.0	① (2.6)
Non-personnel expenses	844.3	834.2	(10.0)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	369.7	366.3	② (3.3)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network	237.8	237.4	(0.3)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59.4	57.4	(2.0)
IT expenses	16.7	12.9	③ (3.8)
Taxes and dues	53.3	56.5	④ 3.2
Total	1,018.3	1,008.0	(10.2)

Main drivers of increase and decrease

①

- ✓ Reductions in employee numbers brought about by factors such as fewer new hirings
- ✓ Decreases in overtime pay due to work restrictions in response to the spread of COVID-19

②

- ✓ Voluntary limitations on business by the post office, and reductions in numbers of business activities brought about by the spread of COVID-19

③

- ✓ Detachment of system renewal fees appropriated in FY2020/3

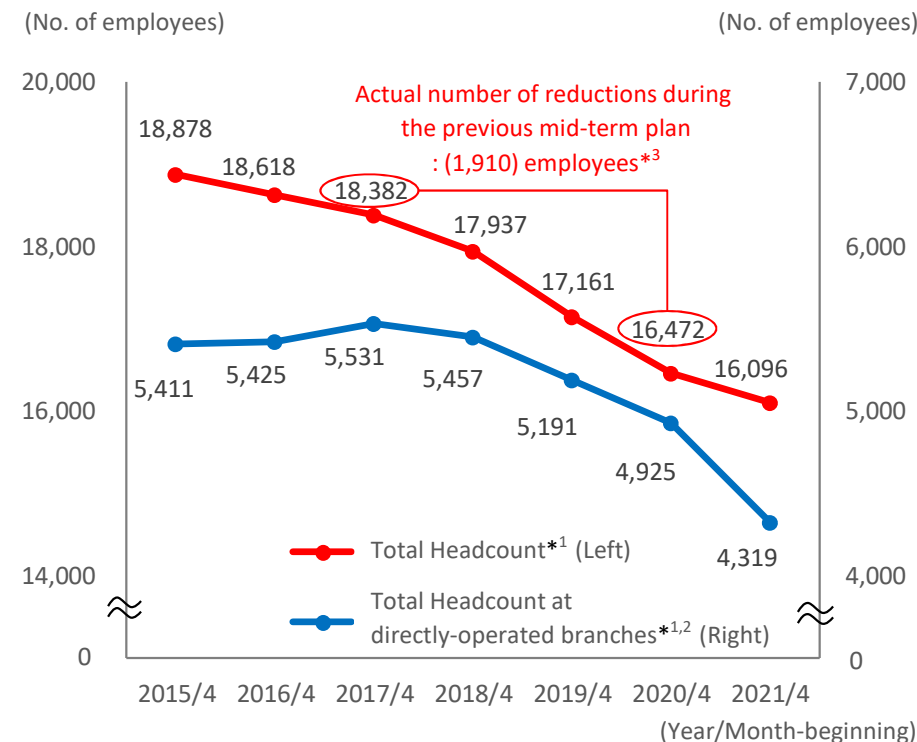
④

- ✓ Consumption tax increase (Oct. 2019 onward)

\* Personnel expenses include non-recurring losses.

■ Reduced the total headcount by improving administrative efficiency and optimizing the number of administrative staff.  
(As of Apr. 1, 2021 : 16,096 employees\*1)

Headcount Reduction



\*1 Includes non-regular employees. 2021 headcount for non-regular employees is as of Mar. 31.  
\*2 Headcount of Counter Services, Financial Consulting and Fund managing Department.  
\*3 (1,910) employees = (2,553) employees + 623 employees

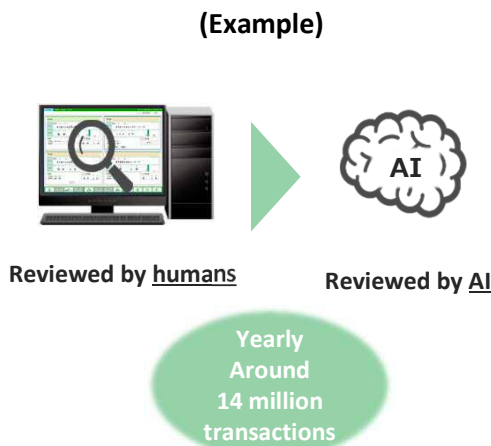
Improving Administrative efficiency (ref. page 2)

Reallocating human resources to growth areas, etc.

Cost Reduction by Improving Administrative Efficiency

Use of AI for Back Office Functions

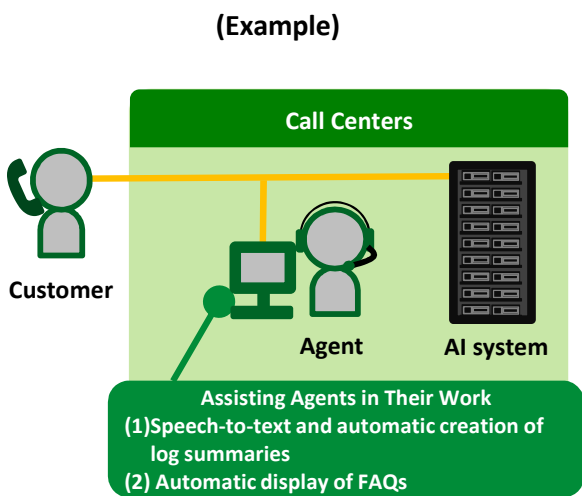
Automated paperwork by using AI to recognise handwriting.



Note: Being gradually rolled out at 11 Operation Support Centers across Japan from Mar. 2021.

Introducing AI Systems in Call Centers

Streamlined call center operations through AI voice recognition and automatically displaying FAQs to assist agents in their work.



Note: Being gradually rolled out at 2 call centers across Japan from Oct. 2020.

Initiatives such as these contributed to reducing General and Administrative expenses including personnel expenses.

## **- Financial Results -**

### **3. FY2022/3 Financial Forecasts**



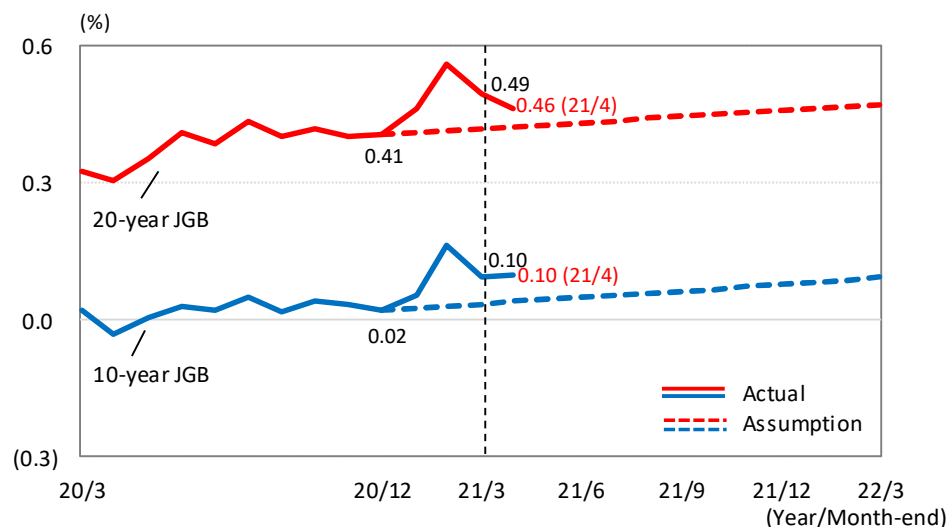
# Assumptions for Earnings Forecasts

■ Domestic and foreign market interest rates are based on the Implied Forward Rates as of December 31, 2020.

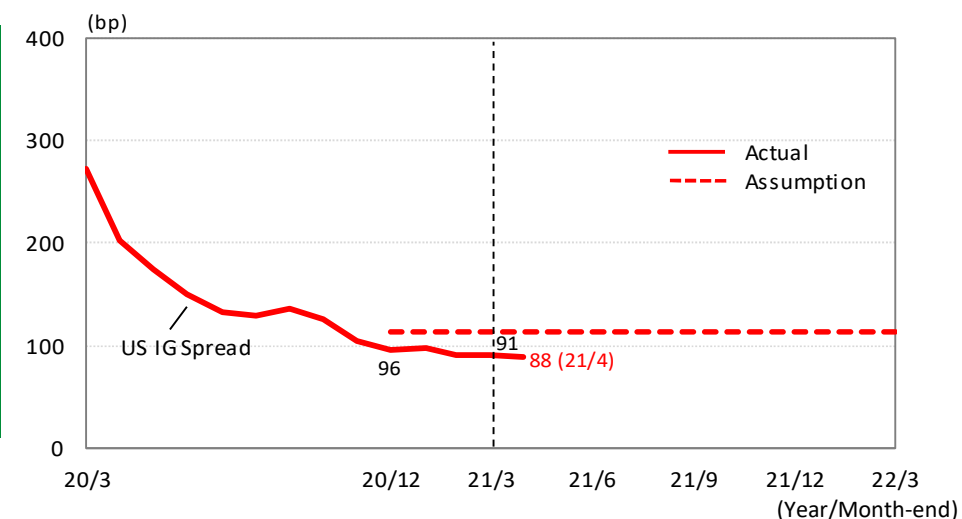
■ Foreign credit spreads are the levels as of December 31, 2020, and are expected to remain largely stable.

## Assumptions

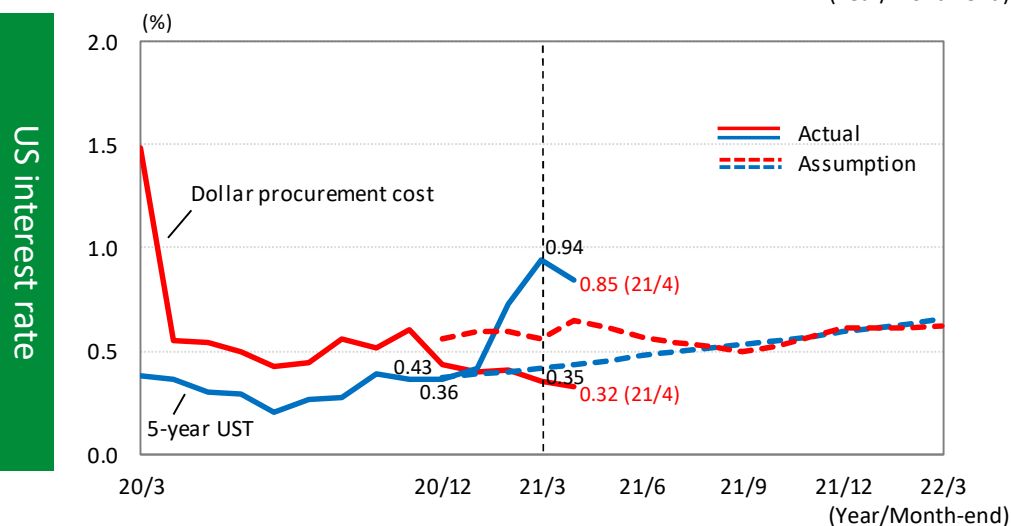
### Yen interest rates



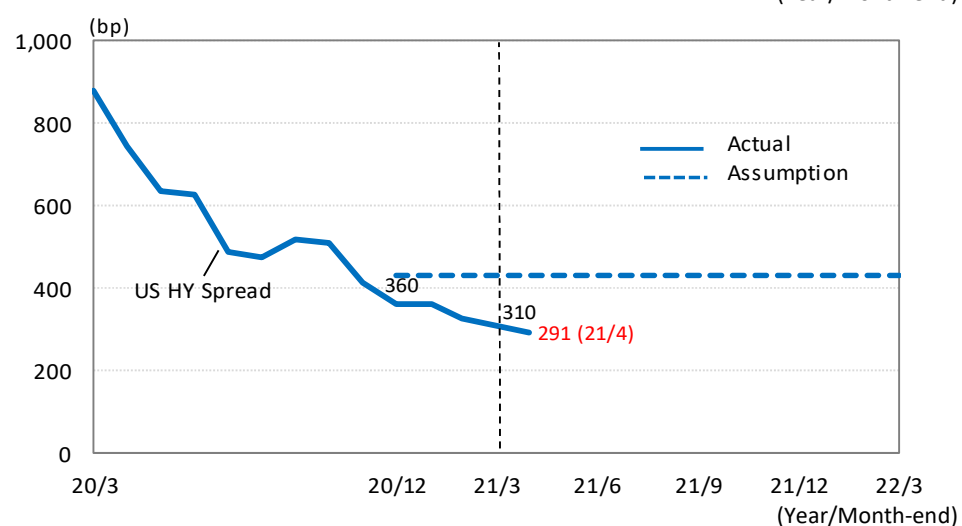
### US IG spread



### Dollar interest rate



### US HY spread

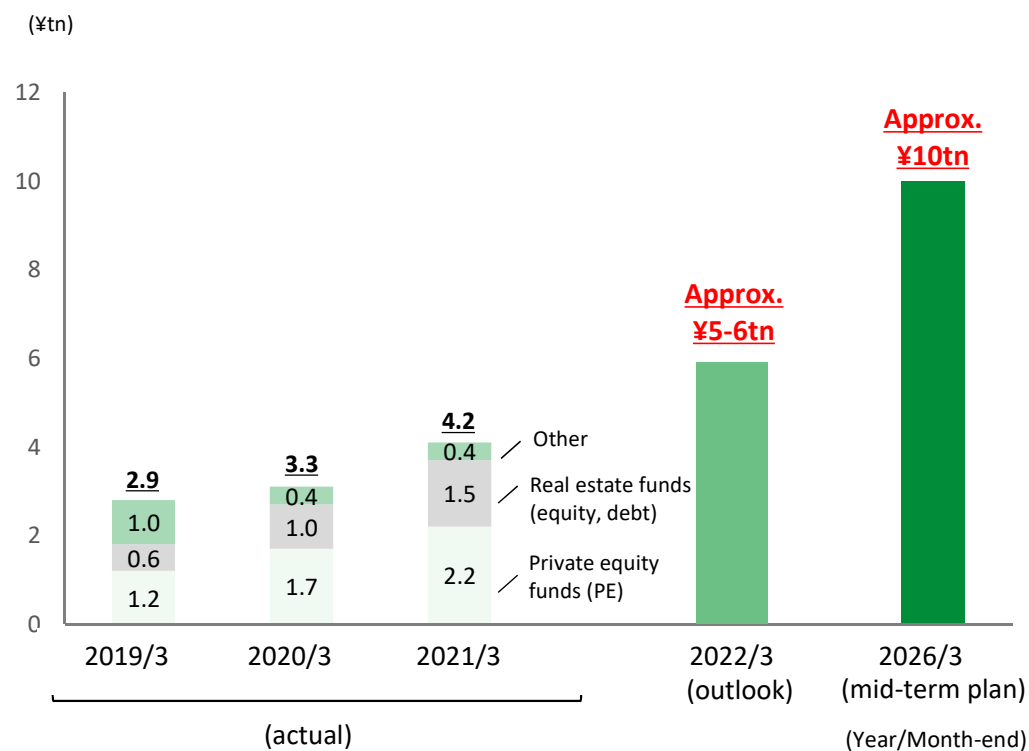
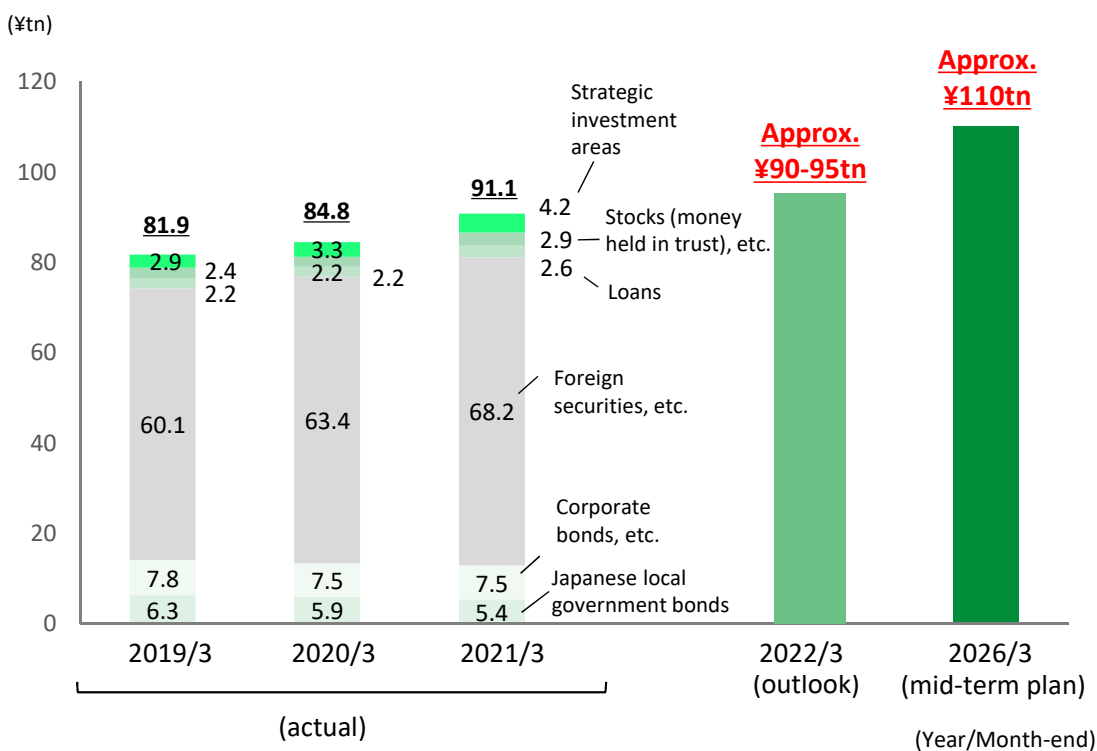


# Individual Plan — (1) Investments —

- In the ongoing low interest rate environment, we will build up our balance of risk assets\*<sup>1</sup> with a focus on investment grade (IG) assets and selectively invest in strategic investment areas\*<sup>2</sup> in order to maintain stable core profits.
- In FY2022/3, the outlook for a balance of risk assets is approximately ¥90 - 95tn, for a balance of strategic investment areas is approximately ¥5 - 6tn.

## Risk Assets (Non-consolidated)

## Strategic Investment Areas (Non-consolidated)



\*1 Risk Assets: Assets other than yen interest rates (JGBs, etc.)

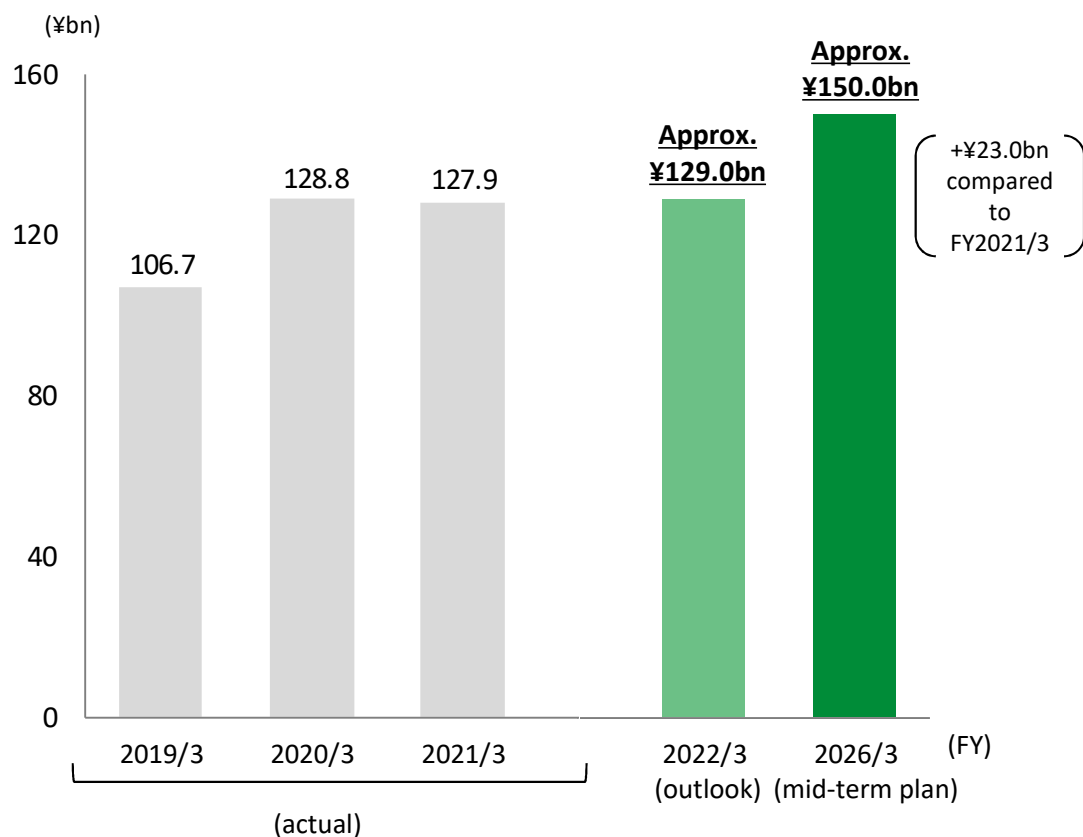
\*2 Strategic investment areas: alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt), direct lending funds and infrastructure debt funds, etc.

## — (2) Fees and Commissions/G&A Expenses —

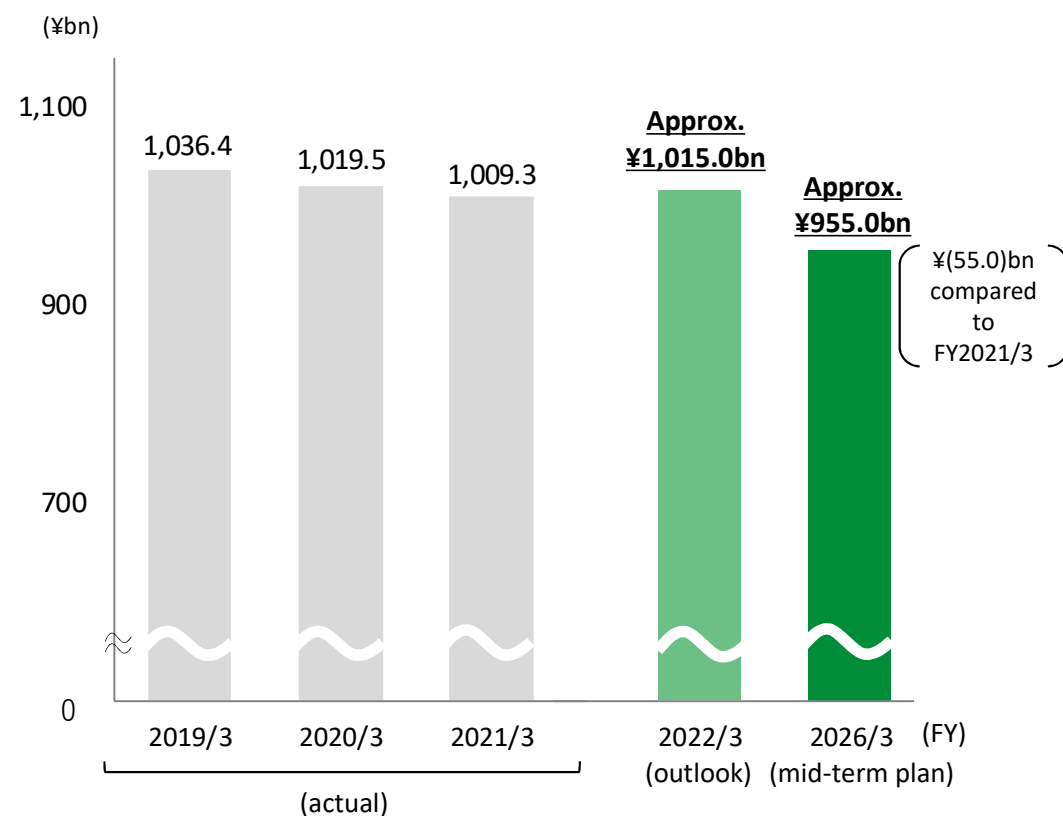
■ The outlook for fees and commissions for FY2022/3 is approximately ¥129.0bn.

■ The outlook for G&A expenses for FY2022/3 is approximately ¥1,015.0bn. In particular, there will be an increase in expenses associated with response to management issues (system expenses related to key measures such as AML/CFT, cybersecurity, digitalization and administrative efficiency) (approximately +¥25.0bn YoY).

### Fees and Commissions (Consolidated)



### G&A Expenses (Consolidated)



## Earnings and Dividends Forecasts

- For earnings forecasts for FY2022/3, net ordinary income and net income attributable to owners of parent are expected to amount to ¥355.0bn and ¥260.0bn, respectively. Due to reductions in redemption gains on foreign bonds, and income from JGBs, the forecasts see a decrease in revenue compared to FY2021/3.
- Based on the shareholder return policy during the Mid-term Plan, the dividend per share is planned to be ¥40 (dividend payout ratio of 57.6%) for the FY2022/3.

### Earnings Forecasts (Consolidated)

(¥bn)

	FY2021/3 (Actual)	FY2022/3 (Forecast)
Net interest income, etc.*	1,270.1	1,240.0
Net fees and commissions	127.9	129.0
General and administrative expenses	1,009.3	1,015.0
Net ordinary income	394.2	355.0
Net income attributable to owners of parent	280.1	260.0

\* Net interest income, etc. = Interest income - Interest expenses  
(including gains (losses) on sales, etc.)

### Dividends Forecast (Consolidated)

	FY2021/3 (Actual)	FY2022/3 (Forecast)
Dividend per share	¥50	¥40
Total dividend payment	¥187.4bn	¥149.9bn
Dividend payout ratio	66.9%	57.6%

#### [Shareholder return policy, etc.]

[Shareholder return policy]

- ✓ Taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Medium-term Management Plan (FY2022/3 through FY2026/3), the basic policy is to maintain a dividend payout ratio of approximately 50%.
- ✓ However, the target dividend payout ratio will be set between 50% and 60% while keeping in mind the stability and sustainability of dividends and we will target increases to dividends per share (DPS) compared to projected dividend levels for FY2022/3.

[Other policies pertaining to shareholder returns, etc.]

- ✓ We will also consider implementing additional shareholder return policies depending on future expansions in income, the repleteness of internal reserves and the status of regulatory trends, etc.
- ✓ In order to express our gratitude to our shareholders for their daily support, enhance the appeal of investing in Japan Post Bank's shares and thereby increase the number of our shareholders, among other reasons, throughout the duration of the Medium-term Management Plan period (FY2022/3 through FY2026/3), we will also consider providing shareholder benefits (details will be disclosed following a decision on the matter).

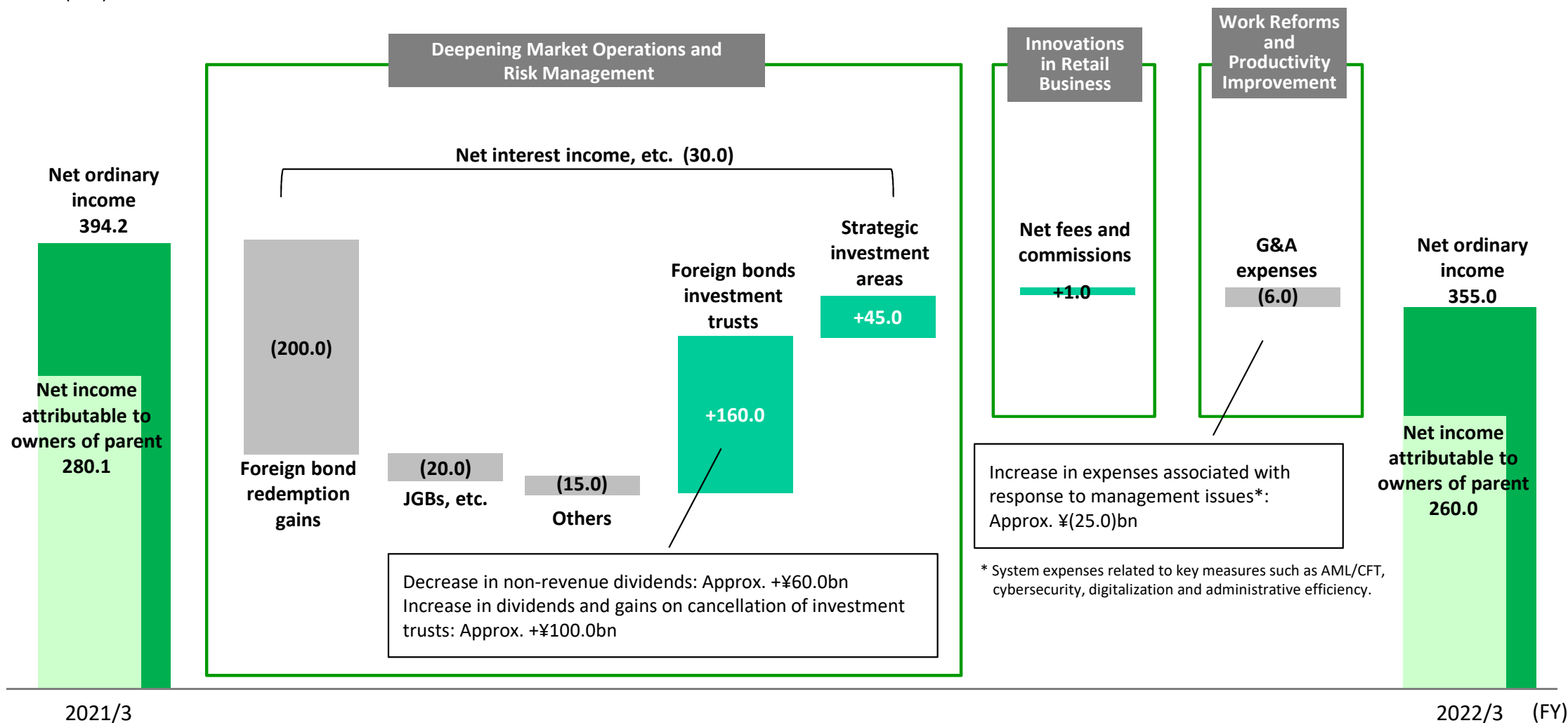
# Changes in Net Ordinary Income for Earnings Forecasts

- Due to reductions in redemption gains on foreign bonds, and income from JGBs, the forecasts for FY2022/3 see a decrease in revenue compared to FY2021/3.

## [Causes of changes in net ordinary income (Consolidated)] FY2021/3 Actual vs FY2022/3 Forecasts

Note: The addition of total changes to FY2021/3 results does not equal the forecasts for FY2022/3 due to rounding and similar factors.

(¥bn)



2021/3

2022/3 (FY)

# (Reference) What are Non-revenue Dividends?

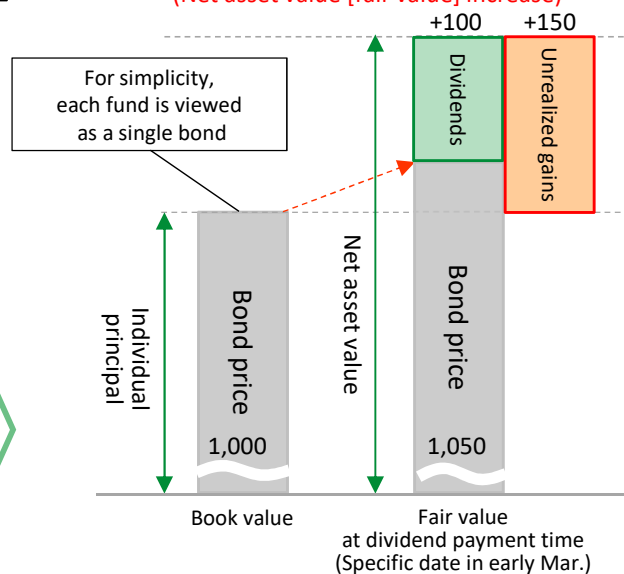
- Generally, dividends from each fund in an investment trust are classified into the following two categories:
  - Revenue dividends: Dividends that are within unrealized gains (net asset value [fair value] - individual principal [book value]>0; the same shall apply hereafter).
  - Non-revenue dividends: Dividends that exceed unrealized gains and are equivalent to the repayment of principal.
- Dividends are classified into revenue dividends or non-revenue dividends and paid to the Bank by each fund (quarterly). The Bank recognizes only revenue dividends as income (non-revenue dividends are accounted for as the repayment of principal).
- In the context of increasing net asset value (fair value) of investment trusts as a result of tightening credit spreads, revenue dividends will increase because of the decrease in non-revenue dividends.

## General outline of non-revenue dividends (for Mar. dividends)

### Current Situation

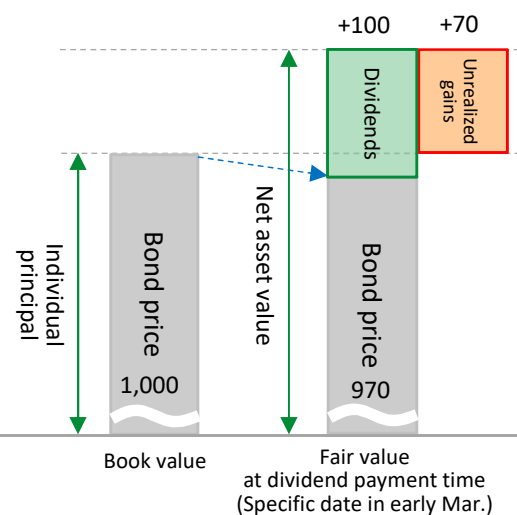
#### Pattern 1

Phase of tightening credit spreads  
(Net asset value [fair value] increase)



Revenue dividends: 100

#### Pattern 2



Revenue dividends: 70

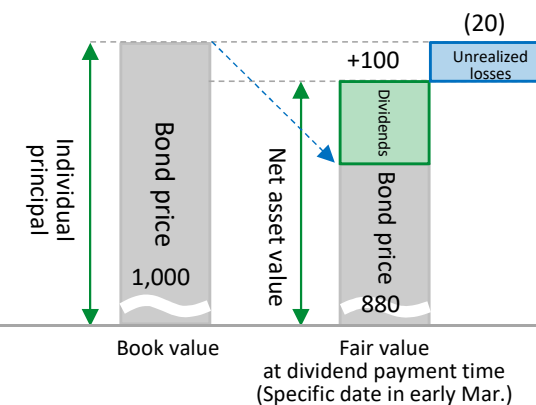
Non-revenue dividends: 30

(Repayment of principal: 30)

The amount exceeding  
unrealized gains

#### Pattern 3

Phase of widening credit spreads  
(Net asset value [fair value] decrease)



Non-revenue dividends: 100  
(Repayment of principal: 100)

Non-revenue dividends are accounted for as the repayment of principal, therefore the gains and losses improve by the amount equivalent to the non-revenue dividends when investment trusts mature or contracts expire after bonds held are redeemed.

Dividends and fund's unrealized gains and losses (as of a specific date in early Mar.) are compared to classify whether revenue dividends or non-revenue dividends

**- Financial Results -  
(Ref.) FY2021/3 Financial Data - Non-consolidated Basis -**



# Income Analysis

(Millions of yen)

	For the fiscal year ended		(B) – (A)
	March 31, 2020 (A)	March 31, 2021 (B)	
Gross operating profit	1,314,210	1,319,027	4,817
Net interest income	976,821	961,884	(14,937)
Net fees and commissions	128,891	127,943	(948)
Net other operating income (loss)	208,497	229,200	20,702
Gains (losses) on foreign exchanges	202,139	254,666	52,527
Gains (losses) on bonds	8,097	(25,980)	(34,077)
General and administrative expenses	(1,020,253)	(1,010,175)	10,078
Personnel expenses	(122,586)	(119,374)	3,211
Non-personnel expenses	(844,334)	(834,256)	10,078
Taxes and dues	(53,332)	(56,544)	(3,212)
Operating profit (before provision for general reserve for possible loan losses)	293,956	308,852	14,895
Core net operating profit	285,859	334,832	48,972
Excluding gains (losses) on cancellation of investment trusts	245,830	285,993	40,163
Provision for general reserve for possible loan losses	(15)	—	15
<b>Net operating profit</b>	<b>293,941</b>	<b>308,852</b>	<b>14,910</b>
Non-recurring gains (losses)	85,135	85,473	337
Gains (losses) related to stocks	11,545	(188,480)	(200,025)
Gains (losses) on money held in trust	72,838	272,749	199,910
<b>Net ordinary income</b>	<b>379,077</b>	<b>394,325</b>	<b>15,247</b>

	For the fiscal year ended		(B) – (A)
	March 31, 2020 (A)	March 31, 2021 (B)	
Extraordinary income (loss)	(450)	(1,564)	(1,113)
Gains (losses) on sales and disposals of fixed assets	(450)	(557)	(107)
Losses on impairment of fixed assets	(0)	(1,006)	(1,006)
<b>Income before income taxes</b>	<b>378,626</b>	<b>392,760</b>	<b>14,134</b>
Income taxes – current	(101,266)	(124,123)	(22,857)
Income taxes – deferred	(4,315)	11,200	15,516
<b>Total income taxes</b>	<b>(105,581)</b>	<b>(112,923)</b>	<b>(7,341)</b>
<b>Net income</b>	<b>273,044</b>	<b>279,837</b>	<b>6,792</b>
Gains (losses) on money held in trust	72,838	272,749	199,910
Dividends and interest income	77,881	80,119	2,237
Gains (losses) on sales of stocks	19,389	216,110	196,721
Unrealized gains (losses)	3	—	(3)
Impairment losses	(9,212)	(5,528)	3,684
Withholding income tax, etc.	(15,223)	(17,952)	(2,728)
Credit-related expenses	(13)	(23)	(9)
Provision for general reserve for possible loan losses	(13)	(23)	(9)

- Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥2,086 million and ¥1,993 million recorded as profits for the fiscal years ended March 31, 2021 and 2020, respectively).
2. Core net operating profit = Operating profit (before provision for general reserve for possible loan losses) - Gains (losses) on bonds
3. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.
4. Numbers in parenthesis indicate the amount of loss, expense or decrease.

# Summarized Balance Sheets

(Millions of yen)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
<b>Total assets</b>	<b>210,905,152</b>	<b>223,847,547</b>	<b>12,942,394</b>
Cash and due from banks	51,663,901	60,768,034	9,104,132
Call loans	1,040,000	1,390,000	350,000
Receivables under resale agreements	9,731,897	9,721,360	(10,536)
Receivables under securities borrowing transactions	112,491	—	(112,491)
Monetary claims bought	315,812	362,212	46,400
Trading account securities	31	13	(17)
Money held in trust	4,549,736	5,547,574	997,837
Securities	135,198,460	138,183,264	2,984,804
Loans	4,961,733	4,691,723	(270,009)
Foreign exchanges	147,469	80,847	(66,622)
Other assets	2,816,117	2,857,518	41,401
Tangible fixed assets	193,752	197,940	4,187
Intangible fixed assets	47,114	47,992	877
Deferred tax assets	127,662	—	(127,662)
Reserve for possible loan losses	(1,031)	(935)	95

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
<b>Total liabilities and net assets</b>	<b>210,905,152</b>	<b>223,847,547</b>	<b>12,942,394</b>
<b>Total liabilities</b>	<b>201,917,500</b>	<b>212,485,414</b>	<b>10,567,913</b>
Deposits	183,004,733	189,593,469	6,588,736
Payables under repurchase agreements	14,855,624	14,886,481	30,856
Payables under securities lending transactions	2,219,384	1,504,543	(714,840)
Borrowed money	10,100	3,917,500	3,907,400
Foreign exchanges	511	514	3
Other liabilities	1,596,945	1,535,953	(60,991)
Reserve for bonuses	7,331	7,408	76
Reserve for employees' retirement benefits	141,628	141,740	111
Reserve for employee stock ownership plan trust	605	535	(70)
Reserve for management board benefit trust	311	303	(7)
Reserve for reimbursement of deposits	80,324	73,830	(6,494)
Deferred tax liabilities	—	823,134	823,134
<b>Total net assets</b>	<b>8,987,651</b>	<b>11,362,133</b>	<b>2,374,481</b>
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,563,307	2,749,408	186,100
Treasury stock	(1,300,881)	(1,300,844)	36
<b>Total shareholders' equity</b>	<b>9,058,711</b>	<b>9,244,849</b>	<b>186,137</b>
Net unrealized gains (losses) on available-for-sale securities	256,880	2,487,770	2,230,890
Net deferred gains (losses) on hedges	(327,940)	(370,486)	(42,546)
<b>Total valuation and translation adjustments</b>	<b>(71,060)</b>	<b>2,117,283</b>	<b>2,188,344</b>

## Yield of Interest-Earning Assets and Interest-Bearing Liabilities

## (1) Domestic

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2020 (A)			March 31, 2021 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	198,026,308	629,096	0.31%	204,928,217	518,305	0.25%	(0.06)%
Loans	4,947,212	11,056	0.22	5,888,523	10,060	0.17	(0.05)
Securities	71,842,673	492,509	0.68	70,330,066	410,942	0.58	(0.10)
Due from banks, etc.	52,928,370	28,874	0.05	56,799,558	29,230	0.05	(0.00)
Interest-bearing liabilities	190,695,746	79,358	0.04	197,783,193	62,606	0.03	(0.00)
Deposits	183,018,232	55,096	0.03	188,043,501	38,323	0.02	(0.00)
Payables under securities lending transactions	229,198	229	0.10	155,875	155	0.09	(0.00)

## (2) Overseas

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2020 (A)			March 31, 2021 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	63,366,957	789,429	1.24%	67,100,563	751,460	1.11%	(0.12)%
Loans	10,868	57	0.52	23,763	125	0.52	0.00
Securities	63,239,883	787,476	1.24	66,938,098	750,955	1.12	(0.12)
Due from banks, etc.	1,263	29	2.35	—	—	—	(2.35)
Interest-bearing liabilities	63,324,744	362,345	0.57	67,508,045	245,274	0.36	(0.20)
Payables under securities lending transactions	2,240,788	49,376	2.20	1,482,339	6,752	0.45	(1.74)

## Yield of Interest-Earning Assets and Interest-Bearing Liabilities

(3) Total

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2020 (A)			March 31, 2021 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	203,590,095	1,318,014	0.64%	210,430,410	1,198,278	0.56%	(0.07)%
Loans	4,958,081	11,113	0.22	5,912,287	10,186	0.17	(0.05)
Securities	135,082,556	1,279,986	0.94	137,268,164	1,161,897	0.84	(0.10)
Due from banks, etc.	52,929,633	28,904	0.05	56,799,558	29,230	0.05	(0.00)
Interest-bearing liabilities	196,217,319	341,193	0.17	203,692,867	236,393	0.11	(0.05)
Deposits	183,018,232	55,096	0.03	188,043,501	38,323	0.02	(0.00)
Payables under securities lending transactions	2,469,986	49,605	2.00	1,638,214	6,908	0.42	(1.58)

Notes: 1. “Domestic” represents yen-denominated transactions while “overseas” represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in “overseas”).

2. Income and expenses for money held in trust are included in “other ordinary income” and “other ordinary expenses,” respectively. Accordingly, the average balance of money held in trust (fiscal year ended March 31, 2021, ¥4,102,197 million; fiscal year ended March 31, 2020, ¥3,129,526 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2021, ¥4,102,197 million; fiscal year ended March 31, 2020, ¥3,129,526 million) and the corresponding interest (fiscal year ended March 31, 2021, ¥4,760 million; fiscal year ended March 31, 2020, ¥5,441 million) are excluded from interest-bearing liabilities.

3. For investment trusts, the distribution of profits, which was deducted from the book value as the repayment of principal, was ¥67,206 million for the fiscal year ended March 31, 2021 (¥60,511 million for the fiscal year ended March 31, 2020).

4. Average balance and interest on transactions between “domestic” and “overseas” are offset to calculate totals.

5. “Due from banks, etc.” consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

## Interest Rate Spread

	For the fiscal year ended		Increase (Decrease) (B) – (A)
	March 31, 2020 (A)	March 31, 2021 (B)	
Yield on interest-earning assets (a)	0.64%	0.56%	(0.07)%
Total cost of funding (including general and administrative expenses) (b)	0.69	0.61	(0.08)
Interest rate on interest-bearing liabilities (c)	0.17	0.11	(0.05)
Overall interest rate spread (a) - (b)	(0.04)	(0.04)	0.00
Interest rate spread (a) - (c)	0.47	0.45	(0.02)

# Unrealized Gains (Losses) on Financial Instruments

## (1) Held-to-maturity Securities

(Millions of yen)

	As of March 31, 2020 (A)		As of March 31, 2021 (B)		Increase (Decrease) (B) – (A)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Japanese government bonds	21,038,148	475,518	20,576,382	230,680	(461,765)	(244,838)
Japanese local government bonds	1,146,788	1,665	1,891,261	1,605	744,473	(59)
Japanese corporate bonds	1,985,771	13,654	2,710,435	5,892	724,664	(7,762)
Others	—	—	—	—	—	—
Foreign bonds	—	—	—	—	—	—
Total	24,170,708	490,838	25,178,079	238,178	1,007,371	(252,660)

Note: Net unrealized gains (losses) shown above are calculated by deducting the amount on the balance sheet from the fair value.

## (2) Available-for-sale Securities

(Millions of yen)

	As of March 31, 2020 (A)		As of March 31, 2021 (B)		Increase (Decrease) (B) – (A)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Japanese stocks	5	—	10,505	—	10,500	—
Bonds	45,366,981	857,136	41,824,162	597,822	(3,542,819)	(259,314)
Japanese government bonds	32,597,964	794,222	29,917,094	542,798	(2,680,869)	(251,424)
Japanese local government bonds	4,839,561	25,675	3,602,553	17,172	(1,237,008)	(8,502)
Commercial paper	806,975	—	1,869,535	—	1,062,560	—
Japanese corporate bonds	7,122,480	37,238	6,434,978	37,850	(687,502)	612
Others	66,019,472	(1,608,708)	71,558,269	1,809,429	5,538,796	3,418,137
Foreign bonds	23,706,870	429,425	23,505,116	1,031,399	(201,754)	601,973
Investment trusts	41,901,017	(2,040,416)	47,591,186	776,215	5,690,169	2,816,632
Total	111,386,459	(751,571)	113,392,936	2,407,252	2,006,477	3,158,823

Notes: 1. Securities shown above include “securities,” negotiable certificates of deposit, which is recorded under “cash and due from banks,” and “monetary claims bought.”

2. Net unrealized gains (losses) shown above are calculated by deducting the acquisition cost from the amount on the balance sheet.

3. Of net unrealized gains (losses) shown above, ¥173,512 million was included in the statement of income as profit for the fiscal year ended March 31, 2021 and ¥308,341 million was included in the statement of income as losses for the fiscal year ended March 31, 2020 because of the application of fair value hedge accounting.

4. Investment trusts are mainly invested in foreign bonds.

5. No impairment loss was recognized for the fiscal year ended March 31, 2021. Impairment loss for the fiscal year ended March 31, 2020 amounted to ¥20 million.

# Unrealized Gains (Losses) on Financial Instruments

## (3) Money Held in Trust Classified as Available-for-sale

(Millions of yen)

	As of March 31, 2020 (A)		As of March 31, 2021 (B)		Increase (Decrease) (B) – (A)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Money held in trust classified as available-for-sale	4,549,736	813,852	5,547,574	1,353,124	997,837	539,271
Domestic stocks	1,859,682	816,565	2,261,772	1,363,424	402,089	546,858
Domestic bonds	1,419,008	(893)	1,545,190	(11,689)	126,181	(10,796)

Notes: 1. Net unrealized gains (losses) shown above are calculated by deducting the acquisition cost from the amount on the balance sheet.

2. Impairment losses for the fiscal years ended March 31, 2021 and 2020 amounted to ¥5,528 million and ¥9,212 million, respectively.

## (4) Derivatives under Hedge Accounting (Deferred Hedge Accounting)

(Millions of yen)

	As of March 31, 2020 (A)		As of March 31, 2021 (B)		Increase (Decrease) (B) – (A)	
	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)
Interest rate swaps	8,913,409	(458,664)	8,136,647	(175,043)	(776,762)	283,620
Currency swaps	7,426,920	(14,041)	8,073,418	(363,009)	646,498	(348,967)
Foreign exchange forward contracts	—	—	—	—	—	—
Total	16,340,330	(472,705)	16,210,065	(538,052)	(130,264)	(65,346)

Notes: 1. Net deferred gains (losses) are those before application of tax effect accounting.

2. Hedged instruments are mainly available-for-sale securities.

## Total (2) + (3) + (4)

(Millions of yen)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
Total net unrealized gains (losses)	(102,083)	3,048,811	3,150,894

Note: Total net unrealized gains (losses) exclude gains (losses) which are included in the statements of income because of the application of fair value hedge accounting.

# General and Administrative Expenses

(Millions of yen, %)

		For the fiscal year ended				Increase (Decrease) (B) – (A)
		March 31, 2020 (A)		March 31, 2021 (B)		
		Amount	%	Amount	%	Amount
Personnel expenses		120,653	11.84	117,288	11.63	(3,364)
	Salaries and allowances	98,694	9.69	96,068	9.52	(2,625)
	Others	21,959	2.15	21,219	2.10	(739)
Non-personnel expenses		844,334	82.91	834,256	82.75	(10,078)
	Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	369,716	36.30	366,358	36.34	(3,358)
	Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network*	237,820	23.35	237,439	23.55	(381)
	Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59,486	5.84	57,436	5.69	(2,050)
	Rent for land, buildings and others	11,956	1.17	11,531	1.14	(424)
	Expenses on consigned businesses	64,085	6.29	67,002	6.64	2,917
	Depreciation and amortization	36,146	3.54	34,943	3.46	(1,203)
	Communication and transportation expenses	16,886	1.65	15,279	1.51	(1,607)
	Maintenance expenses	12,457	1.22	13,378	1.32	921
	IT expenses	16,791	1.64	12,914	1.28	(3,876)
	Others	18,986	1.86	17,971	1.78	(1,015)
Taxes and dues		53,332	5.23	56,544	5.60	3,212
Total		1,018,320	100.00	1,008,089	100.00	(10,231)

\* The Bank makes payments of contributions to the Organization for Postal Savings, Postal Life Insurance and Post Office Network in accordance with Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.



# Capital

## (1) Capital Adequacy Ratio (Non-consolidated, Domestic Standard)

(Millions of yen)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,965,233	9,057,656	92,422
Core Capital: regulatory adjustments (b)	32,685	33,294	608
Total capital (a) - (b) = (c)	8,932,547	9,024,361	91,813
Total amount of risk-weighted assets (d)	57,407,276	58,157,118	749,842
Credit risk-weighted assets	54,775,080	55,604,917	829,837
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,632,196	2,552,200	(79,995)
Capital adequacy ratio (c) / (d)	15.55%	15.51%	(0.04)%pt

## (2) Capital Adequacy Ratio (Consolidated, Domestic Standard)

(Millions of yen)

	As of March 31, 2020 (A)	As of March 31, 2021 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,974,876	9,071,821	96,944
Core Capital: regulatory adjustments (b)	32,827	33,498	671
Total capital (a) - (b) = (c)	8,942,048	9,038,322	96,273
Total amount of risk-weighted assets (d)	57,390,850	58,166,845	775,994
Credit risk-weighted assets	54,758,899	55,614,821	855,921
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,631,950	2,552,023	(79,927)
Capital adequacy ratio (consolidated) (c) / (d)	15.58%	15.53%	(0.04)%pt

## (Reference) Securitized Products Exposure

As of March 31, 2020 and March 31, 2021, the Bank held the following securitized products and others.

The Bank's holdings of securitized products and others were limited to securitization exposure as final investor. The Bank has never originated any securitized products and thus has no exposure as an originator and no exposure to special purpose entities (SPEs) that should be consolidated.

### (1) Securitized products

(Millions of yen)

Region		As of March 31, 2020			As of March 31, 2021		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings	Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	1,359,705	28,113	AAA	1,354,370	19,045	AAA
	Subprime loan related	—	—	—	—	—	—
	Collateralized loan obligations (CLO)	—	—	—	—	—	—
	Other securitized products	173,975	(205)	AAA	225,448	33	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—	—	—
	Collateralized debt obligations (CDO)	1,018	37	AAA	870	28	AAA
	Subtotal	1,534,699	27,945		1,580,689	19,106	
Overseas	Residential mortgage-backed securities (RMBS)	38,546	(9,390)	AAA	54,999	3,897	AAA
	Subprime loan related	—	—	—	—	—	—
	Collateralized loan obligations (CLO)	1,767,354	(121,935)	AAA	2,036,348	36,013	AAA
	Subtotal	1,805,900	(131,326)		2,091,347	39,911	
Total		3,340,600	(103,380)		3,672,037	59,017	

Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.

2. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.

3. Net unrealized gains (losses) do not reflect the effect of foreign exchange hedging. No hedging activities against credit risks were made.

4. Other securitized products are securitized products of which underlying assets are mainly auto loan claims.

5. "Overseas" does not include U.S. government sponsored enterprises, etc. (GSEs) related products.

6. The overseas collateralized loan obligations (CLO) are only those in the United States. Net unrealized gains (losses) on the overseas CLO after taking into consideration of gains (losses) from foreign exchange hedging (reference value calculated on management accounting basis) were ¥1,916 million and ¥(104,557) million as of March 31, 2021 and March 31, 2020, respectively.

### (2) Structured investment vehicles (SIVs)

There were no investments in SIVs.

### (3) Leveraged loans

There were no outstanding leveraged loans.

### (4) Monoline insurer related products

There were no monoline insurer related exposures. In addition, the Bank has not extended credit to or executed credit derivative transactions with any monoline insurers.

# Selected Historical Financial Data

(¥bn)

	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3
Gross operating profit	1,452.0	1,410.2	1,462.3	1,327.0	1,314.2	1,319.0
Net interest income* <sup>1</sup>	1,361.0	1,223.5	1,175.6	1,016.1	976.8	961.8
Net fees and commissions	91.1	86.6	96.4	106.7	128.8	127.9
General and administrative expenses* <sup>2</sup>	(1,066.1)	(1,056.1)	(1,045.0)	(1,037.5)	(1,020.2)	(1,010.1)
Provision for general reserve for possible loan losses	—	0.0	(0.0)	—	(0.0)	—
Net operating profit	385.8	354.0	417.3	289.4	293.9	308.8
Non-recurring gains (losses)	96.1	87.9	82.3	84.8	85.1	85.4
Net ordinary income	481.9	442.0	499.6	374.2	379.0	394.3
Extraordinary income (losses)	(1.1)	(1.4)	(0.7)	(4.1)	(0.4)	(1.5)
Net income	325.0	312.2	352.7	266.1	273.0	279.8
Total net assets* <sup>3</sup>	11,508.1	11,780.0	11,513.1	11,350.8	8,987.6	11,362.1
Total assets* <sup>3</sup>	207,056.0	209,568.8	210,630.6	208,970.4	210,905.1	223,847.5
Capital adequacy ratio (Domestic standard)* <sup>3</sup>	26.38%	22.22%	17.42%	15.78%	15.55%	15.51%
Number of employees (people)* <sup>3</sup>	12,905	12,965	13,009	12,800	12,477	12,408
Average number of temporary employees (people)* <sup>3</sup>	5,223	4,902	4,612	4,184	3,865	3,601
New employees (people)* <sup>4</sup>	367	465	542	404	234	230
Net ordinary income	—	—	499.6	373.9	379.1	394.2
Net income attributable to owners of parent	—	—	352.7	266.1	273.4	280.1
Capital adequacy ratio (Domestic standard)* <sup>3</sup>	—	—	17.43%	15.80%	15.58%	15.53%

\*1 Net interest income is calculated by deducting interest expenses (excluding the expenses related to money held in trust) from interest income.

\*2 General and administrative expenses exclude non-recurring expenses. \*3 As of the end of each fiscal year. \*4 As of the beginning of each fiscal year. The number of new employees in FY2022/3 is 147.