

Investors Meeting FY2023/3

May 17, 2023

Director, President and Representative Executive Officer

Norito Ikeda



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Consolidated Subsidiaries, etc.

Consolidated subsidiaries	9 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

About FY2023/3 Financial Results (P.4~)

Despite significant changes in market environment, net income stands at JPY 325.0bn, which exceeded our forecasts (JPY 320.0bn).

Dividend per share was set to JPY 50 in response to the robust financial results.

- FY2023/3 Financial result (consolidated):
Net income JPY 325.0bn [YoY JPY (30.0)bn, of which net interest income, etc.: JPY (95.9)bn (before income taxes)]
- FY2023/3 Annual dividends: Dividend per share JPY 50 [Dividend payout ratio: 57.5%]

About FY2024/3 Financial Forecasts (P.25~)

The forecasts see an increase in income compared to FY2023/3.

Dividend per share, based on the financial forecasts and the shareholder return policy during the Mid-term Plan, **is planned to maintain JPY 50.**

- FY2024/3 Financial forecast (consolidated): Net income JPY 335.0bn [YoY JPY +10.0bn]
- FY2024/3 Dividends forecast*: Dividend per share JPY 50 [Dividend payout ratio: 54.0%] * Only annual dividends

About Future Business Strategies (P.33~)

This section highlights **the Bank's efforts to enhance its corporate value (ROE).**

In market business, new special feature on current status of **real estates investments**, a theme investors might be focused on.

01	FY2023/3 Financial Results	P.4
02	FY2024/3 Financial Forecasts	P.25
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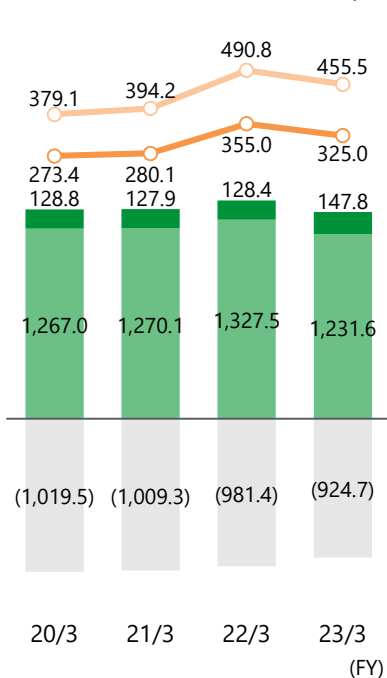
Net income on a consolidated basis reached JPY 325.0bn, higher than the financial forecasts, while it decreased by JPY 30.0bn from the previous year, which saw the highest profits since listing. Net interest income, etc., declined due to the changes in market conditions such as rising foreign currency funding costs, however, we had prepared for these changes and managed appropriately.

Dividend per share was set to JPY 50 in response to the robust financial results.

Results for FY2023/3 (Consolidated)

(JPY bn)

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



	FY2022/3	FY2023/3			
	Actual (A)	Forecast (B)	Actual (C)	YoY (C) - (A)	vs Forecast (B) - (C)
Net interest income, etc.*1	1,327.5	1,235.0	1,231.6	(95.9)	(3.3)
Net fees and commissions	128.4	143.0	147.8	19.3	4.8
General and administrative expenses	981.4	935.0	924.7	(56.6)	(10.2)
Net ordinary income	490.8	445.0	455.5	(35.3)	10.5
Net income attributable to owners of parent [Achievement rate*2]	355.0	320.0	325.0 [101.5%]	(30.0)	5.0
Dividend per share [Dividend payout ratio]	JPY 50	JPY 50	JPY 50 [57.5%]	—	—

Main drivers of increase and decrease

- (1) Foreign bond investment trusts [approx. JPY (342.0)bn]
 - Increase in foreign currency funding costs and other means [approx. JPY (125.0)bn]
 - Increase in non-revenue dividends [approx. JPY (160.0)bn] (Refer to page 12-13 for factors of the increase)
 - Decrease in gains on cancellation of investment trusts [approx. JPY (57.0)bn]
- (2) Gains on sales of foreign bonds, etc. [approx. JPY +350.0bn]
 - Timely foreign bond sales that take advantage of the current weak state of the yen and other factors
- (3) Strategic investment areas [approx. JPY +146.0bn]
 - Private equity funds [approx. JPY +135.0bn]
 - ATM related commissions [JPY +10.1bn]
 - Exchange and settlement transactions [JPY +7.3bn]
 - Significant impact of the fee revision in January 2022 on every factors
- (4) Deposit insurance expenses paid to Deposit Insurance Corporation of Japan [JPY (27.8)bn]
 - Agency commissions paid to Japan Post [JPY (13.1)bn]
 - Tax [JPY (9.4)bn]
- (4) Decrease in IT expenses and other means

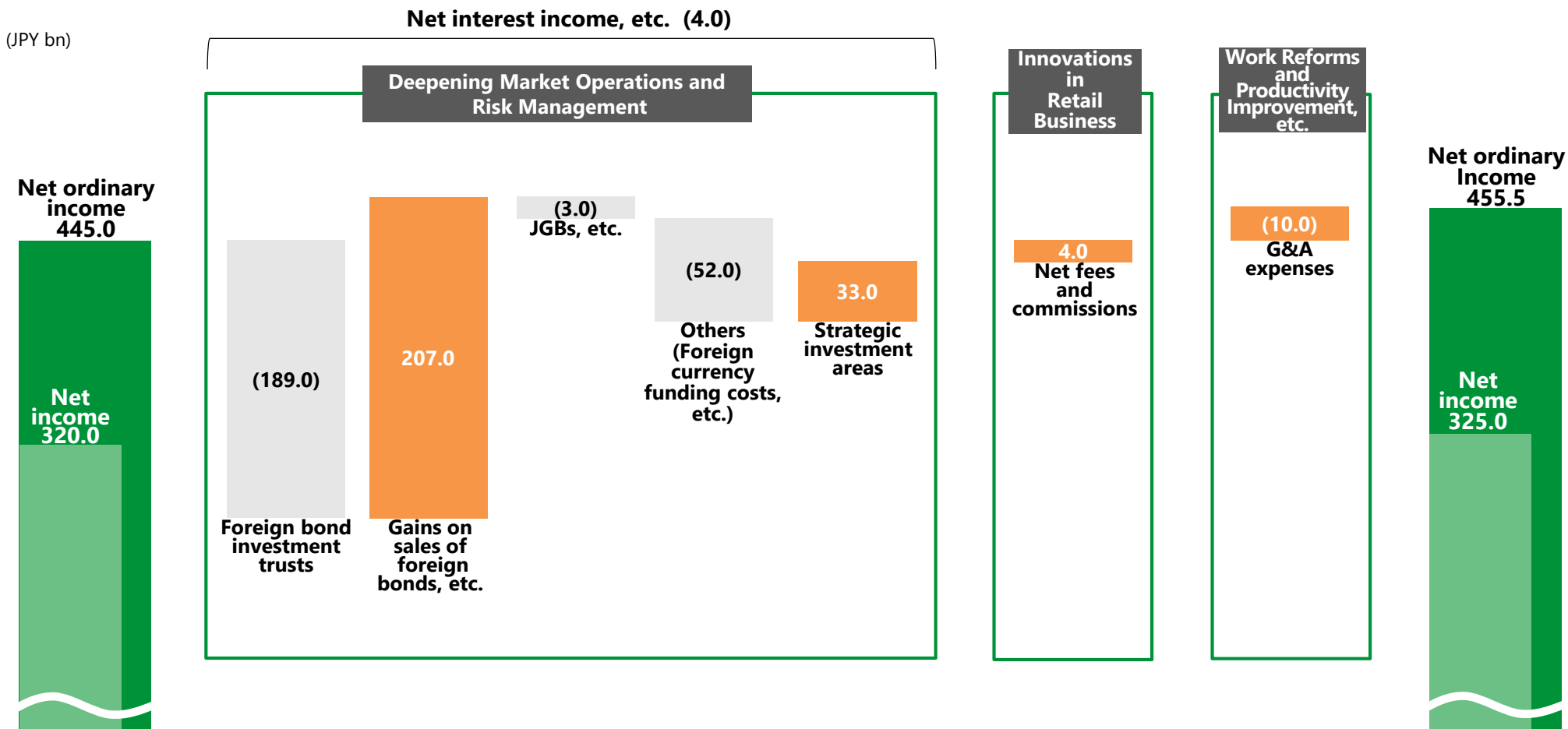
*1 Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales, etc.)
 *2 The achievement rate to forecast for net income attributable to owners of parent

(Ref.) Changes in Net Ordinary Income for Earnings Forecasts (Simple Illustration) (1) vs Forecasts

Causes of Changes in Net Ordinary Income (Consolidated) [FY2023/3 Forecasts vs FY2023/3 Actual]

Note: The addition of total changes to the forecasts for FY2023/3 does not equal the FY2023/3 results due to rounding, other ordinary income/expenses and similar factors.

Orange box: Positive factors Grey box: Negative factors



FY2023/3 (Plan)

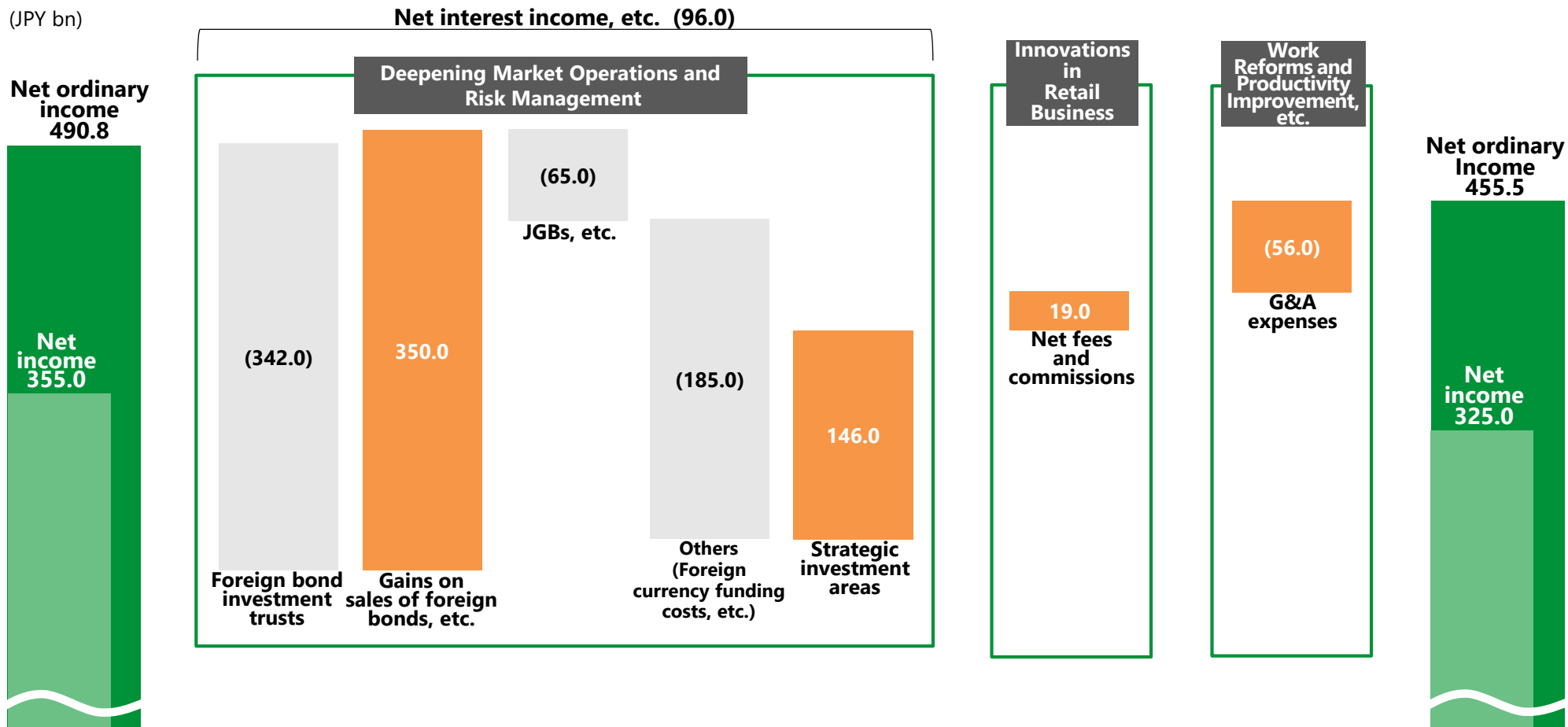
FY2023/3 (Actual)

(Ref.) Changes in Net Ordinary Income for Earnings Forecasts (Simple Illustration) (2) YoY

Causes of Changes in Net Ordinary Income (Consolidated) [FY2022/3 Actual vs FY2023/3 Actual]

Note: The addition of total changes to the FY2022/3 results does not equal the FY2023/3 results due to rounding, other ordinary income/expenses and similar factors.

Orange box: Positive factors Grey box: Negative factors



FY2022/3 (Actual)

FY2023/3 (Actual)

Overview of FY2023/3 Results

(2) Result of Operations, Financial Conditions

1. Results
(FY2023/3)

2. Forecasts
(FY2024/3)

3. Business
Strategies

Appendix

Financial Data

Overview

Asset
Management

Fee

Cost

Results of Operations (Consolidated)

(JPY bn)

	FY2022/3 (A)	FY2023/3 (B)	Increase (Decrease) (B) – (A)
Consolidated gross operating profit	1,292.0	1,056.3	(235.6)
Net interest income	1,147.4	796.3	(351.1)
Net fees and commissions	128.4	147.8	19.3
Net other operating income (loss)	16.0	112.1	96.0
Gains (losses) on foreign exchanges	79.0	200.0	120.9
Gains (losses) on bonds	(63.2)	(88.0)	(24.8)
General and administrative expenses*	983.2	926.3	(56.9)
Provision for general reserve for possible loan losses	0.0	—	(0.0)
Consolidated net operating profit	308.7	130.0	(178.7)
Non-recurring gains (losses)	182.1	325.5	143.4
Gains (losses) related to stocks	(126.3)	73.7	200.1
Gains (losses) on money held in trust	286.6	246.8	(39.8)
Net ordinary income	490.8	455.5	(35.3)
Net income attributable to owners of parent	355.0	325.0	(30.0)

Financial Conditions (Non-consolidated)

(JPY bn)

	As of Mar. 31, 2022 (A)	As of Mar. 31, 2023 (B)	Increase (Decrease) (B) – (A)
Assets	232,922.0	229,545.2	(3,376.8)
Cash and due from banks	66,664.2	68,217.4	1,553.2
Call loans	2,470.0	2,460.0	(10.0)
Receivables under resale agreements	9,861.7	9,788.4	(73.3)
Money held in trust	5,828.2	6,564.7	736.4
Securities	139,549.1	132,769.4	(6,779.6)
Loans	4,441.9	5,604.3	1,162.3
Liabilities	222,658.5	219,936.2	(2,722.2)
Deposits	193,441.9	194,951.5	1,509.5
Payables under repurchase agreements	19,461.6	18,316.6	(1,145.0)
Payables under securities lending transactions	1,514.4	1,941.8	427.4
Net assets	10,263.5	9,608.9	(654.5)
Total shareholders' equity	9,412.2	9,455.7	43.4
Total valuation and translation adjustments	851.2	153.2	(698.0)

* General and administrative expenses exclude non-recurring losses.

Overview of FY2023/3 Results

(3) Capital Adequacy Ratio and CET1 Ratio

The consolidated capital adequacy ratio as of March 31, 2023 was 15.53%, down 0.03%pt compared to March 31, 2022. This decrease in consolidated capital adequacy ratio was the result of the increase in the total amount of risk-weighted assets (denominator), mainly due to an increased balance in strategic investment areas.

Capital Adequacy Ratio and CET1 (Common Equity Tier1 Capital) Ratio (Consolidated)

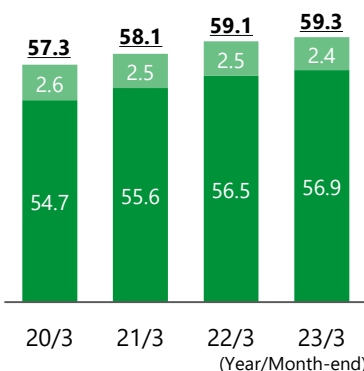
(JPY tn)

- Credit risk-weighted assets
- Operational risk equivalent / 8%
- Capital adequacy ratio

15.58% 15.53% 15.56% 15.53%

Minimum level to be secured is approx.10% in ordinary times

Regulatory level is 4% or more



(JPY bn)

	As of Mar. 31, 2022 (A)	As of Mar. 31, 2023 (B)	Increase (Decrease) (B) – (A)
Capital adequacy ratio	15.56%	15.53%	(0.03)%pt
Total capital	9,199.3	9,224.4	(1) 25.1
Risk-weighted assets	59,106.0	59,395.1	289.1
Credit risk-weighted assets	56,545.5	56,938.2	(2) 392.6

Main drivers of increase and decrease

- (1) Increases in profits for FY2023/3 [JPY +141.5bn]
 - FY2023/3 net income: JPY +325.0bn
 - FY2023/3 total dividend payment: JPY (183.4)bn
- (2) Share buybacks following the secondary offering [JPY (92.9)bn / By March 31, 2023 / Refer to page 27]
 - Mainly due to the increases in balances of the strategic investment areas [JPY +3.6tn]

(JPY tn)

	As of Mar. 31, 2022 (A)	As of Mar. 31, 2023 (B)	Increase (Decrease) (B) – (A)
CET1 ratio (estimate*)	15.68%	14.28%	(1.40)%pt
Excluding unrealized gains on available-for-sale securities	14.23%	14.01%	(0.22)%pt
Total capital	8.9	8.8	(0.0)
Risk-weighted assets	62.6	63.3	0.7

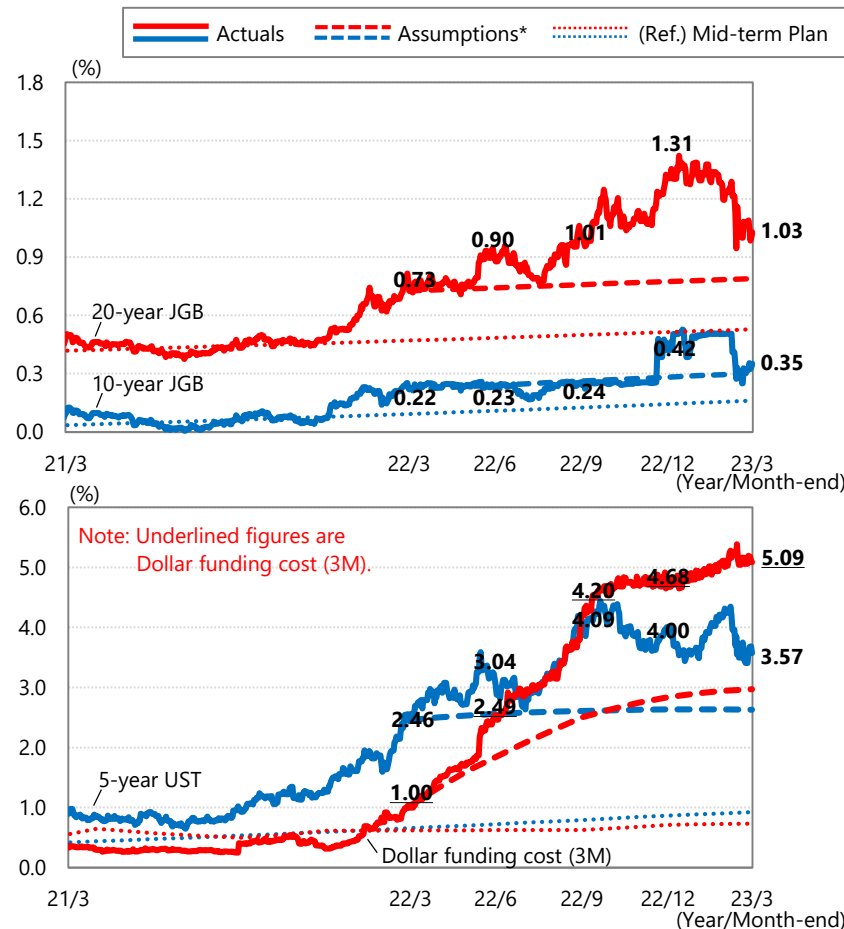
* Calculation for some items are simplified.

Market Situation

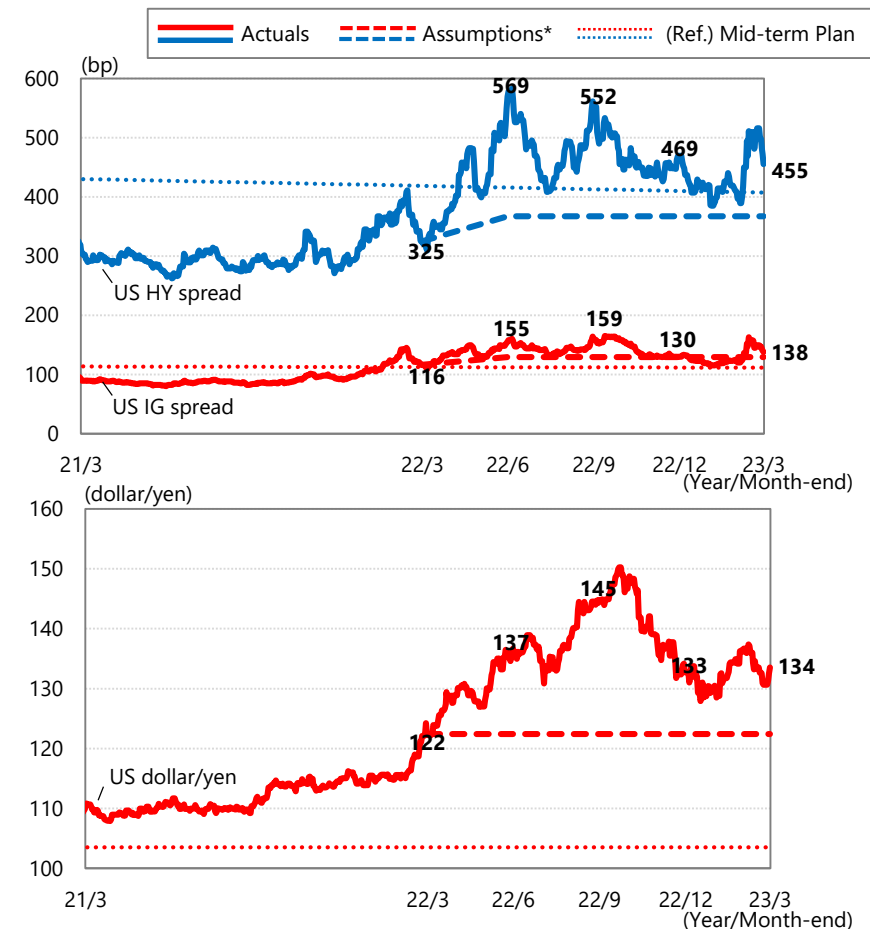
Main risk factors in FY2023/3 exceeded expectations* due to a number of issues, such as trends in monetary policy in U.S. and Japan.

* Assumptions at the time of formulating the FY2023/3 earnings forecast

Domestic and Foreign Interest Rates / Dollar Funding Cost



US IG and HY Spread / US Dollar/Yen



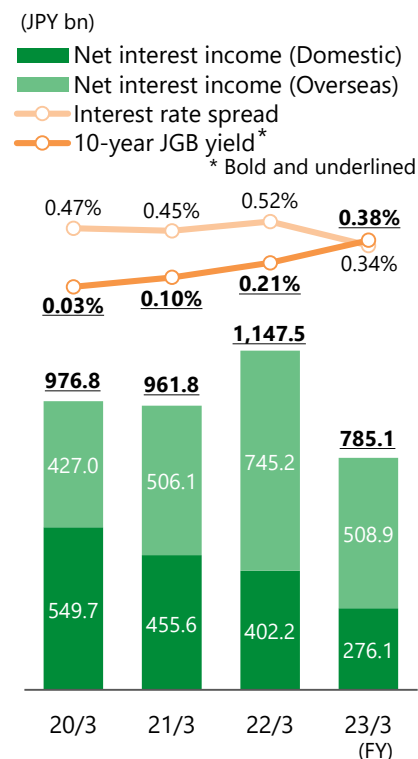
Income Analysis

Net interest income for FY2023/3 decreased by JPY 362.3bn year on year to JPY 785.1bn.

Overseas, we saw a steady increase in gains on strategic investment areas (especially, private equity funds). On the other hand, gains on foreign bond investment trusts significantly decreased because of the changes in market conditions such as rising foreign currency funding costs.

Income Analysis (Non-consolidated)

(JPY bn)



	FY2022/3 (A)	FY2023/3 (B)	Increase (Decrease) (B) – (A)
Domestic			
Net interest income	(1) 402.2	276.1	(126.0)
Interest income	446.7	307.7	(138.9)
Interest on Japanese government bonds	304.1	235.4	(68.6)
Interest expenses	44.4	31.6	(12.8)
Overseas			
Net interest income	745.2	508.9	(236.3)
Interest income	991.6	925.6	(65.9)
Interest on foreign securities	991.2	917.6	(2) (73.5)
Strategic investment areas	(1) 95.1	182.9	(3) 87.7
Interest expenses	246.3	416.7	(4) 170.3
Total			
Net interest income	1,147.5	785.1	(362.3)
Interest income	1,369.7	1,232.4	(137.3)
Interest expenses	222.2	447.2	225.0

Main drivers of
increase and decrease

- (1) Including the elimination of internal funding transactions between domestic business division and overseas business division (Ref.)
The amount of elimination:
– FY2023/3: JPY 1bn [YoY JPY (67.5)bn]
– FY2022/3: JPY 68.6bn
Refer to page 11 for factors of the decrease YoY
- (2) Significant decrease in gains on foreign bond investment trusts
- (3) Steady increase in gains on private equity funds (Refer to page 14 for the profit distribution)
- (4) Despite decrease in amount of elimination (See (1) above), foreign currency funding costs increased significantly (Refer to page 9)

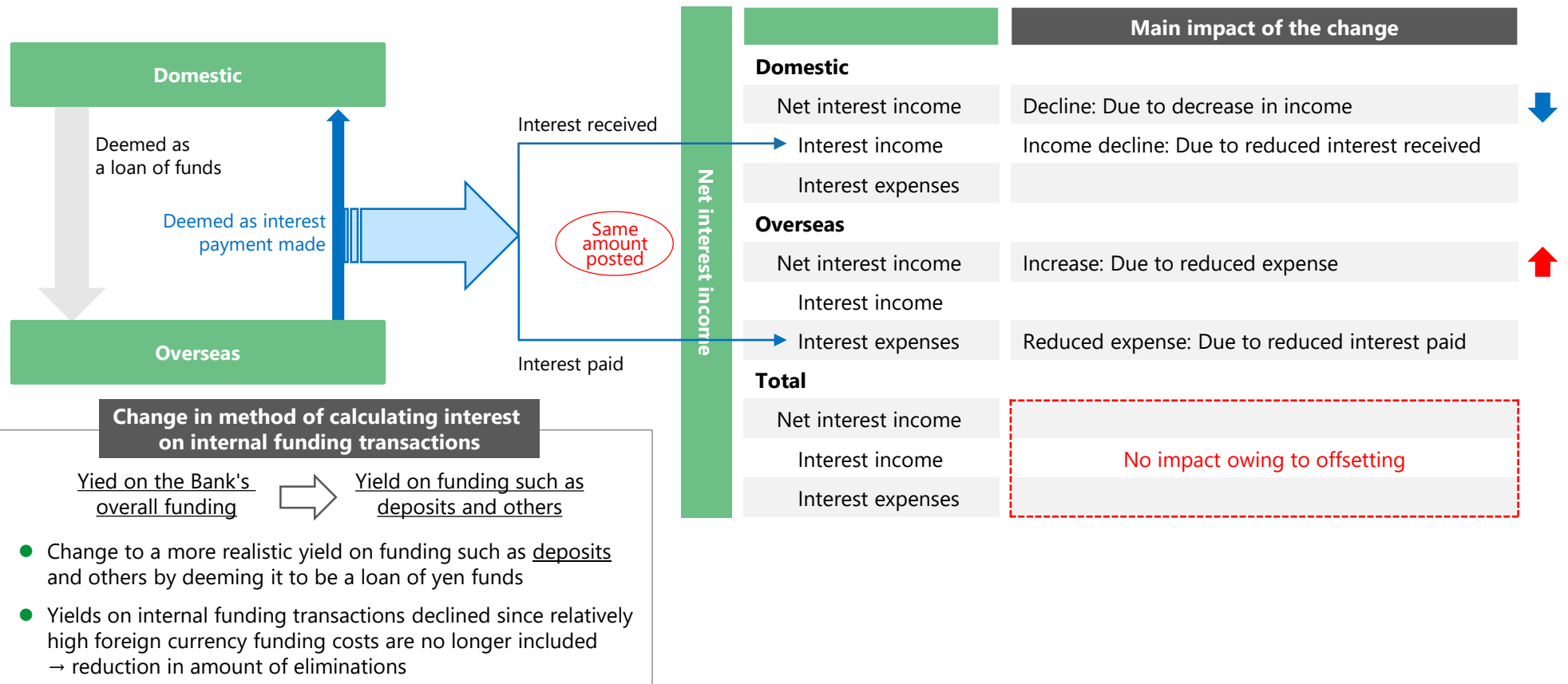
Notes: 1. "Domestic" represents yen-denominated transactions while "overseas" represents foreign currency-denominated transactions (except that yen-denominated transactions with non-residents of Japan are included in "overseas").
2. For a part of interest income and expenses, transactions between "domestic" 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.

(Ref.) Change in the Method of Calculating the Amount of Elimination (Interest on Interdepartmental Internal Funding Transactions)

In presenting the Bank's net interest income separately for domestic business division and overseas business division, funds required for investment in assets denominated in foreign currencies are considered to have been lent by the domestic business division to the overseas business division (deemed as internal funding transactions).

The yield used to calculate interest on these internal funding transactions has been changed from "the yield on the Bank's overall funding that includes foreign currency funding costs", to "the yield on funding such as deposits and others". (with no impact on the total net interest income).

Structure of Internal Funding Transactions and Impact of Change in Method of Calculating Interest

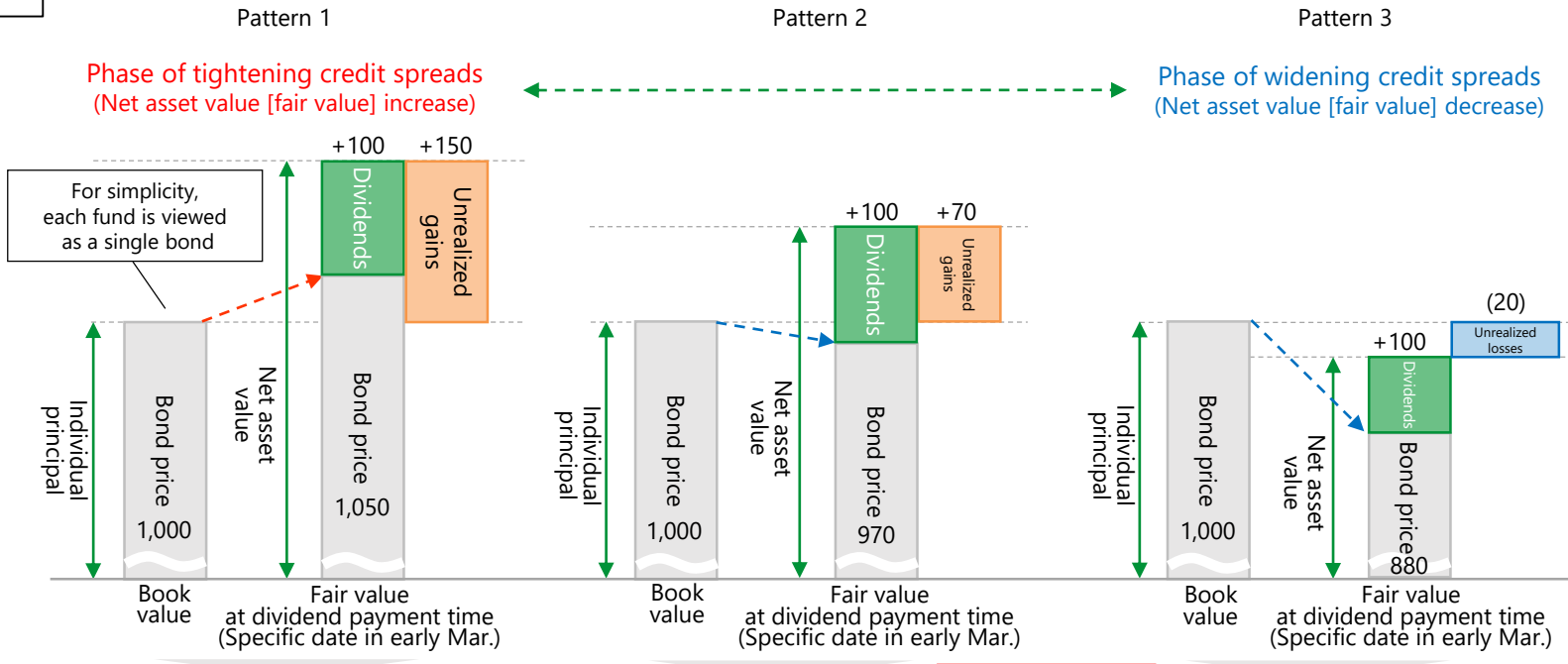


(Ref.) What Caused Non-revenue Dividends to Increase in Q4? (1) What are Non-revenue Dividends?

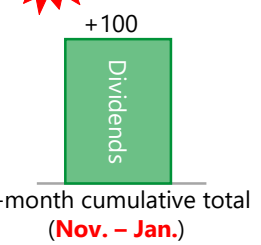
Dividends are classified into revenue dividends or non-revenue dividends and paid to the Bank by each fund (quarterly). The Bank recognizes only revenue dividends as income (non-revenue dividends are accounted for as the repayment of principal).

1. Revenue dividends: Dividends that are within unrealized gains (net asset value [fair value] - individual principal [book value] > 0; the same shall apply hereafter).
2. Non-revenue dividends: Dividends that exceed unrealized gains and are equivalent to the repayment of principal.

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



Why non-revenue dividends increased this quarter 1) (details available on the next page)



Note: In some cases, there are no dividends.

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

Why non-revenue dividends increased this quarter 2) (details available on the next page)

Revenue dividends: 100
 Non-revenue dividends: 30 (Repayment of principal: 30)
 The amount exceeding unrealized gains
 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, unless there are defaults on bonds held, etc. or others.

(Ref.) What Caused Non-revenue Dividends to Increase in Q4? (2) Components to Dividends

Due to change in the investment guidelines of the consignee, "foreign exchange gains/losses due to hedge imbalance" are no longer included in dividends from foreign bond investment trusts, resulting in a large increase in dividends in Q4 compared to Q3.

On the other hand, due to the credit spread situation, a large portion of dividends will go to non-revenue dividends, resulting in a large increase in non-revenue dividends in the Q4 compared to the Q3 (Q3 non-consolidated: JPY 9.7bn > Q4 non-consolidated: JPY 102.2bn).

To FY2023/3 Q3 (Before)

Major components to dividends from foreign bond investment trusts*1

Major Positive Factors

Investment management income from bonds held in the investment trusts, etc. (Foreign currency denominated)

Major Negative factors

FX hedging costs 1) + 2)

1) Foreign currency funding costs*2

2) FX gains and losses from hedging balance differences*3

Especially in FY2023/3 Q3, due to volatility in the market the negative impact of 2) was significant. (technical effects)

From FY2023/3 Q4 (After)

Major components to dividends from foreign bond investment trusts*1

Major Positive Factors

Investment management income from bonds held in the investment trusts, etc. (Foreign currency denominated)

Major Negative factors

FX hedging costs 1)

1) Foreign currency funding costs*2

Due to a change in the investment guideline by the consignee, 2) is no longer included in the distribution. As a result, Q4 dividends increased significantly versus the Q3 due to the elimination of technical effects.

Dividends are categorized into revenue dividends and non-revenue dividends by comparing dividends and unrealized gains/losses of investment trusts **on the specified date in early Mar.** (Refer to the previous page)

Most are moved to non-revenue dividends based on US interest rate and credit spread situation (Refer to page 9) As a result, the Q3 non-revenue dividends increased significantly

*1 Also includes fees and other components not stated below.

*2 Represents funding costs for the balance of the bonds at the time hedging activities commence. Increase and decrease depending on market movement (Investment trusts raise capital within the fund).

*3 Represents FX gains and losses due to differences between bond prices (fair value) after commencement of hedging and FX hedge position fair value (hedging balance differences). Increase and decrease depending on market movement.

(Ref.) Net Interest Income (Financial Accounting) vs. Net Interest Income, etc. (Management Accounting) (Simple Illustration)

Net Interest Income, Net Other Operating Income (Loss), Non-recurring Gains (Losses) (Financial Accounting)

Net Interest Income	Domestic	Main Breakdown	
		Interest income	Japanese government bonds, Japanese local government bonds, Japanese corporate bonds, Corporate loans, Amount of elimination (between domestic and overseas)
		Interest expenses	Deposits
	Overseas	Interest income	Foreign bonds
			Investment management Foreign bond investment trusts (IG, HY, etc.) * Including Hedging costs, Redemption gains (losses), Gains (losses) on cancellation
		Interest expenses	Foreign bond hedging costs, Amount of elimination (between domestic and overseas)
Net Other Operating Income (Loss)	Gains (losses) on foreign exchanges	Foreign bonds (Redemption, Sales) Foreign bond hedging costs	
	Gains (losses) on bonds	Japanese government bonds (Sales), Foreign bonds (Sales)	
Non-recurring Gains (Losses)	Gains (losses) related to stocks	Private equity funds (Redemption gains (losses)) (2) Bear funds	
	Gains (losses) on money held in trust	Domestic stocks	
		Japanese government bonds	
		Real estate funds (Equity)	
		Real estate funds (Debt) (Money held in trust)	
Direct lending funds			

Net Interest Income, etc. (Management Accounting)

Net Interest Income, etc.	Main Breakdown	
	Yen interest rate PF (PF: Portfolio)	Japanese government bonds (including Sales)
		Deposits
	Credit PF	Japanese local government bonds, Japanese corporate bonds
		Foreign bonds (Foreign corporate bonds)
		Investment management Foreign bond investment trusts (IG, HY, etc.) * Including Hedging costs, Redemption gains (losses), Gains (losses) on cancellation
		Real estate funds (Debt)
		Direct lending funds
	Foreign government bond PF	Foreign bond hedging costs
		Foreign bonds (Foreign government bonds (including Redemption and Sales)) Foreign bond hedging costs
	Stock PF	Domestic stocks, Bear funds
	Alternative PF	Private equity funds (1) + (2)
		Real estate funds (Equity)
Finance PF	Corporate loans	

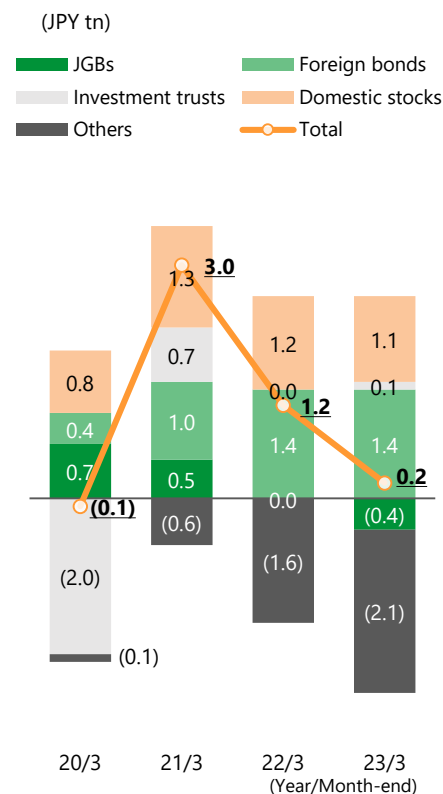
Unrealized Gains (Losses) on Financial Instruments

Net unrealized gains on financial instruments (available-for-sale) after taking into consideration gains (losses) from hedge accounting were JPY 214.0bn as of March 31, 2023 (before application of tax effect accounting), decreasing by JPY 1,009bn from March 31, 2022. Compared to unrealized losses, JPY 400.6bn as of December 31, 2022, it was an upward trend; the gains increased by JPY 614.6bn.

Unrealized gains decreased considerably as a result of rising domestic and overseas interest rates and widening foreign credit spreads, but are being propped up by unrealized gains from private equity funds that have been newly recorded due to application of fair valuations.

Available-for-sale Securities (Non-consolidated)

(JPY bn)



	As of Mar. 31, 2023 Amount on the balance sheet / Notional amount	vs Mar. 31, 2022	As of Mar. 31, 2023 Net unrealized gains (losses) / Net deferred gains (losses)	vs Mar. 31, 2022
Available-for-sale	112,766.0	(9,954.4)	1,117.3	(884.7) (1)
Securities (a)	106,201.2	(10,690.8)	1,216.1	(456.8)
Japanese government bonds	23,072.1	(11,213.4)	(423.8)	(1) (509.5) (2)
Foreign bonds	22,365.2	(335.9)	1,476.1	(2) (8.0)
Investment trusts*	52,110.2	2,575.7	184.0	(3) 101.6
Others	8,653.6	(1,717.3)	(20.1)	(40.9)
Effect of fair value hedge accounting (b)			(1,306.0)	(4) (453.1) (3)
Money held in trust (c)	6,564.7	736.4	1,207.2	25.2
Domestic stocks	1,857.6	(166.9)	1,104.9	(97.3)
Others	4,707.0	903.4	102.2	122.5
Derivatives for which deferred hedge accounting is applied (d)	18,078.0	1,996.3	(903.3)	(5) (124.2) (4)(5)
Total (a) + (b) + (c) + (d)			214.0	(1,009.0)

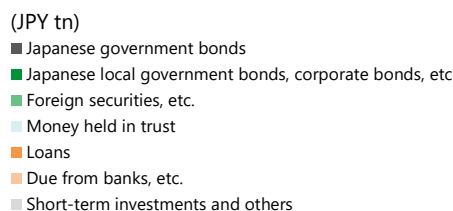
Main drivers of increase and decrease

- (1) Unrealized gains decreased due to rising domestic interest rates
- (2) On the asset side, unrealized gains due to the positive impact of yen depreciation offset unrealized losses and realization of foreign exchange gains due to the impact of rising long-term overseas interest rates. (currency hedges with (4) (5))
- (3) Unrealized losses due to widening overseas credit spreads and rising long-term interest rates were offset by unrealized gains from private equity funds (JPY 1,050.0bn, newly included since FY2023/3)
- (4)(5) As for currency hedging positions (corresponding to (2)), unrealized losses expanded due to yen depreciation

* Investment trusts are mainly invested in foreign bonds. While net unrealized gains on investment trusts were JPY 82.3bn as of March 31, 2022, net unrealized gains on investment trusts when it applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021) were JPY 1,348.8bn (estimate).

At the end of March 2023, investment assets were JPY 226.3tn, a decrease of JPY 3.3tn compared to the end of March 2022. Although foreign securities, etc. increased due to an increase in balances, Japanese government bonds decreased significantly because of the redemption, sales, etc.

Investment Assets (Non-consolidated)



	Balance			Main drivers of increase and decrease
	As of Mar. 31, 2023	%	vs Mar. 31, 2022	
Securities	132,769.4	58.6	(6,779.6)	
Japanese government bonds	38,114.7	16.8	(1) (11,145.0)	● Decrease due to redemption, sales, etc.
Japanese local government bonds, corporate bonds, etc. ^{*1}	16,297.4	7.1	143.0	
Foreign securities, etc.	78,357.2	34.6	(2) 4,222.2	● Increase in balances (foreign bonds, etc.)
Foreign bonds	26,139.0	11.5	(2) 1,629.3	
Investment trusts ^{*2}	52,110.2	23.0	(3) 2,575.7	● Mainly due to the impact of increases in private equity funds [approx. JPY +2.4tn] - Increase in fair value [approx. JPY +1.0tn] - Increase in balances [approx. JPY +1.4tn]
Money held in trust	6,564.7	2.8	736.4	
Domestic stocks	1,857.6	0.8	(166.9)	
Loans	5,604.3	2.4	(4) 1,162.3	
Due from banks, etc. ^{*3}	68,283.5	30.1	(5) 1,660.6	● Increase in outstanding balances of loans to government
Short-term investments and others ^{*4}	13,158.3	5.8	(94.0)	
Total	226,380.4	100.0	(5) (3,314.1)	● Increase in outstanding balances of Bank of Japan deposits

*1 "Japanese local government bonds, corporate bonds, etc." consists of Japanese local government bonds, short-term corporate bonds, Japanese corporate bonds and Japanese stocks.

*2 Investment trusts are mainly invested in foreign bonds. Investment trusts include private equity funds, etc.

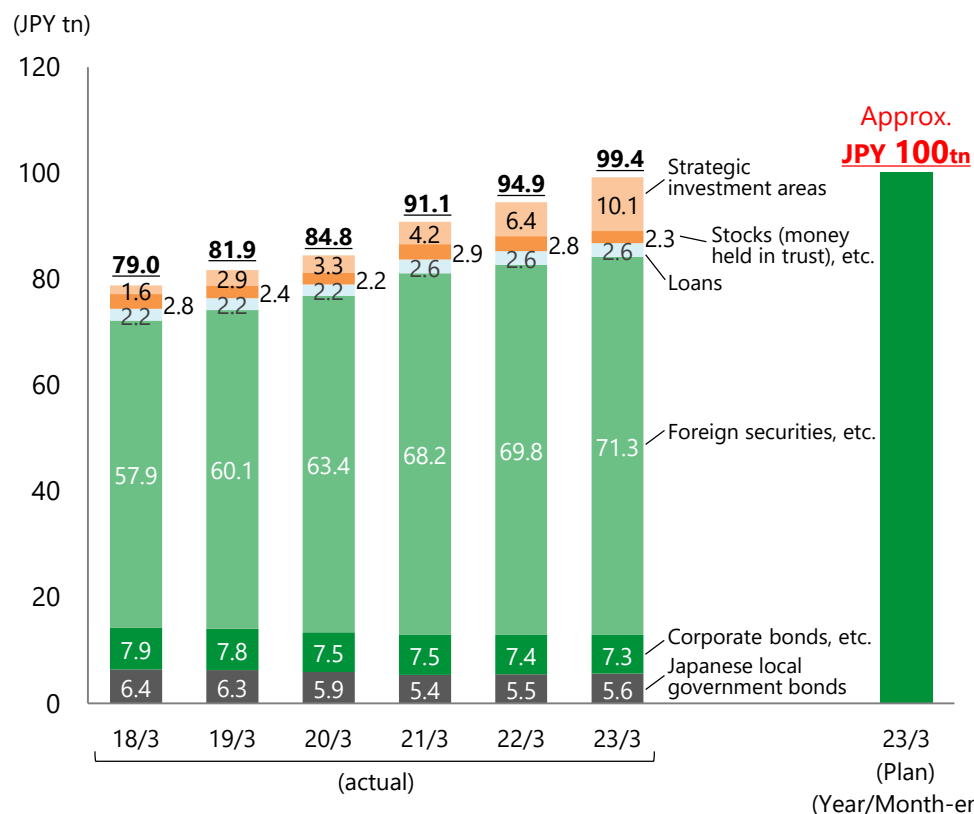
*3 "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

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

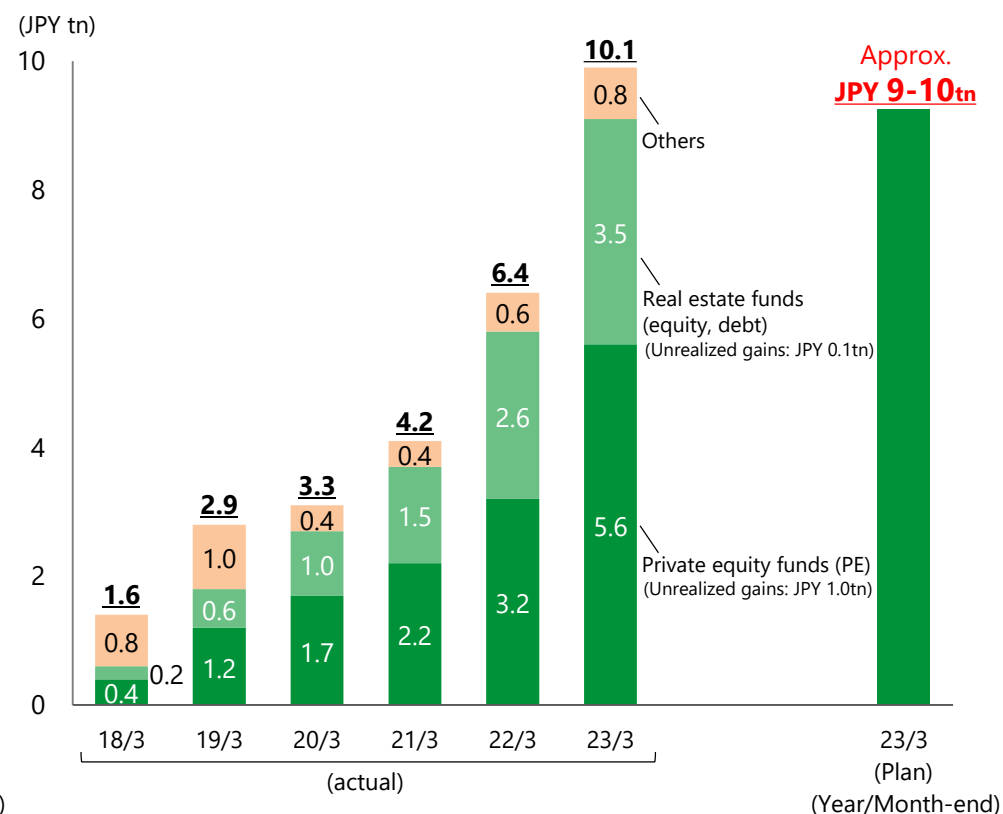
The balance of risk assets*1 as of March 31, 2023 was JPY 99.4tn, increasing by JPY 4.4tn from March 31, 2022. This is primarily due to the fact that the balance of strategic investment areas*2 was JPY 10.1tn, increasing by JPY 3.6tn, as a result of the application of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021), the assessment of fair value of private equity funds, etc.

*1 Assets other than yen interest rates (JGBs, etc.) *2 Private equity funds, Real estate funds (equity, debt), Direct lending funds and Infrastructure debt funds, etc.

Risk Assets*1 (Non-consolidated)



Strategic Investment Areas*2 (Non-consolidated)



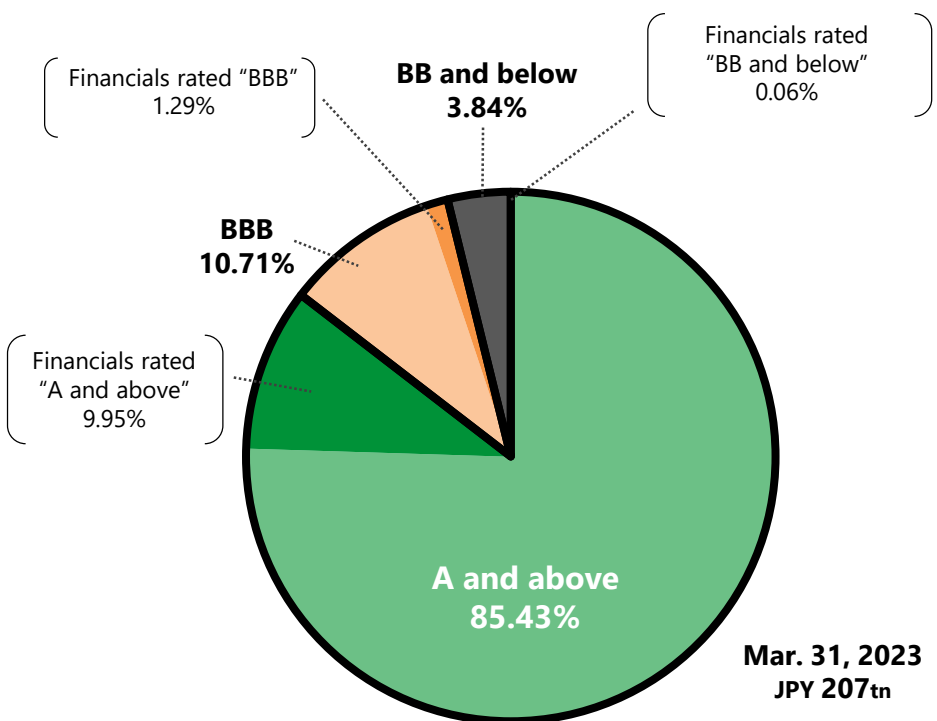
Note: Following the application of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021), private equity funds and real estate funds, excluding some assets, are calculated on a **fair value basis** from FY2023/3 onward.

Asset Management

(3) Exposure Profile of Investment Assets

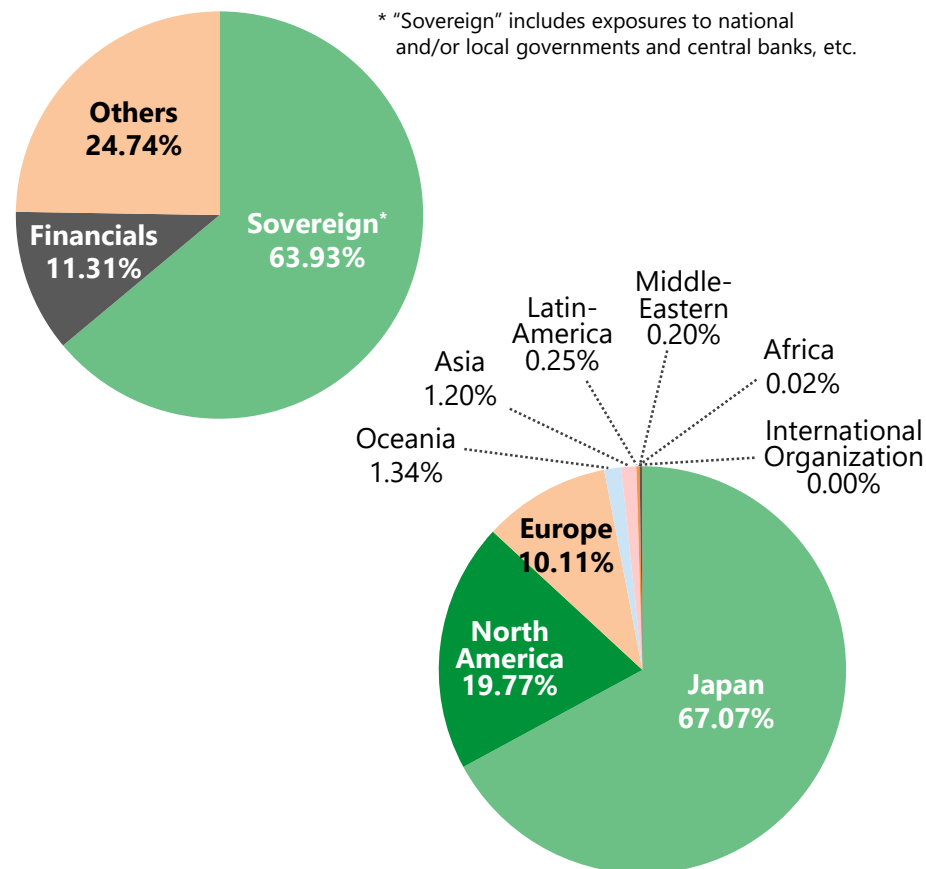
Breakdown of the Bank's investment assets,
By credit rating: approximately 85% are rated A or above, and approximately 96% are rated IG (BBB or above).

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 basis.
3. Rating categories are calculated based on the Bank's internal ratings and the external ratings.

Exposures Classified by Sector and Region (Non-consolidated)



The balance of yen interest rate assets decreased significantly from March 31, 2022 due to a decrease in the balance of Japanese government bonds after the redemption, etc.

Total net gains/losses for each portfolio, especially risk assets decreased year on year, due to the impact of increased foreign currency funding costs, etc.

Balance (Non-consolidated)

	As of Mar. 31, 2022 (A)	As of Mar. 31, 2023 (B)	Increase (Decrease) (B) – (A)
	(JPY bn)		
Yen interest rates assets	125,657.4	117,700.5	(7,956.8)
Short-term assets	73,223.3	75,947.4	2,724.0
Japanese government bonds and government guaranteed bonds	52,434.0	41,753.1	(10,680.9)
Risk assets	94,960.7	99,454.2	4,493.5
Japanese local government bonds	5,580.8	5,640.8	59.9
Japanese corporate bonds, etc.	7,496.5	7,323.4	(173.0)
Foreign securities, etc.	69,865.1	71,307.3	1,442.2
Loans	2,692.4	2,678.8	(13.6)
Stocks (money held in trust), etc.	2,849.7	2,377.5	(472.2)
Strategic investment areas	6,475.9	10,126.2	3,650.3

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 16 and 43, and also the sum of "Yen interest rates assets" and "Risk assets" is not equal to the "Total" on page 16 and 43.

2. Strategic investment areas: Private equity funds, Real estate funds (equity, debt), Direct lending funds and Infrastructure debt funds, etc.

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

	(Average balance: JPY tn, Net gains (losses): JPY bn)			
	FY2022/3		FY2023/3	
	Average Balance	Net gains (losses)	Average Balance	Net gains (losses)
Total portfolio	215.0	475.9	217.6	447.3
Yen interest rates assets	121.9	(580.3)	120.4	(551.0)
Customer-based funding and marketing	—	(878.4)	—	(834.0)
Investment side, etc.	—	298.1	—	283.0
Risk assets	93.0	1,056.2	97.2	998.3

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

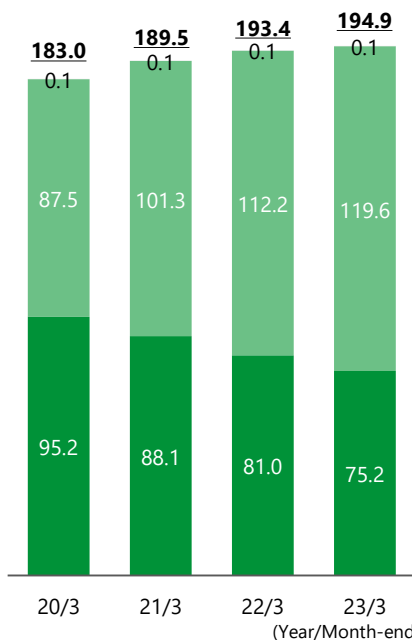
Deposits on March 31, 2023 amounted to JPY 194.9tn, up JPY 1.5tn from March 31, 2022. Although deposits have continued to increase in recent years, the amount of increase from the previous year has been shrinking.

Ordinary deposits increased by JPY 5.3tn due to transfers from time and TEIGAKU deposits at maturity, etc.

Deposit Balance (Non-consolidated)

(JPY tn)

■ Fixed-term deposits ■ Liquid deposits
■ Other deposits



	As of Mar. 31, 2022 (A)	As of Mar. 31, 2023 (B)	Increase (Decrease) (B) – (A)
Liquid deposits	112.2	119.6	7.3
Transfer deposits	10.7	12.7	1.9
Ordinary deposits, etc.*	100.8	106.1	(1) 5.3
Savings deposits	0.6	0.7	(2) 0.0
Fixed-term deposits	81.0	75.2	(5.8)
Time deposits	4.3	3.3	(1.0)
TEIGAKU deposits	76.6	71.9	(4.7)
Other deposits	0.1	0.1	(0.0)
Total	193.4	194.9	1.5

Main drivers of
increase and decrease

(1) (2)

- Transfers from time and TEIGAKU deposits to ordinary deposits at maturity, etc.

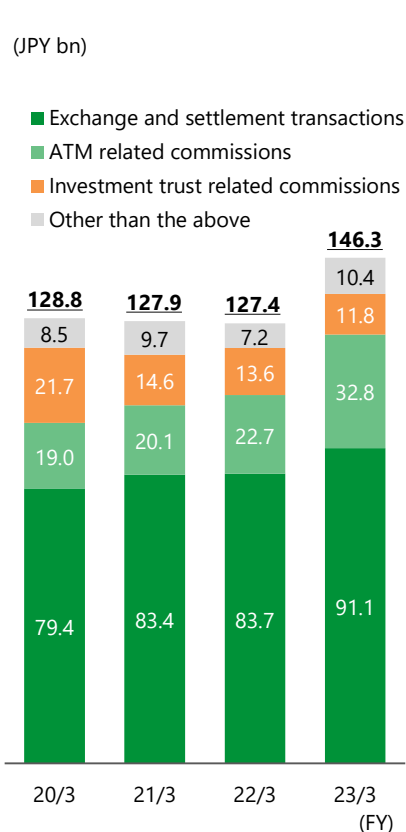
* Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

Fees and Commissions

Net fees and commissions for FY2023/3 increased by JPY 18.9bn year on year to JPY 146.3bn.

Net fees and commissions have increased from the previous year due to the impact of the January 2022 fee revision, etc.

Fees and Commissions (Non-consolidated)



	FY2022/3 (A)	FY2023/3 (B)	Increase (Decrease) (B) – (A)
Net fees and commissions	127.4	146.3	18.9
Exchange and settlement transactions	83.7	91.1	7.3
Zengin-net fee	12.8	13.2	0.3
ATM related commissions	22.7	32.8	10.1
Investment trust related commissions ^{*1}	13.6	11.8	(1.7)
Variable annuities	0.1	0.5	0.3
JGBs related commissions	1.1	1.7	0.5
Credit cards	3.9	3.6	(0.3)
Consumer loans	1.1	1.3	0.1
Others	0.8	3.2	2.4

Main drivers of
increase and decrease

- (1) (2) (4) The impact of the fee revision in January 2022 [Ref.]
 - Main examples of the fee revision
 - Exchange and settlement transactions
 - Fee increases in cash payment service
 - ATM related commissions
 - Fee increases in convenience store ATMs^{*2}
 - Charging after-hours fees in external ATMs^{*3}
 - Others
 - Establish new coin handling fees
- (3) Decrease in sales fees, etc.
 - Due to the increase in the percentage of commission-free online purchases via Yucho Direct despite increased sales amount of investment trust

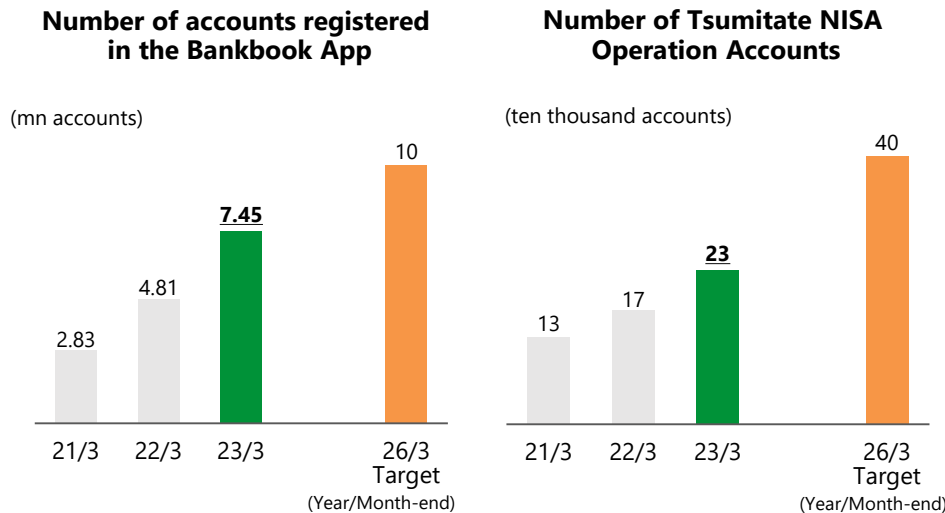
*1 Includes Yucho Fund Wraps (discretionary investment contract services).

*2 Lawson ATMs, E-net ATMs

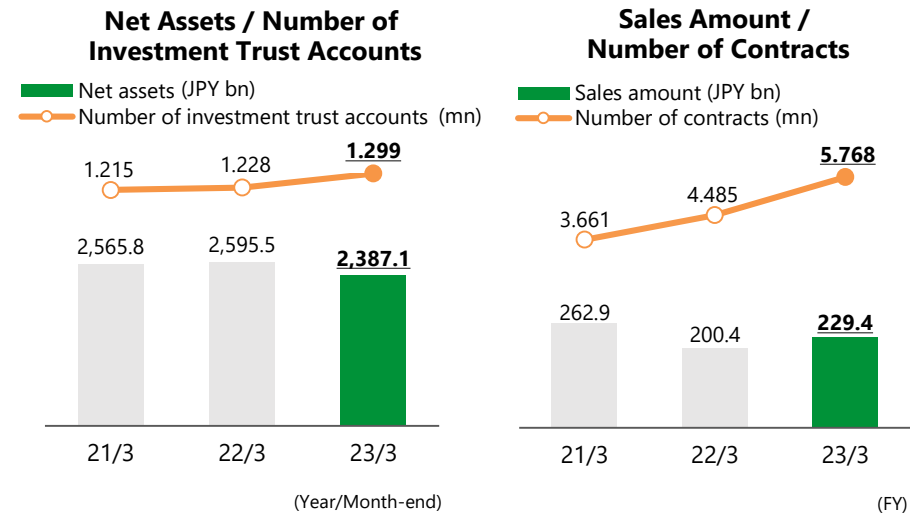
*3 Installed in stations, malls and FamilyMart convenience stores, etc.

(Ref.) Related Information

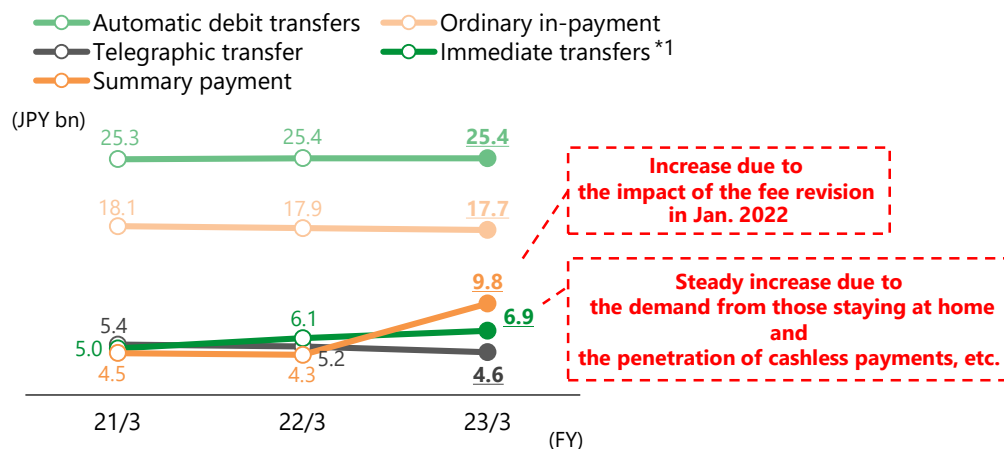
Sales KPI



Investment Trust



Exchange and Settlement Transactions Income of Key Products (Management Accounting Basis)



*1 Income is published (and past figures amended) from FY2023/3, as is the case for other products.

ATM Network

The Largest Number of ATMs

As of Mar. 31, 2023

Number of ATMs **Approx. 31,500**

Of which compact ATMs*2 **Approx. 5,400**

Collaboration with Various Financial Institutions

As of Mar. 31, 2023

Number of partner financial institutions available at ATMs **Approx. 1,250**

Of which institutions sharing ATM network platform*3 **20**

(In FY2023/3: 3 institutions)

*2 Installed in FamilyMart convenience stores, etc.

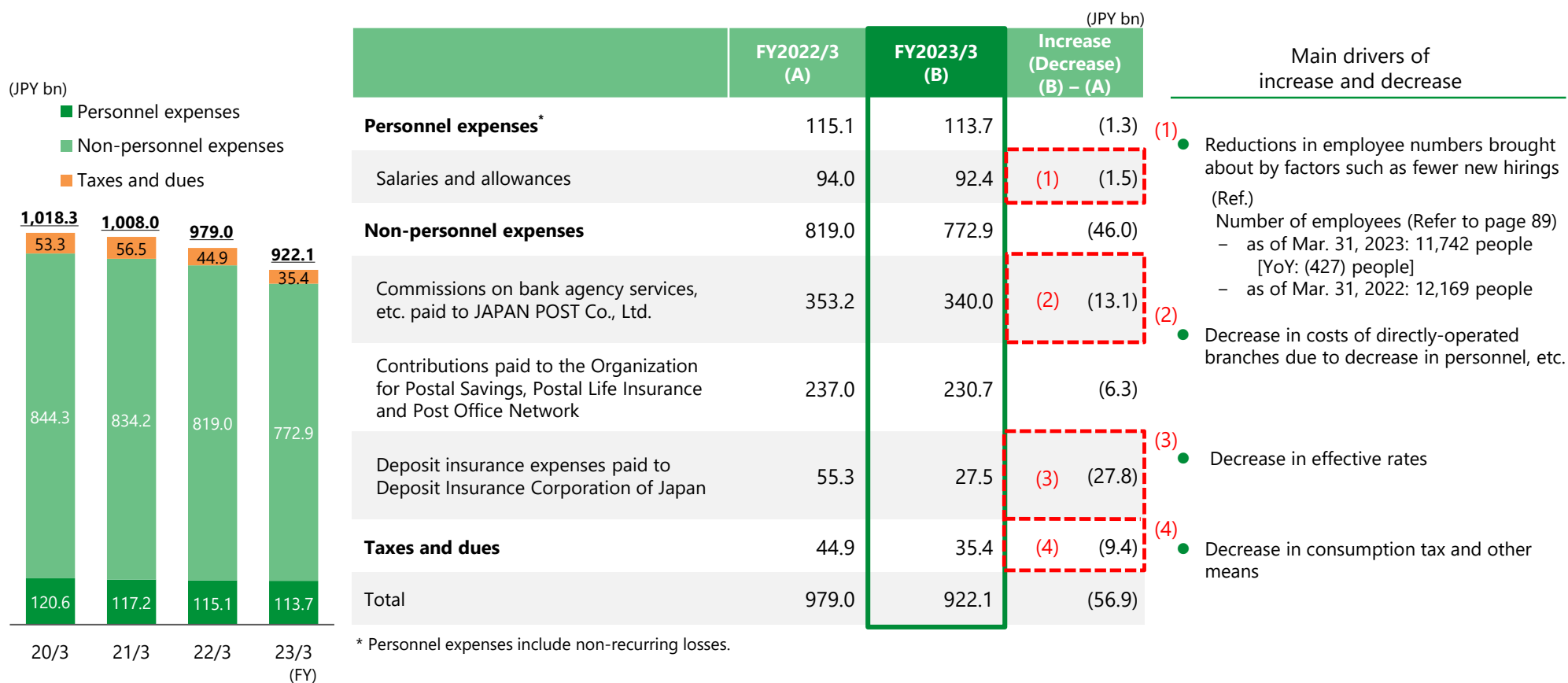
*3 A partnership arrangement for waiving fees when an ATM card of a regional financial institution is used at a JP Bank ATM. Terms and conditions for waiving fees are set by each financial institution.

General and Administrative Expenses

General and administrative expenses for FY2023/3 decreased by JPY 56.9bn year on year to JPY 922.1bn.

Due to the reduction of commissions on bank agency services, etc. paid to Japan Post, deposit insurance expenses, consumption tax, etc., general and administrative expenses have steadily decreased from the previous year.

G&A Expenses (Non-consolidated)



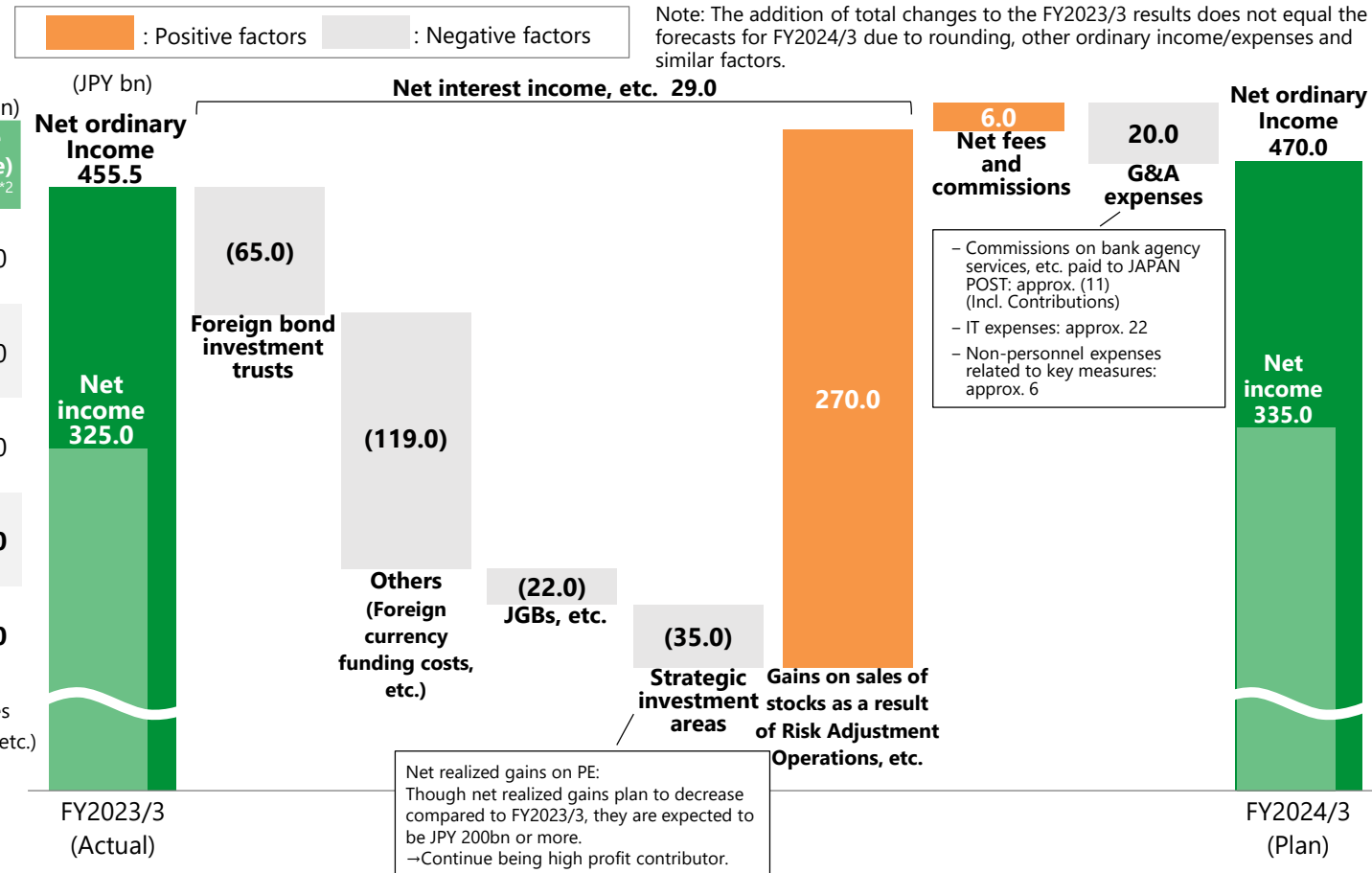
01	FY2023/3 Financial Results	P.4
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Earnings Forecasts

For earnings forecasts for FY2024/3, net income on a consolidated basis is expected to amount to JPY 335.0bn.

Although we expect still much higher foreign currency funding costs in FY2024/3, we have the forecast of increase in income compared to FY2023/3, since gains on strategic investments areas will continue to contribute, and also gains on sales of stocks related to Risk Adjustment Operations as well as net fees and commissions are putting upward pressure.

Earnings Forecasts (Consolidated)



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

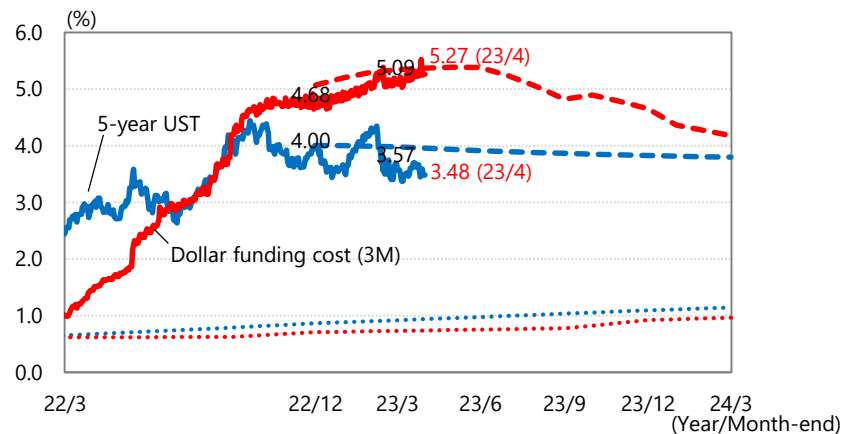
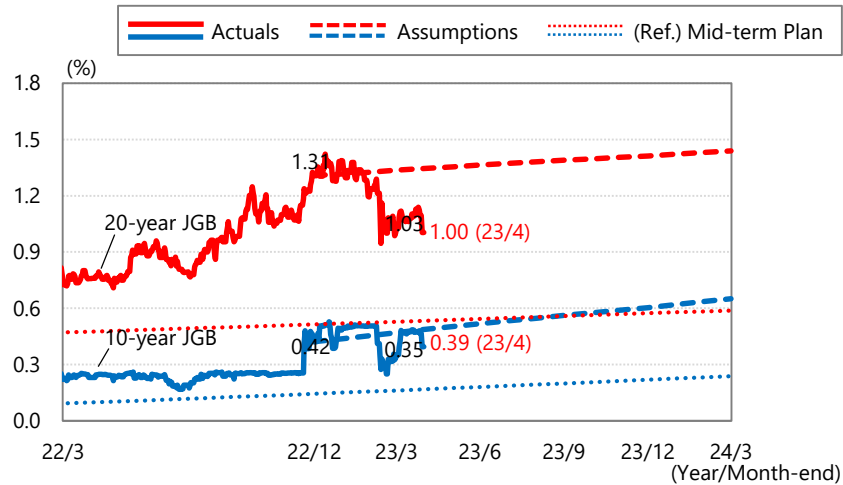
*2 Figures are rounded up.

Assumptions for Earnings Forecasts

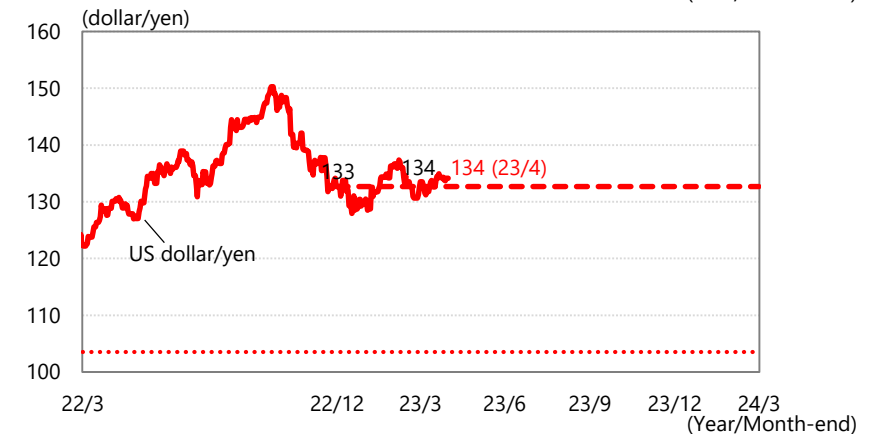
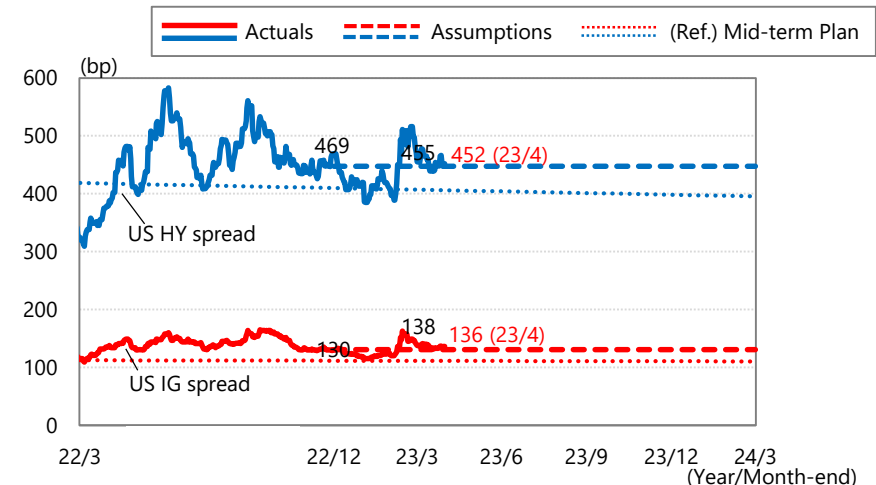
The assumptions for each risk factor are as follows:

- (1) Domestic and foreign interest rates will move in the line with the implied forward rates as of December 31, 2022.
- (2) Foreign credit spreads will continue at the average levels for December, 2022.
- (3) Foreign exchange will continue at the levels as of December 31, 2022.

Domestic and Foreign Interest Rates / Dollar Funding Cost



US IG and HY Spread / US Dollar/Yen



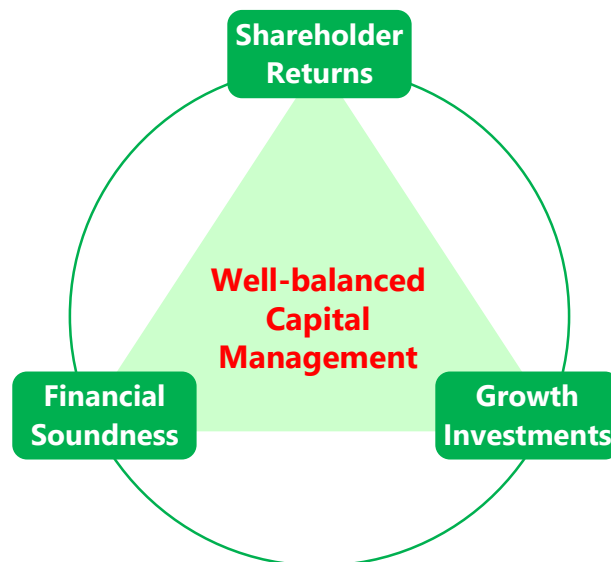
Shareholder Returns

Dividend per share for FY2024/3, based on the earnings forecasts and the shareholder return policy during the Mid-term Plan, is planned to be JPY 50 (dividend payout ratio of 54.0%).

Additional shareholder return policies (incl. share buyback) will be considered in light of future earnings growth, internal reserves, regulatory trends, and the Japan Post Group's disposal policies, etc.

Shareholder Return Policy

- Taking into consideration the balance between shareholder returns, financial soundness and growth investments, throughout the term of the Mid-term Plan (FY2022/3 through FY2026/3), the basic policy is to maintain approx. 50% dividend payout ratio
- Target dividend payout ratio of 50-60% while keeping in mind the stability and sustainability of dividends, and target to increase dividends from the dividends from the initial FY2022/3 forecast



Dividends Forecasts

	FY2023/3 (Actual)	FY2024/3 (Forecast)
Dividend per share	JPY 50 (Annual JPY 50)	JPY 50 (Annual JPY 50)
Total dividend payment	JPY 183.4bn	JPY 180.8bn
Dividend payout ratio	57.5%	54.0%

(Ref.) Additional Shareholder Return Policies (Share Buyback)

Following the Global Offering by Japan Post Holdings, the bank has returned JPY 150.0bn in total to its shareholders through share buybacks.

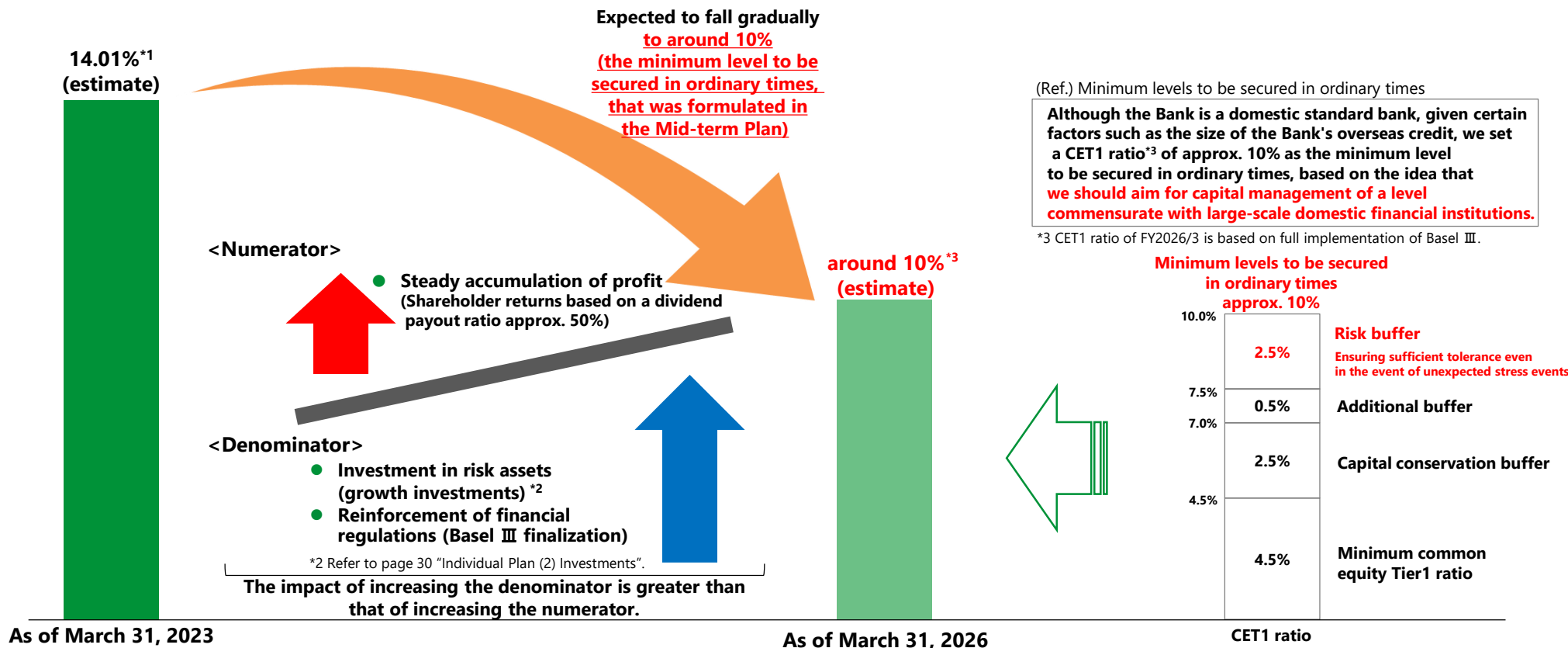
	Through ToSTNeT-3	Market purchases
Rationale	Aim to improve capital efficiency and enhance shareholder returns, while taking into consideration the supply-demand balance following the Global Offering based on our capital policy	
Shares acquired	Approx. JPY 70.0bn	Approx. JPY 80.0bn
Period	Mar. 1, 2023	Mar. 22, 2023~May 12, 2023 (end on Apr. 27, 2023)
Shares to be cancelled	All of the shares On Mar. 17, 2023	All of the shares Scheduled on May 31, 2023

(Ref.) Capital Investment Targets and Prospect for CET1 Ratio

While ensuring financial soundness, we aim to improve our returns by actively utilizing our capital and taking appropriate risks, and thus set a CET1 ratio of approximately 10% as minimum levels to be secured in ordinary times.

Due to the acceleration of investment in risk assets and reinforcement of financial regulations, the CET1 ratio is expected to fall gradually to around 10%, the minimum level to be secured in ordinary times, by March 31, 2026.

Capital Investment Targets and Prospect for CET1 Ratio (Based on Excluding Unrealized Gains on Available-for-sale Securities)



*1 Calculation for some items are simplified.

Individual Plan (1) Investment Policy (Risk Appetite)

Strengthening risk tolerance of our portfolio and focusing on future improvement of net interest income, we conduct portfolio management flexibly while adopting to changes in market environment.

		Appetite		Medium-term investment policy	Capital Efficiency (RA Distribution Yield*) (approximate)	
		(Domestic)	(Overseas)			
Interest		➔	➔	<ul style="list-style-type: none"> Domestic interest related assets: Portfolio is flexibly restructured in light of BoJ's monetary policy Overseas interest related assets: Take on and/or curb risk according to market conditions 	(No Risk Assets)	
Credit	IG	➔	➔	<ul style="list-style-type: none"> Focus on investing in IG area while paying attention to improving credit quality Carefully consider investing in HY areas according to market conditions 	1-2%	
	XOVER	➔	➔			
	HY	—	➔	<ul style="list-style-type: none"> Continue to invest, keeping market share in mind 	4%	
	CLO	—	➔			
Stocks		➔	➔	<ul style="list-style-type: none"> Take on and/or curb risk according to market conditions 	2%	
Foreign Exchange		—	➔	<ul style="list-style-type: none"> Take on and/or curb risk according to market conditions 	—	
Strategic Investment Areas	Private equity funds	➔	➔	<ul style="list-style-type: none"> Continue to invest selectively in high-quality funds, focusing on debt assets Regarding private equity funds, keep the ratio of funds aiming to generate income gains in mind 	5%	
	Real estate funds	Equities	➔		➔	1%
		Debts	—		➔	1%
		Direct lending funds	—		➔	2%
	Infrastructure debt funds	—	➔		1%	
	Hedge funds	—	➔		<ul style="list-style-type: none"> Continue initiatives to cancel all contracts 	—

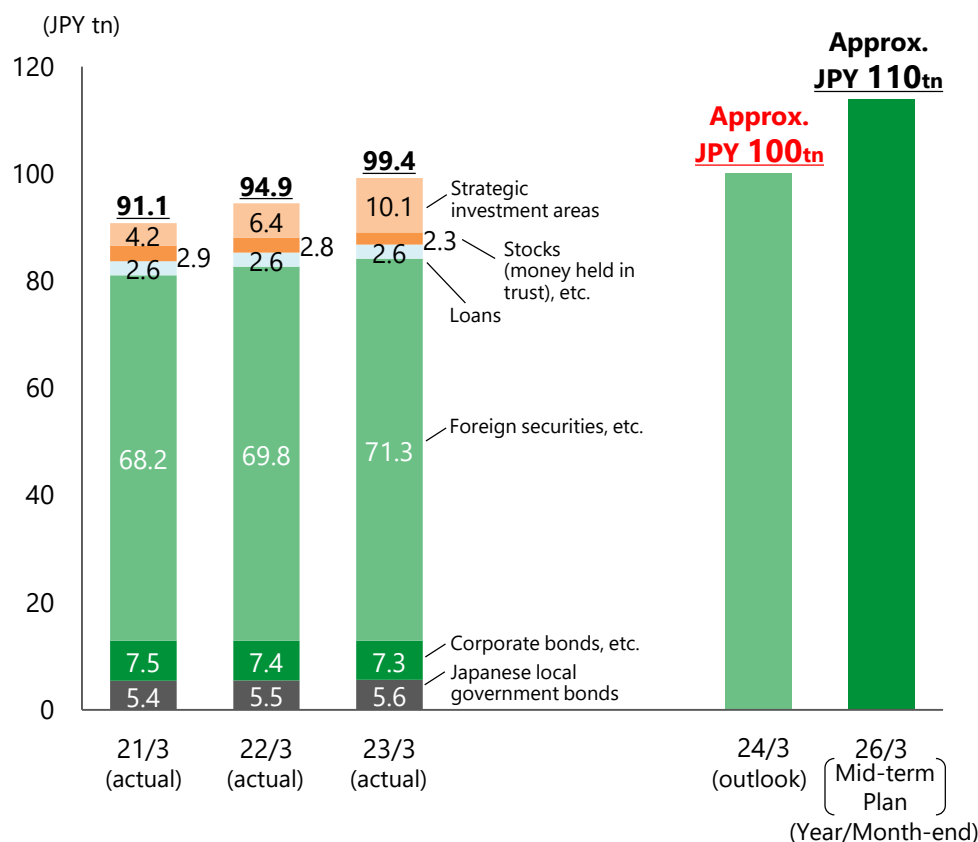
* Distribution yield on risk assets. RA Distribution yield is presented on a management accounting basis and represents the dividends, inclusive of non-revenue dividends, received from investments in the relevant category divided by risk assets represented by such category.

Individual Plan (2) Investments

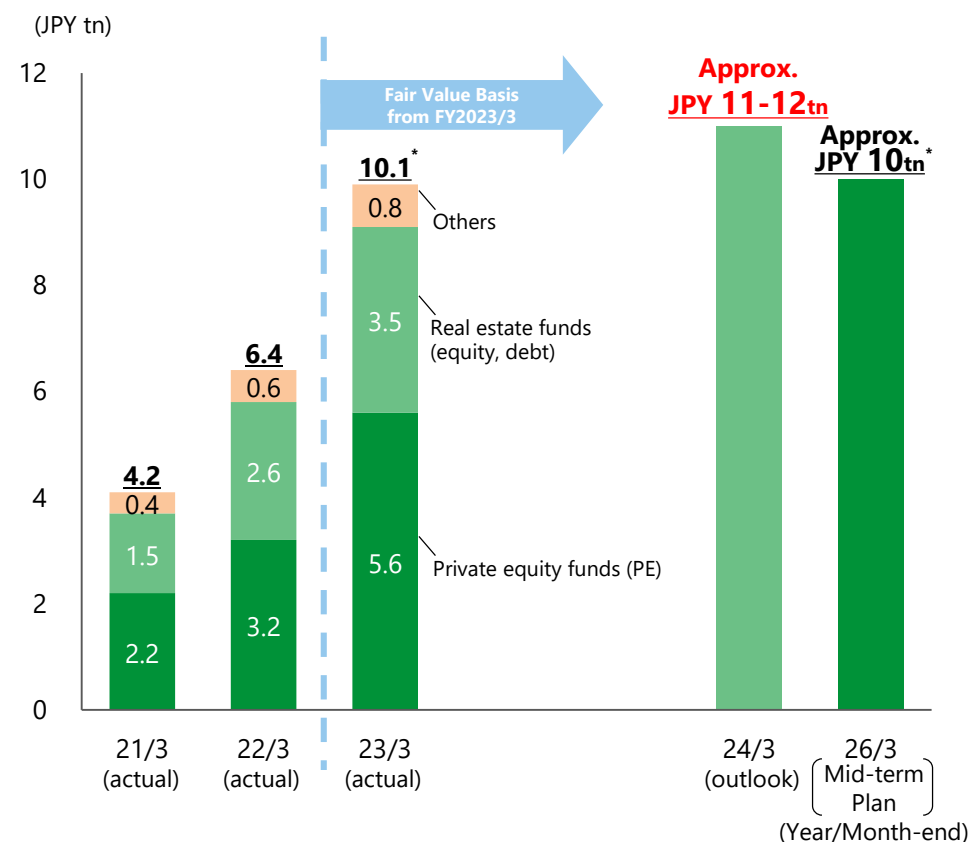
We plan to increase the balance of risk assets focused on the IG area, based on appropriate risk management and close monitoring of the market environment. In strategic investment areas, we will carefully increase in assets focused on debt instruments, while generally continue selective investments in quality funds.

As of March 31, 2024, the outlook for a balance of risk assets is approximately JPY 100tn, for a balance of strategic investment areas is approximately JPY 11-12tn. (Refer to page 29 for specific investment policies)

Risk Assets (Non-consolidated)



Strategic Investment Areas (Non-consolidated)



* Private equity funds and real estate funds, excluding some assets, are calculated on a fair value basis from FY2023/3 onward (26/3 target is not based on "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021)).

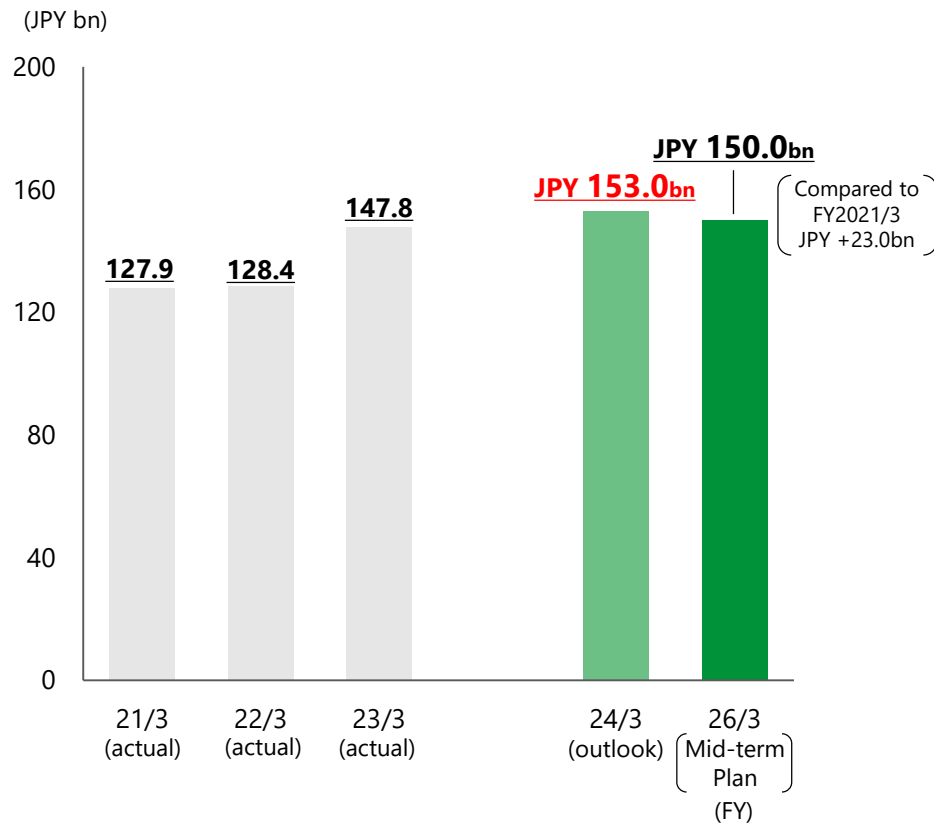
Individual Plan

(3) Fees and Commissions / G&A Expenses

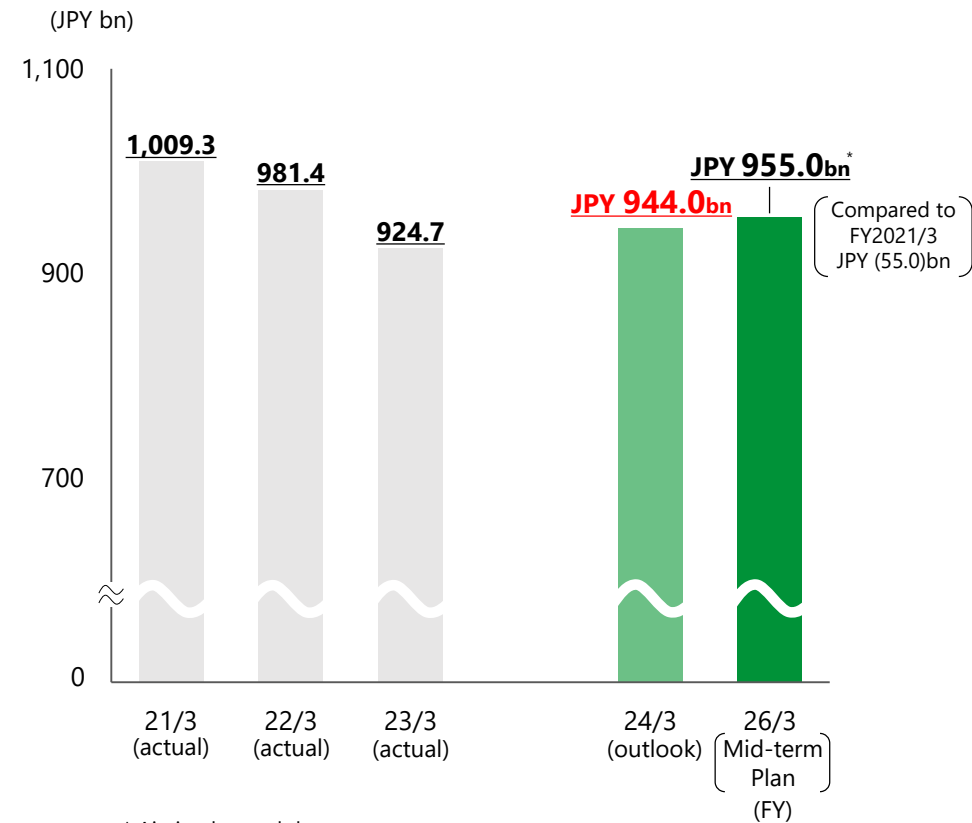
The outlook for fees and commissions for FY2024/3 is JPY 153.0bn. We expect fees and commissions to increase from the previous year due to the positive factors such as the impact of fee revision of ATM and profits earned from cashless services as well as investment products.

The outlook for G&A expenses for FY2024/3 is JPY 944.0bn. While agency commissions paid to Japan Post may decline, we estimate higher IT expenses and non-personnel expenses related to key measures. Thus, we expect G&A expenses to increase from the previous year.

Fees and Commissions (Consolidated)



G&A Expenses (Consolidated)



* Aiming beyond the target.

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Business Progress to Date (1) Overview (Qualitative Aspect)

	FY1876/3-2007/3	FY08/3-15/3	FY16/3-18/3	FY19/3-21/3	FY22/3-26/3	FY27/3-
	Contribution to stabilization of people's lives Network Expansion	The first step as a private bank	Establishing our position as a listed company	Bank management in adverse conditions	ESG management Challenge for financial innovation	Sustainable value creation
Retail Business 1st Engine	Network expansion	Establishing banking retail business		Improve convenience	Complementarity between the physical and the digital	Innovate new retail business
	1875 ● Establish postal money order and postal savings business 2005 ● Start sales of investment trusts	● Launch intermediation of personal loans ● Start issuing credit cards ● Connect with the Zengin Net ¹ ● Development of financial human resources	● Strengthen asset management business ● Establish JP Asset Management Co., Ltd. ● Strengthen payment services ● Development of financial consultants	● Expand installation of compact ATMs ● Launch Yucho Pay ● Launch Yucho Bankbook App	● Launch Yucho Fund Wraps ● Revise fee and establish new fee ● Issue Japan Post Bank Debit cards ● Introduction of the teller tablet system	● Expand safer, securer, simpler and more convenient digital services
	Cost reduction	● Reduction of IT expenses by reviewing system architecture and operating methods		● Reductions in employee numbers brought about by factors such as fewer new hirings	● Improve administrative efficiency through expansion of digital and self-transaction channels ● Decrease in costs of directly-operated branches due to decrease in personnel	● Expand and evolve co-creation platform
Market Business 2nd Engine	1987 ● Start in-house investment management	Paradigm shift in market operations due to lower domestic interest rates			Higher earnings through appropriate risk-taking	Pursuit of optimum investment portfolio based on fund characteristics
		Diversification of investments			● Expand balances of risk assets and strategic investment areas ● PE and real estate fund gains in full swing ● Deepen credit quality-oriented operations / risk management to strengthen stress tolerance ● Secure opportunities for bond investment revenue in response to domestic and foreign interest rates ● Start investment advisory business at Japan Post Investment Corporation	● Maintain a financially sound and stress-resistant investment portfolio ● Pursuit of optimal international diversification including yen interest rates assets
New Corporate Banking Business 3rd Engine	1970s- ● Use of Postal Savings as government investment and loan programs	● Regional finance (syndicated loan, PFI, project finance, loans for local governments, etc.)	● Collaborations with regional financial institutions in earnest ● Start to invest in regional vitalization funds (LP) ● Start secondment of young employees to fund GP to develop human resources to enable GP operations	● Establish "Japan Post Investment Regional Development and Impact Fund I, ILP" ● Initiatives in the renewable energy business	Develop Σ Business aim to expand contribution to regional communities	
					● New corporate banking business in a JPB appropriate manner that contributes to social and regional development, and enhances out corporate value	
					Enhancing domestic Funds Flow that contribute to solving social issues (Focus on GP Business)	

*1 The Interbank Data Telecommunication System *2 Personal Financial Management

Business Progress to Date (2) Overview (Quantitative Aspect)

Although the external environment remains harsh following listing, we have continued to pay stable dividends by realizing stable profits.

We have steadily improved our earning power based on performance, centered on the retail and market businesses.

Realize Stable Profits and Dividends

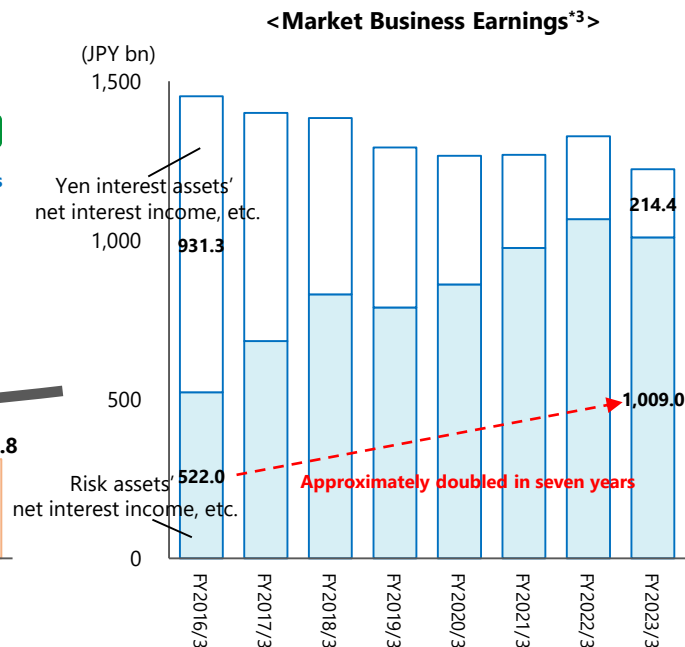
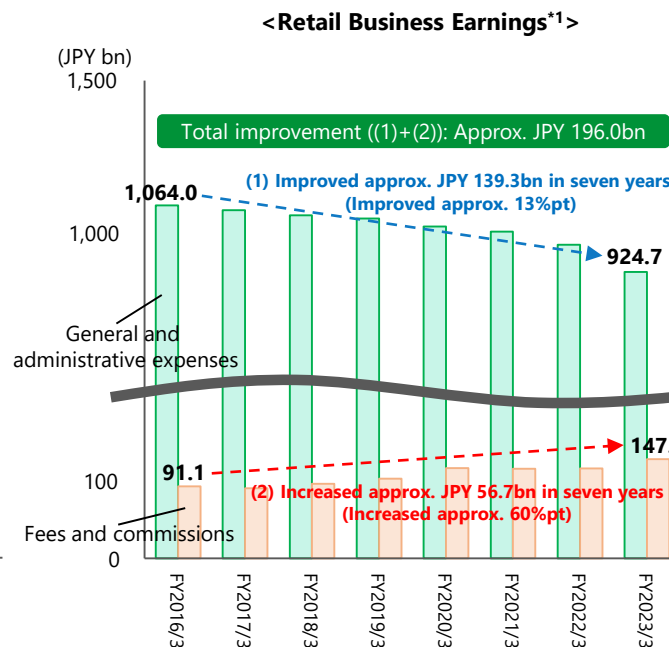
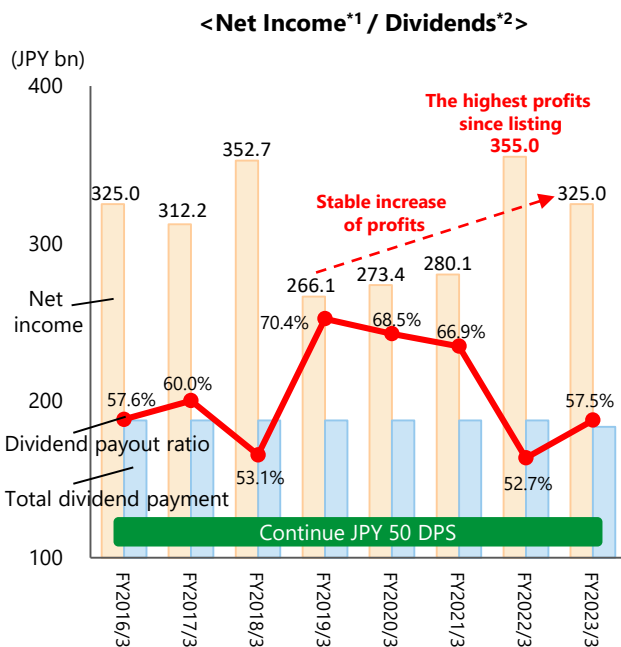
- **Continue stable profits and dividends**

- Profits: In FY2023/3, we achieved the highest profits since listing. We have steadily increased profits in the harsh environment.
- DPS: Since listing, we have continued JPY 50 DPS.

Earnings from Retail and Market Businesses, which Support Stable Profits

- **Earning power on an actual basis is steadily increasing**

- Retail business earnings: Thanks to the efforts of sophistication of business models, improvements are progressing year by year.
- Market business earnings: Due to steady progress in the paradigm shift in portfolio (Refer to page 43), net interest income, etc. related to risk assets have approximately doubled over the past seven years.

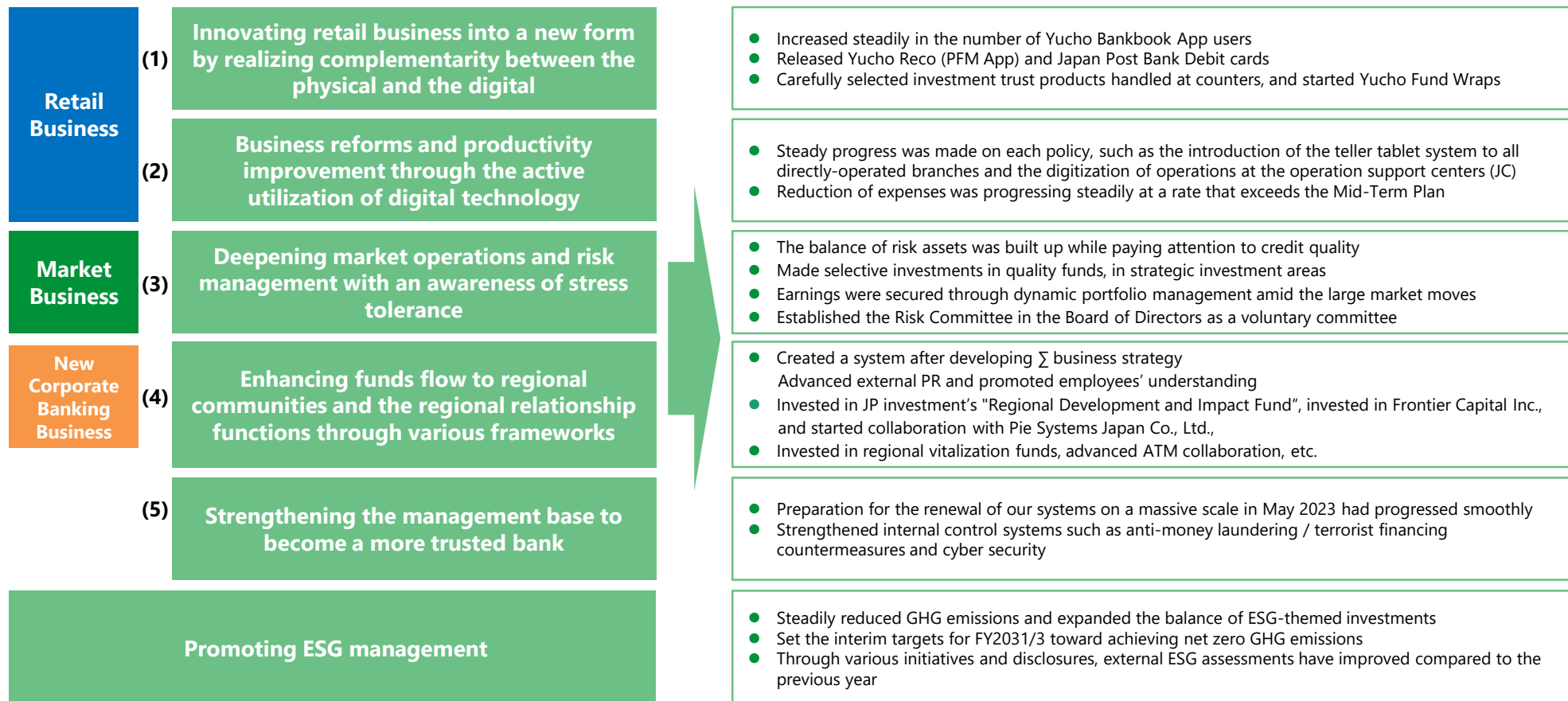


*1 FY2017/3 and earlier: non-consolidated basis, after FY2018/3: consolidated basis. *2 Calculated as double of the actual payment, JPY 50, in light of the period from IPO to the record date of FY end for FY2016/3. Dividend payout ratio and total dividend are also doubled. *3 Non-consolidated and management accounting basis. Figures for FY2017/3 and earlier are based on the former portfolio classification (base portfolio, etc.). Other definitions of risk assets, yen interest rates assets and net interest income, etc. are the same as on the other pages.

Progress on the Mid-term Plan (1) Review of the Second Year

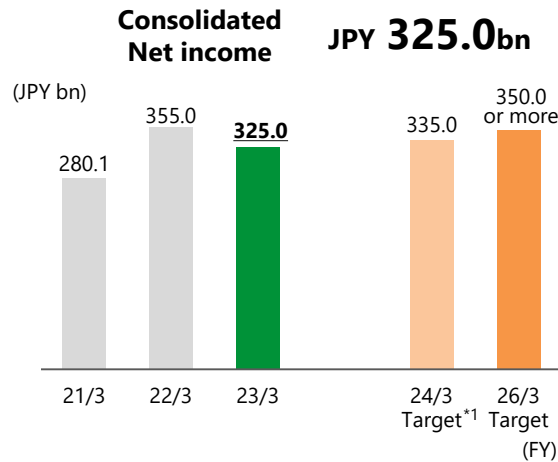
In FY2023/3, engagements with the five key strategies set in the Mid-term Plan progressed smoothly.

The Five Key Strategies in the Mid-term Plan and a Review of FY2023/3

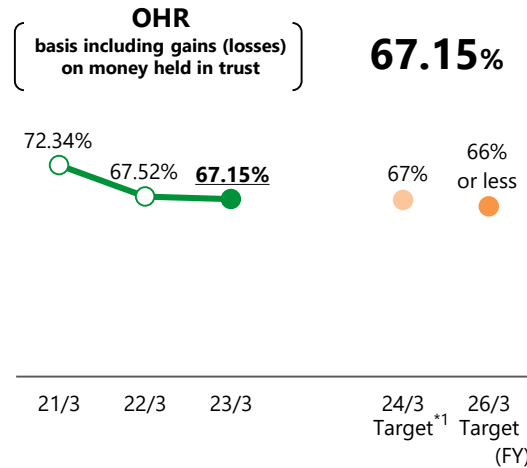


Progress on the Mid-term Plan (2) Financial Targets (Consolidated)

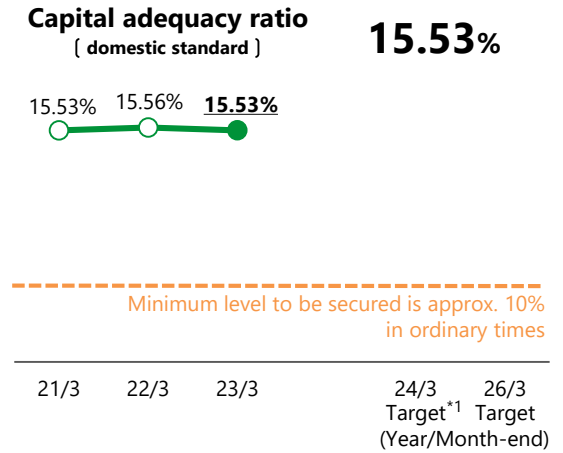
Profitability



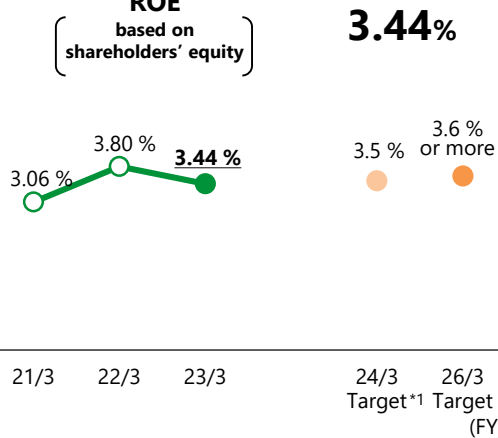
Efficiency



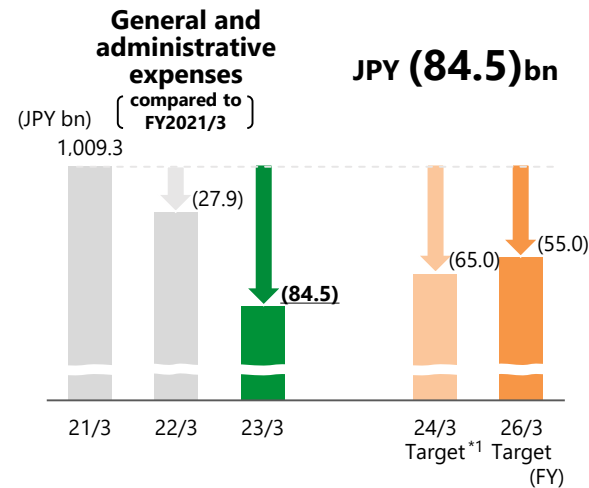
Soundness



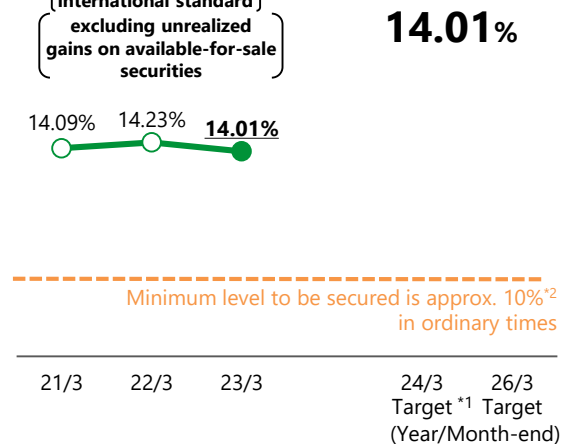
ROE
[based on shareholders' equity]



General and administrative expenses
[compared to FY2021/3]



CET1 ratio
[international standard excluding unrealized gains on available-for-sale securities]

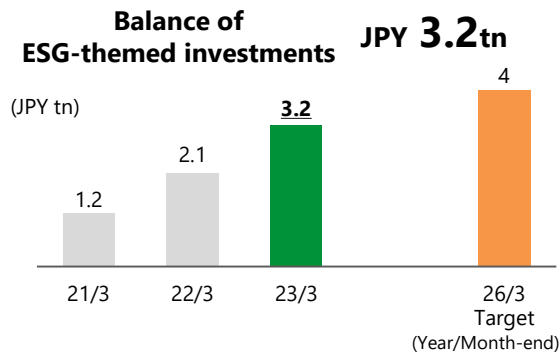
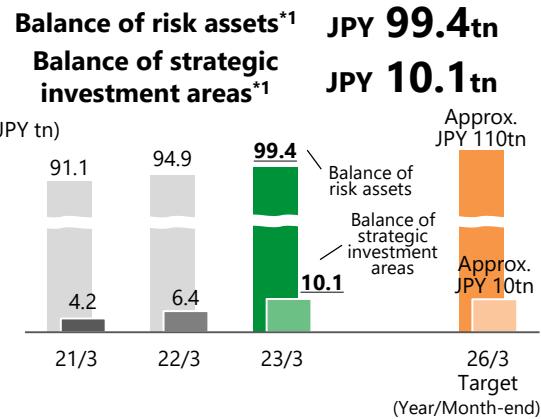


*1 These targets are based on the FY2024/3 management plan and differ from the FY2024/3 targets when the Mid-term Plan was formulated.

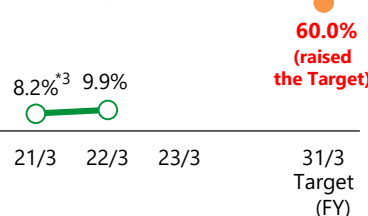
*2 The target as of Mar. 31, 2026 is based on full implementation of Basel III.

Progress on the Mid-term Plan (3) KPI Targets

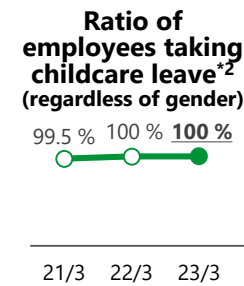
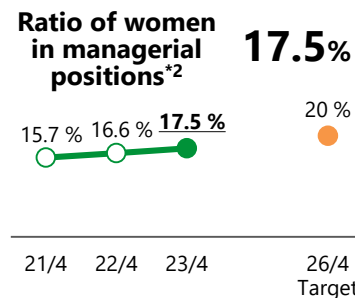
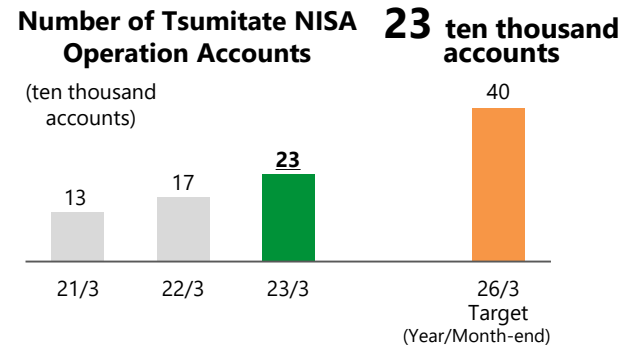
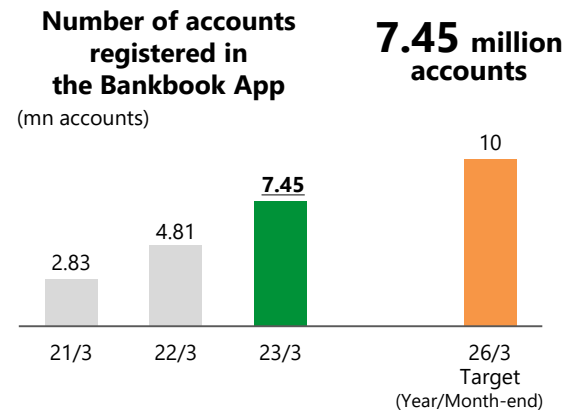
Investment



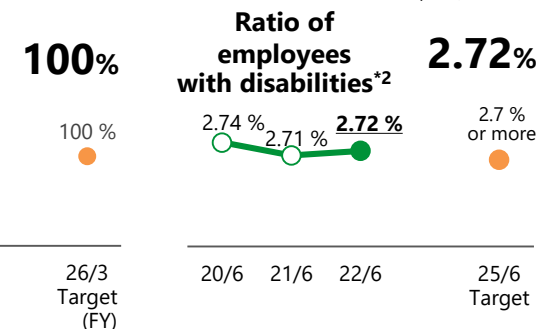
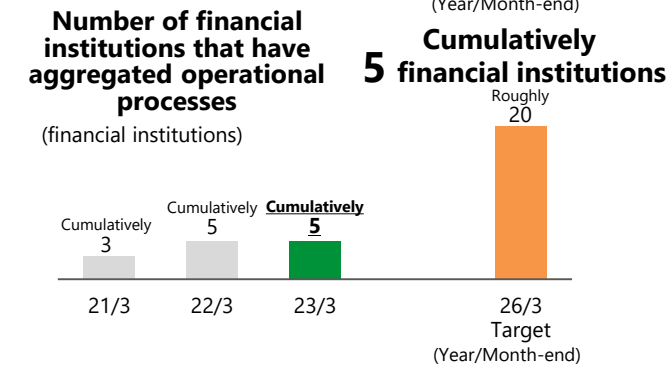
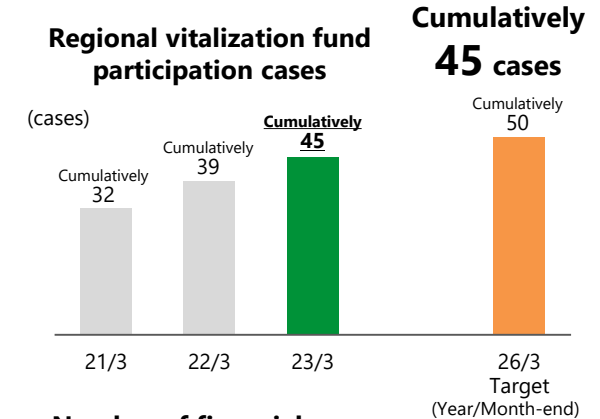
CO2 emissions reduction rate*2
 { compared to FY2020/3 }



Retail



Regional Relationship



*1 Private equity funds and real estate funds, excluding some assets, are calculated on a fair value basis from FY2023/3 onward. *2 Percentages are rounded. *3 Corrected on August 31, 2022.

How to Increase the Corporate Value

By focusing on the 3 businesses described below, we will increase ROE, and PBR in turn, by expanding Returns while keeping capital (Equity) efficiency in mind, based on the premise of securing the sufficient financial soundness.



For both PER and ROE, stable improvement of ROE is critical.

Our Bank will increase ROE, and PBR in turn, by sustainable expansion of Returns while keeping capital (Equity) efficiency in mind, based on the premise of securing the sufficient financial soundness.

<Initiatives for expanding R (Return)>

Retail Business

- Expand various services through combination of Physical and Digital
>Page 39
- Secure medium-to long-term earning opportunities by establishing co-creation platform originating from Yucho Bankbook App and PFM App
>Page 40~41
- Continue to reduce G&A expenses through initiatives for work reforms and productivity improvements
>Page 42

Market Business

- Continue the paradigm shift in PF (transition to a decentralized and balanced PF)
>Page 43
- Continue to invest in strategic investment areas centered around PE and real estate funds (expansion of growth investments)
>Page 46~53
- Secure opportunities for bond investment gains in response to domestic and foreign interest rates (particularly on restructuring yen interest rate PF)
>Page 54~56

New Corporate Banking Business

- Accelerate collaboration with regional financial institutions (ATM, regional funds (LP operations) and aggregation of operational processes)
>Page 22, 37, 39, 57
- Acquire medium-to long-term earning opportunities through promotion of Σ business (focus on GP Business mainly in JP Investment)
>Page 57~59
- Deal sourcing and marketing support businesses
>Page 57~59

Governance Systems, etc. to Support 3 Businesses
(IT Investments (Advancement of DX, etc.), Human Capital Management, etc.)

>Page 60~69

1st Engine: Retail Business (1) Future Retail Business Strategies

We take on the challenge of innovating retail business by realizing complementarity between the physical and the digital through our solid customer base and network, which are our strengths.

Asset Building Support Business Strategy

Enhancing physical and digital channels to support asset building for customers

Enhancing Physical Channels

- **Enhancing asset building support consulting**
 - Helping customers realize their life plans by offering appropriate products and services
- **Reviewing the product lineup from a customer-oriented perspective**
 - Selecting simple and easy-to-understand products
 - Providing Yucho Fund Wraps
 - Reviewing products prior to introduction of new NISA system
- **Utilizing post office network**
 - Proposing accumulation-type investment, etc. for customers with little investment experience

Enhancing Digital Channels

- **Revising fee levels to make them more competitive**
 - Eliminating sales fees for online purchases of all investment trust products
- **Renovating investment trust webpage**
 - Enhancing fund search functions
 - Providing market information
- **Expanding user numbers**
 - Using in-store explanations and push notifications, etc. to offer products and services

Other Initiatives

- **Enhancing customer base through new NISA system (Aiming to have the largest number of NISA accounts in the banking industry)**
 - Promoting use of the new NISA system through the Bank and post office network
 - Implementing various promotions such as sales campaigns, etc.
- **Ensuring customer-oriented business operations ("Fiduciary Duty")**
 - Enhancing control functions (E.g.: "Fiduciary Duty" status monitoring by head office)

Digital Cashless Services Strategy

Using the Bankbook App and PFM (Personal Financial Management) App "Yucho Reco" to begin developing a co-creation platform in stages

Expanding Use of Digital Services

- **Expanding user numbers**
 - Promoting physical and digital channel use on a sustained basis
- **Adding new features**
 - Adding new features to the Bankbook App
May 2023: ATM deposit and withdrawal, Payment of taxes and public funds (QR code), etc.
 - PFM App "Yucho Reco" reflecting customer opinions in continuous UI/UX improvements

Enhancing Cashless Services

- **Expanding user numbers and transaction volumes**
 - Providing customers with our cashless services that meet their needs
 - Implementing promotions to give back to customers
- **Adding new features**
 - Improving convenience and security

Establishing co-creation platform featured on page 40-41

Others

ATM Business

- **Promoting self-processing**
 - Adding new features to ATM (Payment of taxes and public funds (QR code), etc.)
 - Installing ATMs with bankbook carryover functions
- **Promoting ATM collaboration (ATM network platform*)**
 - Tying up on mutual ATM usage with regional financial institutions

* Refer to page 22

1st Engine: Retail Business (2) Digital Strategy - Grand Design for Platform Strategy

Refer customers to
the Bankbook App

Expand the Bankbook App

Expand PFM (Personal Financial
Management) App

Establish Co-creation Platform

Digital



Influx

Physical



Consultation
Support

[Mobile App development]



**Yucho
Bankbook App**
(Yucho In Hand)

Basic banking features

As of Mar. 31, 2023
7.45 million accounts
(Compared with as of Mar. 31, 2022
+2.63 million accounts)

Target (KPI)
as of Mar. 31, 2026
10 million accounts

Step up

Released in Feb. 2023



**PFM (Personal Financial
Management) App**
"Yucho Reco"

Manage finances and
visualize assets

- Recommendation based on data analysis
- Life planning

Referring customer /
Advertisement

Advertisement / Referring customers

[Building a platform]

**Co-creation Platform
(Partner companies)**



An alliance with various
business operators to
meet customer needs

Products of Japan
Post Group

Securities

Loans

AI
(E.g.) Robo-advisors)

Insurance

E-commerce

...etc.

**Current
Situation**

- Increase steadily in users especially among working-age customers in their 20s-30s (7.45 million accounts)
- Offer a wide range of full of banking services by adding features of ordinary in-payments and ATM deposit and withdrawal (May 2023)

- Released in Feb. 2023
- Improve UI/UX based on user feedback after release

- Consider advertisement and customer referral strategies based on customer data from the Bankbook App & PFM App with a lineup in both financial and non-financial services
- Tie-up negotiations with partner companies

Basic Policy

- Expand the functionality of our banking services and aim to increase the number of users

- Expand the number of users and seek to improve the customer experience through analysis based on household accounting data, etc.

- Aim for full-scale earnings from FY2027/3 onward by advertising, referring customers to partner companies, and offering value to customers

- In parallel, develop DX personnel and ad server

1st Engine: Retail Business (2) Digital Strategy - Business Model Concept for Co-creation Platform

Business Purpose: Together with our partners, we support “people in living life on their own terms”.

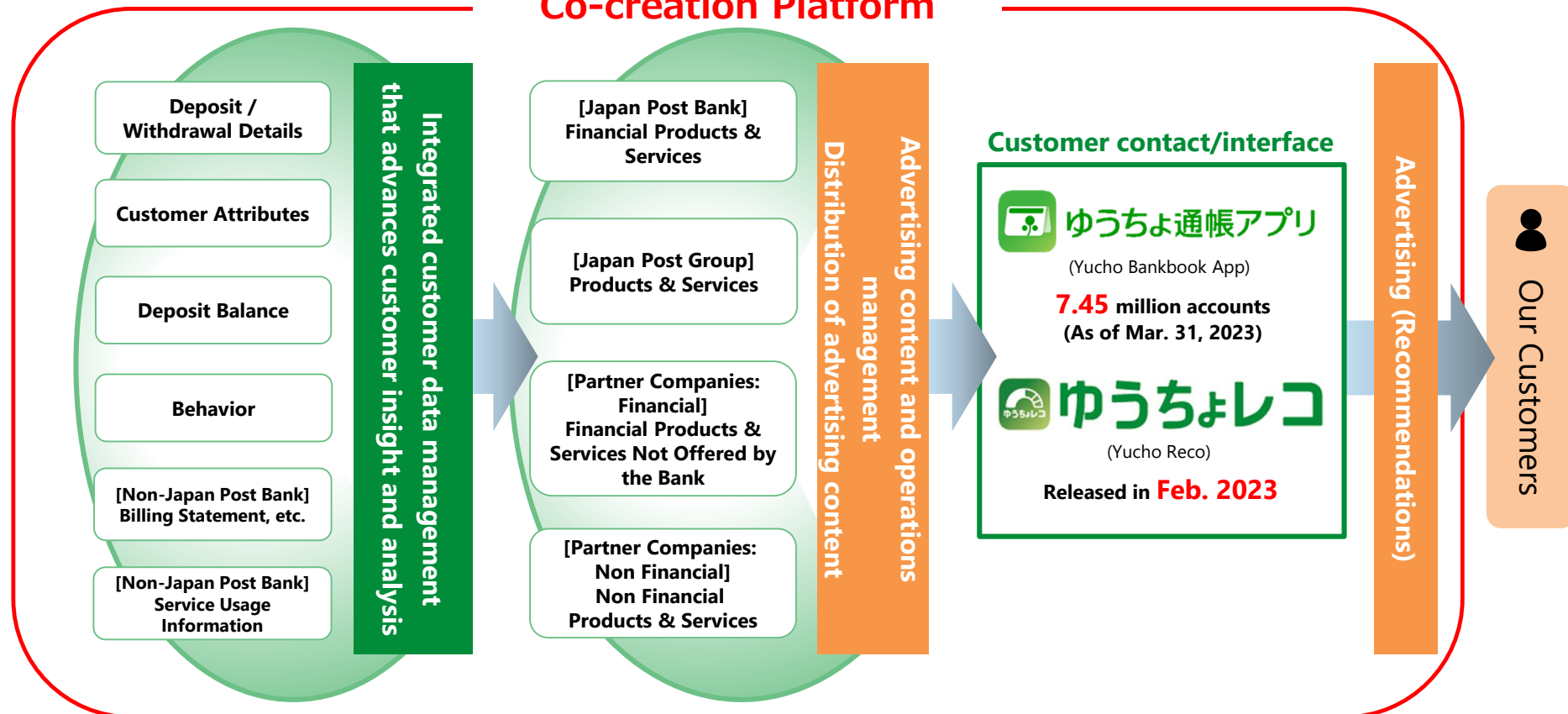
What the Bank aims to achieve by the co-creation platform

- Together with our partners, we aim to make our customers “happy” and contribute to regional and societal “development”

What the co-creation platform offers

- Optimum services tailored to customer characteristics, needs, etc.
- Valuable products and services created together with our partners
- Encounters and interactions with customers and their associated local communities

Co-creation Platform

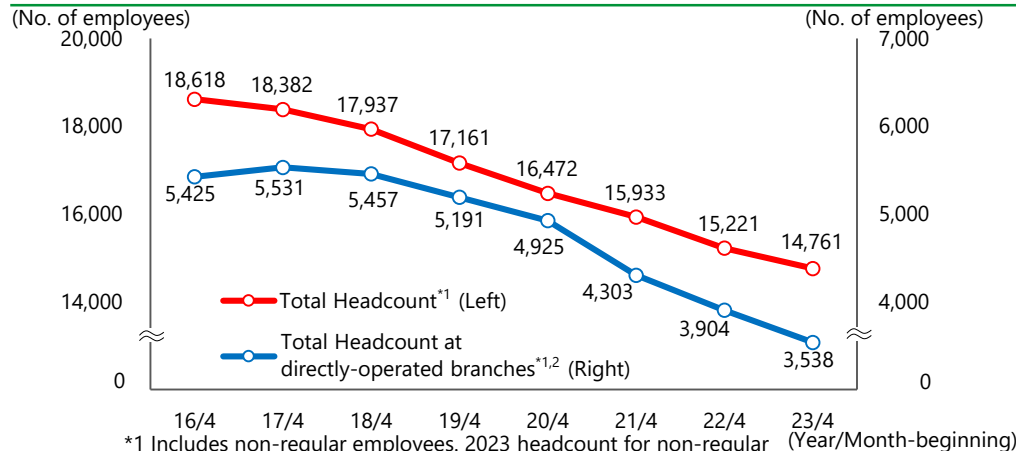


1st Engine: Retail Business (3) Efforts to Further Improve Productivity

Total staff numbers and personnel expenses have declined due to improving work efficiency through the use of digital technologies and other means. On the other hand, the average annual salary per employee has increased year by year; in FY2024/3, we saw the largest pay raise since privatization and plan to secure talented personnel through improving employee benefits (Refer to page 65-67 for more on human capital management).

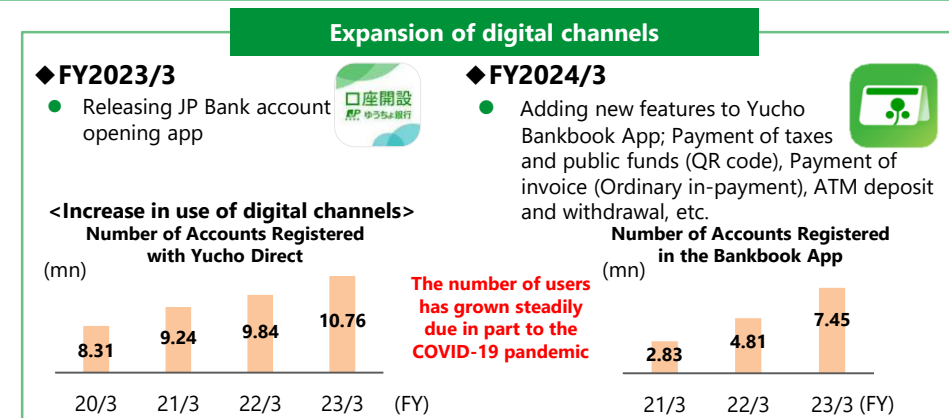
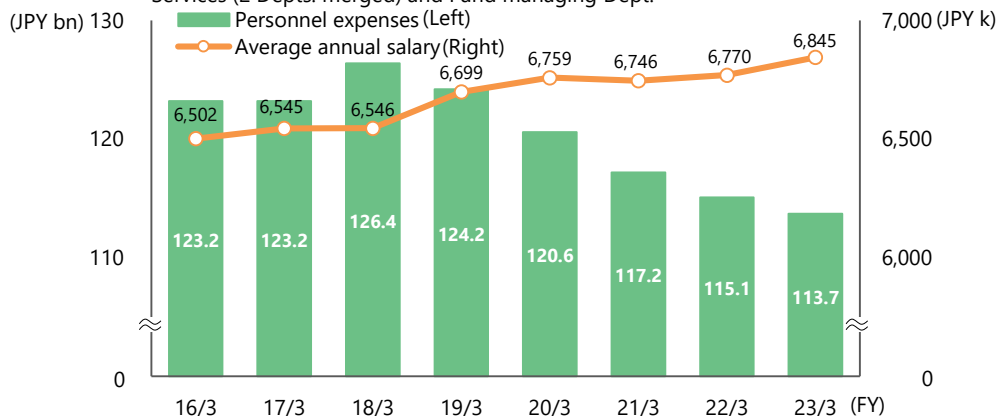
As for work reform initiatives, the policies in the Mid-term Plan (introduction of the teller tablet system, etc.) are progressing steadily.

Headcount Reduction, Work Reforms and Productivity Improvements



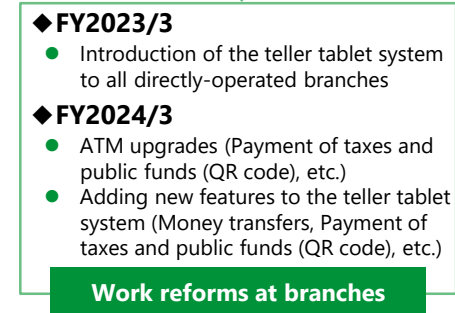
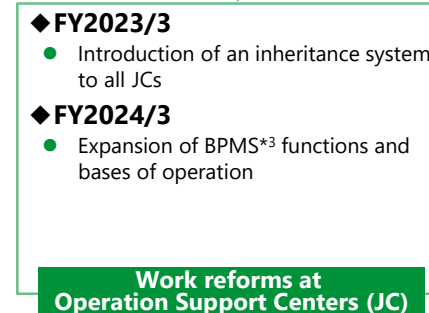
*1 Includes non-regular employees. 2023 headcount for non-regular employees is as of Mar. 31.

*2 Until FY2023/3, headcount of Counter Services, Financial Consulting and Fund managing Depts. From April 2023, headcount of Financial Services (2 Depts. merged) and Fund managing Dept.



Improving work efficiency by digitization

Promoting self processing



Continuous improvements to productivity

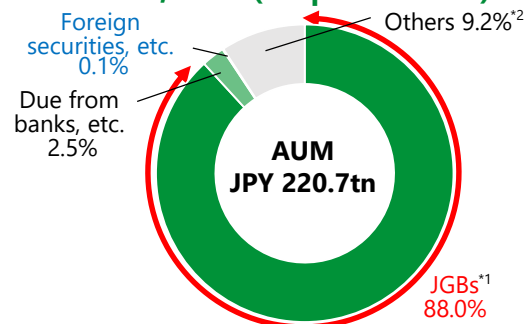
*3 Abbreviation of Business Process Management System. This system automatically activates RPAs, and systematically controls work flows that require human confirmation work, etc., and conducts automatic process management.

2nd Engine: Market Business (1) Paradigm Shift in Portfolio + Actions

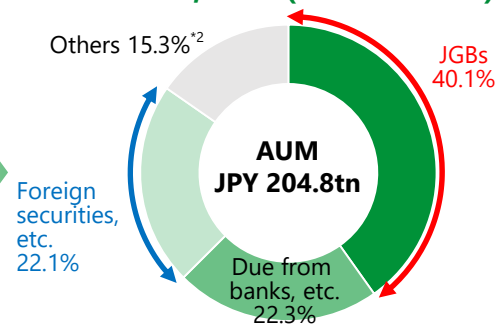
While pursuing selective investment in accordance with market conditions under appropriate risk management, we steadily accumulate the balance of risk assets toward the FY2026/3 target of approximately JPY 110tn, set in the Mid-term Plan. In addition, we are focusing on optimizing the overall portfolio, including restructuring yen interest rates risk assets in response to domestic and foreign interest rates.

Sophisticated Risk Management and Timely and Appropriate Actions in Line with Market Fluctuation

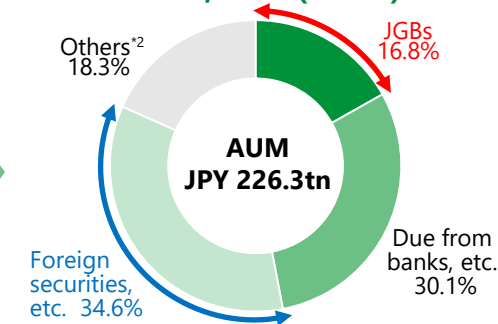
As of Oct. 1, 2007 (Corporatization)



As of Mar. 31, 2016 (FY end of IPO)



As of Mar. 31, 2023 (Latest)

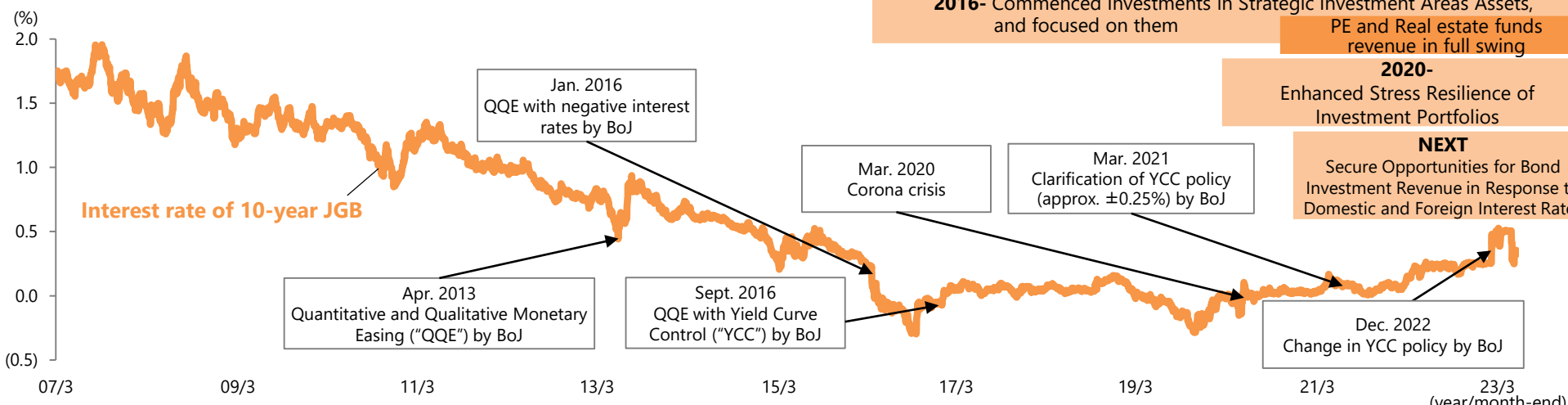


2008- Commenced and Expanded Investments in Overseas Credit Assets

2016- Commenced Investments in Strategic Investment Areas Assets, and focused on them
PE and Real estate funds revenue in full swing

2020- Enhanced Stress Resilience of Investment Portfolios

NEXT
Secure Opportunities for Bond Investment Revenue in Response to Domestic and Foreign Interest Rates



*1 "JGBs" includes deposits to the Fiscal Loan Fund which were postal savings funds deposited with the Ministry of Finance Japan. All deposits to the Fiscal Loan Fund were redeemed through November, 2010.

*2 "Others" consists of Japanese local government bonds, corporate bonds, money held in trust, loans, short-term investments, etc.

2nd Engine: Market Business (2) Building a Strong Operational Structure

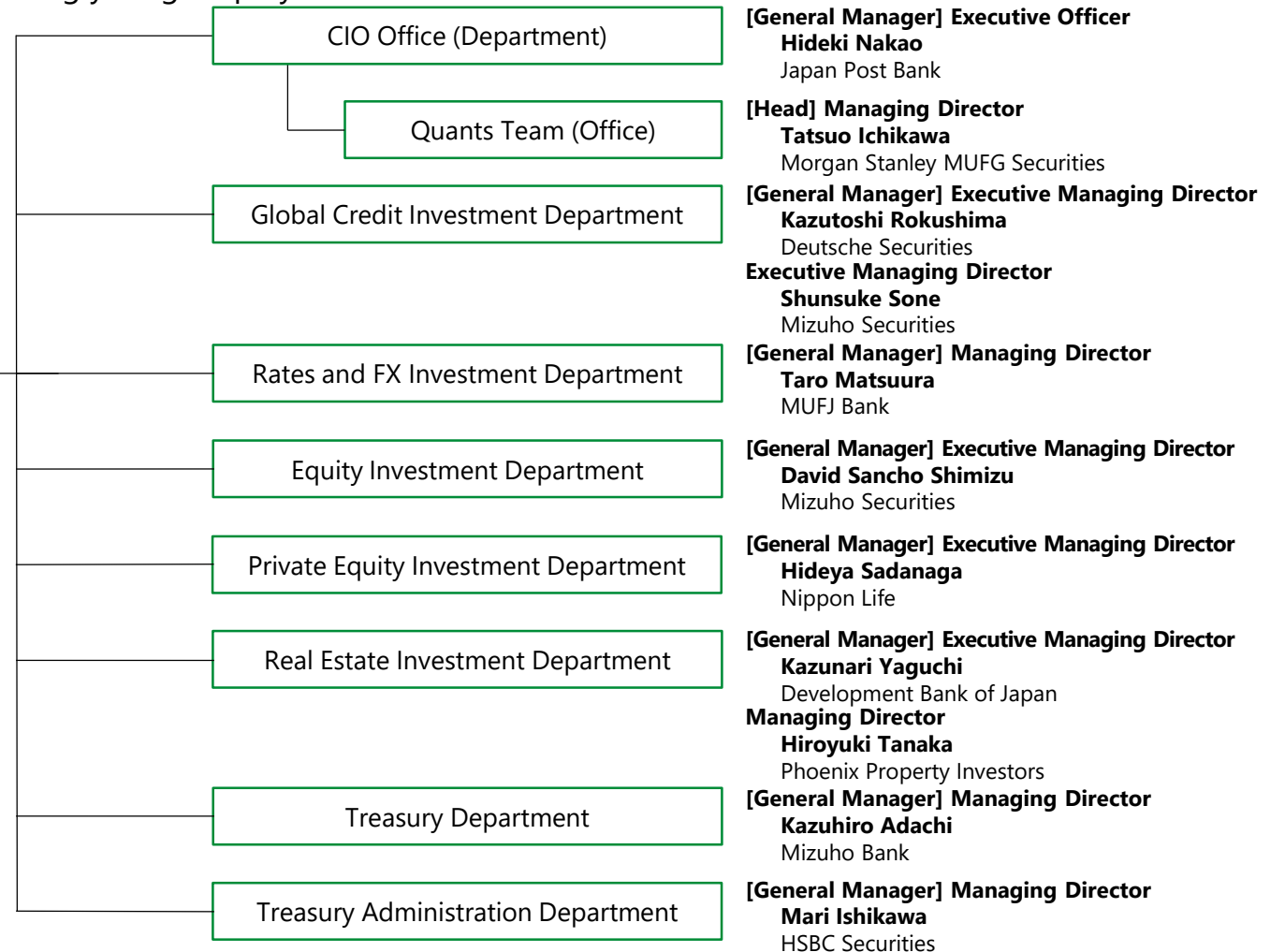
The organization comprises eight departments and one office, specializing in different fields, under the supervision of the dedicated Executive Officer in charge of the Investment Division.

A variety of specialized personnel are assigned to them as General Manager-level management. They are actively engaged in passing on their expertise, as well as training young employees.

Investment Division (Eight departments and one office) (As of Apr. 2023)

Executive Officer in charge of
the Investment Division

Senior Managing Executive Officer
Takayuki Kasama
Goldman Sachs, Golvis Investment

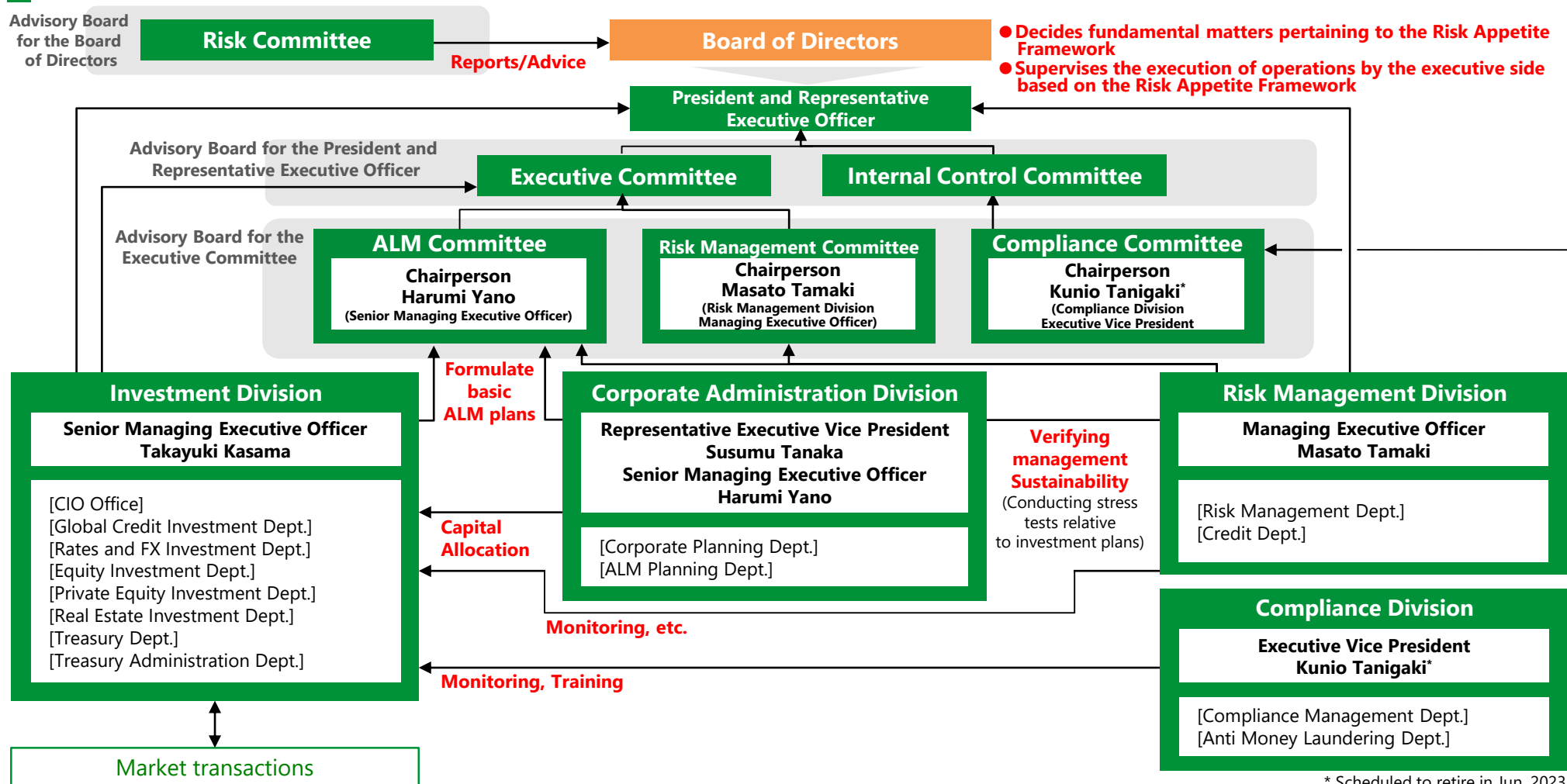


Note: Main former appointment listed below name.

2nd Engine: Market Business (2) Building a Strong Operational Structure

Management of investment implementation, etc., while ensuring adequate checks and balances by the Risk Management Division and the Compliance Division.

(As of April 30, 2023)



* Scheduled to retire in Jun. 2023

2nd Engine: Market Business (3) Private Equity Investments - Situation to Date

The current book value balance stands at JPY 4.5tn. In the U.S., stock prices have declined due to concerns such as rising interest rates and accelerating inflation, and some decrease was seen in the valuation of some stocks. But for the portfolio as a whole, business has remained robust and unrealized gains was approximately JPY 1.0tn (before application of tax effect accounting).

Net Realized Gains*¹ were higher than initially planned.

*1 The sum of interest/dividends derived from securities (interest income) and capital gains/losses arising from the disposal of securities net of cost (gains (losses) related to stocks).

Return Target/Actual Results

[Target]

- Net*² IRR : 8.0%
- Net*² TVPI : 1.30x

(TVPI: Total Value to paid in)

[Actual Results] (as of Mar. 31, 2023)

- Net*² IRR : **12.0%**
- Net*² TVPI : **1.30x**

*2 After deduction of expenses; Japanese yen basis

We remain net IRR ahead of our original plan

Status of Balance and Net Realized Gains

<Balance>

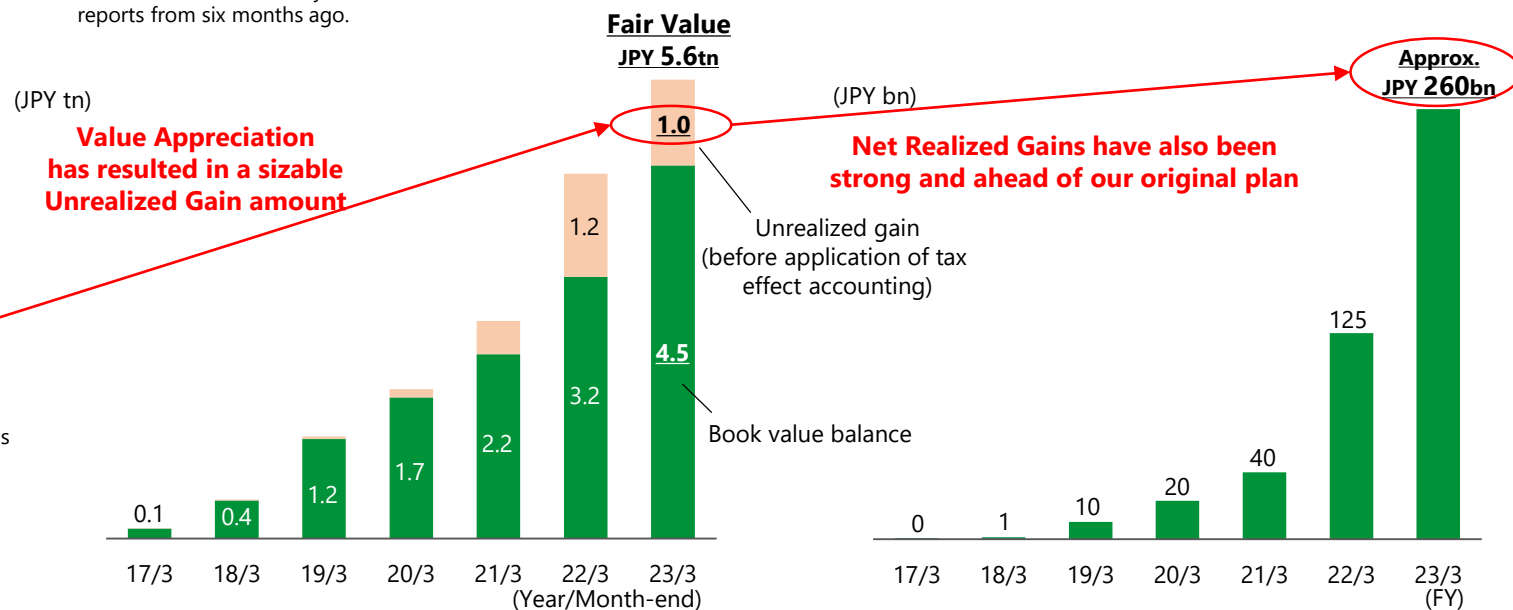
The fair value reported tends to reflect the PE fund fair values from approx. **three months ago***³.

(For each PE fund, investee companies are evaluated using methods such as EV/EBITDA multiple method or discounted cash flow (DCF) method based on their individual circumstance, and valuation fluctuations tend to be milder, as compared to the stock price fluctuations for listed companies.)

*3 In case of fund of funds such as secondary fund of funds, valuation used may be based on valuation reports from six months ago.

<Net Realized Gains>

The Net Realized Gains recognized in various financial results are the Net Realized Gains of PE funds up to approx. **six months ago**.



2nd Engine: Market Business (3) Private Equity Investments - The Portfolio

During the initial phase of portfolio construction, we mitigated the J-curve effect typically expected from a young private equity portfolio by focusing on strategies expected to generate early returns such as secondary investments*1.

At present, while the aim is to earn capital gains by predominantly focusing on buyouts, we are also allocating to income strategies*2, we are aiming to earn stable interest or dividend income to supplement realizations from our buyout-centric portfolio in case the economy should experience weakness.

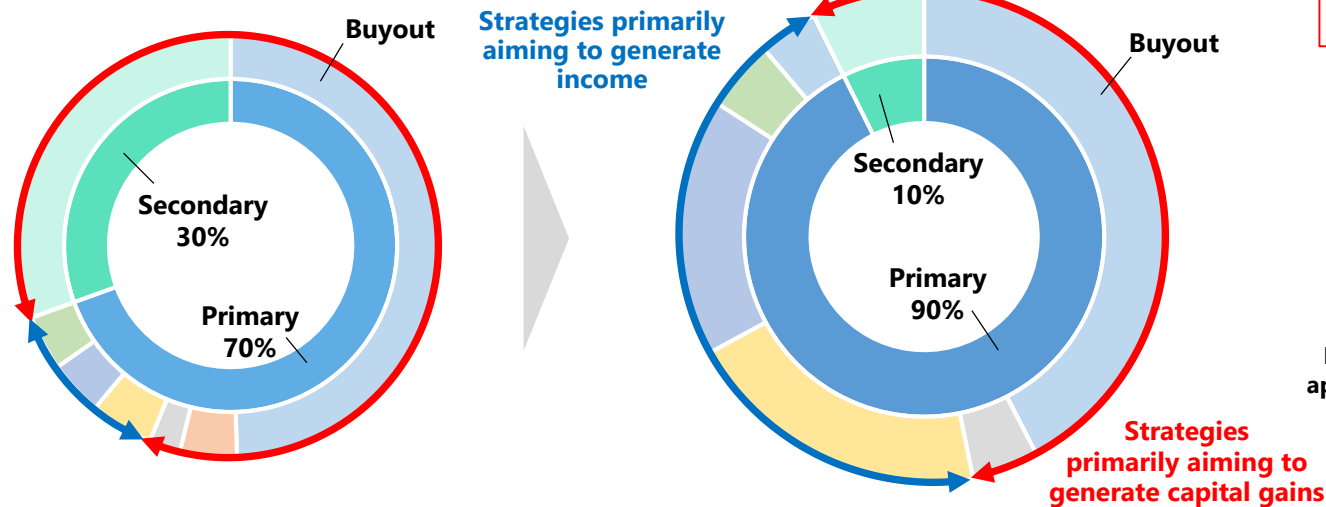
Strategy Diversification (Capital Commitment Basis)

Geography/Sector Diversification (Fair Value Basis)

FY2017/3 Strategy

FY2024/3 Strategy (Scheduled)

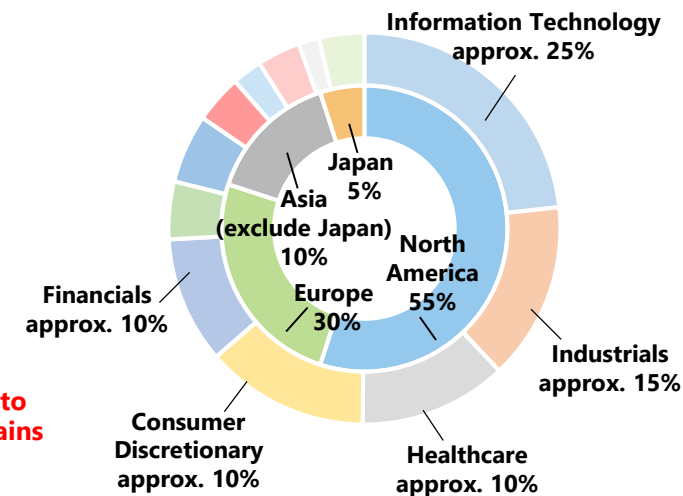
As of Mar. 31, 2023



<Total number of investee companies>

approx. 45,800

(Average investment amount: **approx. JPY 110mn** per company)



<Note>

Inner ring: primary vs. secondary split
Outer ring: investment strategy

<Note>

Inner ring: geography diversification
(location of the investee companies)
Outer ring: sector diversification

*1 Strategies aimed at obtaining early return on investment, through secondary acquisitions of private equity fund interests.

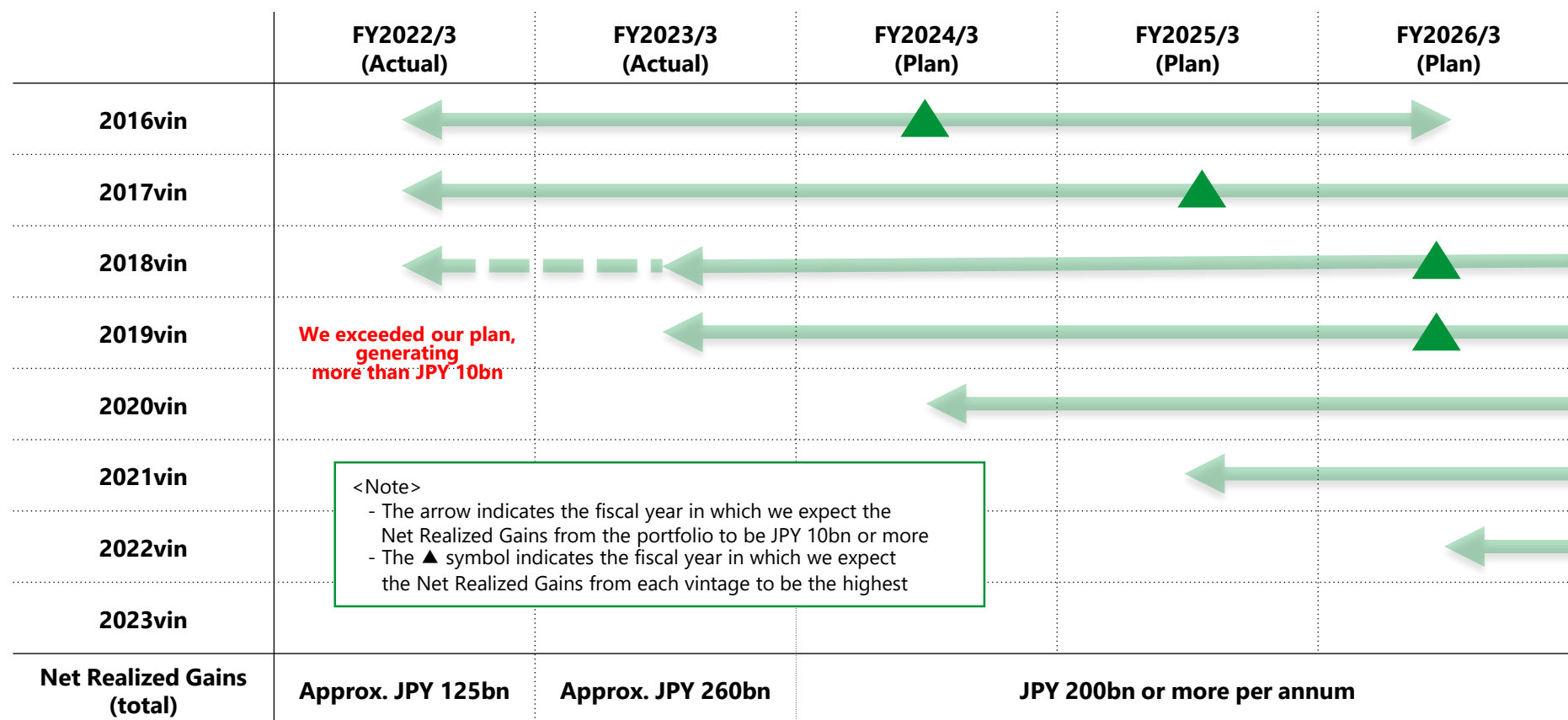
*2 Investment strategies focused primarily on generating income, such as infrastructure investments and mezzanine investments.

(Ref.) Schedule of Expected Return by Vintage (Simple Illustration)

Each portfolio that is set up every year (or vintage*) is expected to start to monetize after approximately 3 to 5 years. Net Realized Gains from the portfolio are expected to peak in approximately 6 to 8 years.

* Vintage (vin): Generally in private equity, the year in which a fund started investing or called capital. For the purpose of this page, vintage reflects the year when the Bank (either through offshore unit trusts or directly) committed to a private equity fund.

Schedule of Expected Return (Simple Illustration)



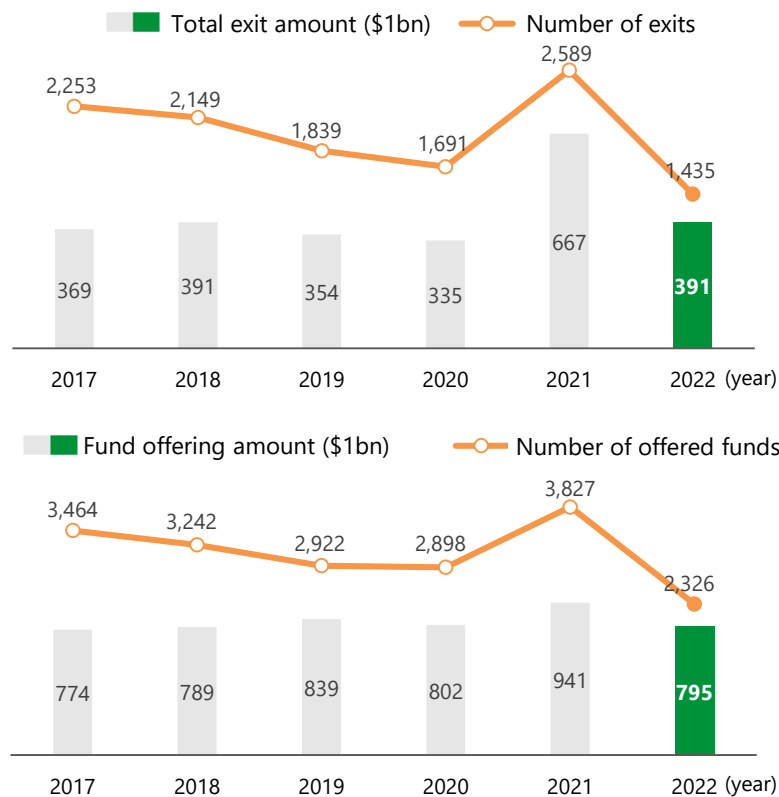
(Ref.) Current State of the Private Equity Market

In 2022, exit activity and fund offerings have decelerated year over year, as the market was active in 2021. In addition, M&A valuations have declined significantly compared to the usual year due to Russia-Ukraine war, U.S. interest rate hike, etc.

We will pay close attention to the market trends, taking into account the impact on 2023 to a certain extent.

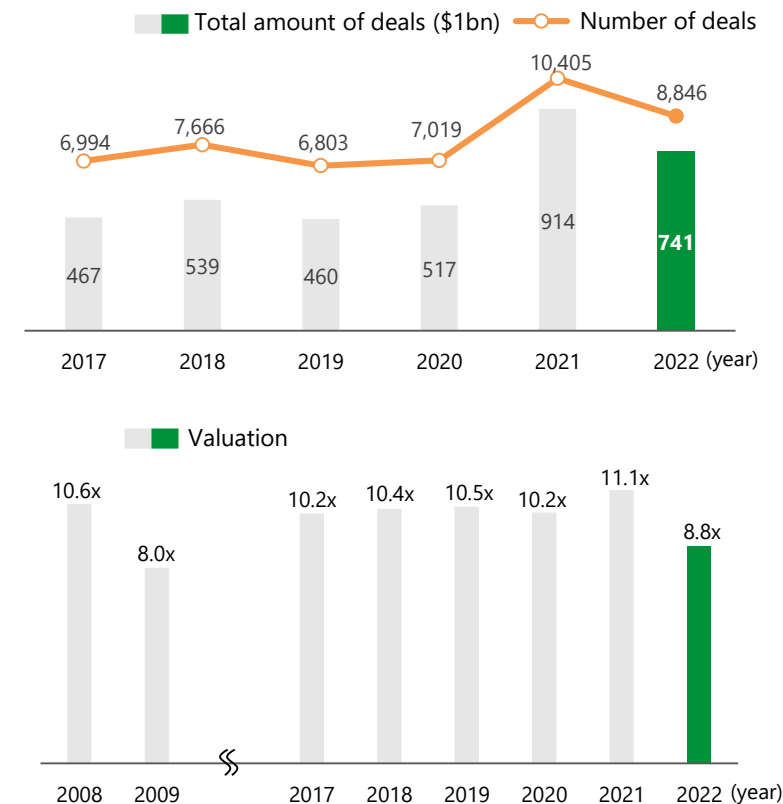
Status of PE Fund Exits / Fund Offering Amounts and Number of Offered Funds (Global)

Source: Created based on data from Preqin*.



Investment in Companies from PE Funds (Buyout) / Global M&A Deal Valuations

Source: Created based on data from PitchBook and Preqin*.



* Due to changes in calculation methods, the historical figures do not equal to ones in the previous materials (page 40 of materials for the Investors Meeting FY2023/3 1H).

2nd Engine: Market Business (4) Real Estate Fund - Current Status

Long term investments in the equity/debt financial products backed by the high-quality diversified commercial real estate assets. AUM of approximately JPY 3.6tn. Unrealized gain on the equity portfolio is JPY 0.2tn.

Constant growth of net realized gains*¹ along with the growth of the portfolio size as both products produce stable income.

*1 Management accounting basis including the amount of scheduled tax claim

Return Target/Actual

[Target]

- Equity
Net*² IRR: 5-6%
- Debt
Excess spread to the corporate bond with equivalent credit risk

[Actual (as of Mar. 31, 2023)]

- Equity
Net*² IRR: **11.1%**
- Debt
Excess spread of **approx. +90bps**

*2 After fees, expenses, and hedging costs

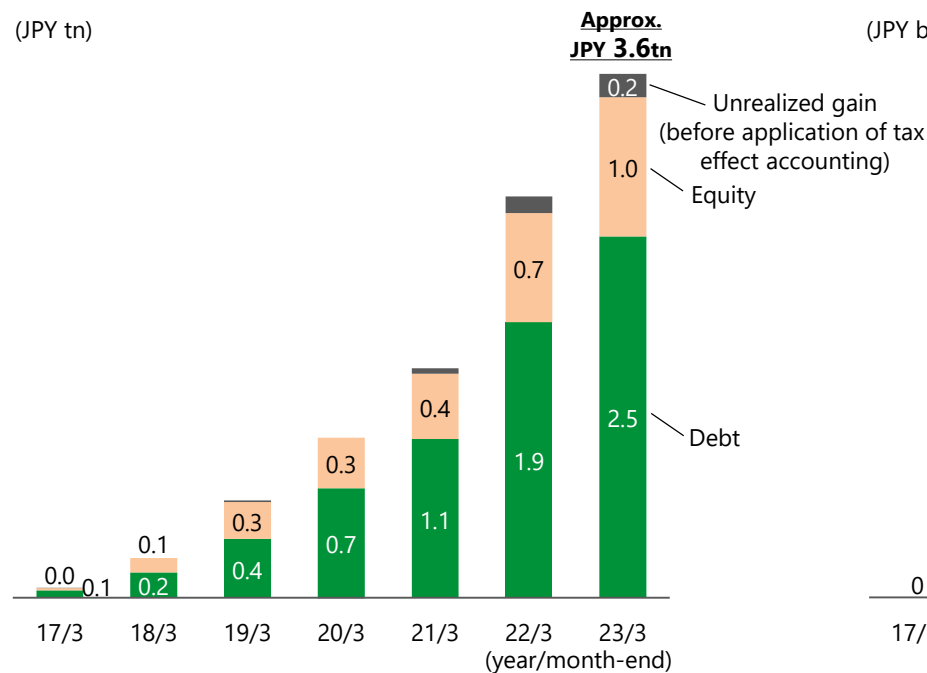
Status of Balance and Net Realized Gains

<Balance>

The reported fair value generally **lags three months** behind the fair value of real estate fund, NRL and CMBS.

(Fair values of commercial real estate are based on appraisal values which are less volatile than stock prices of listed companies.)

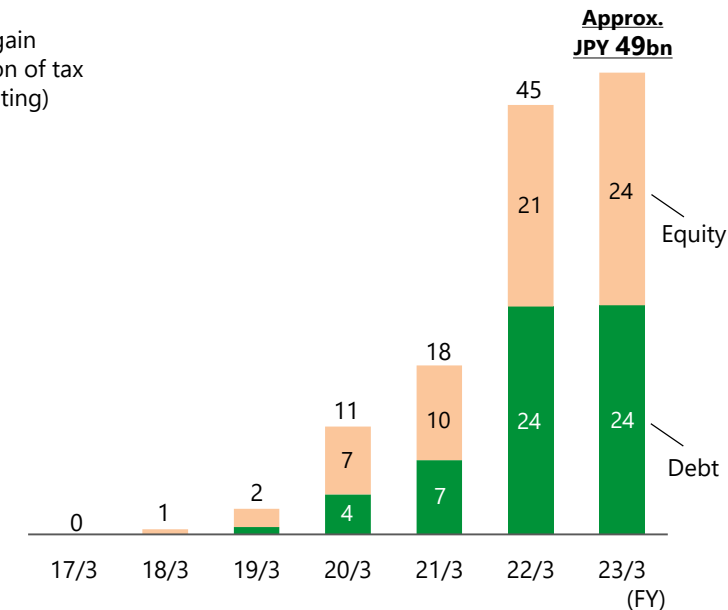
(JPY tn)



<Net Realized Gains*¹>

The reported net realized gains generally **lags three months** behind the net realized gains of real estate fund, NRL and CMBS.

(JPY bn)

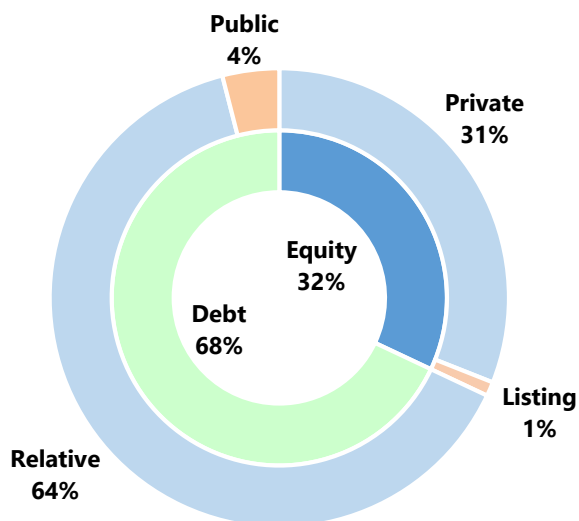


2nd Engine: Market Business (4) Real Estate Fund - The Portfolio

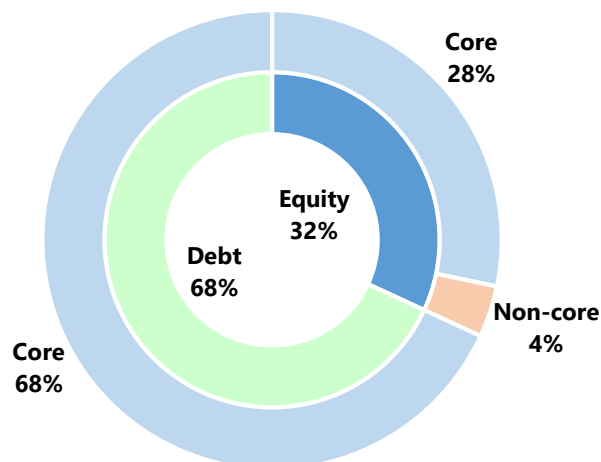
Pursue income gain backed by the stable rental revenue and capital gain by the long-term value growth of underlying properties. Highly and strategically diversify the portfolio with regard to the strategy, region, sector, timing, manager as well as property. Mainly invest in highly occupied properties located in the developed economies through private products.

Strategy Diversification (Fair Value Basis, As of Mar. 31, 2023)

Product Allocation



Strategy Allocation



[Core]

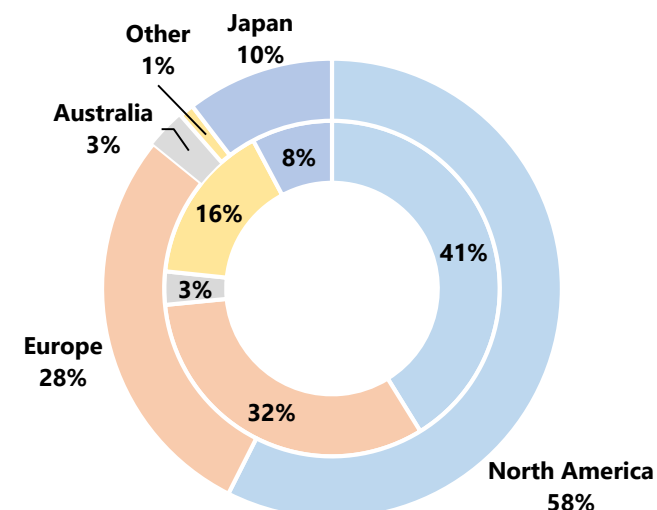
Strategy pursuing the stable rental income earned by the high occupancy properties.

[Non-core]

Strategy pursuing the excess return over core strategy by active property management such as lease up and refurbishments.

Geography Diversification (Fair Value Basis, As of Mar. 31, 2023)

Geography Allocation



<Note>

Inner ring: Market size
(as of Dec. 31, 2021, estimate by MSCI*)
Outer ring: Portfolio (as of Mar. 31, 2023)

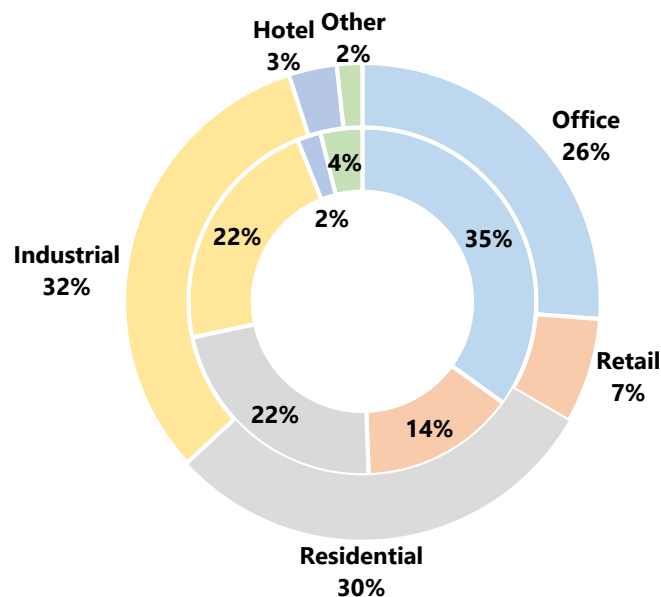
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2nd Engine: Market Business (4) Real Estate Fund - The Portfolio

Overweight to the industrial, including logistics facilities for e-commerce businesses, and rental residential sectors and underweight to the office sector relative to the benchmark index.

While keep the constant pace of the investment, tactically accelerated the pace in FY2022/3 to capture the timing of price recovery after the Covid-19 dislocation.

Sector Diversification
(Fair Value Basis, As of Mar. 31, 2023)

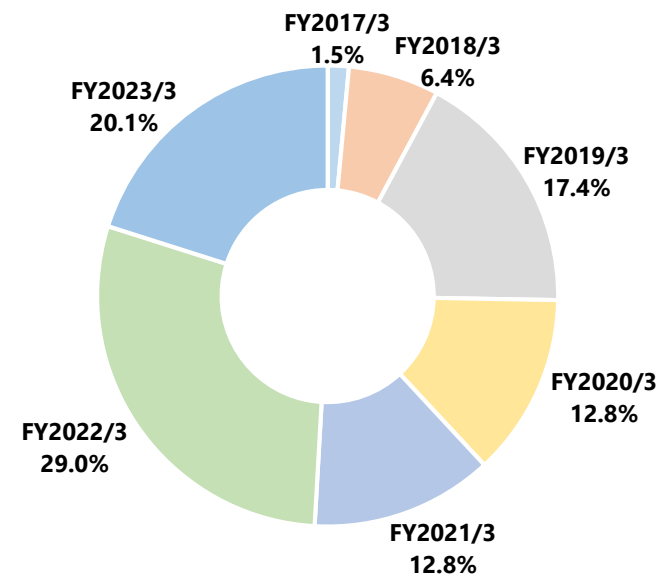


<Note>

Inner ring: Market size
(as of Dec. 31, 2021, estimate by MSCI*)
Outer ring: Portfolio (as of Mar. 31, 2023)

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Vintage Diversification
(Capital Commitment Basis)



Investment Diversification (As of Mar. 31, 2023)

No. of Funds

169

No. of Loans

287

No. of underlying
property

Approx. 14,000

(Ref.) Current Investment Market

Contrasting rental market with solid NOI*¹ growth in the industrial and residential by tight supply/demand balance while weak in the gateway cities' office by prolonged WFH and stagnant economy. Only high-quality office keeps attracting tenant and investor.

Cap rate*² expansion (price decline) under the rate hike process across the developed economies, though inflation-linked rent growth partially offsets the impact.

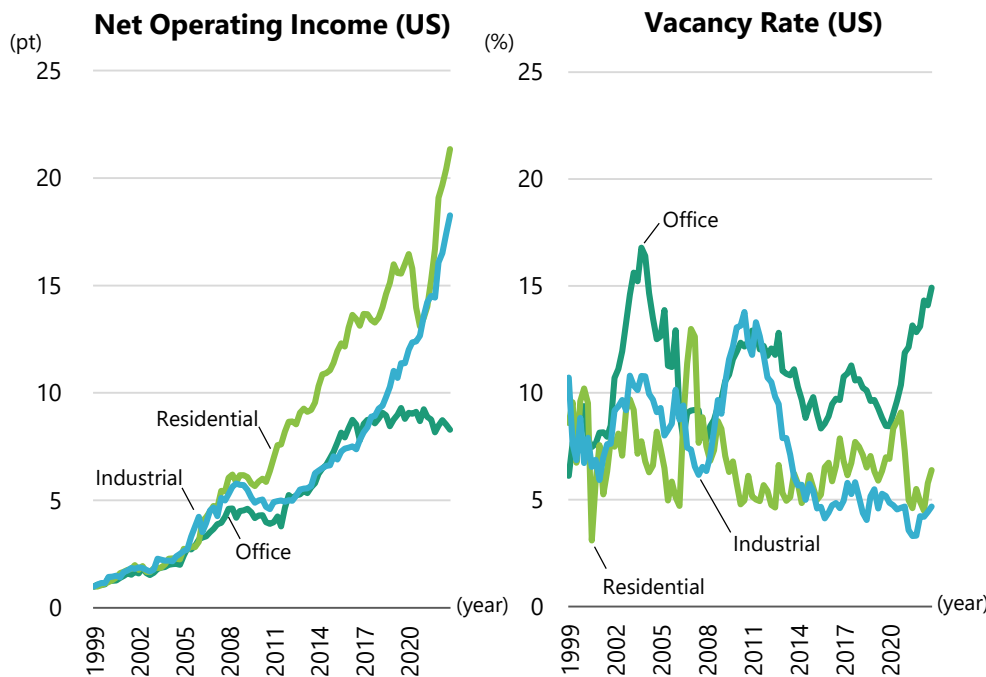
*1 NOI (Net Operating Income) is all revenues including rent from the property minus all operating expenses.

*2 Cap Rate is the ratio of the NOI to its current value.

Rental Market

Source: Created based on data from MSCI*

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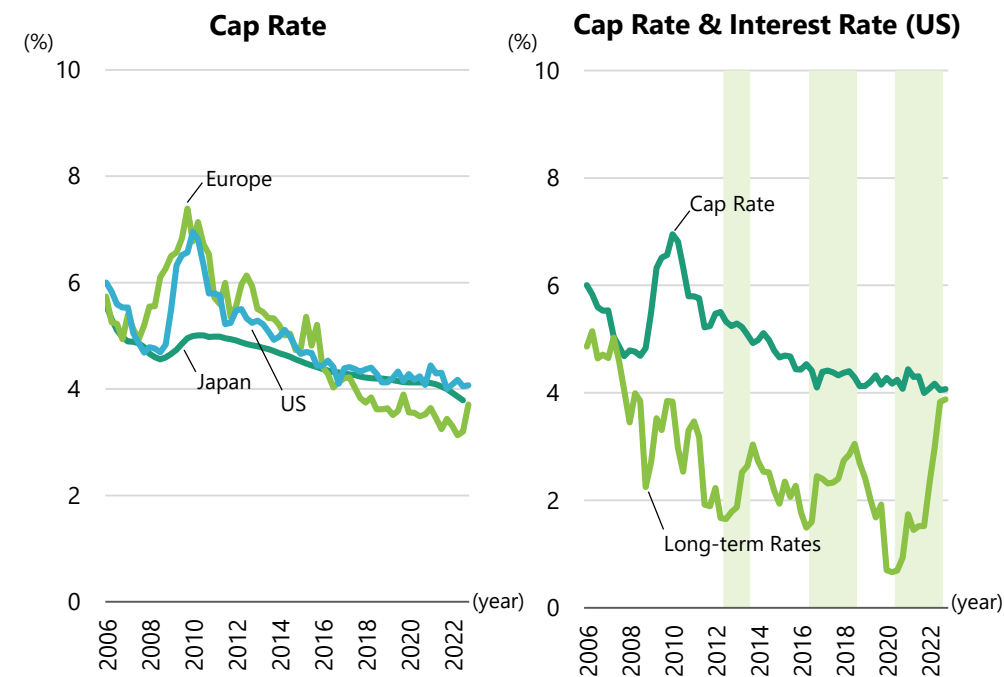


Note: Calculated based on NOI of end of March, 1999 being 1

Transaction Market

Source: Created based on data from MSCI*

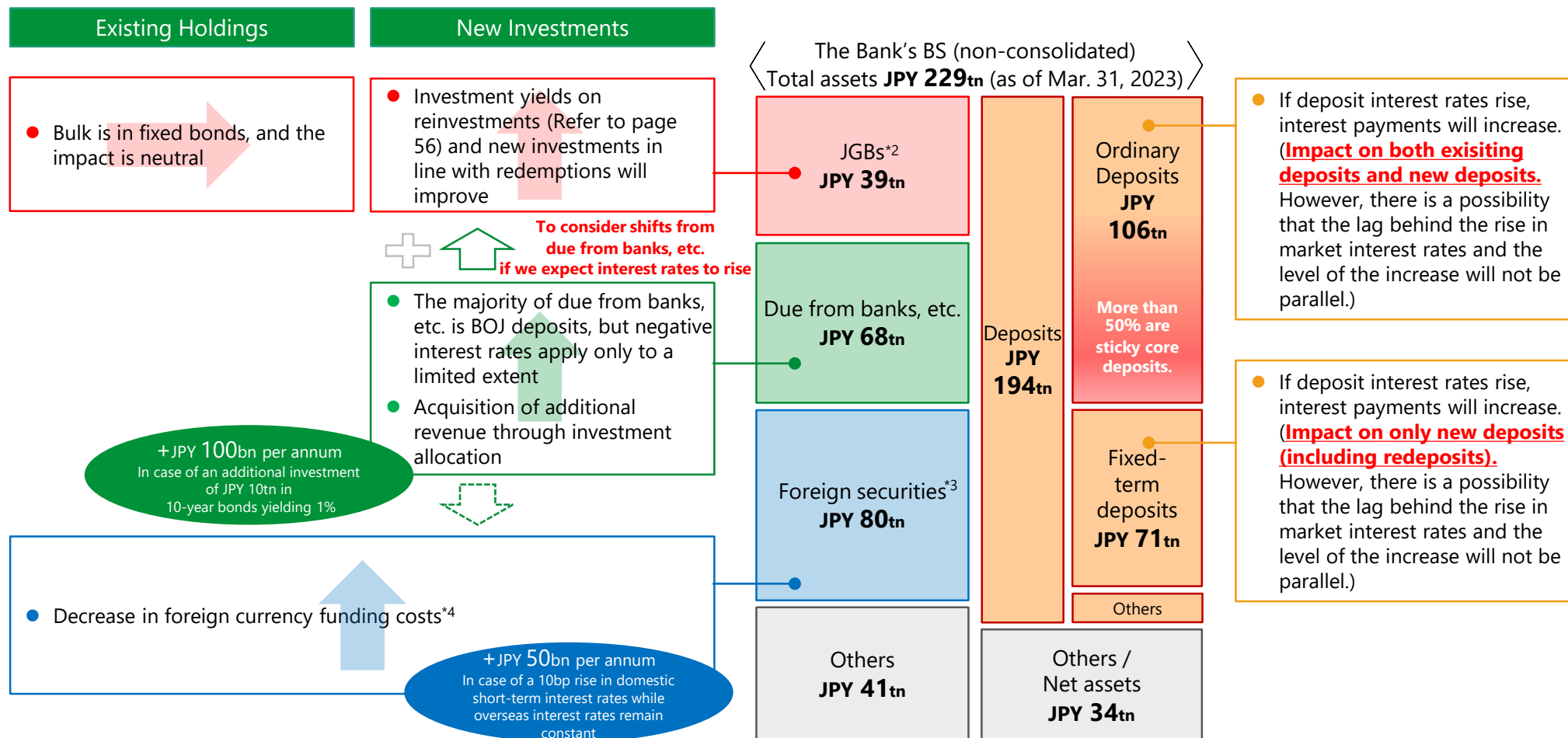
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Note: The shaded area in the graph shows the interest rate rise

2nd Engine: Market Business (5) Impact of Rising Domestic Interest Rates on P/L

Projected Impact on P/L Due to Rising Domestic Interest Rates*1



*1 Theoretical impact on the Bank's P/L from potential movements of market environment. Actual impact may differ due to changes in market conditions and the Bank's ALM policy.

*2 Includes Japanese government bonds in money held in trust

*3 Include real estate funds (debt) and direct lending funds in money held in trust.

*4 Investment trusts raise capital within the fund, and foreign currency funding costs depend on differences in domestic and foreign interest rates.

2nd Engine: Market Business (6) Status of Credit Risk, etc.

Note:

--> Cash flow
-> Profit

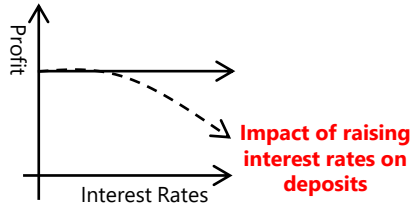
Yen interest rates risk

Credit risk
*Mainly taking credit risks (Hedged interest rates: approx. 70-80% of foreign securities, Hedged foreign exchange: approx. 90%+ of foreign securities)

Foreign currency interest rates risk (Difference in long- and short-term interest rates)

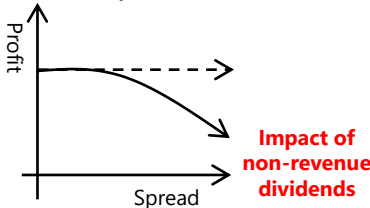
Existing Holdings

approx. **JPY 39tn** (Bulk is in fixed bonds)



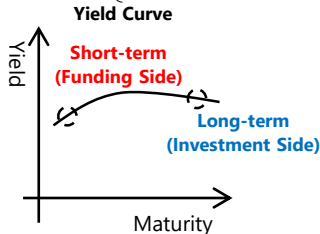
If deposit interest rates rise, interest payments will increase (Impact depends on deposit types). However, there is a possibility that the lag behind the rise in market interest rates and the level of the increase will not be parallel

approx. **JPY 64tn** (Of these, those impacted by non-revenue dividends: approx. **JPY 25tn**)



Non-revenue dividends are generated in some foreign bond investment trusts. However, return gains are generated upon cancellation or redemption

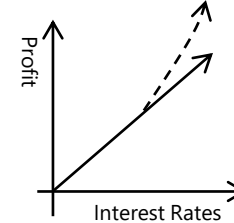
approx. **JPY 17tn** (Of these, those impacted by non-revenue dividends: approx. **JPY 8tn**)



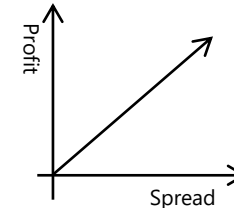
With the rise in short-term interest rates, the downturn in earnings caused by the increase in foreign currency funding costs is significant. Note that some foreign bond investment trusts generate non-revenue dividends associated with the rise in long-term interest rates.

New Investments

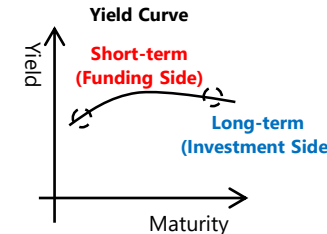
Impact of investment allocation



Considering shifts from due from banks, etc. in preparation for potential interest rate increases

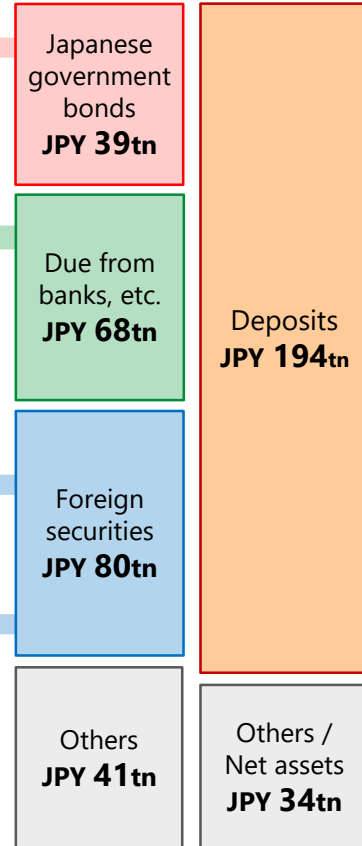


Non-revenue dividends are generated in the case that credit spreads widen following new investment



The impact on profits depends on the difference in long- and short-term interest rates

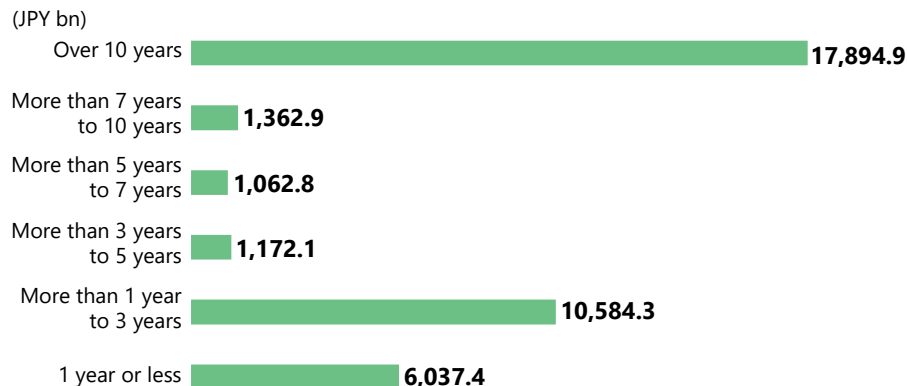
The Bank's BS (non-consolidated)
Total assets **JPY 229tn**
(as of Mar. 31, 2023)



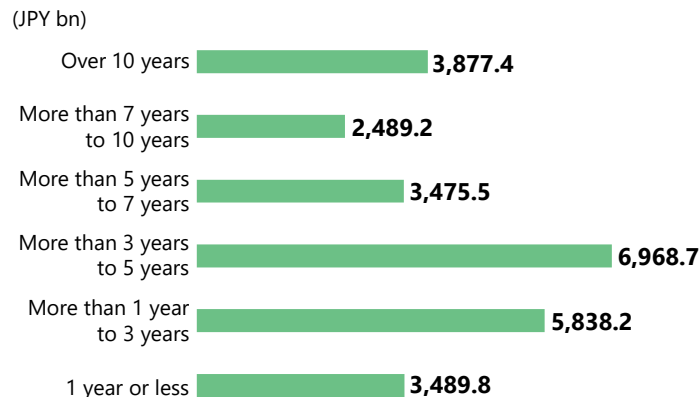
2nd Engine: Market Business (7) Balances of Securities Based on the Remaining Time to Maturity, etc.

Balances Based on the Remaining Time to Maturity (Ending Balance Basis, As of Mar. 31, 2023)

Balance of Japanese government bonds: JPY 38,114.7bn
(Held-to-maturity: JPY 15,042.5bn, Available-for-sale: JPY 23,072.1bn)



Balance of Foreign bonds: JPY 26,139.0bn
(Held-to-maturity: JPY 3,773.7bn, Available-for-sale: JPY 22,365.2bn)



Balances (Based on Average Balances, FY2023/3)

Balance of Japanese government bonds and Foreign securities, etc.

(JPY bn)

	FY2023/3	
	Average Balance	(Ref.) Ending Balance
Japanese government bonds	43,972.8	38,114.7
Foreign securities, etc.	78,652.2	78,357.2
Foreign bonds	27,018.0	26,139.0
Investment trusts	51,543.6	52,110.2

Balance of Deposits

(JPY tn)

	FY2023/3	
	Average Balance	(Ref.) Ending Balance
Liquid deposits	116.1	119.6
Transfer deposits	11.2	12.7
Ordinary deposits, etc.*	104.1	106.1
Savings deposits	0.7	0.7
Fixed-term deposits	78.2	75.2
Time deposits	3.8	3.3
TEIGAKU deposits	74.3	71.9
Other deposits	0.2	0.1
Total	194.5	194.9

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

(1) Contribution to Regional Communities via Various Investment Frameworks

For the development of regional economies, a variety of investment schemes to contribute to regional vitalization by supplying funds are in progress. Our goal is to be “a essential bank for sustainable development of regional communities” by supporting regional vitalization throughout Japan.

In October 2022, we started “New Corporate Banking Business through Investment (we call ‘Σ Business’).”

2010 2016 2021 2022 2023 Making further progress to establish a new stage of growth

Development of “New Corporate Banking Business (Σ Business) through Investment”

“Focus on GP Business” mainly in JP Investment

- Investment in Frontier Capital Inc.
- Preparing to Invest in a Fund Focused on Tourism Industry

The following vehicles are under consideration
- Venture capital
- Investment firm that provide hands-on support

Investment in GP entities / LP

“Japan Post Investment Regional Development and Impact Fund I, ILP”

- Established the new fund through Japan Post Investment Corporation Co., Ltd. with the aim to invest into regional businesses to encourage regional development, and impact investments into businesses targeting SDGs impact outcomes, promoting the transition to a sustainable society

New Corporate Banking Business Challenges

- Deal Sourcing business
- Marketing Support business for investee companies

Establishment of business promotion infrastructure

- Production of Σ Business text book and human resource development
- Development of corporate customer information platform

Co-creation with Regional Financial Institutions

Further challenges for contributing to regional vitalization by creating new investment schemes!

Send staff to investment vehicles to develop human resources to enable GP operations

Initiatives in the renewable energy business

- Invest in the fund of Z Energy Co., Ltd. and contribute to regional development by creating renewable energy projects and local employment

Investment in GP entities / LP

Regional Vitalization Funds

- Contribute to supply of risk money by investing in 45 regional vitalization funds in cooperation with 115 local financial institutions (as of Mar. 31, 2023) for supporting regional vitalization

LP Investments

Regional Finance Projects (Syndicated Loan / PFI / Project Finance / Loans for local governments, etc.)

- Actively participate in project finance and PFI, etc. which contribute to vitalization of regional economies, in partnership with local financial institutions to solve regional challenges

3rd Engine: New Corporate Banking Business

(2) Σ Business Advancement

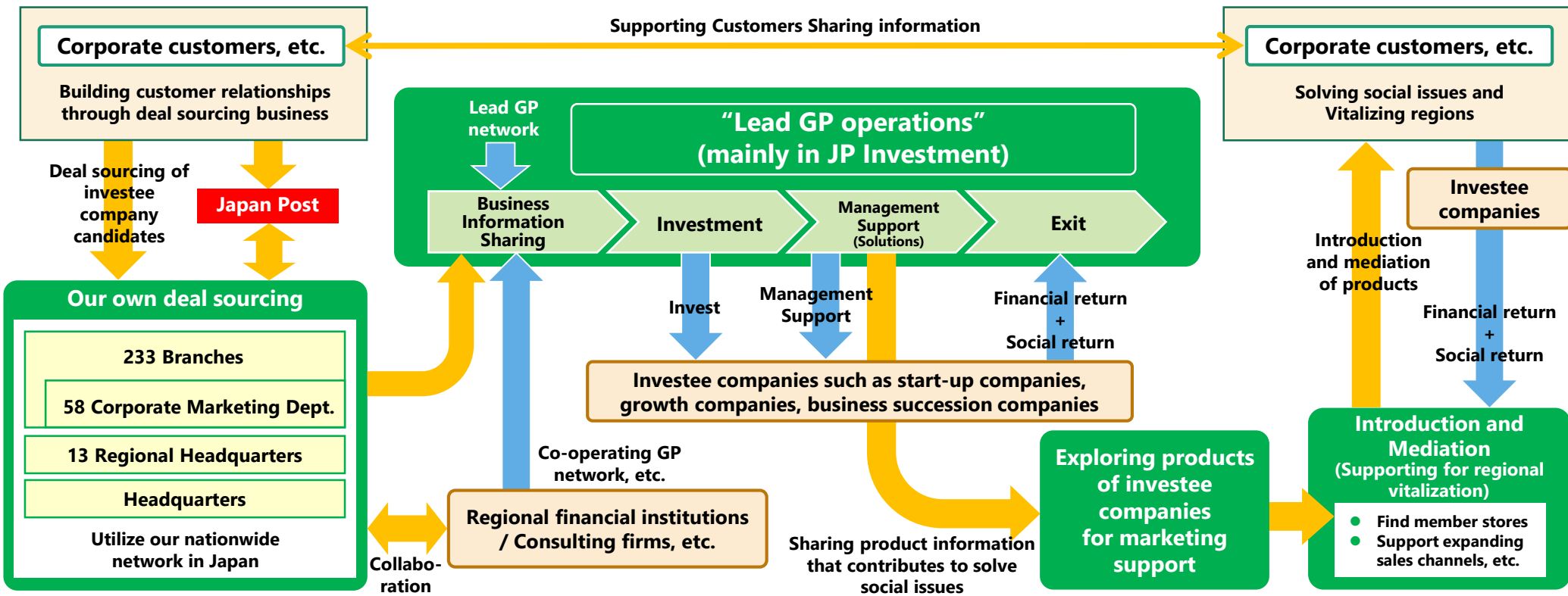
Definition of Σ Business: **“New Corporate Banking Business through Investment (GP Business) in JPB appropriate manner”**

- Focus on GP Business mainly in JP Investment
- Utilize our nationwide network in Japan
- Collaborate with regional financial institutions, etc.



We will **work to “Unify our passion and action toward new business”** with a focus on **efforts to foster corporate cultures and develop human resources that promote new corporate banking business.**

Targeting full-scale business after FY2027/3, we **will set an initial two-year preparation period (ending Sep. 30, 2024) and establish business promotion infrastructure.**



We started Σ Business in October 2022 and set the initial two-year preparation period (ending Sep. 30, 2024).

Last 6 months achievements and efforts in preparation period are as follows;

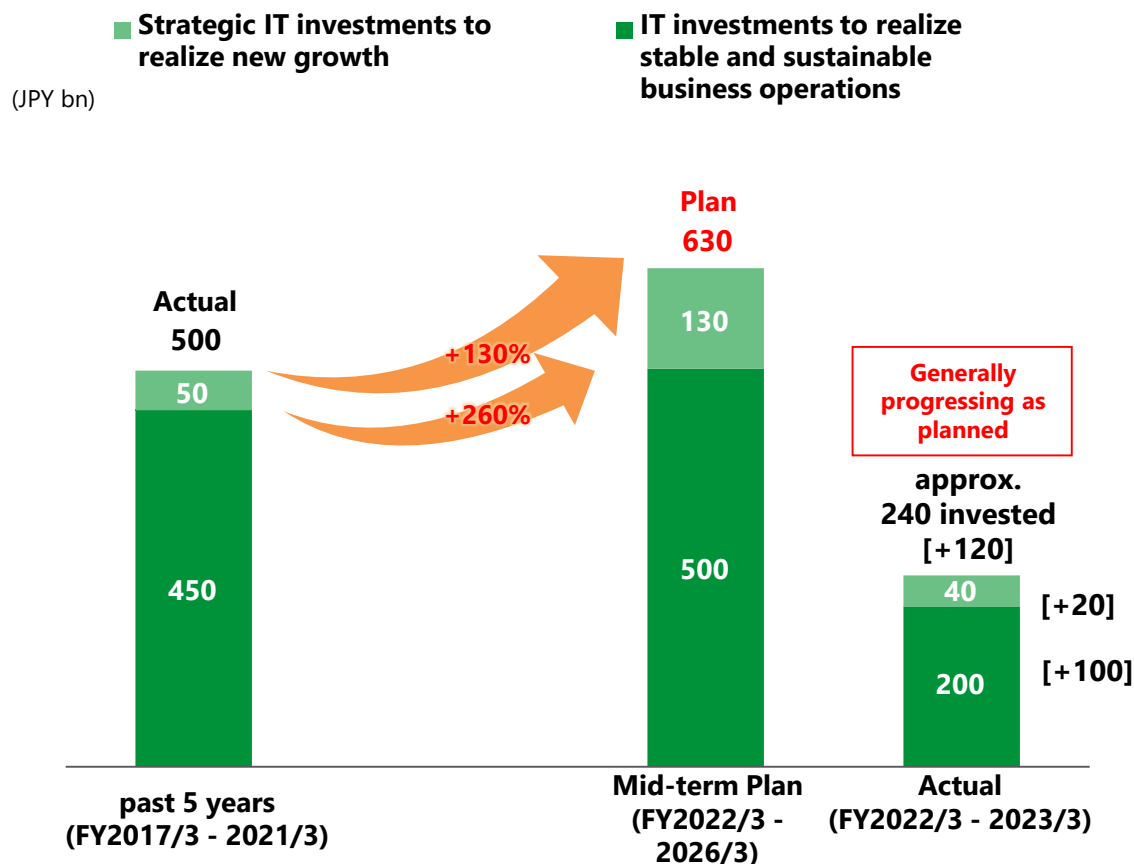
Item	Summary of Main Tasks	Achievements & Efforts in Last 6 Months
<p>GP Business</p>	<ul style="list-style-type: none"> ● Develop the management system and investment portfolio considering the characteristic of each of investment companies and funds (Establish Lead GP operations mainly in Japan Post Investment Corporation Co., Ltd.) ● Develop human resources to enable GP operations 	<ul style="list-style-type: none"> ● Jan.-Feb. 2023, Invested in Frontier Capital Inc. ● Preparing to invest in a fund centered on the tourism business that will lead to regional vitalization ● JP investment Regional Development and Impact Fund I, ILP; 3 investments ● Increasing investment vehicles to send staffs for human resource development
<p>Marketing Support Business for Investee Companies</p>	<ul style="list-style-type: none"> ● Explore appropriate products for JP Bank based on information from investee companies, etc. ● Make sales strategies and promote introduction and mediation business for marketing support ● Develop human resources to enable new corporate banking business 	<ul style="list-style-type: none"> ● Nov. 2022, Business Partnership Agreement with Pie Systems Japan Co., Ltd., Jan. 2023, Started collaboration (acquisition of member stores in shopping streets and shopping malls) ● Apr. 2023, Started developing human resources related to marketing support business
<p>Deal Sourcing Business</p>	<ul style="list-style-type: none"> ● Foster corporate cultures and unify our passion and action toward new corporate banking business ● Utilize our nationwide network in Japan and develop our own deal sourcing system ● Develop the corporate customer information platform by using regional community information 	<ul style="list-style-type: none"> ● Promote understanding through training programs for employees ● Apr. 2023, Released “Σ Business text book” ● Apr. 2023, Started developing human resources related to sourcing business ● Started to discuss the development of corporate customer information platform in detail

(1) IT Investments

While maintaining a high-quality system base that can support trust in our Bank, we will assertively advance strategic IT investments. (Mid-term Plan: IT investment plan JPY 630bn)

In May 2023, we smoothly renewed our core systems and others, which provide the foundation for stable and sustainable business operations.

Trends in IT Investment (Cash Flow Basis)



Note: the actual results (on preliminary basis) for FY2023/3 are given in square brackets.

IT Investments

To strengthen the management base, we advance investment in IT

- In FY2023/3, we launched new services such as Japan Post Bank Debit cards and Yucho Reco for innovating our retail business
- In FY2024/3, we renewed our systems on a massive scale, especially in May**

Main services launched in FY2023/3

- Introduce JP Bank account opening app (May 2022)
- Issue Japan Post Bank Debit cards (May 2022)
- Release a new app, Yucho Reco (Personal Financial Management App) (Feb. 2023)

Main services scheduled to launch in FY2024/3

- Renew core systems (May 2023)
- Renew branch teller terminals (May 2023~)
- Add new features to Yucho Bankbook App (ATM deposit and withdrawal, Ordinary in-payment, etc.) (May 2023)
- Add new features to the teller tablet system (Money transfers, etc.) (May 2023)
- Expand BPMS* functions and bases of operation (May 2023~)
- Develop a new AML system (Jan. 2024)

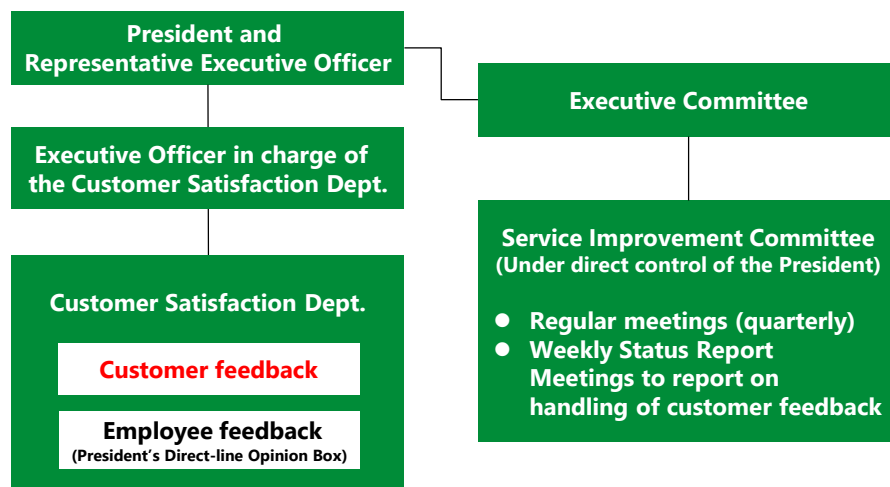
* Abbreviation of Business Process Management System. This system automatically activates RPAs, and systematically controls work flows that require human confirmation work, etc., and conducts automatic process management.

Governance Systems, etc. to Support 3 Businesses

(2) Organizational Culture Reforms - To a Truly Customer-oriented Organization

Create an attitude toward organization and management centered around listening earnestly to customer feedback (opinions, requests, etc.).

Organization and Attitude



[Organization]

Customer Satisfaction Dept. is positioned as **the core organization to transform itself into a truly customer-oriented organization.**

[Attitudes]

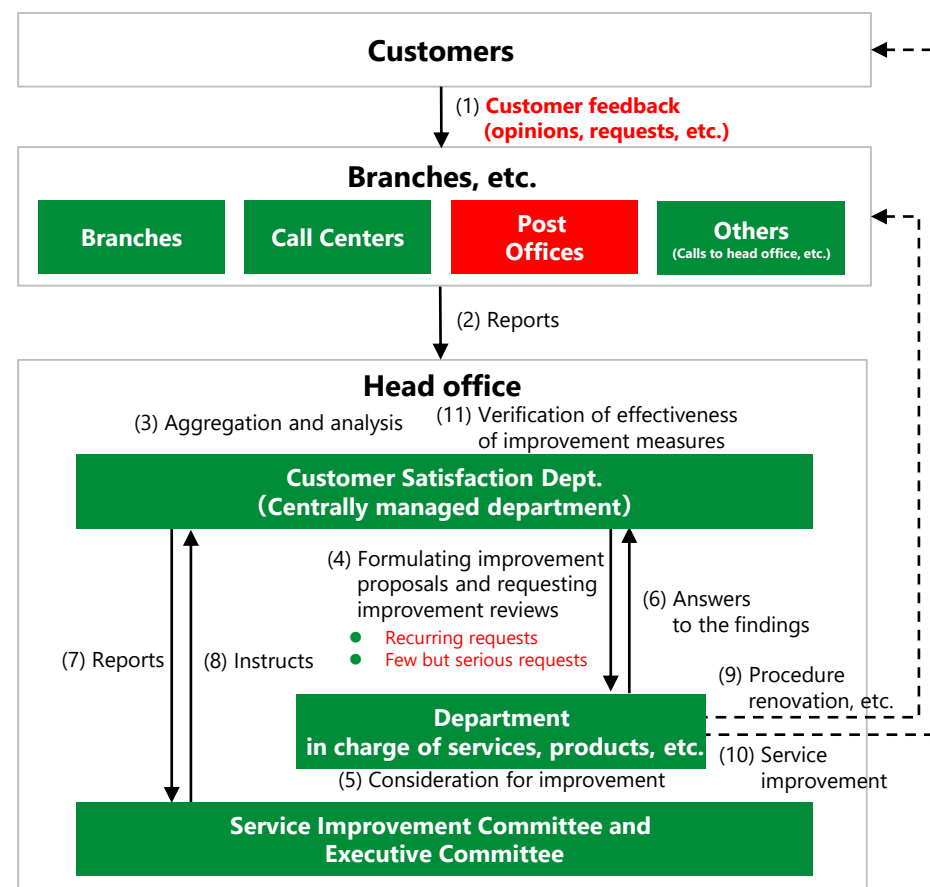
(1) 2nd-line governance functionality

Weekly Status Report Meetings (report meetings) **for reporting on the status of important customer feedback on a case-by-case basis**

(2) Executive involvement

- At the report meetings, the request status is identified and a response is indicated
- The matters discussed at the report meetings are **reported to the Executive Committee on a monthly basis**

Customer Feedback Flowchart

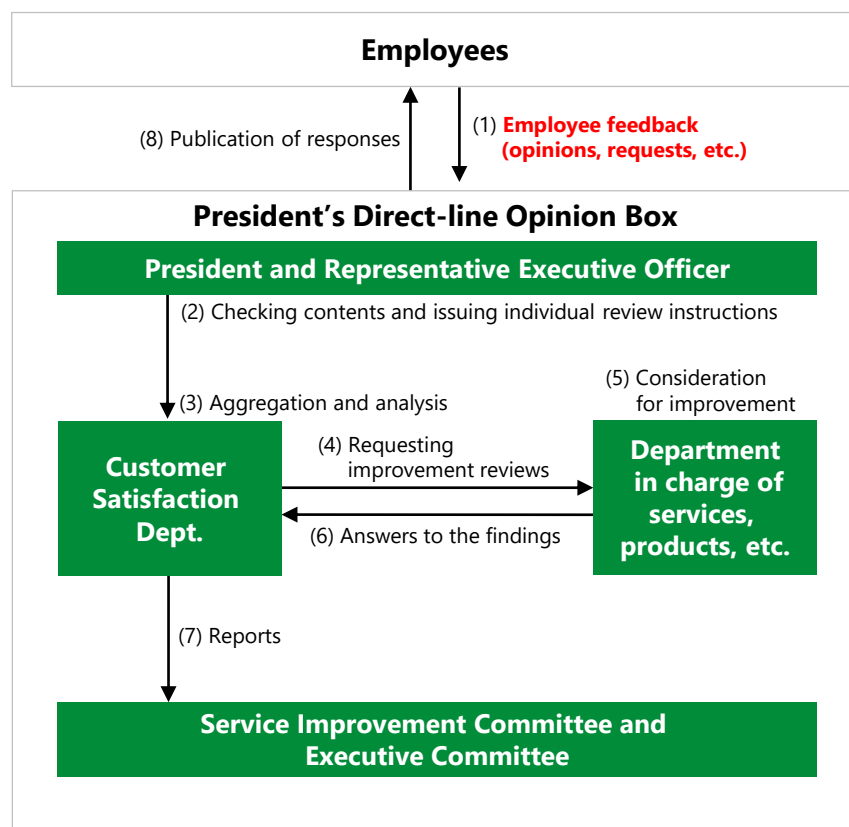


Governance Systems, etc. to Support 3 Businesses

(2) Organizational Culture Reforms - Strengthening Internal Communication

In addition to customer feedback, the Bank also takes on feedback from employees, further enhancing internal communications. Besides using employee feedback to improve, the Bank encourages more active two-way communication by sharing opinions of the department in charge of services and products, etc. and examples of the improvements.

Use of the President's Direct-line Opinion Box



Use of In-house WEB Newsletter (Since Apr. 2022)

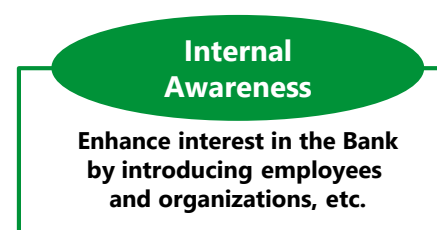


- Executive self-introductions, employee introductions and other subjects, with a total of 147 pieces* of content distributed
- Casual and "people" focused content utilizing on videos, etc.

* As of Mar. 31 2023



E.g.: Contents to introduce "Working Moms and Dads"



Actively use communications within and between organizations to eliminate internal "clogging"

Governance Systems, etc. to Support 3 Businesses

(3) ESG management - Approach to ESG Initiatives

Linking four priority issues (Materiality) to our management strategies, we are promoting ESG initiatives in unison with the management.

Strengthening "Governance", which is the foundation of all business activities, and also focusing on implementing "Environment" and "Society" initiatives. Realizing both "the enhancement of corporate value", and contributing to "the solution of social issues" by ESG management.

(1) Identifying Social Issues to be Considered

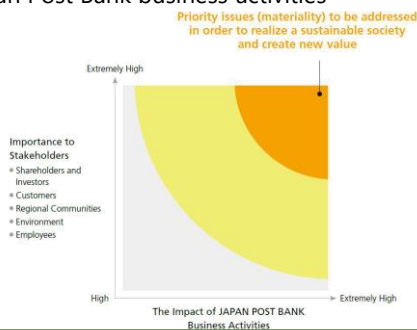
- Based on international guidelines and standards such as SDGs, we identified social issues to be considered as comprehensively as possible

(2) Narrowing Down Social Issues to be addressed

- Based on our purpose, management philosophy and business activities, etc., and in consideration of information such as assessment results from external research agencies and external expert opinions, we examined which social issues to be selected

(3) Creating a "Materiality Map"

- We created a "Materiality Map" – outlining and sorting priority issues using the two criteria of "importance to our stakeholders" and "the impact of Japan Post Bank business activities"



(4) Identifying Priority Issues (Materiality)

The Executive Committee and the Board of Directors analyzed their suitability and identified four priority issues.



- Providing "safe and secure" financial services to anyone and everyone throughout Japan

Target KPI: Number of accounts registered in the Yucho Bankbook App
Number of Tsumitate NISA Operation Accounts



- Contributing to regional economic expansions

Target KPI: Regional vitalization fund participation cases
Number of financial institutions that have aggregated operational processes



- Reducing environmental impact

Target KPI: CO2 emissions reduction rate
ESG themed investment balance



- Advancement of work style reforms, and sophistication of governance

Target KPI: Ratio of women in managerial positions
Ratio of employees taking childcare leave
Ratio of employees with disabilities



Combining management strategies with Materiality (ESG management)

> Realizing both the enhancement of corporate value, and contributing to the solution of social issues

Mid-term Plan: "Deepening trust, and taking on the challenge for financial innovations"

-Innovating our business model and enhancing business sustainability-

The five key strategies in the Mid-term Plan (Management Strategies)

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

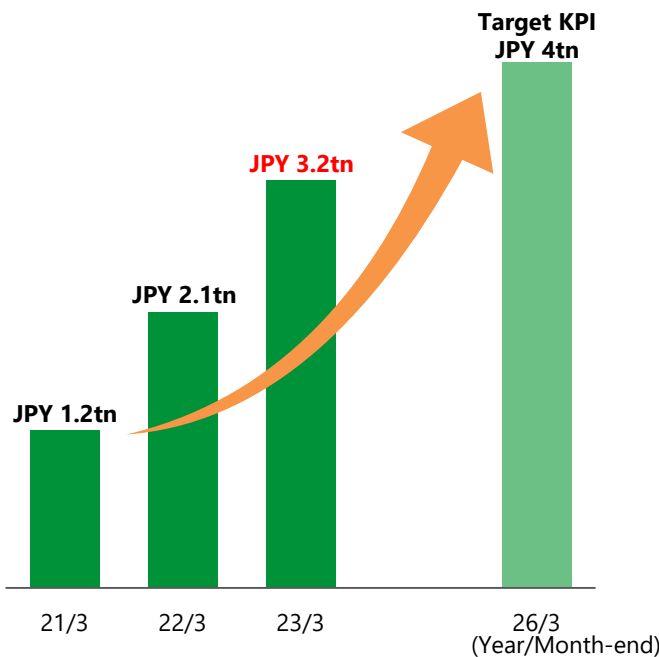
(3) ESG management - ESG-themed Investments, etc.

As of March 31, 2023, the balance of ESG-themed Investments* stands at JPY 3.2tn, making steady progress toward the target KPI, JPY 4tn. As the sustainable finance market is currently growing, we plan to set a higher target KPI.

We also built the roadmap to achieve net zero GHG emissions targets by 2050.

Balance of ESG-themed Investments*

We will continue to promote ESG investment and financing, aiming to improve medium-to long-term returns and solve social issues.



* ESG bonds (Green bonds, Social bonds, Sustainability bonds, etc.), Loans to the renewable energy sector, and Regional vitalization funds, etc.

Roadmap to Decarbonization

We will actively work to reduce the environmental impact of our own operations, and also contribute to realize a decarbonized society through engagement (dialogues) with investees and borrowers, including GHG emissions reduction initiatives.

Net zero GHG emissions	~ FY2023/3	FY2024/3	...	FY2026/3	...	FY2031/3	...	2050
(1) Emissions from Own Operations (Scope1, 2)	FY2020/3 results approx. 48k t-CO2 Complete shift to renewable electricity in all our sites	Switching our car fleet to EV Shifting to renewable electricity, and more				Up vs. FY2020/3 (46%) → (60%)		Net Zero
(2) Emissions from the finance portfolio (Scope3 Category15)	FY2022/3 results approx. 27mn t-CO2	Set interim targets for FY2031/3 to help achieve economy-wide reductions in GHG emissions						
Interim Target for Power Generation Sector (Emission Intensity)	FY2022/3 results 346gCO2e/kWh	Support the sector to shift through engagement				New 165~213g CO2e/kWh		
Interim Target for Other Sectors		Calculate results / set interim targets	Support the sector to shift through engagement			TBD		
Decarbonization through Financial Services		Contribute to solve social issues through ESG investment and financing						
ESG-themed Investments Balance Target KPI	Result as of Mar. 31 2022 JPY 2.1tn	Investment and Financing		Target as of Mar. 31 2026 JPY 4tn				
Zero-credit Balance for Coal-fired Power Generation (Project Finance)	Net Zero							

(3) ESG management - Human Capital - HR Strategies Linked to Business Strategies

We regard human resources, the source of value creation, as one of our most important capitals, and link HR strategies to our purpose, management philosophy, mission and business strategies.

We will work to enhance our corporate value through the combination of three elements: "Improvement of motivation, knowledge and experience" x "Development of environment for demonstrating abilities" x "Respect for diversity". In particular, we are working on efforts that emphasize cultivating an organizational culture that allows young employees and female employees to participate more actively.

We will nurture employees who develop themselves through challenges, and develop an environment in which their abilities can be maximized. Accordingly, we aim to work alongside our employees to build a lively and exciting company that allows diverse human resources to thrive, and to enhance our corporate value.

Basic Approach to HR Strategies



Fully utilize the value of our human resources to achieve our purpose, etc.

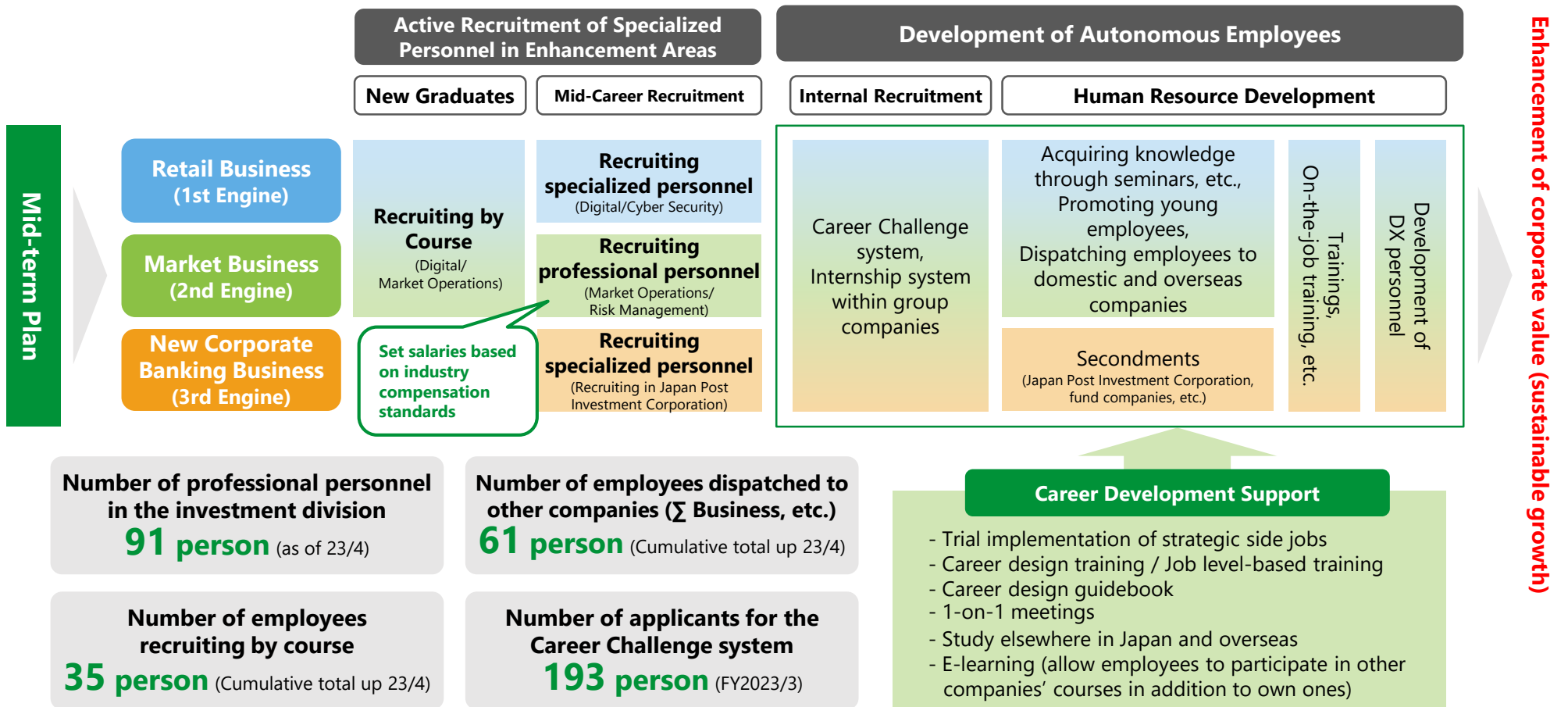
Purpose / Management philosophy / Mission / Business strategies

(3) ESG management - Human Capital - Encourage Growth

To promote our three business engines, we focus on securing and nurturing human resources who will take on challenges.

At the same time, we will enhance our measures for supporting self-motivated career development, making our employees' own growth and challenges the source of our competitiveness.

1 Encourage Growth <Improve Motivation, Knowledge and Experience>



(3) ESG management - Human Capital - Discover Abilities and Effectively Utilize Diversity

We promote the development of an environment that allows employees to be healthy and energetic at work, so that they can make full use of the knowledge they have cultivated.

We will continue to create sustainable corporate value by respecting the diverse values of each and every employee and making these values the strength of our organization.

2 Discover Abilities

<Development of an Environment for Demonstrating Abilities>

Improving Engagement

Overall satisfaction level

67% (FY2023/3)

70% or more

(FY2026/3 target)

- Items identified as issues in the annual employee satisfaction survey are reported to management to promote improvements to engagement in the company as a whole

Promotion of Health Management



- Maintain and improve employees' mental and physical health by holding company-wide walking events (about 2,300 participants) aimed at building health and productivity management promotion framework as well as preventing/reducing the incidence of lifestyle diseases

Expansion of Flexible Work Styles



- Strongly promote the development of telecommuting environments through expanding telework and flextime system, and taking online training and various online meetings, including Executive Committee
- From FY2024/3, full flextime system will be expanded in some divisions to promote flexible working styles

3 Effectively Utilize Diversity

<Respect for Diversity>

Promotion of Women's Participation and Advancement in the Workplace

- Provide opportunities through dispatching employees to external female leader training programs
- Implement diversity and inclusion (D&I) dialogs for female manager candidates at directly-operated branches in collaboration with experienced female branches' managers, with the aim of eliminating promotion-related uneasiness and raising awareness



Ratio of women in managerial positions

17.5%* (as of 2023/4)

20%* (2026/4 target)

* Percentages are rounded.

Support the Work Activities of Generations Providing Childcare

- Achieved a 100% of ratio of employees taking childcare leave for both male and female employees through offering partially paid childcare leave and using Childcare Leave Planning Sheet as well as the Support Guide
- Pursue initiatives continuously to promote male employees to take childcare leave for four weeks or longer, in order to further support the involvement of the generation caring for children



Ratio of employees taking childcare leave (regardless of gender)

100% (FY2023/3)

keeping

100% (FY2026/3 target)

Ratio of male employees taking childcare leave (4 weeks or longer)

59% (FY2023/3)

keeping

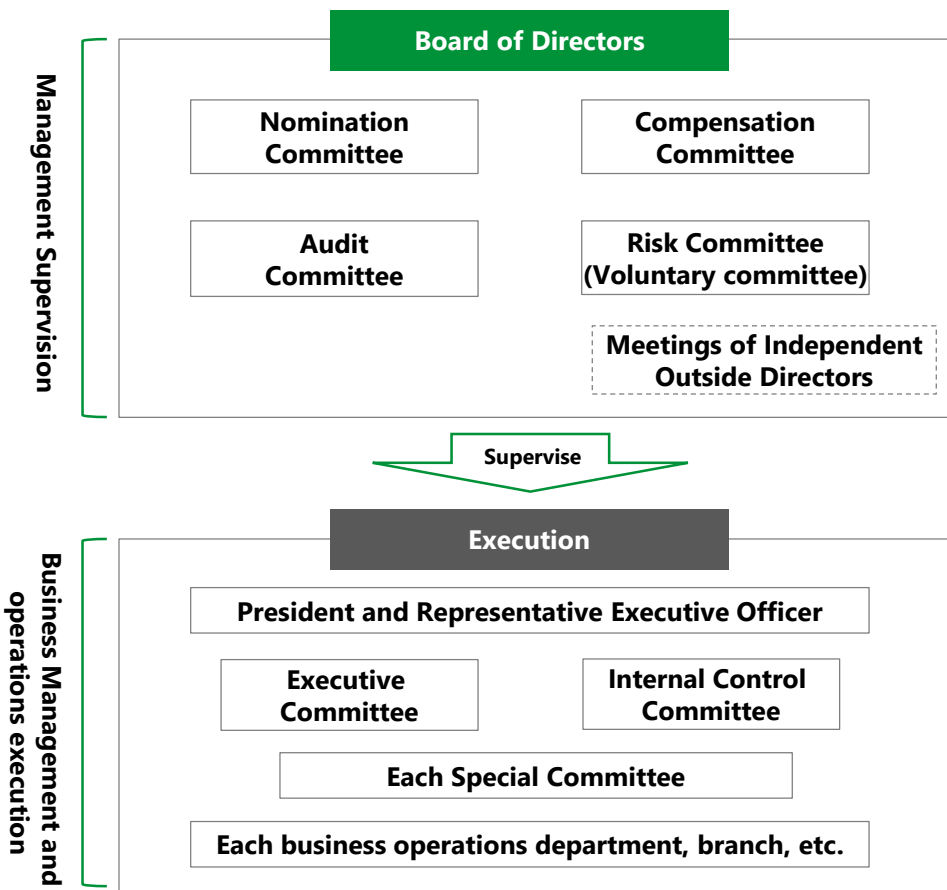
50% or more (FY2026/3 target)

[Reference] **[34%]** (FY2022/3)

(3) ESG management - Enhancements to the Supervisory Function of the Board of Directors

- Through enhancements to the supervisory functions of the Board of Directors, we will work to make governance at the Bank more sophisticated.
- (1) Review the matters to be discussed at the Board of Directors and revise Regulations of the Board of Directors in order to further activate strategic discussions by the Board of Directors
 - (2) Establish a system for early provision of information to directors regarding business execution matters, etc. that may become important for management in the future

Governance System



Status of Initiatives in the Second Half of FY2023/3

From the perspective of enhancing the supervisory functions and effectiveness of the Board of Directors, engaged in two major matters

(1) Revise Regulations of the Board of Directors (New Initiative)

- Clarify the authorities and responsibilities of the Board of Directors, and the scope of delegation to the executive side by more specifically defining matters to be resolved at meetings of the Board of Directors
[Main Clarified Matters]
 - **Matters regarding management philosophy and basic management policies, etc.**
(Decisions on and reviews of particularly important management plans, etc.)
 - **Matters regarding particularly important business execution in terms of management strategy**
(Decisions on particularly important business alliances and capital participation, etc.)
 - **Matters regarding organization restructuring, etc.** **etc.**
- Prevent excessive reporting or omissions in reporting by clarifying criteria for agenda items

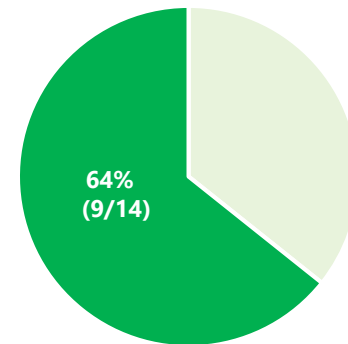
(2) Provide Information Regarding Crucial Matters to the Board of Directors Earlier

- Establish a system for sharing matters that may become important for management in the future with each director prior to deliberations at meetings of the Board of Directors, and provide information earlier, to enhance the provision of information to the Board of Directors
[Principal Matters]
 - Σ **business, Secondary offering of our shares** **etc.**

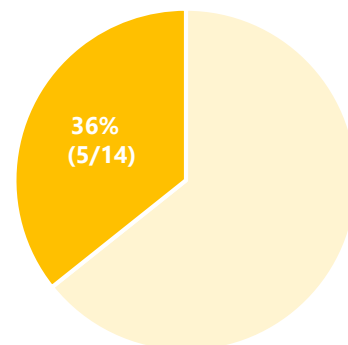
(3) ESG management - Structure and Skill Matrix of the Board of Directors

Name	Independent Outside	Committee-related duties ^{*1,2}	Experience/Expertise								
			Management Corporate Management	Legal/ Compliance	Financial Accounting	Finance	Market Operation/ Risk Management	Sales/ Digital Marketing	Human Resources Development	ESG	Administration
1 Norito Ikeda		Nomination	●			●		●		●	
2 Susumu Tanaka					●	●					●
3 Takayuki Kasama						●	●				
4 Hiroya Masuda		Nomination Compensation	●			●				●	●
5 Katsuyo Yamazaki		Audit Risk				●			●		●
6 Keisuke Takeuchi	●	Nomination <u>Compensation</u>	●							●	
7 Makoto Kaiwa	●	<u>Nomination</u>	●		●					●	
8 Risa Aihara	●	Compensation	●					●			
9 Hiroshi Kawamura	●	<u>Audit</u>		●							
10 Kenzo Yamamoto	●	Audit <u>Risk</u>				●	●				
11 Keiji Nakazawa	●	Audit Compensation		●	●						
12 Atsuko Sato	●	Risk				●	●		●		
13 Reiko Amano	●	Nomination						●		●	
14 Akane Kato	●	Audit	●						●		

Independent outside directors



Female directors



(as of June 20, 2023)

*1 Nomination: Nomination Committee member Compensation: Compensation Committee member Audit: Audit Committee member Risk: Risk Committee member

*2 Those underlined and in bold are the chairmen of their committees.

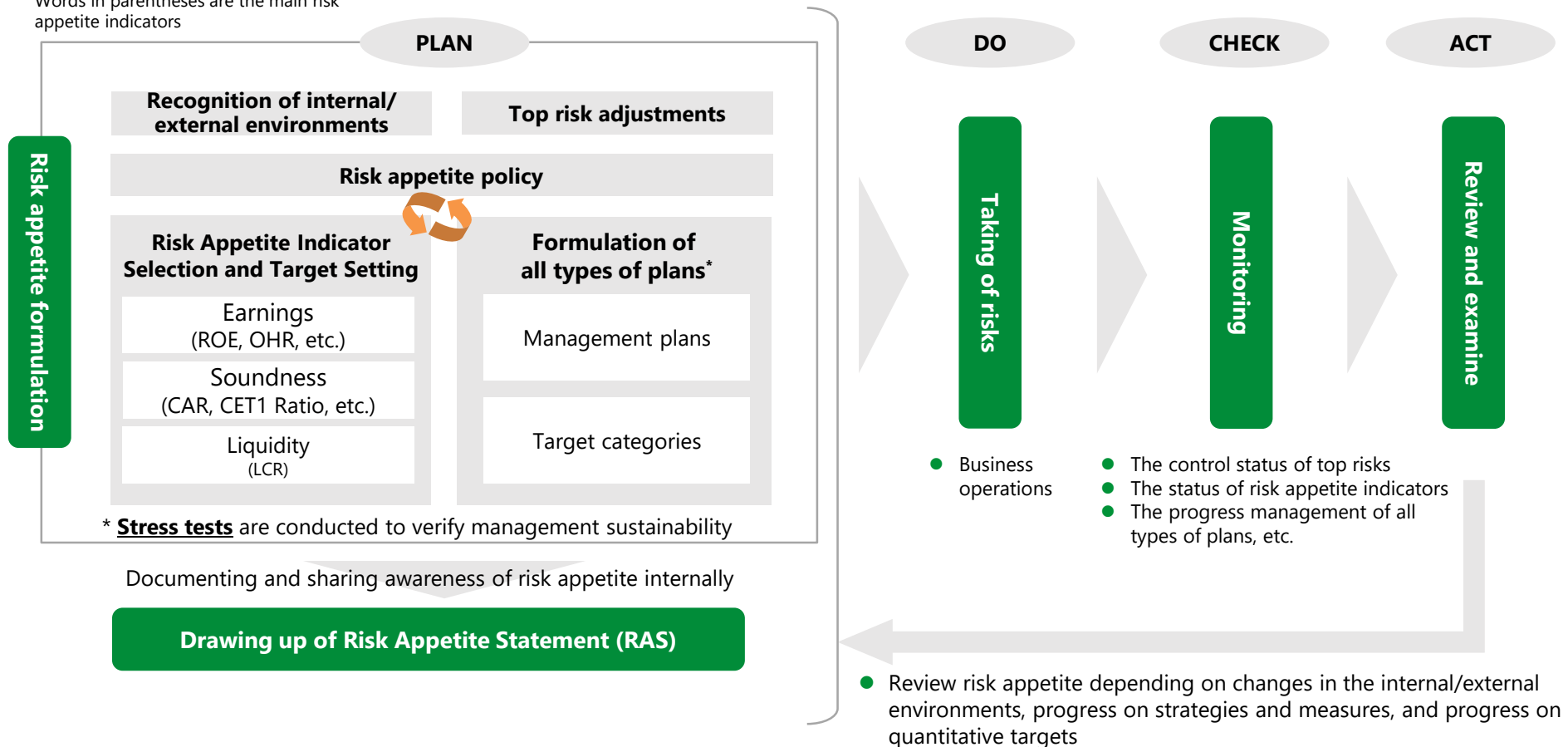
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We conduct business operations in line with the Risk Appetite Framework (RAF)*, in order to ensure medium- to long-term profitability, financial soundness, etc.

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 Risks

We select the top risks that we recognize as potentially having a particularly significant impact on our business, performance, and financial position, in consideration of their degree of impact and probability.

We set monitoring indicators against the selected risks and regularly check they are under control.

Top Risks in FY2024/3 and Measures to Prevent Risks from Materializing

Financial Risks

Market/Credit/ Liquidity Risk, etc. Stronger Financial Regulations

- Continuation of Portfolio risk tolerance enhancements
- More advanced stress tests and stronger monitoring
- Enhancement of expert personnel for market operations and risk management
- Improve management systems from the standpoint of being an internationally active bank

Non Financial Risks

Cyber Attacks

- Implement and establish cyber-security action plans, and continue measures against phishing fraud, etc.

System Disruptions

- Support for renewals of core systems
- Stable systems operation-oriented appropriate management resource distribution

Major Disasters, Pandemics

- Strengthening of facilities and equipment
- Establishment of remote work environments

Delayed Response to DX, Productivity Improvements, etc.

- Steady advancement of DX as set forth in the Mid-term Plan

Incidence of Compliance Violations

- Using past examples of the Bank and examples from other companies' scandals to develop recurrence prevention measures, and ensure measures to prevent personal information leaks and losses are more thorough

Insufficient Customer-oriented Business Operations

- Quality controls for customer-oriented business operations
- Improved second-line functions
- Deeper discussions in Special Committees
- Double tracking of information transmission, etc.

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

Deficiencies in Preparations Against Money Laundering / Terrorism Financing and Proliferation Financing

- Money laundering response structure establishment
- Joint AML^{*2} / CFT^{*3} organization participation

*2 "Anti Money Laundering" abbreviation. Referring to money laundering prevention.

*3 "Combating the Financing of Terrorism" abbreviation. Referring to terrorism funding prevention measures.

Inhibited Execution of Strategies due to Insufficient Personnel

- Promoting human capital strategy and human capital investment linked to management strategy

Climate Change Risks, etc.

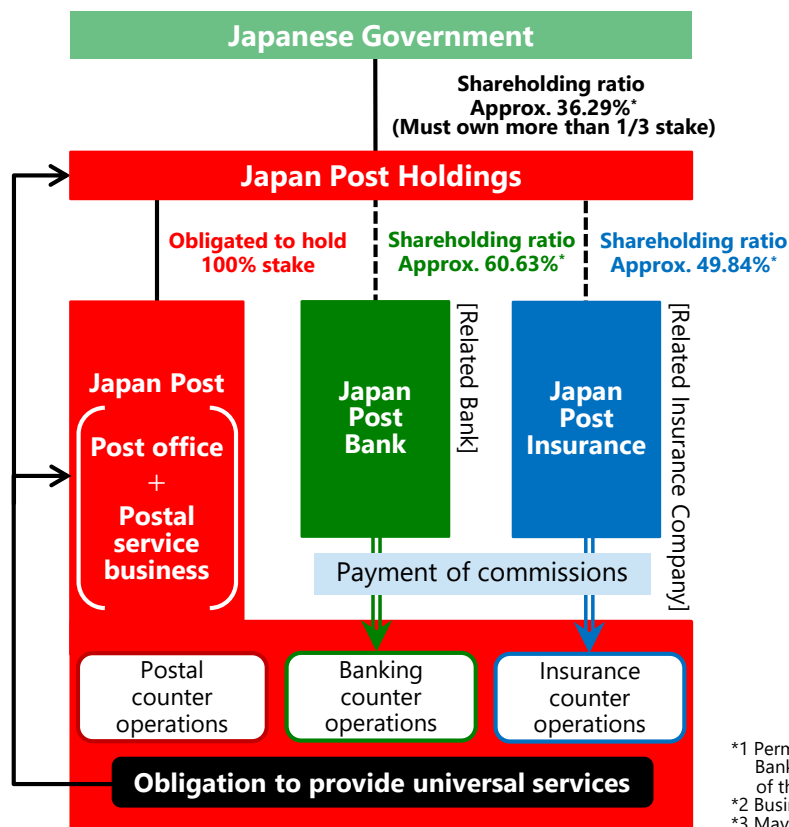
- Advanced measures corresponding to changes in the outside environment, implemented monitoring, and provided disclosures as appropriate based on the basic sustainability policy

Current Status Regarding Privatization

(1) Relationship with Group Companies, etc.

As a result of the secondary offering in March of 2023, Japan Post Holdings' shareholding ratio of the Bank decreased to approximately 60.63%, and the regulations of the Postal Service Privatization Act continue to apply in addition to the regulations of the Banking Act.

Relationship with Group Companies (As of Mar. 31, 2023)



* Excluding treasury stock. Figures are rounded to two decimal places.

Limitations on New Business, etc.

		Japan Post Holdings' shareholding ratio (Voting rights basis)		
		Over 50%	50% or less	0%
New business	E.g. : Personal loans, trust and inheritance services and bilateral loans for corporations	None	None	None
	Banking Act ^{*1} Postal Service Privatization Act ^{*1,2}	Permission	Notification	None
Owning affiliates	Banking Act ^{*1}	Notification	Notification	Notification
	Postal Service Privatization Act ^{*1}	Notification	Notification	None
Owning subsidiaries				
Banks	Banking Act ^{*1}	Permission	Permission	Permission
	Postal Service Privatization Act ^{*1}	Prohibited	Prohibited	None
Other	Banking Act ^{*1}	Permission ^{*3}	Permission ^{*3}	Permission ^{*3}
	Postal Service Privatization Act ^{*1}	Permission ^{*4}	Permission ^{*4}	None
Mergers and acquisitions (M&A)				
Financial ^{*5} institutions	Banking Act ^{*1}	Permission	Permission	Permission
	Postal Service Privatization Act ^{*1}	Prohibited ^{*6}	Prohibited ^{*6}	None
E.g. : Banks	Banking Act ^{*1}	Permission	Permission	Permission
	Postal Service Privatization Act ^{*1}	Permission	Permission	None
E.g. : Securities firms	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 Businesses that require permissions and notifications are limited to those businesses stipulated in Article 110 of the Postal Service Privatization Act.

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

*4 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.

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

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

Current Status Regarding Privatization

(2) Overview of Regulations Surrounding the Bank

**Universal Service Obligation Related to Banking Service
(Imposed on Japan Post Holdings and Japan Post)**

**Share Disposal
(Japan Post Holdings ⇒ the Bank)**

Regulations on the Bank

Regulations under the Banking Act

Additional Regulations*1

Restrictions on the Maximum Amount of Deposit

Restrictions on Scope of Business

Current

After Japan Post Holdings disposes of 50% or more
(Voting rights basis)

After Japan Post Holdings disposes of all shares

Summary of Regulations

- Obligation to provide basic banking services (acceptances and withdrawals of ordinary, TEIGAKU and time deposits, and remittance, etc.) through the post office network
- Japan Post has Bank Counter Services Agreement with the Bank
- Japan Post Holdings must aim to dispose of 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
- Same regulation is imposed as a "Bank" under the Banking Act
- Maximum amount of deposits (ordinary deposits: JPY 13mn/fixed-term deposits: JPY 13mn) are stipulated by the enforcement order of the Privatization Act
- **Permission** from the Commissioner of the Financial Services Agency (of Japan)*2 and the Minister for Internal Affairs and Communications required
(+ Consultation with the Postal Privatization Committee + Supervision)
- **Notification** to the Commissioner of the Financial Services Agency (of Japan)*2 and the Minister for Internal Affairs and Communications
(+ Obligation to care for fair competition + Notice to Postal Privatization Committee + Supervision)
- Same regulation is imposed as a "Bank" under the Banking Act

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

*2 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).

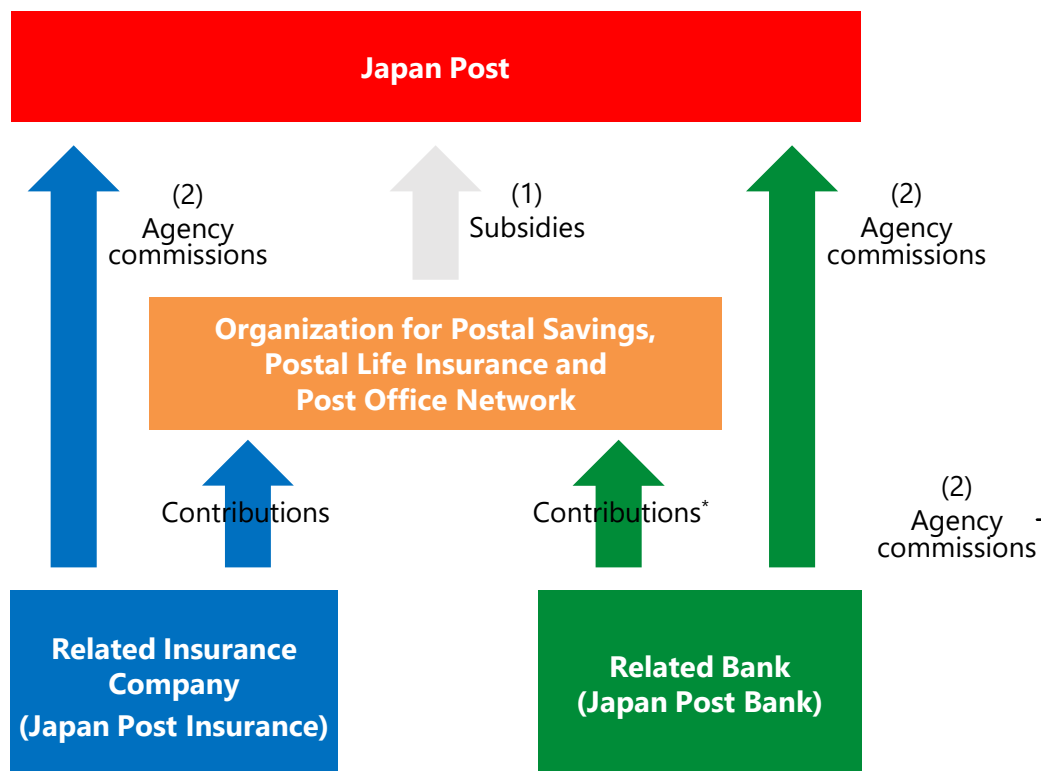
Current Status Regarding Privatization

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

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

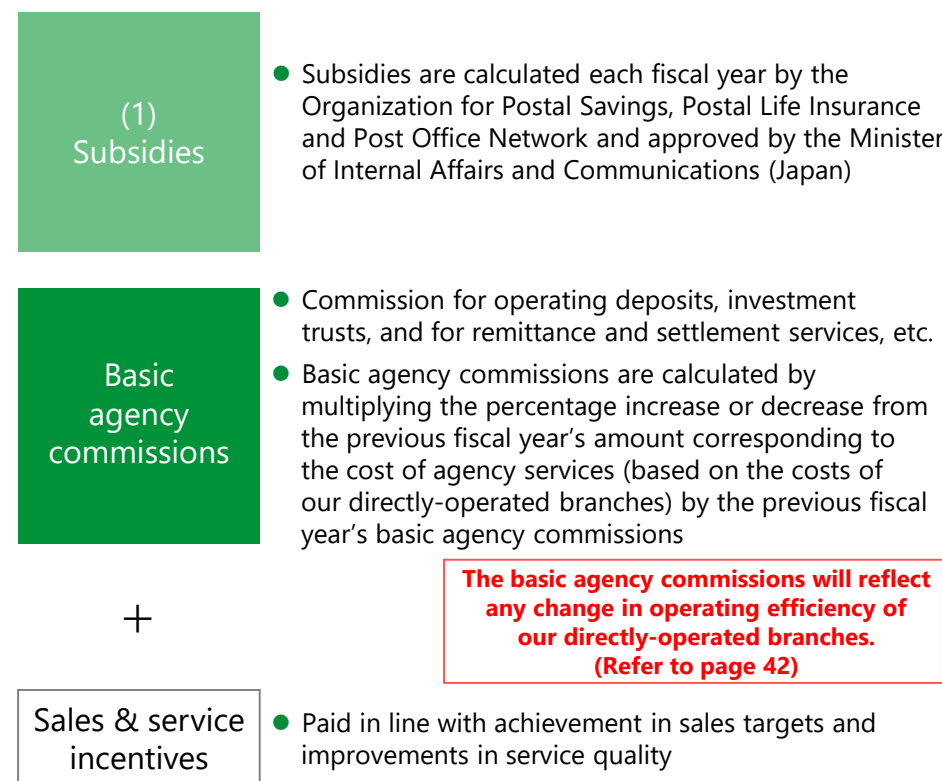
Of 2) agency commissions, the basic agency commissions will reflect any change in operating efficiency of our directly-operated branches.

Contribution System



* Contributions are the subsidies plus the administrative expenses (those incurred by related bank) of the Organization for Postal Savings, Postal Life Insurance and Post Office Network.

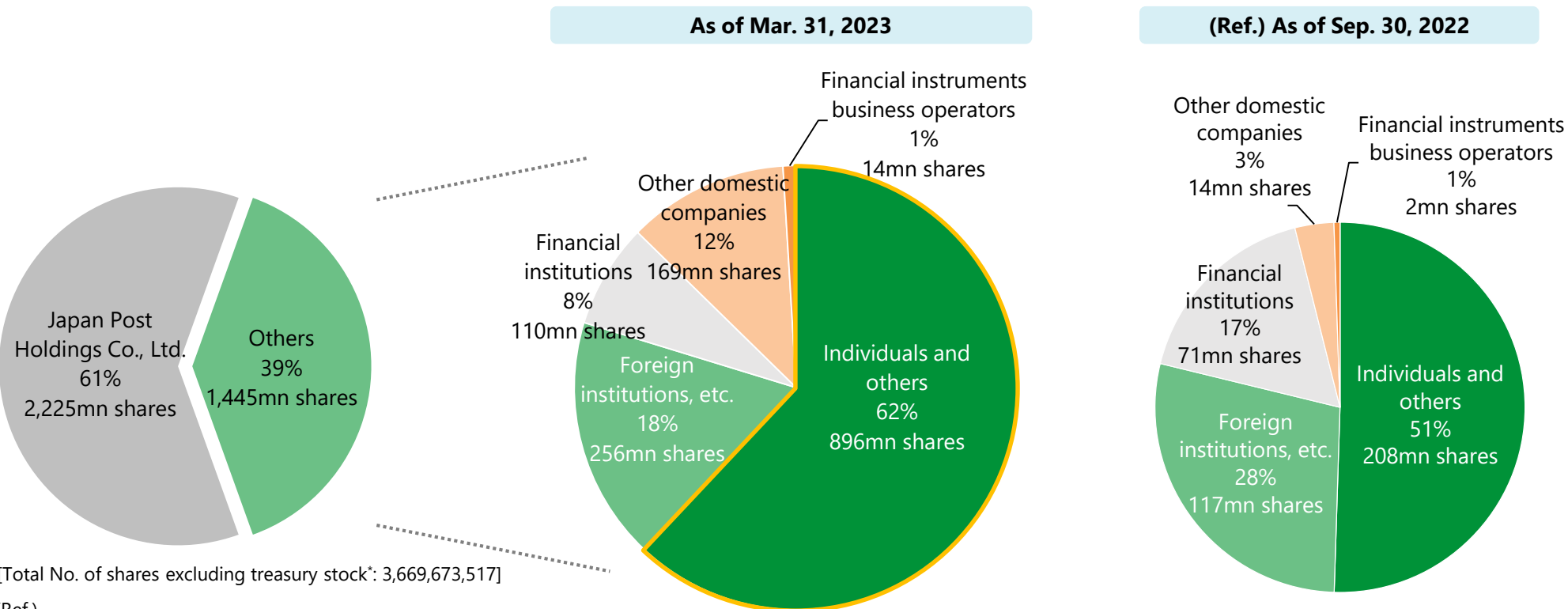
Structure of Expenses Associated with Outsourcing to Japan Post



Current Status Regarding Privatization

(4) Shareholder Composition

In March 2023, JAPAN POST HOLDINGS Co., Ltd. conducted the offer and sale of shares of stock of the Bank. As a result, Individual shareholders ratio increased from 51% to 62%.



[Total No. of shares excluding treasury stock*: 3,669,673,517]

(Ref.)

Total No. of outstanding shares	3,690,021,220
No. of treasury stock*	20,347,703

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

Note: All figures are rounded.

Current Status Regarding Privatization

(5) Market Restructuring (Tokyo Stock Exchange)

As we have yet to achieve a “tradable share ratio of at least 35%”, one of the continued listing requirements for the Prime Market, we submitted the Plans to meet the level of continued listing requirements (the Plans) to Tokyo Stock Exchange, INC. (TSE) in November 2021 and transitioned (applied transitional measures) to the Prime Market.

After the Global Offering, tradable share ratio improved significantly from approximately 10.6% to 34.5% (as of March 31, 2023), but have yet to reach 35% slightly. We will continue to apply transitional measures and make effort to meet requirements.

Situation to Date

Japan Post HLDGS.

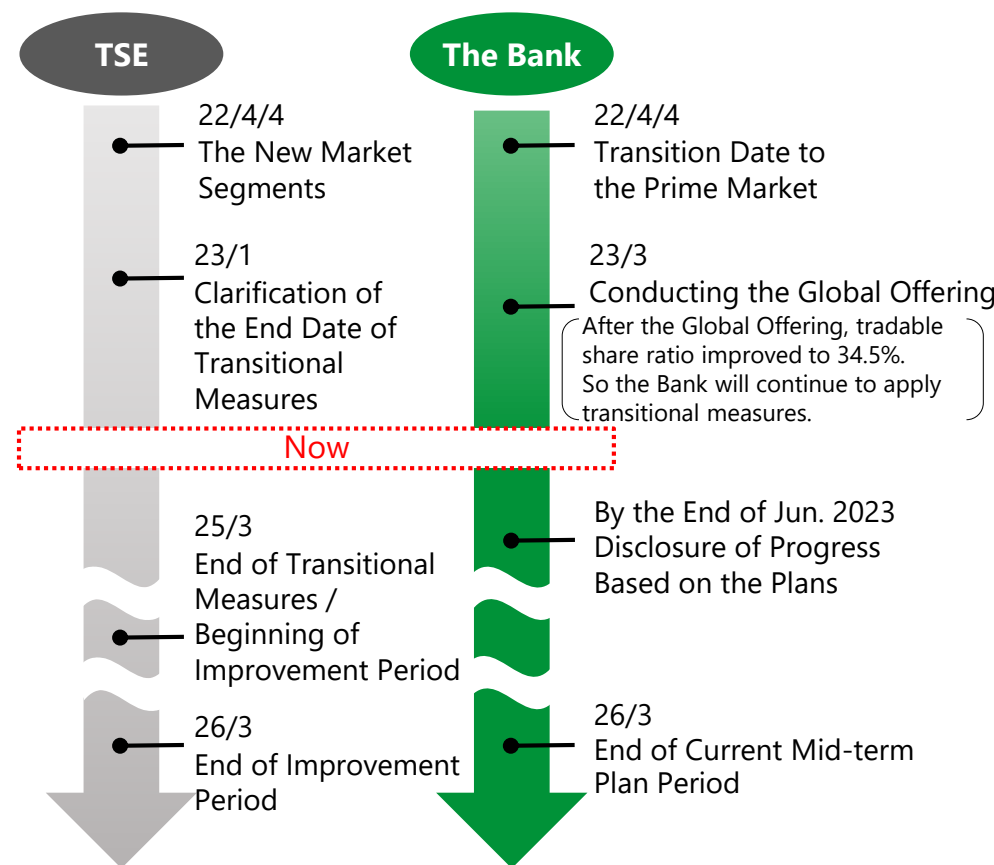
- Japan Post Holdings conducted the offer and sale of shares of stock of the Bank (the Global Offering). The shareholding ratio declined from 89.00 % to 60.63% (as of Mar. 31, 2023)*
- As a Japan Post Group policy, Japan Post Holdings aims to dispose of their equity interests in the Bank to lower the shareholding ratio to 50% or less as early as possible during the Mid-term Plan

The Bank

- After the Global Offering, tradable share ratio improved significantly to 34.5% (as of Mar. 31, 2023). But slightly, we have yet to achieve requirements level (at least 35%) for continued listing the Prime Market, so the Bank will continue to apply transitional measures
- Progress based on the Plans will be disclosed by the end of Jun. 2023
- Based on the Plans, we will continue to make efforts to create an environment in which it is easy for Japan Post Holdings to reduce its shareholding ratio (increase profits and enhance corporate value)

* Shareholding ratio is the ratio of the number of shares held by Japan Post Holdings against the aggregate number of issued shares (excluding treasury stock). Figures are rounded to two decimal places.

Upcoming Schedule



(Ref.) ESG Indices, Initiatives and External Assessments

ESG Indices



FTSE Blossom
Japan Sector
Relative Index



MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



External Assessments



Initiatives



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Partnership for
Carbon Accounting
Financials



GRESB
REAL ESTATE
member

(Ref.) Japan Post Investment Corporation
(consolidated subsidiary) signed

Signatory of:



Principles for
Responsible
Investment

インパクト志向金融宣言

Japan Impact-driven Financing Initiative



Note: More information for the indices and assessments, etc. can be found on our website.
<https://www.jp-bank.japanpost.jp/en/sustainability/evaluation/>

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Income Analysis

	For the fiscal year ended		(B) – (A)
	March 31, 2022 (A)	March 31, 2023 (B)	
Gross operating profit	1,290,865	1,042,610	(248,255)
Net interest income	1,147,500	785,114	(362,385)
Net fees and commissions	127,400	146,354	18,954
Net other operating income (loss)	15,964	111,140	95,176
Gains (losses) on foreign exchanges	78,954	199,045	120,091
Gains (losses) on bonds	(63,245)	(88,083)	(24,837)
General and administrative expenses	(980,906)	(923,664)	57,241
Personnel expenses	(116,943)	(115,285)	1,657
Non-personnel expenses	(819,027)	(772,942)	46,085
Taxes and dues	(44,935)	(35,436)	9,498
Operating profit (before provision for general reserve for possible loan losses)	309,959	118,945	(191,013)
Core net operating profit	373,204	207,028	(166,176)
Excluding gains (losses) on cancellation of investment trusts	259,888	150,853	(109,034)
Provision for general reserve for possible loan losses	(9)	—	9
Net operating profit	309,949	118,945	(191,004)
Non-recurring gains (losses)	181,509	329,297	147,787
Gains (losses) related to stocks	(125,583)	74,993	200,577
Gains (losses) on money held in trust	286,671	246,820	(39,851)
Net ordinary income	491,459	448,242	(43,216)

	For the fiscal year ended		(B) – (A)
	March 31, 2022 (A)	March 31, 2023 (B)	
Extraordinary income (loss)	5,682	(1,188)	(6,870)
Gains (losses) on sales and disposals of fixed assets	5,698	(312)	(6,011)
Losses on impairment of fixed assets	(15)	(875)	(859)
Income before income taxes	497,141	447,054	(50,087)
Income taxes – current	(104,295)	(145,782)	(41,486)
Income taxes – deferred	(37,901)	23,334	61,236
Total income taxes	(142,196)	(122,447)	19,749
Net income	354,945	324,607	(30,338)
Gains (losses) on money held in trust	286,671	246,820	(39,851)
Dividends and interest income	107,848	134,476	26,627
Gains (losses) on sales of stocks	194,410	147,015	(47,395)
Impairment losses	(1,955)	(3,195)	(1,240)
Withholding income tax, etc.	(13,632)	(31,476)	(17,843)
Credit-related expenses	(9)	12	21
Provision for general reserve for possible loan losses	(9)	12	21

(Millions of yen)

- Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (JPY 1,517 million and JPY 1,838 million recorded as profits for the fiscal years ended March 31, 2023 and 2022, 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

	As of March 31, 2022 (A)	As of March 31, 2023 (B)	Increase (Decrease) (B) – (A)		As of March 31, 2022 (A)	As of March 31, 2023 (B)	Increase (Decrease) (B) – (A)
Total assets	232,922,083	229,545,202	(3,376,881)		232,922,083	229,545,202	(3,376,881)
Cash and due from banks	66,664,253	68,217,495	1,553,242	Total liabilities and net assets	232,922,083	229,545,202	(3,376,881)
Call loans	2,470,000	2,460,000	(10,000)	Total liabilities	222,658,520	219,936,223	(2,722,297)
Receivables under resale agreements	9,861,753	9,788,452	(73,300)	Deposits	193,441,929	194,951,503	1,509,574
Receivables under securities borrowing transactions	—	250,241	250,241	Payables under repurchase agreements	19,461,646	18,316,621	(1,145,024)
Monetary claims bought	397,301	478,286	80,985	Payables under securities lending transactions	1,514,438	1,941,872	427,434
Trading account securities	11	19	8	Borrowed money	5,603,600	1,632,600	(3,971,000)
Money held in trust	5,828,283	6,564,738	736,454	Foreign exchanges	697	1,411	714
Securities	139,549,103	132,769,420	(6,779,683)	Other liabilities	2,124,933	2,891,096	766,162
Loans	4,441,967	5,604,366	1,162,399	Reserve for bonuses	7,238	7,150	(88)
Foreign exchanges	213,924	124,943	(88,980)	Reserve for employees' retirement benefits	140,355	138,375	(1,979)
Other assets	3,250,352	2,994,691	(255,660)	Reserve for employee stock ownership plan trust	515	511	(3)
Tangible fixed assets	192,819	190,216	(2,603)	Reserve for management board benefit trust	365	424	58
Intangible fixed assets	53,367	77,118	23,750	Reserve for reimbursement of deposits	58,813	54,655	(4,158)
Deferred tax assets	—	26,245	26,245	Deferred tax liabilities	303,985	—	(303,985)
Reserve for possible loan losses	(1,054)	(1,033)	21	Total net assets	10,263,563	9,608,979	(654,584)
				Capital stock	3,500,000	3,500,000	—
				Capital surplus	3,500,000	3,500,000	—
				Retained earnings	2,413,168	2,480,262	67,094
				Treasury stock	(902)	(24,510)	(23,608)
				Total shareholders' equity	9,412,266	9,455,752	43,486
				Net unrealized gains (losses) on available-for-sale securities	1,390,288	779,268	(611,020)
				Net deferred gains (losses) on hedges	(538,991)	(626,041)	(87,050)
				Total valuation and translation adjustments	851,297	153,227	(698,070)

(Millions of yen)

Average Balance, Interest, and Earnings 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, 2022 (A)			March 31, 2023 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	211,342,025	446,743	0.21	210,210,806	307,787	0.14	(0.06)%pt
Loans	4,620,369	10,120	0.21	5,179,919	9,589	0.18	(0.03)%pt
Securities	69,451,545	341,824	0.49	63,733,361	272,085	0.42	(0.06)%pt
Due from banks, etc.	60,361,005	29,872	0.04	63,294,696	27,549	0.04	(0.00)%pt
Interest-bearing liabilities	204,529,496	44,486	0.02	204,217,396	31,615	0.01	(0.00)%pt
Deposits	192,386,838	20,984	0.01	194,561,694	12,963	0.00	(0.00)%pt
Payables under securities lending transactions	17,507	17	0.09	5,142	5	0.09	0.00 %pt

(2) Overseas

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2022 (A)			March 31, 2023 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	70,834,616	991,619	1.39	76,608,908	925,669	1.20	(0.19)%pt
Loans	26,122	137	0.52	30,250	161	0.53	0.00 %pt
Securities	70,670,623	991,228	1.40	76,363,251	917,648	1.20	(0.20)%pt
Due from banks, etc.	—	—	—	—	—	—	—
Interest-bearing liabilities	70,222,165	246,376	0.35	73,333,363	416,726	0.56	0.21 %pt
Payables under securities lending transactions	1,458,983	2,579	0.17	1,786,878	52,173	2.91	2.74 %pt

Average Balance, Interest, and Earnings 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, 2022 (A)			March 31, 2023 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	217,361,148	1,369,747	0.63	219,606,759	1,232,408	0.56	(0.06)%pt
Loans	4,646,492	10,257	0.22	5,210,170	9,750	0.18	(0.03)%pt
Securities	140,122,168	1,333,053	0.95	140,096,612	1,189,734	0.84	(0.10)%pt
Due from banks, etc.	60,361,005	29,872	0.04	63,294,696	27,549	0.04	(0.00)%pt
Interest-bearing liabilities	209,936,168	222,246	0.10	210,337,804	447,294	0.21	0.10 %pt
Deposits	192,386,838	20,984	0.01	194,561,694	12,963	0.00	(0.00)%pt
Payables under securities lending transactions	1,476,490	2,597	0.17	1,792,020	52,179	2.91	2.73 %pt

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, 2023, JPY 5,108,455 million; fiscal year ended March 31, 2022, JPY 4,160,954 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2023, JPY 5,108,455 million; fiscal year ended March 31, 2022, JPY 4,160,954 million) and the corresponding interest (fiscal year ended March 31, 2023, JPY 10,863 million; fiscal year ended March 31, 2022, JPY 4,404 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 JPY 184,988 million for the fiscal year ended March 31, 2023 (JPY 21,782 million for the fiscal year ended March 31, 2022).

4. Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals. And, the Bank revised calculation method of the interest from the fiscal year ended March 31, 2023.

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, 2022 (A)	March 31, 2023 (B)	
Yield on interest-earning assets (a)	0.63	0.56	(0.06)%pt
Total cost of funding (including general and administrative expenses) (b)	0.57	0.65	0.07 %pt
Interest rate on interest-bearing liabilities (c)	0.10	0.21	0.10 %pt
Overall interest rate spread (a) - (b)	0.05	(0.09)	(0.14)%pt
Interest rate spread (a) - (c)	0.52	0.34	(0.17)%pt

Unrealized Gains (Losses) on Financial Instruments

(1) Held-to-maturity Securities

(Millions of yen)

	As of March 31, 2022 (A)		As of March 31, 2023 (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	14,974,212	(31,393)	15,042,583	(236,650)	68,371	(205,257)
Japanese local government bonds	2,746,510	(11,848)	3,581,661	(26,442)	835,151	(14,594)
Japanese corporate bonds	3,540,039	(12,623)	4,655,700	(33,719)	1,115,660	(21,096)
Others	1,808,495	80	3,773,727	(8,507)	1,965,231	(8,587)
Foreign bonds	1,808,495	80	3,773,727	(8,507)	1,965,231	(8,587)
Total	23,069,257	(55,784)	27,053,673	(305,320)	3,984,415	(249,535)

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, 2022 (A)		As of March 31, 2023 (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	17,283	—	18,827	—	1,544	—
Bonds	44,132,804	103,994	31,110,108	(443,394)	(13,022,696)	(547,389)
Japanese government bonds	34,285,554	85,743	23,072,127	(423,816)	(11,213,426)	(509,560)
Japanese local government Bonds	2,834,364	7,367	2,059,206	2,210	(775,158)	(5,156)
Short-term corporate bonds	1,434,510	—	1,400,895	—	(33,615)	—
Japanese corporate bonds	5,578,374	10,883	4,577,878	(21,788)	(1,000,496)	(32,672)
Others	72,742,078	1,569,057	75,072,343	1,659,553	2,330,264	90,496
Foreign bonds	22,701,193	1,484,225	22,365,282	1,476,129	(335,911)	(8,096)
Investment trusts	49,534,425	82,347	52,110,200	184,011	2,575,775	101,664
Total	116,892,166	1,673,052	106,201,280	1,216,159	(10,690,886)	(456,893)

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, JPY 1,306,052 million and JPY 852,922 million profits were included in the statement of income for the fiscal years ended March 31, 2023 and 2022, respectively, because of the application of fair value hedge accounting.

4. Investment trusts are mainly invested in foreign bonds. The Bank has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (revised 2021) from the beginning of the fiscal year ended March 31, 2023. Due to the application, net unrealized gains on investment trusts include those of private equity funds as of March 31, 2023. Net unrealized gains on investment trusts as of March 31, 2022 were JPY 1,348.8bn (estimate), when the guidance was applied.

5. No impairment loss was recognized for the fiscal year ended March 31, 2023. Impairment loss for the fiscal year ended March 31, 2022 amounted to JPY 744 million.

Unrealized Gains (Losses) on Financial Instruments

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

(Millions of yen)

	As of March 31, 2022 (A)		As of March 31, 2023 (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	5,828,283	1,181,977	6,564,738	1,207,209	736,454	25,232
Domestic stocks	2,024,619	1,202,212	1,857,660	1,104,910	(166,959)	(97,301)
Domestic bonds	1,406,103	(28,340)	1,270,609	(58,856)	(135,494)	(30,515)

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, 2023 and 2022 amounted to JPY 3,195 million and JPY 1,955 million, respectively.

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

(Millions of yen)

	As of March 31, 2022 (A)		As of March 31, 2023 (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	7,427,585	(67,703)	8,888,437	(47,645)	1,460,851	20,057
Currency swaps	8,654,075	(711,381)	9,189,575	(855,658)	535,500	(144,276)
Foreign exchange forward contracts	—	—	—	—	—	—
Total	16,081,660	(779,085)	18,078,012	(903,304)	1,996,351	(124,219)

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, 2022 (A)	As of March 31, 2023 (B)	Increase (Decrease) (B) – (A)
Total net unrealized gains (losses)	1,223,021	214,011	(1,009,010)

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

	For the fiscal year ended				(Millions of yen, %)
	March 31, 2022 (A)		March 31, 2023 (B)		Increase (Decrease) (B) – (A)
	Amount	%	Amount	%	Amount
Personnel expenses	115,104	11.75	113,767	12.33	(1,336)
Salaries and allowances	94,057	9.60	92,479	10.02	(1,577)
Others	21,047	2.14	21,288	2.30	240
Non-personnel expenses	819,027	83.65	772,942	83.81	(46,085)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	353,214	36.07	340,055	36.87	(13,159)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network*	237,040	24.21	230,710	25.01	(6,329)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	55,381	5.65	27,514	2.98	(27,867)
Rent for land, buildings and others	10,914	1.11	10,778	1.16	(135)
Expenses on consigned businesses	66,010	6.74	66,702	7.23	691
Depreciation and amortization	37,601	3.84	34,102	3.69	(3,498)
Communication and transportation expenses	14,248	1.45	14,787	1.60	539
Maintenance expenses	15,168	1.54	16,800	1.82	1,632
IT expenses	13,059	1.33	13,684	1.48	625
Others	16,387	1.67	17,804	1.93	1,416
Taxes and dues	44,935	4.58	35,436	3.84	(9,498)
Total	979,067	100.00	922,146	100.00	(56,921)

* 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

(Millions of yen)

	Domestic Standard					
	Non-consolidated			Consolidated		
	As of March 31, 2022 (A)	As of March 31, 2023 (B)	Increase (Decrease) (B) – (A)	As of March 31, 2022 (C)	As of March 31, 2023 (D)	Increase (Decrease) (D) – (C)
Core Capital: instruments and reserves (a)	9,225,082	9,272,542	47,460	9,236,562	9,280,410	43,847
Core Capital: regulatory adjustments (b)	37,024	55,580	18,556	37,256	56,003	18,747
Total capital (a) - (b) = (c)	9,188,057	9,216,961	28,903	9,199,306	9,224,407	25,100
Total amount of risk-weighted assets (d)	59,089,525	59,383,662	294,136	59,106,048	59,395,184	289,135
Credit risk-weighted assets	56,529,128	56,934,898	405,770	56,545,574	56,938,257	392,683
Market risk equivalent / 8%	—	—	—	—	—	—
Operational risk equivalent / 8%	2,560,397	2,448,764	(111,633)	2,560,474	2,456,926	(103,547)
Capital adequacy ratio (c) / (d)	15.54%	15.52%	(0.02)%pt	15.56%	15.53%	(0.03)%pt

Securitized Products Exposure

As of March 31, 2022 and March 31, 2023, the Bank held the following securitized products.

The Bank's holdings of securitized products 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.

(Millions of yen)

	As of March 31, 2022			As of March 31, 2023		
	Acquisition cost	Net unrealized gains (losses)	Credit ratings	Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic						
Residential mortgage-backed securities (RMBS)	1,317,081	4,358	AAA	1,274,002	(11,695)	AAA
Held-to-maturity	331,835	(4,374)	AAA	350,366	(10,365)	AAA
Available-for-sale	985,245	8,733	AAA	923,635	(1,330)	AAA
Collateralized loan obligations (CLO)	—	—	—	—	—	—
Other securitized products	236,597	(156)	AAA	288,156	(111)	AAA
Commercial mortgage-backed securities (CMBS)	—	—	—	—	—	—
Collateralized debt obligations (CDO)	735	19	AAA	561	11	AAA
Domestic subtotal	1,554,414	4,220		1,562,720	(11,795)	
Overseas						
Residential mortgage-backed securities (RMBS)	38,004	5,782	AAA	27,906	3,161	AAA
Collateralized loan obligations (CLO)	1,602,388	168,008	AAA	2,326,005	293,625	AAA
Held-to-maturity	681,912	62,584	AAA	1,408,606	106,062	AAA
Available-for-sale	920,476	105,423	AAA	917,398	187,563	AAA
Overseas subtotal	1,640,393	173,791		2,353,911	296,787	
Total (domestic + overseas)	3,194,807	178,012		3,916,631	284,991	

Notes: 1. The figures in the above table are reference value calculated not on financial accounting basis but on management accounting basis.

2. The underlying assets provided are only those from multiple debtors comprising securitized products.

3. The above table does not include securitized products that might be included in investment trusts.

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

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

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

7. The overseas collateralized loan obligations (CLO) are only those in the United States and Europe. Net unrealized gains (losses) on the overseas CLO including foreign exchange hedging were as follows. Held-to-maturity securities (fair value hedge accounting was not applicable): JPY (23,642) million as of March 31, 2023, compared with JPY (9,767) million as of March 31, 2022.

Available-for-sale securities (fair value hedge accounting was applicable): JPY (17,158) million as of March 31, 2023, compared with JPY (5,963) million as of March 31, 2022.

Selected Historical Financial Data

(JPY bn)

	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Consolidated						
Consolidated gross operating profit	1,462.3	1,326.8	1,314.0	1,319.1	1,292.0	1,056.3
Net interest income* ¹	1,175.6	1,015.9	976.6	961.9	1,147.4	796.3
Net fees and commissions	96.4	106.7	128.8	127.9	128.4	147.8
Net other operating income (loss)	190.2	204.1	208.4	229.1	16.0	112.1
General and administrative expenses* ²	(1,045.1)	(1,038.5)	(1,021.5)	(1,011.4)	(983.2)	(926.3)
Provision for general reserve for possible loan losses	(0.0)	—	(0.0)	—	(0.0)	—
Consolidated net operating profit	417.1	288.2	292.5	307.6	308.7	130.0
Non-recurring gains (losses)	82.4	85.7	86.6	86.5	182.1	325.5
Net ordinary income	499.6	373.9	379.1	394.2	490.8	455.5
Extraordinary income (losses)	(0.7)	(4.1)	(0.5)	(1.5)	5.6	(1.1)
Net income attributable to owners of parent	352.7	266.1	273.4	280.1	355.0	325.0
Consolidated capital adequacy ratio (Domestic standard)* ³	17.43%	15.80%	15.58%	15.53%	15.56%	15.53%
Consolidated total net assets* ³	11,521.6	11,362.3	9,003.2	11,394.8	10,302.2	9,651.8
Consolidated total assets* ³	210,629.8	208,974.1	210,910.8	223,870.6	232,954.4	229,582.2
Non-consolidated						
Number of employees (people)* ³	13,009	12,800	12,477	12,408	12,169	11,742
Average number of temporary employees (people)* ³	4,612	4,184	3,865	3,601	3,243	2,898
New employees (people)* ⁴	542	404	234	230	147	141

*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 period. *4 As of the beginning of each fiscal year. The number of new employees in FY2024/3 is 141.