

Results for the Fiscal Year Ended March 2016

Summary of Q&A

- Q1. Given that the Bank will increase risk assets going forward, will it focus on a core area instead of foreign bond investment?
- A1. Alternative investments are positioned as one area of investment where we have looked at how to generate income going forward.
- Q2. Do you plan to continue to fully hedge foreign bond investments?
- A2. Basically, our assumption is that corporate bond investment will be fully hedged. On the other hand, in the case of such instruments as sovereign bonds, we may take advantage of timing and carry out unhedged investments as we have so far while monitoring foreign exchange trends.
- Q3. The SP balance has already exceeded the target of ¥60 trillion. What is the maximum limit for the balance? If there is a maximum amount for the SP, how have you decided on that amount?
- A3. As the maximum limit for the SP balance will change according to the concentration of risk, it is difficult to say how much it is, but it will probably not end at the current level of ¥60 trillion. That said, in regard to the pace of increase, as we increased investment considerably ahead of schedule last year, we will return to a normal pace this year.
- In regard to the maximum limit, we take stress tests into account. As for capital adequacy ratio, our level is currently well above the 4% threshold required to banks subject to the domestic standard. However, we intend to ensure sufficient capital adequacy even if the maximum stress value or the worst scenario all occur at the same time.
- Q4. Are you considering using cashback for promoting investment trust sales or obtaining deposits?
- A4. We have focused on attracting customers who have not invested in investment trusts in the past. We launched JP Asset Management products on February 22, and our philosophy is to provide products that even customers with no investment experience can understand. We are considering cashback as one of the means of ensuring this.
- Owing partly to the fact that we are conducting this on an experimental basis this year, we will proceed with this approach while examining the effect.
- Q5. In regard to agency commissions paid to Japan Post, it seems that the commission structure overly emphasizes the balance despite the fact that the Bank has to take risk in response to negative interest rates. Do you see any necessity to revise this?
- A5. We have not disclosed a breakdown, but the part that is proportional to the deposit balance has seen costs decline every year, and we expect it to decrease from this fiscal year to the next fiscal year as well. Last fiscal year, as Japan Post made strong efforts to become the house bank for our customers, the balance increased and as a result, overall commissions paid increased. This year, we expect to pay commissions at the level of FY15/3. If we look at past results as

well, agency commissions have steadily declined, and we intend to continue our efforts to reduce them.

Q6. What kind of "Do" are you considering to create good relationships with regional banks?

A6. We believe it is important to increase communication with regional financial institutions and establish connections with financial needs in each region. For that purpose, we established the Financial Institutions Business Department and assigned staff there. We think that regional financial institutions face three concerns: (1) concentration risk in the region; (2) how to make use of regional information at a nationwide level; and (3) methods to invest funds that have accumulated based on their existing buy and hold fund management systems. We think that we should be able to do something to alleviate these concerns, as we have a nationwide network.

Q7. Will private equity, infrastructure and real estate investment be based on Japanese or foreign assets? If they are foreign assets, how will the Bank control foreign exchange risk?

A7. Private equity investment targets are basically mainly overseas. If various projects emerge in Japan as well, we will continue to consider them.

As for foreign exchange risk, if we carry out projects in foreign currency, we intend to have them hedged by third parties basically, so that we will maintain some degree of hedging.

Q8. The Equity Investment Department has been established but what is your view on internal investment management of Japanese stocks? If you are considering internal investment management, how will you proceed to address the Stewardship Code?

A8. We have basically conducted passive investment related to stocks so far, but we are considering active investment as well, and we will proceed with this while including investigation of a third party for appointment.

As regards voting rights, we are not considering trying to do something by actively exercising voting rights.

Q9. What kind of impact has the increase in the deposit limit from April 2016 had?

A9. The increase in the deposit limit has had hardly any impact.

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