JAPAN POST BANK

Results for the Fiscal Year Ended March 2020

May 21, 2020

Table of Contents

1. FY2020/3 Financial Results P.2

- Overview of Business Results
- Income Analysis
- Asset Management
- Fees and Commissions
- General and Administrative Expenses
- Deposit Balance
- Unrealized Gains (Losses) on Financial Instruments
- Capital Adequacy Ratio
- Financial Data

2. FY2021/3 Financial Forecasts P.33

- Assumptions for the Earnings Forecasts
- Investments Forecasts
- Fees and Commissions / Expenses Forecasts
- Earnings / Dividends Forecasts
- Changes in Net Ordinary Income for Earnings Forecasts

Appendix P.39

- Preventing the Spread of COVID-19
- ESG
- Others

【Consolidated subsidiaries, etc.】

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

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

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1. FY2020/3 Financial Results

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Overview of Business Results (1)

[Consolidated]

Net income attributable to owners of parent	¥273.4bn
Achievement rate to forecast	101.2%
Net ordinary income	¥379.1bn
Achievement rate to forecast	101.1%

[Non-consolidated]

Net income	¥273.0bn	[YoY +2.5%]
Net ordinary income	¥379.0bn	[YoY +1.2%]
Net interest income	¥976.8bn	[YoY ¥(39.3)bn]
Net fees and commissions	¥128.8bn	[YoY +¥22.1bn]
Net other operating income (loss)	¥208.4bn	[YoY +¥4.3bn]
General and administrative expenses[1]	¥1,020.2bn	[YoY ¥(17.2)bn]

Dividend per share (Annual) ¥50 ☛ p7
[Payout ratio (consolidated) 68.5%] ☛ p7

1. Exclude non-recurring items.

Investment assets[2]	¥207.5tn	[vs FY19/3 end +¥1.5tn]
Securities	¥135.1tn	[vs FY19/3 end ¥(1.9)tn]
Japanese government bonds	¥53.6tn	[vs FY19/3 end ¥(4.7)tn]
Foreign securities, etc.	¥65.6tn	[vs FY19/3 end +¥3.1tn]

☛ p9

Yen interest rates assets[2]	¥113,956.9bn	[vs FY19/3 end ¥(2,866.2)bn]
Risk assets[2]	¥84,870.5bn	[vs FY19/3 end +¥2,939.0bn]
Foreign securities, etc.	¥63,402.3bn	[vs FY19/3 end +¥3,281.2bn]
Strategic investment areas	¥3,309.6bn	[vs FY19/3 end +¥381.1bn]
Private equity funds[3]	¥1,741.9bn	[vs FY19/3 end +¥512.5bn]
Hedge funds	¥169.9bn	[vs FY19/3 end ¥(824.6)bn]
Real estate funds	¥1,094.0bn	[vs FY19/3 end +¥440.3bn]
Others	¥303.6bn	[vs FY19/3 end +¥252.8bn]

2. Since "Yen interest rates assets" and "Risk assets" are calculated on management accounting basis, the sum of these figures is not equal to the "Investment assets".
3. Include regional vitalization funds.

☛ p10

Net unrealized gains (losses) on financial instruments (available-for-sale) adjusted by gains (losses) on hedge transactions
¥(102.0)bn [vs FY19/3 end ¥(3,529.4)bn] ☛ p20

Capital adequacy ratio (consolidated)
(Domestic Standard) 15.58% [vs FY19/3 end (0.22)%pt)] ☛ p22

Exchange and settlement transactions, ATM related commissions	¥98.5bn	[YoY +¥22.7bn]
Sales of asset management products, etc.[4]	¥30.3bn	[YoY ¥(0.6)bn]

4. JGBs related commissions, investment trust related commissions, credit cards related commissions, variable annuities related commissions, consumer loans related commissions, other.

☛ p14

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Overview of Business Results (2)

Non-consolidated

Results of Operations

(¥bn)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Gross operating profit	1,327.0	1,314.2	(12.8)
Net interest income	1,016.1	976.8	(39.3)
Net fees and commissions	106.7	128.8	22.1
Net other operating income (loss)	204.1	208.4	4.3
Gains (losses) on foreign exchanges	219.4	202.1	(17.3)
Gains (losses) on bonds	(12.2)	8.0	20.3
General and administrative expenses (*)	1,037.5	1,020.2	(17.2)
Provision for general reserve for possible loan losses	—	0.0	0.0
Net operating profit	289.4	293.9	4.4
Non-recurring gains (losses)	84.8	85.1	0.3
Gains (losses) on money held in trust	77.7	72.8	(4.8)
Net ordinary income	374.2	379.0	4.7
Net income	266.1	273.0	6.8

* General and administrative expenses exclude non-recurring losses.

Financial Conditions

(¥bn)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Assets	208,970.4	210,905.1	1,934.6
Cash and due from banks	50,698.5	51,663.9	965.3
Call loans	400.0	1,040.0	640.0
Receivables under resale agreements	8,368.1	9,731.8	1,363.7
Money held in trust	3,990.7	4,549.7	558.9
Securities	137,135.2	135,198.4	(1,936.8)
Loans	5,297.4	4,961.7	(335.6)
Liabilities	197,619.6	201,917.5	4,297.8
Deposits	180,999.1	183,004.7	2,005.5
Payables under repurchase agreements	11,569.3	14,855.6	3,286.2
Payables under securities lending transactions	2,473.4	2,219.3	(254.0)
Net assets	11,350.8	8,987.6	(2,363.1)
Total shareholders' equity	8,973.0	9,058.7	85.6
Total valuation and translation adjustments	2,377.7	(71.0)	(2,448.7)

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Overview of Business Results (3) Management Indicators

(¥bn)

		March 31, 2019	March 31, 2020	Increase (Decrease) (%pt)
Non-consolidated	Capital adequacy ratio (Domestic standards)	15.78%	15.55%	(0.22)
	Total capital	8,844.2	8,932.5	
	Total amount of risk-weighted assets	56,033.5	57,407.2	
	ROE (net assets basis)	2.32%	2.68%	+0.35
	Net income	266.1	273.0	
	Average of the beginning and ending balances of net assets	11,431.9	10,169.2	
	ROE (shareholders' equity basis)	2.97%	3.02%	+0.04
	Net income	266.1	273.0	
	Average of the beginning and ending balances of shareholders' equity	8,933.8	9,015.9	
	OHR	78.18%	77.63%	(0.55)
	General and administrative expenses	1,037.5	1,020.2	
	Gross operating profit	1,327.0	1,314.2	
	Yield on interest-earning assets	0.67%	0.64%	(0.03)
	Net interest margin	0.49%	0.47%	(0.02)
	Yield on interest-earning assets	0.67%	0.64%	
	Interest rate on interest-bearing liabilities	0.17%	0.17%	
Consolidated	Capital adequacy ratio (Domestic standards)	15.80%	15.58%	(0.22)
	Total capital	8,853.3	8,942.0	
	Total amount of risk-weighted assets	56,004.5	57,390.8	

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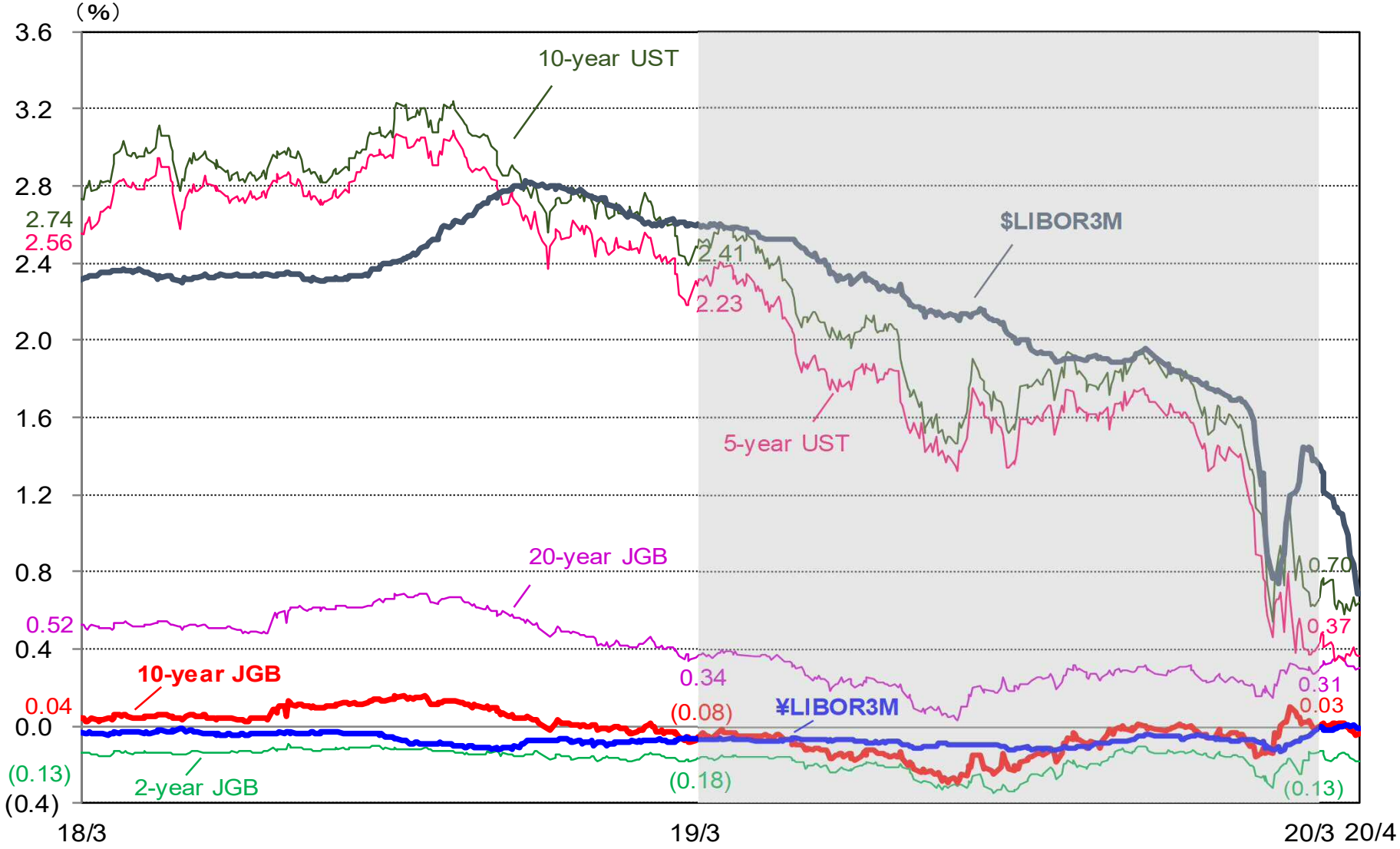
(Reference) Interest Rates in Japan and US

<From the end of March 2018 to the end of April 2020>



(Source) Ministry of Finance Japan, etc.

(Year/Month-end)

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Income Analysis (1)

Consolidated

- **In the extremely challenging business environment with yen interest rates remaining at a low level and a deteriorating market environment due to the spread of COVID-19 in the fourth quarter, net ordinary income on a consolidated basis was ¥379.1bn**
- **Net income attributable to owners of parent increased by ¥7.2bn year on year to ¥273.4bn, which equated to 101.2% of the earnings forecasts**
- **Dividend per share for the fiscal year ended March 31, 2020 is ¥50 (including interim dividends of ¥25)**

Achievement of the fiscal year ended March 31,2020

(¥bn)

	FY2019/3	FY2020/3		Increase (Decrease)	
	(actual) (A)	(forecast) (B)	(actual) (C)	(C) - (A)	(C) - (B)
Net interest income, etc.*	1,292.8	1,290.0	1,267.0	(25.8)	(22.9)
Net fees and commissions	106.7	120.0	128.8	+22.1	+8.8
General and administrative expenses	1,036.4	1,040.0	1,019.5	(16.8)	(20.4)
Net ordinary income	**373.9**	**375.0**	**379.1**	**+5.1**	**+4.1**
Net income attributable to owners of parent	**266.1**	**270.0**	**273.4**	**+7.2**	**+3.4**
Dividend per share [Dividend payout ratio]	**¥50 [70.4%]**	**¥50 [69.4%]**	**¥50 [68.5%]**	**—**	**—**

Achievement to earnings forecasts (FY2020/3) 101.2%

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

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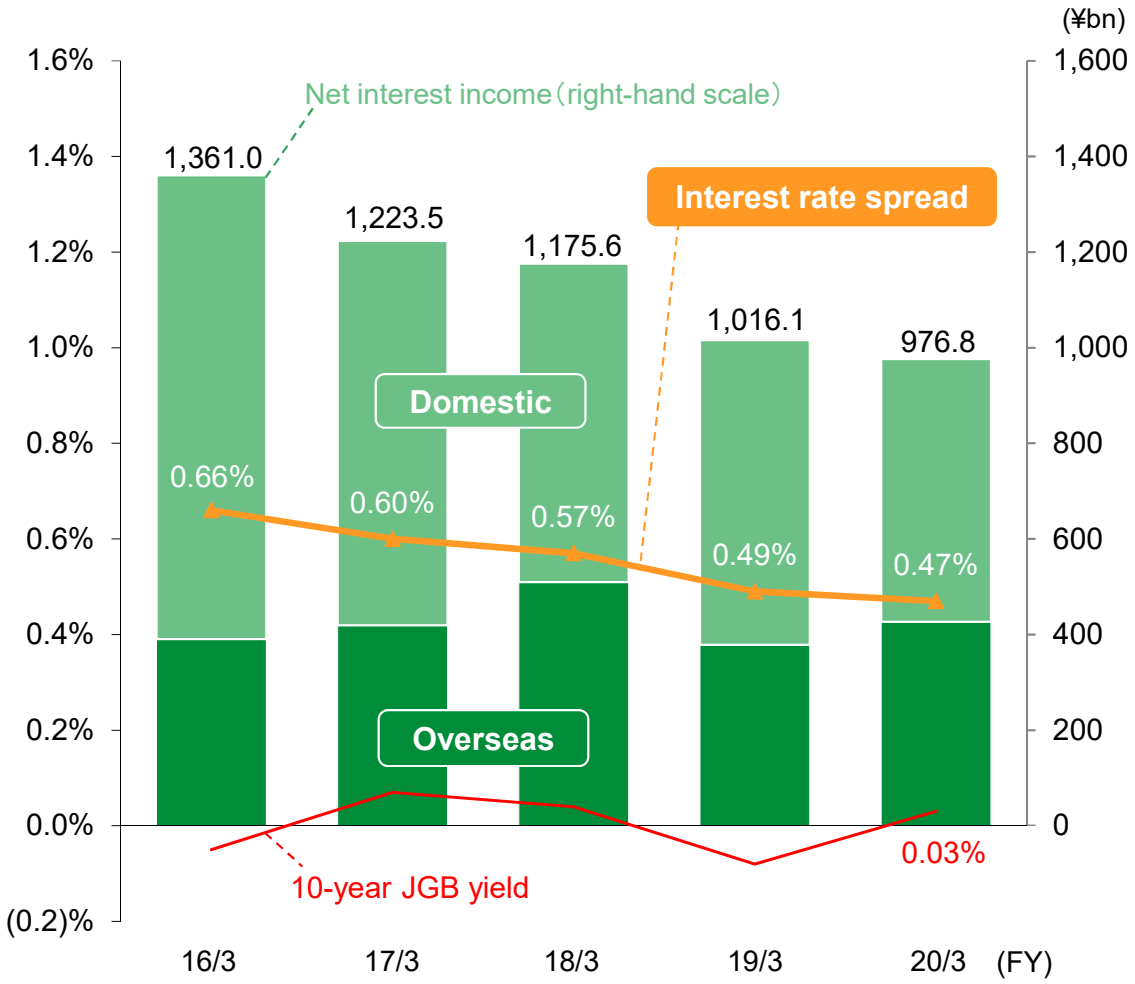
Income Analysis (2)
Net Interest Income and Interest Rate Spread

Non-consolidated

■ **Net interest income was ¥976.8bn and interest rate spread was 0.47% for the fiscal year ended March 31, 2020**



Domestic (¥bn)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Net interest income	637.9	549.7	(88.1)
Interest income	752.8	629.0	(123.7)
Interest income on Japanese government bonds	523.3	428.1	(95.1)
Interest expenses	114.9	79.3	(35.5)

Overseas (¥bn)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Net interest income	378.2	427.0	48.8
Interest income	700.2	789.4	89.2
Interest income on foreign securities	698.7	787.4	88.7
Interest expenses	322.0	362.3	40.3

Total (¥bn)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Net interest income	1,016.1	976.8	(39.3)
Interest income	1,357.9	1,318.0	(39.9)
Interest expenses	341.8	341.1	(0.6)

Source: JGB interest rate information – Ministry of Finance Japan

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

2. For a part of interest income and expenses, transactions between "domestic" and "overseas" are offset to calculate totals. As a result, the total of each account may not be equal to the combined total of "domestic" and "overseas" of each item.

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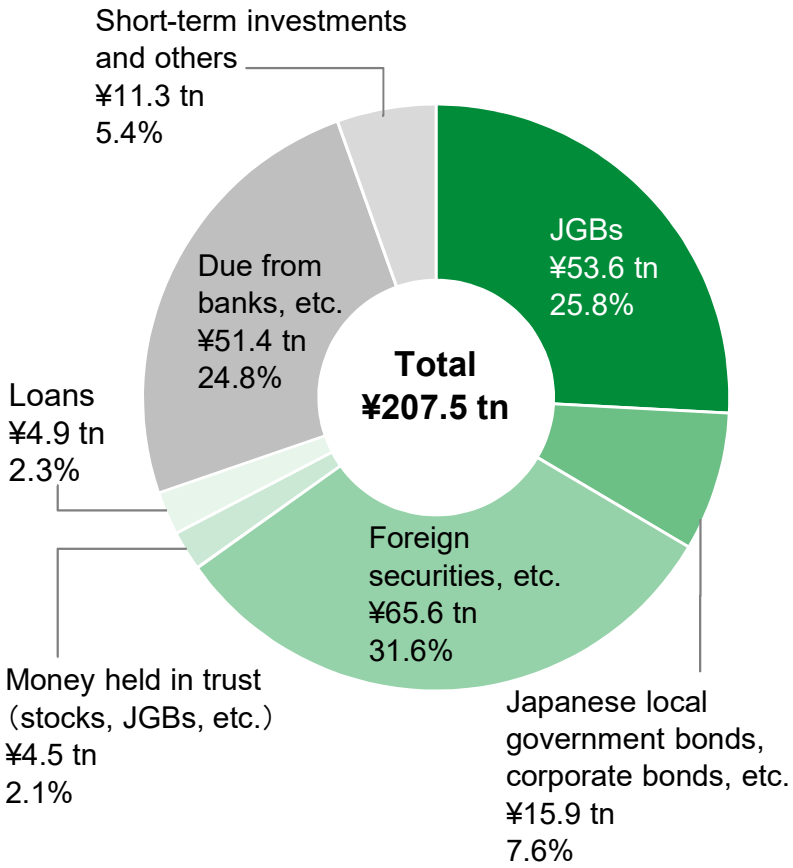
Asset Management (1) Investment Assets

Non-consolidated

■ **The amount included in investment assets as of March 31, 2020 of JGBs was ¥53.6tn and of foreign securities, etc. was ¥65.6tn**



(¥bn)

Categories	As of March 31, 2019 (A)	%	As of March 31, 2020 (B)	%	Increase (Decrease) (B) – (A)
Securities	137,135.2	66.5	135,198.4	65.1	(1,936.8)
Japanese government bonds	58,356.5	28.3	53,636.1	25.8	(4,720.4)
Japanese local government bonds, corporate bonds, etc. (*)	16,279.1	7.9	15,904.8	7.6	(374.2)
Foreign securities, etc.	62,499.5	30.3	65,657.5	31.6	3,157.9
Foreign bonds	22,035.5	10.6	23,706.8	11.4	1,671.3
Investment trusts (**)	40,433.9	19.6	41,901.0	20.1	1,467.0
Money held in trust (stocks, JGBs, etc.)	3,990.7	1.9	4,549.7	2.1	558.9
Domestic stocks	2,141.7	1.0	1,859.6	0.8	(282.1)
Loans	5,297.4	2.5	4,961.7	2.3	(335.6)
Due from banks, etc. (***)	50,674.2	24.6	51,485.4	24.8	811.1
Short-term investments and others (****)	8,877.5	4.3	11,324.2	5.4	2,446.7
Total	205,975.2	100.0	207,519.6	100.0	1,544.3

* "Japanese local government bonds, corporate bonds, etc." consists of Japanese local government bonds, commercial paper, Japanese corporate bonds and Japanese stocks.
** Investment trusts are mainly invested in foreign bonds.
*** "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.
**** "Short-term investments and others" consists of call loans and receivables under resale agreements, etc.

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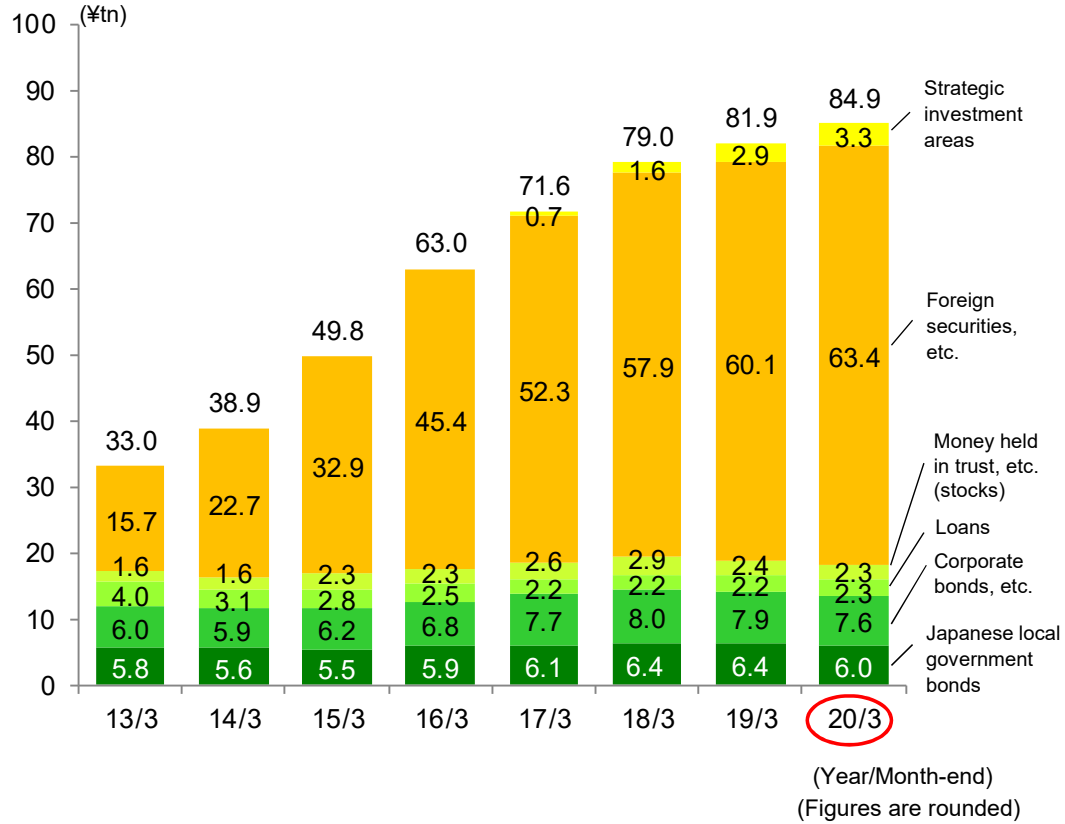
Asset Management (2)
Risk Assets and Strategic Investment Areas

Non-consolidated

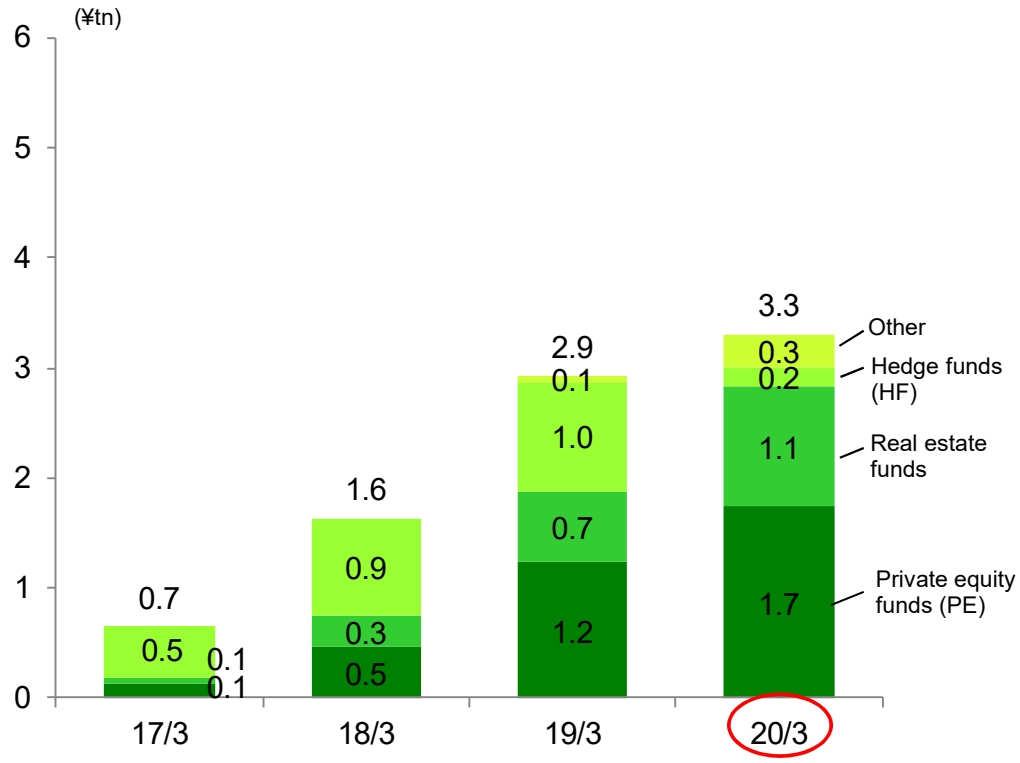
- **We will continue with diversification and sophistication of investment management to respond to reductions in interest income from JGBs, etc.**
- **The balance of risk assets[1] as of March 31, 2020 increased to ¥84.9tn with the balance of strategic investment areas[2] coming in at ¥3.3tn**

Risk Assets[1]



(Year/Month-end)
(Figures are rounded)

Strategic Investment Areas[2]



(Year/Month-end)
(Figures are rounded)

Note: At the end of March 2020, due to the disruption of financial markets associated with the spread of COVID-19, credit spreads expanded rapidly and the fair value decreased.

1. Assets other than yen interest rates (JGBs, etc.) (credit bonds, foreign government bonds, equities, alternatives)
2. "Strategic investment areas" are alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt) and direct lending funds.

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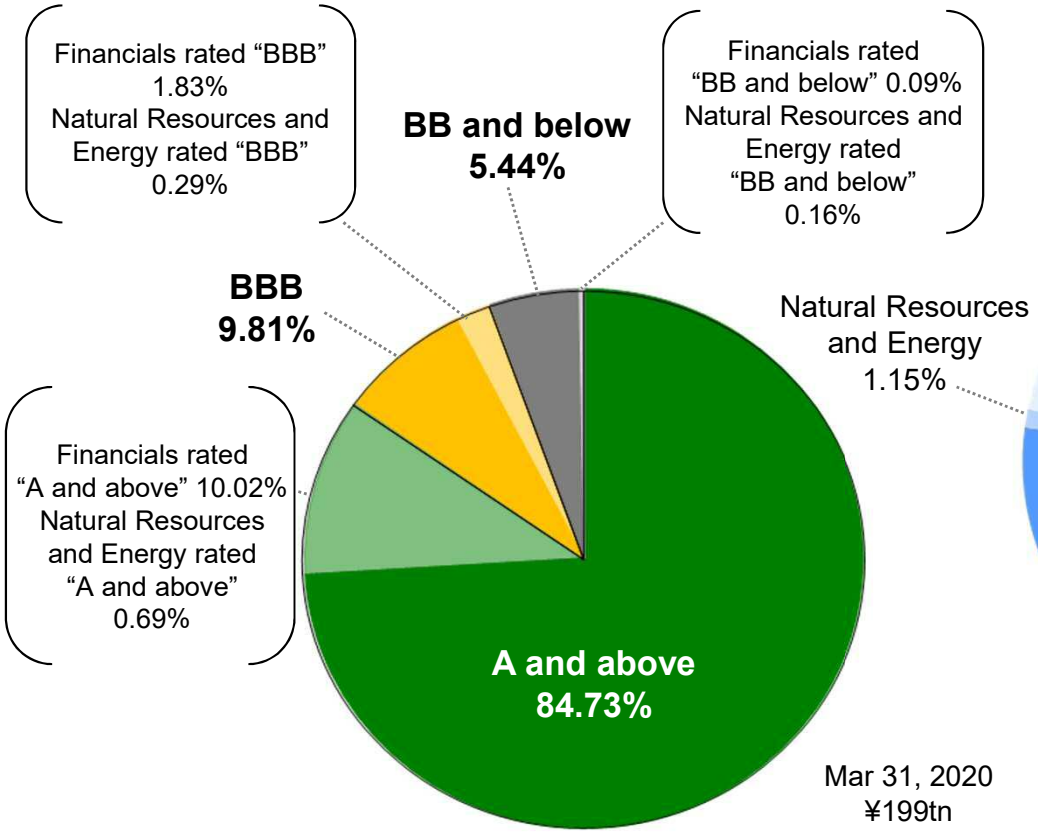
Asset Management (3)
Exposure Profile of Investment Assets

Non-consolidated

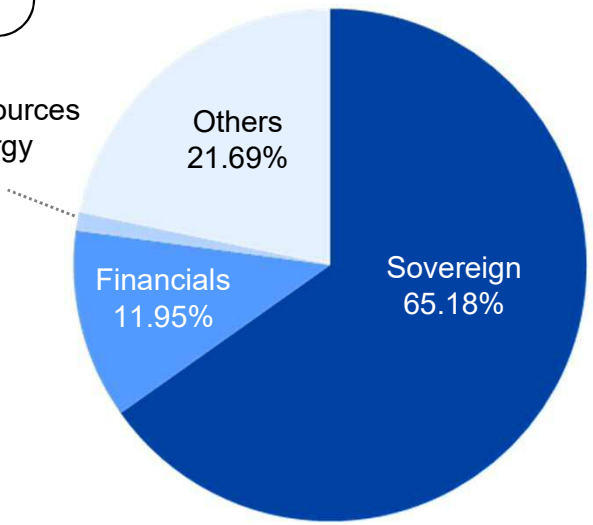
- **Breakdown of the Bank's investment assets,**
  By credit rating: around 85% are rated A or above, and around 95% are rated IG (BBB or above)
  By sector: around 65% are Sovereign, and around 12% are Financials
  By region: around 67% are Japan, and around 19% are North America

Exposures Classified by Ratings



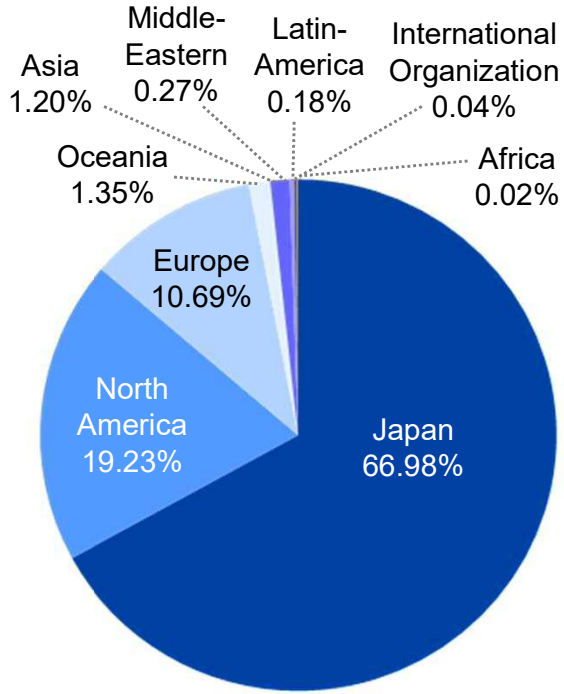
Mar 31, 2020
¥199tn

Exposures Classified by Sector



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

Exposures Classified by Region



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

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Asset Management (4)
Development of Yen Interest Rates Assets and Risk Assets

Non-consolidated

(management accounting basis)

Yen Interest Rates Assets

¥114tn [vs FY2019/3 end ¥(3)tn)]
(JGB balance decreased, reflecting prolonged historically low interest rate environment)

(¥tn, figures are rounded)

	Mar 31, 2019	Mar 31, 2020	Increase (Decrease)
Short-term assets[1]	55	57	+2
Bonds held to maturity —JGBs, Government guaranteed bonds	27	22	(4)
Available-for-sale securities —JGBs, Government guaranteed bonds[2]	35	34	(1)

Notes: 1. Short-term assets include cash and due from banks, call loans/receivables under securities borrowing transactions/receivables under resale agreements/T-bills (excl. those in trust), short-term corporate bonds, etc.
2. JGBs contained in money held in trust are included in the Yen interest rates assets.
3. Exclude foreign securities included in strategic investment areas.

Risk Assets

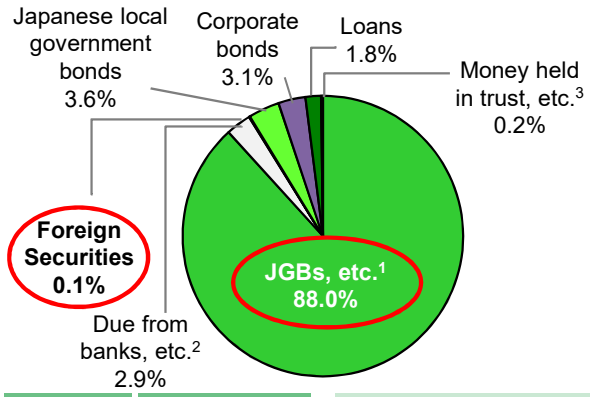
¥85tn [vs FY2019/3 end +¥3tn]
(Further increase of risk assets)

(¥tn, figures are rounded)

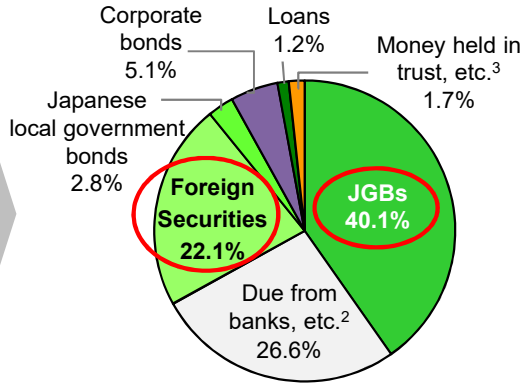
	Mar 31, 2019	Mar 31, 2020	Increase (Decrease)
Available-for-sale securities —Japanese local government bonds —Corporate bonds, etc. —Foreign securities, etc.[3] [Investment trusts]	 6 8 60 [38]	 5 7 63 [40]	 (1) (1) +3 [+2]
Bonds held to maturity —Japanese local government bonds —Corporate bonds, etc. —Foreign securities, etc.	 1 0 0	 1 1 -	 +1 +0 (0)
Loans	2	2	+0
Money held in trust, etc. (Stocks)[2,3]	2	2	(0)
Strategic investment areas	3	3	+0

Change in Investment Portfolio

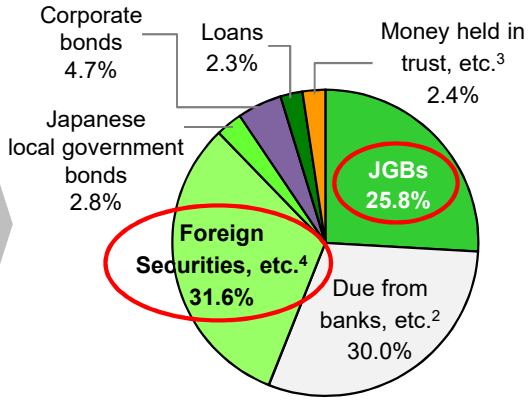
Upon Corporatization (October 1, 2007)



As of March 31, 2016



As of March 31, 2020



Unrealized gains (losses)		As of March 31, 2016	As of March 31, 2020
	Bonds held to maturity	—	¥2,208.3bn	¥490.8bn
	Available-for-sale securities	—	¥4,186.4bn	¥(102.0)bn

Notes:
1. JGBs, etc. 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. Due from banks, etc. includes negotiable certificates of deposits, BOJ deposits, monetary claims bought, call loans, receivables under securities borrowing transactions and receivables under resale agreements.
3. Money held in trust, etc. includes equity securities of affiliated companies, etc.
4. Foreign securities, etc. includes collective investment scheme, etc.

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Asset Management (5) Net Gains and Losses by Portfolio

Non-consolidated

Net Gains and Losses (Including Fees and Expenses, Management Accounting Basis)

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

	FY2015/3		FY2016/3		FY2017/3		FY2018/3	
	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)
Total portfolio (BP + SP)	194.2	559.9	196.5	480.4	197.5	433.0	198.9	438.4
Base portfolio (BP)	151.7	94.7	141.7	(35.6)	131.5	(243.3)	124.6	(380.0)
BP customer-based funding and marketing	-	(222.4)	-	(250.4)	-	(399.6)	-	(571.8)
BP investment side, etc.	-	317.2	-	214.7	-	156.3	-	191.8
Satellite portfolio (SP)	42.4	465.1	54.8	516.0	66.0	676.4	74.2	818.5

	FY2019/3		FY2020/3	
	Average balance	Net gains (losses)	Average balance	Net gains (losses)
Total portfolio	198.4	363.5	197.4	376.7
Yen rates portfolio	117.9	(420.3)	114.0	(480.5)
Customer-based funding and marketing	-	(721.5)	-	(774.3)
Investment side, etc.	-	301.1	-	293.7
Risk assets	80.4	783.9	83.4	857.3

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

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Fees and Commissions (1)

Non-consolidated

■ **To promote better relationships with customers based on household accounts, and to seek to create more opportunities in fee business fields, specifically in settlement services and ATM business, by taking advantage of our broad network**

Results for Net Fees and Commissions

(¥bn)

	FY2019/3	FY2020/3	Increase (Decrease)
Net fees and commissions	106.7	**128.8**	+22.1
Exchange and settlement transactions	61.2	**79.4**	+18.2
Zengin net fee	10.7	**11.9**	+1.2
ATM related commissions	14.5	**19.0**	+4.5
Investment trust related commissions	22.2	**21.7**	(0.4)
Variable annuities	0.8	**0.5**	(0.3)
JGBs related commissions	1.5	**1.3**	(0.1)
Credit cards	4.6	**4.7**	+0.0
Consumer loans	1.2	**1.1**	(0.1)
Other	0.3	**0.7**	+0.3

(Remittance and settlement services)

- Revision of remittance and settlement services

(1) Revision of fees for existing services (from April 2019 (partially raised from October 2018))

(2) Launch of "Yucho Biz Direct" online banking service and payroll/bulk payments for corporate customers in order to enhance and improve corporate services (from April 2019)

(ATM business)

- Expanding the installation of compact ATMs at FamilyMart convenience stores on a nationwide basis from January 2017
- Japan Post Bank ATM network platform with regional financial institutions

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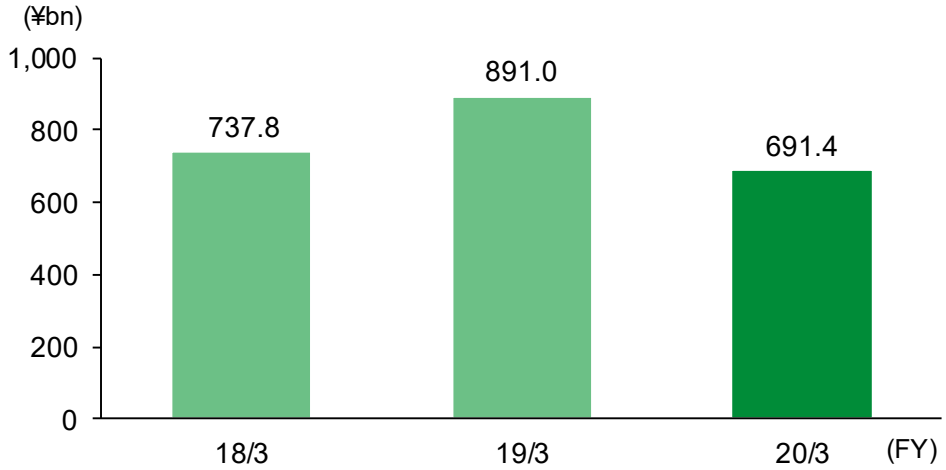
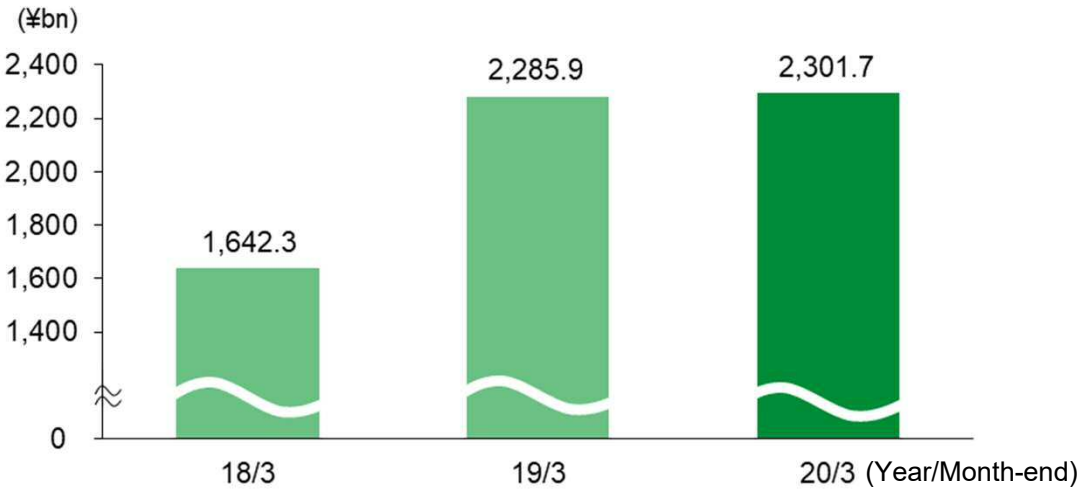
Fees and Commissions (2) Investment Trusts Sales, etc.

Non-consolidated

Investment Trusts Sales



Net Assets of Investment Trusts



(Ref.) Net Assets of funds of JP Asset Management Co., Ltd. (¥bn)

109.0	259.3	244.8

Source: The Investment Trusts Association, Japan

Initiatives to Improve Consulting-Based Marketing

1) Goal-Based Consulting Style
   Adding a sales style that makes customer investment goals and targets clear (Digital tools)

2) Reviewing Sales Tools
   Introducing tools that allow customers who are senior citizens or new to investing to easily understand investments

3) Customer-Oriented Business Operations
   Improving after-sales service with the aim of alleviating the concerns and worries of customers who are senior citizens or new to investing

Initiatives to Improve Our Customer-Oriented Approach

1) Reviewing Sales Target/Evaluation Systems
   Revising sales target/evaluation systems to further improve customer-oriented business operations

2) Improving Internal Control Systems
   Reviewing our organizational systems to improve checks and balances

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Fees and Commissions (3)
Status of Initiatives Aimed at Cashless Payment Services

"Pay Rangers"
Yucho Pay PR characters

"New Convenience" smartphone payment service

ゆうちょPay
"Yucho Pay"

- Smartphone payment app using QR code (available from May 8, 2019)
- Efforts to increase number of partner companies and expand services
- Available at approximately 100,000 stores with approximately 600,000 members (as of March 31, 2020)
- Strengthen our partnerships with other companies, such as partnering with the "Smart Code" QR code payment scheme developed by JCB Co., Ltd.
- Use Yucho Pay's official social media accounts to share information and communicate with users

Partner Companies

■ Steadily increasing the number of partner companies

(Examples of partner companies) (as of March 31, 2020)

FamilyMart (Convenience store)	welcia ウエルシアグループ (Pharmacy)	SEIMS 富士薬品 ドラッグストアグループ (Pharmacy)	MINI STOP (Convenience store)	ココカラファイン (Pharmacy)
松屋 (Restaurant)	EDION エディオン (Electronics store)	SUNDRUG (Pharmacy)	KS ケーズデンキ (Electronics store)	baskin BR robbins サーティワンアイスクリーム (Ice cream shop)
POPLAR (Convenience store)	YAMADA (Electronics store)	Kirindo (Pharmacy)	Vedrug (Pharmacy)	ミライザカ (Restaurant)
わん (Restaurant)	Joshin (Electronics store)	Tokyu Snow Resort (Ski resort)	Kiosk 東海キヨスク株式会社 (Convenience store)	
スギヤマ (Pharmacy)	Wendy's First Kitchen (Restaurant)	Dospara (Electronics store)	GOLF TSURUYA (Sports shop)	TOKYU HANDS (Retail Trade)
ベイシア電器 (Electronics store)	駿河屋 (Retail Trade)			

GMO Payment Gateway "Ginko Pay" Multibank* Payment Function

(including a bank that plan to implement it, as of March 31, 2020)

銀行Pay
Ginko Pay

* A function enabling services to be used across banks and regions at all member stores of banks that have implemented "Ginko Pay" as described in the chart (including those that plan to implement it).

Key Measures to Improve Convenience

- Provision of cash withdrawal service (cash out service) from Tokyu Corporation ticket vending machines
- Provision of payment functions using Japan Post Bank payment handling slips and convenience store payment slips

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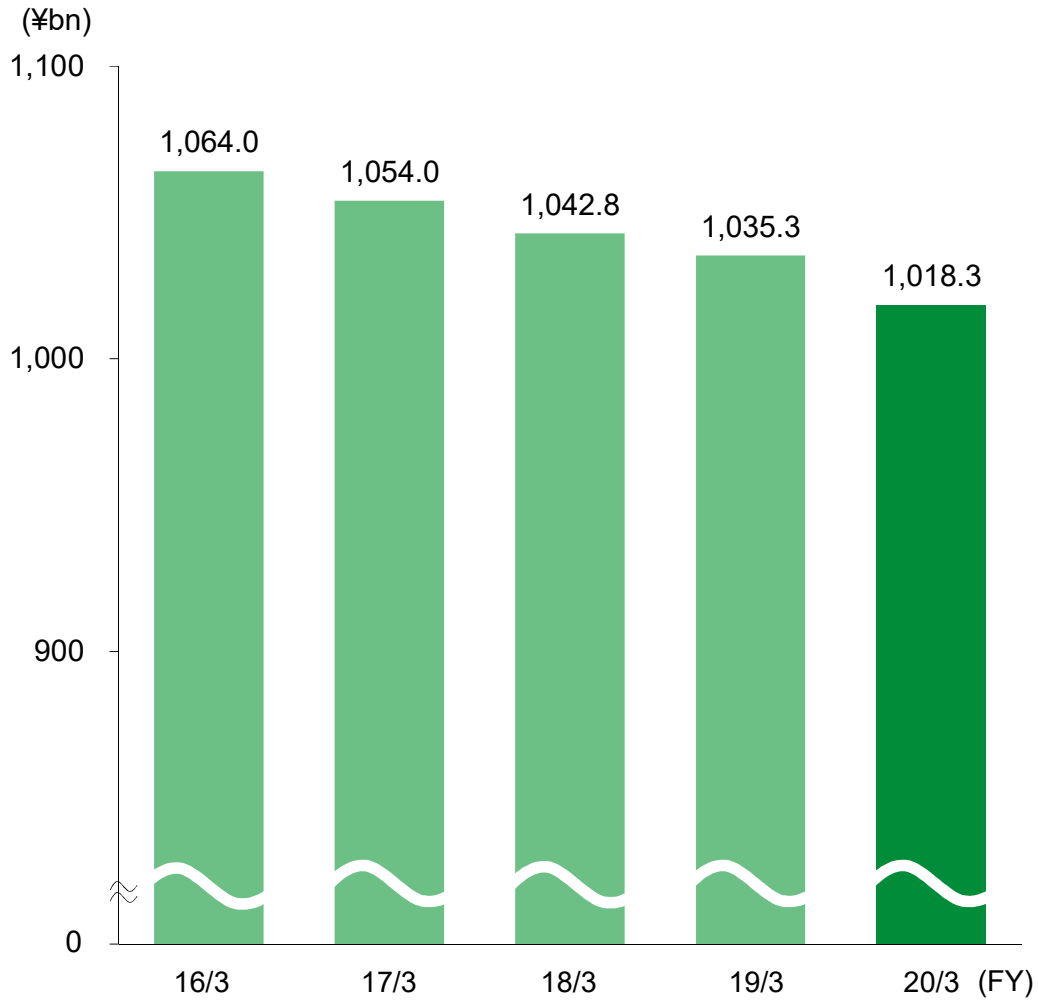
General and Administrative Expenses (1)

Non-consolidated

■ **General and administrative expenses for the fiscal year ended March 31, 2020 decreased by ¥17.0bn year on year to ¥1,018.3bn**



(¥bn)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Personnel expenses (*)	124.2	120.6	(3.5)
Salaries and allowances	101.6	98.6	(2.9)
Non-personnel expenses	841.6	844.3	2.6
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	600.6	369.7	(230.9)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network	–	237.8	237.8
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59.6	59.4	(0.1)
Taxes and dues	69.5	53.3	(16.1)
Total	1,035.3	1,018.3	(17.0)

* Personnel expenses include non-recurring expenses.

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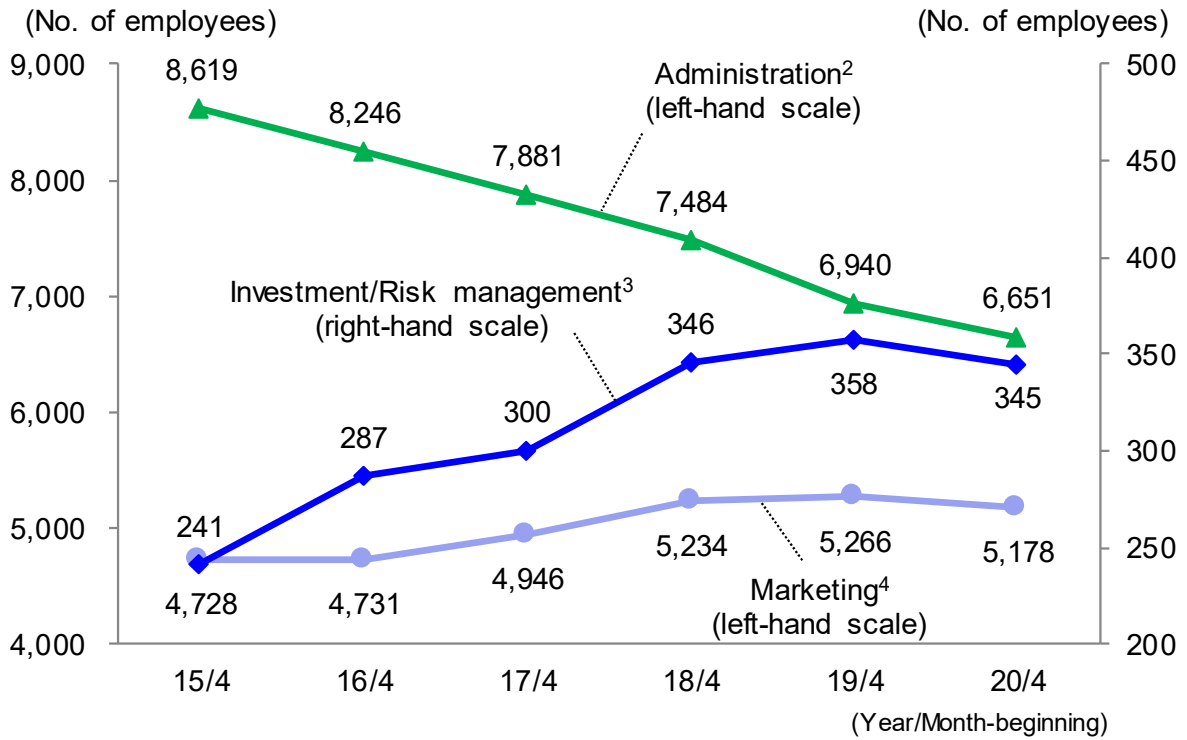
General and Administrative Expenses (2)
Reduction of total headcount through efficiency, etc.

Non-consolidated

- **To keep reducing total headcount by streamlining administrative work and optimizing administrative staffing**
  As a result, the number of the reduction of administrative staffing through efficiency, etc. achieved Mid-term plan* target as of April 1, 2020[1]
- **To keep reallocating human resources to areas of expected growth and of strategic importance which are the Marketing and Investment divisions**
  *** Equivalent to (2,000) employees**



(No. of employees)

	15/4	16/4	17/4	18/4	19/4	20/4
Total headcount[1]	18,878	18,618	18,382	17,937	17,161	16,635

(No. of employees)

	Change[1] (4/1/2017 → 4/1/2020)
Total headcount	(1,700)
Reduction of administrative staffing through efficiency and productivity improvement	(2,300)
Personnel reallocation to growth areas	+600

1. Includes non-regular employees. 2020 headcount for non-regular employees as of March 31. Since this figure includes the number except note 2-4, it is not equal to the sum of note 2-4.
2. HQ System Division + HQ Operation Division + Operation Support Centers, etc. Operation Support Centers mainly perform back office functions.
3. HQ Investment Division + HQ ALM Planning Department + HQ Risk Management Division
4. HQ Marketing Division + Branches (financial consulting department, corporate marketing department, loan marketing department) + Administration Service Centers.
   Administration Service Centers are organizations that support sales and administration activities for post offices.

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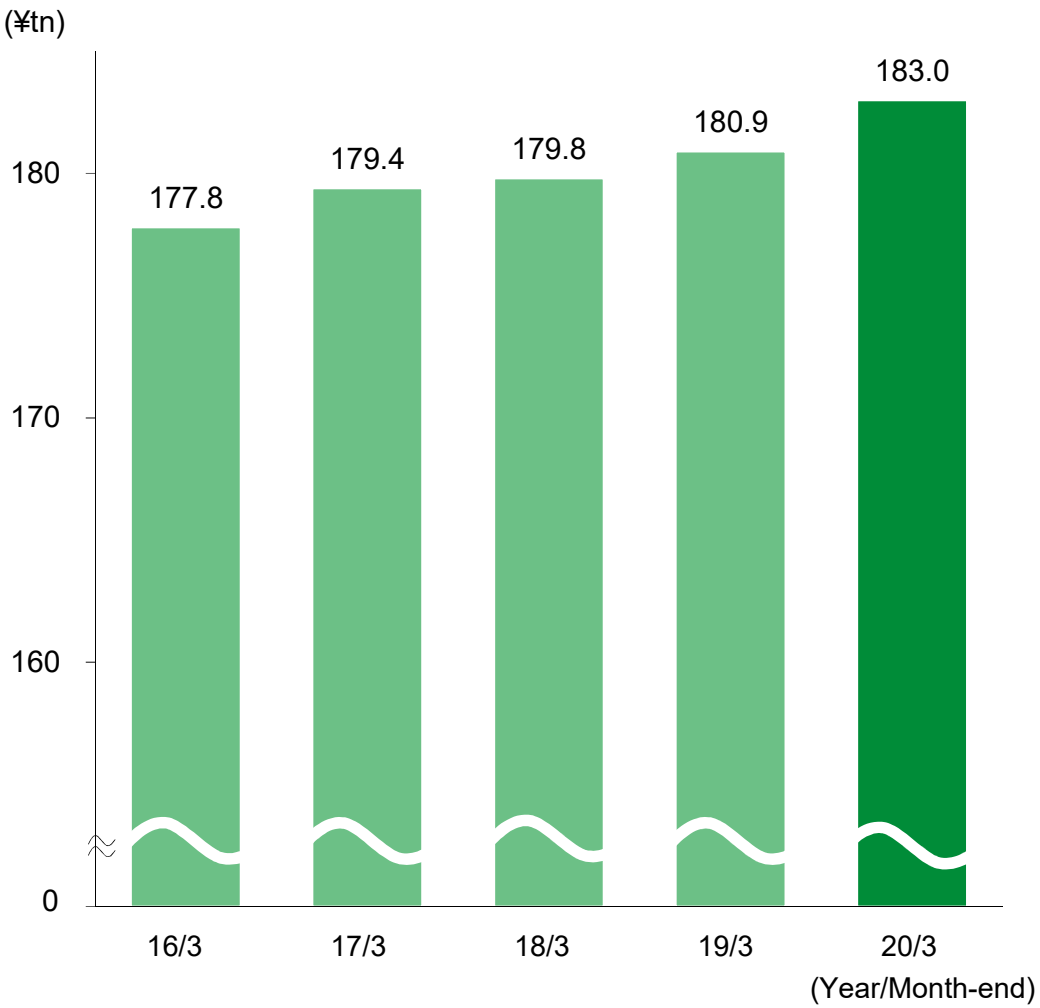
Deposit Balance

Non-consolidated

■ **Deposit balance as of March 31, 2020 was ¥183.0tn, which remained stable**



(¥tn)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Liquid deposits	79.9	87.5	7.6
Transfer deposits	16.1	7.7	(8.4)
Ordinary deposits, etc. (*)	63.4	79.3	15.9
Savings deposits	0.4	0.5	0.1
Fixed-term deposits	100.9	95.2	(5.6)
Time deposits	7.0	5.2	(1.8)
TEIGAKU deposits	93.8	90.0	(3.7)
Other deposits	0.1	0.1	0.0
Total	180.9	183.0	2.0

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

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Unrealized Gains (Losses) on Financial Instruments (1)

Non-consolidated

■ **Net unrealized gains on financial instruments (available-for-sale) after taking into consideration of gains (losses) from hedge accounting were ¥(102.0)bn as of March 31, 2020 (before application of tax effect accounting)**

(¥bn)

	As of March 31, 2019		As of March 31, 2020	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Held-to-maturity securities	27,242.5	793.1	24,170.7	490.8

(¥bn)

	As of March 31, 2019		As of March 31, 2020	
	Amount on the balance sheet / Notional amount	Net unrealized gains (losses) / Net deferred gains (losses)	Amount on the balance sheet / Notional amount	Net unrealized gains (losses) / Net deferred gains (losses)
Available-for-sale	114,193.4	3,517.2	115,936.1	370.6
Securities (A)	110,241.9	2,128.5	111,386.4	(751.5)
Japanese government bonds	33,340.6	1,167.6	32,597.9	794.2
Foreign bonds	22,003.0	637.7	23,706.8	429.4
Investment trusts	40,433.9	184.9	41,901.0	(2,040.4)
Others	14,464.2	138.2	13,180.6	65.1
Effect of fair value hedge accounting (B)		266.4		308.3
Money held in trust (C)	3,951.4	1,122.2	4,549.7	813.8
Domestic stocks	2,141.7	1,106.4	1,859.6	816.5
Others	1,809.7	15.8	2,690.0	(2.7)
Derivatives for which deferred hedge accounting is applied (D)	14,366.1	(89.8)	16,340.3	(472.7)
Total (A) + (B) + (C) + (D)		3,427.4		(102.0)

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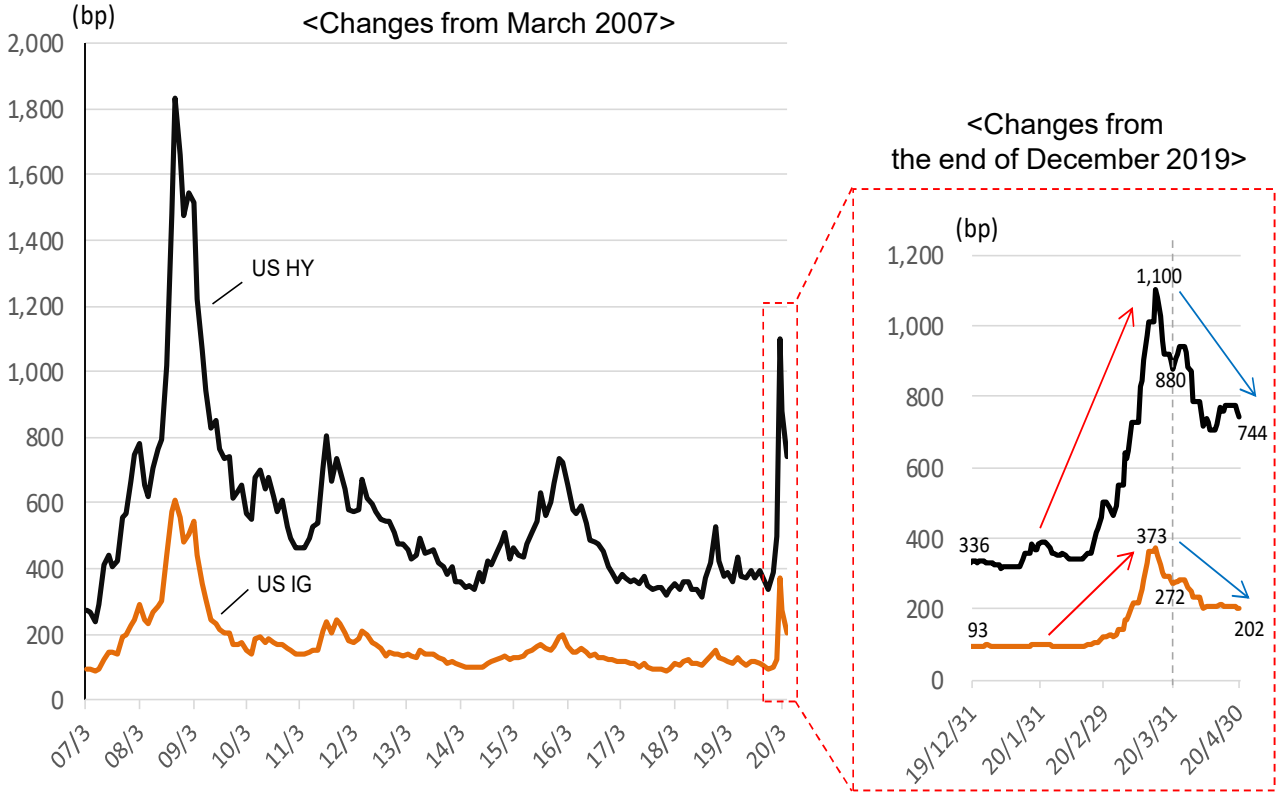
Unrealized Gains (Losses) on Financial Instruments (2)
Impacts of the Rapidly Widened Credit Spreads

Non-consolidated

- **Due to the disruption of financial markets associated with the spread of COVID-19, credit spreads expanded rapidly from February to late March 2020**
- **And, net unrealized gains (losses) on financial instruments (available-for-sale) greatly decreased at the end of March 2020 (compared to the end of December 2019, about ¥(3.6)tn)**
- **In contrast, credit spreads have gradually tightened since late March, and net unrealized gains (losses) on financial instruments (available-for-sale) have improved to about ¥1.3tn (preliminary data) as of April 30, 2020**

Changes in Credit Spreads（US IG* and US HY*）

* IG: Investment Grade, HY: High Yield



Source：BLOOMBERG(Refer to p68 for details.)

Credit spreads expanded rapidly from February to late March.
In contrast, these have gradually tightened since late March.

Net Unrealized Gains (Losses) on Financial Instruments (Available-for-Sale) (adjusted by gains (losses) on hedge transactions)

(¥bn)

	As of Dec 31, 2019	As of Mar 31, 2020
Net Unrealized Gains (Losses) (before application of tax effect accounting)	3,542.1	(102.0)

- **With the rapid expansion of credit spreads as a primary factor, net unrealized gains (losses) on financial instruments as of March 31, 2020, decreased by about ¥3.6tn compared to as of December 31, 2019.**

	As of Apr 30, 2020 (preliminary data)
Net Unrealized Gains (Losses) (before application of tax effect accounting)	About 1.3tn

- **With the tightening in the current credit spread, net unrealized gains (losses) on financial instruments as of April 30, 2020, improved by about ¥1.4tn compared to as of March 31, 2020.**

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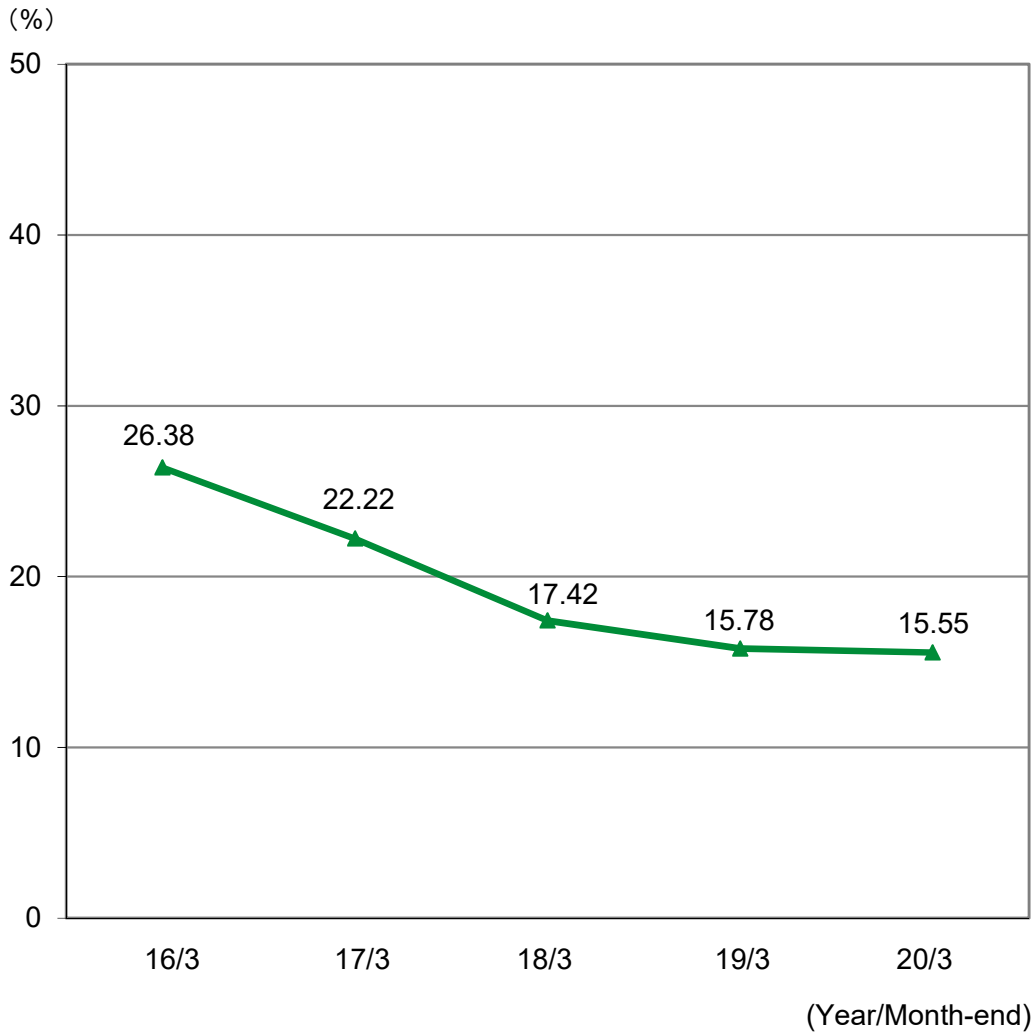
Capital Adequacy Ratio

Non-consolidated/ Consolidated

■ **Capital adequacy ratio (non-consolidated, domestic standard) was 15.55% as of March 31, 2020**

【Non-consolidated】



【Non-consolidated】 (¥bn)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,844.2	8,932.5	88.3
Total amount of risk-weighted assets (b)	56,033.5	57,407.2	1,373.7
Credit risk-weighted assets	53,334.0	54,775.0	1,441.0
Capital adequacy ratio (a) / (b)	15.78%	15.55%	(0.22)%pt

【Consolidated】 (¥bn)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,853.3	8,942.0	88.7
Total amount of risk-weighted assets (b)	56,004.5	57,390.8	1,386.3
Credit risk-weighted assets	53,305.1	54,758.8	1,453.7
Capital adequacy ratio (consolidated) (a) / (b)	15.80%	15.58%	(0.22)%pt

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Financial Data

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Income Analysis

Non-consolidated

(Millions of yen)

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	(B) – (A)
Gross operating profit	1,327,033	1,314,210	(12,823)
Net interest income	1,016,126	976,821	(39,304)
Net fees and commissions	106,761	128,891	22,129
Net other operating income (loss)	204,145	208,497	4,351
Gains (losses) on foreign exchanges	219,448	202,139	(17,308)
Gains (losses) on bonds	(12,241)	8,097	20,339
General and administrative expenses	(1,037,537)	(1,020,253)	17,283
Personnel expenses	(126,360)	(122,586)	3,774
Non-personnel expenses	(841,648)	(844,334)	(2,685)
Taxes and dues	(69,527)	(53,332)	16,195
Operating profit (before provision for general reserve for possible loan losses)	289,496	293,956	4,460
Core net operating profit	301,738	285,859	(15,878)
Excluding gains (losses) on cancellation of investment trusts	249,737	245,830	(3,907)
Provision for general reserve for possible loan losses	–	(15)	(15)
Net operating profit	**289,496**	**293,941**	**4,445**
Non-recurring gains (losses)	84,803	85,135	332
Gains (losses) related to stocks	(10,983)	11,545	22,528
Gains (losses) on money held in trust	77,717	72,838	(4,878)
Net ordinary income	**374,299**	**379,077**	**4,778**

	For the fiscal year ended March 31, 2019 (A)	For the fiscal year ended March 31, 2020 (B)	(B) – (A)
Extraordinary income (loss)	(4,107)	(450)	3,656
Gains (losses) on sales and disposals of fixed assets	(3,556)	(450)	3,106
Losses on impairment of fixed assets	(550)	(0)	550
Income before income taxes	**370,192**	**378,626**	**8,434**
Income taxes – current	(99,417)	(101,266)	(1,848)
Income taxes – deferred	(4,596)	(4,315)	280
Total income taxes	**(104,013)**	**(105,581)**	**(1,568)**
Net income	**266,178**	**273,044**	**6,866**

Gains (losses) on money held in trust	77,717	72,838	(4,878)
Dividends and interest income	71,741	77,881	6,139
Gains (losses) on sales of stocks	20,709	19,389	(1,319)
Unrealized gains (losses)	367	3	(363)
Impairment losses	(3,573)	(9,212)	(5,639)
Withholding income tax, etc.	(11,526)	(15,223)	(3,696)

Credit-related expenses	14	(13)	(28)
Provision for general reserve for possible loan losses	14	(13)	(28)

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥1,993 million and ¥2,158 million recorded as profits for the fiscal years ended March 31, 2020 and 2019, 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 parentheses indicate the amount of loss, expense or decrease.

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Summarized Balance Sheets

Non-consolidated

(Millions of yen)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Total assets	**208,970,478**	**210,905,152**	**1,934,674**
Cash and due from banks	50,698,549	51,663,901	965,352
Call loans	400,000	1,040,000	640,000
Receivables under resale agreements	8,368,139	9,731,897	1,363,758
Receivables under securities borrowing transactions	–	112,491	112,491
Monetary claims bought	295,679	315,812	20,133
Trading account securities	2	31	29
Money held in trust	3,990,780	4,549,736	558,956
Securities	137,135,264	135,198,460	(1,936,804)
Loans	5,297,424	4,961,733	(335,691)
Foreign exchanges	80,396	147,469	67,072
Other assets	2,452,409	2,816,117	363,707
Tangible fixed assets	201,786	193,752	(8,033)
Intangible fixed assets	51,003	47,114	(3,888)
Deferred tax assets	–	127,662	127,662
Reserve for possible loan losses	(958)	(1,031)	(72)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Total liabilities and net assets	**208,970,478**	**210,905,152**	**1,934,674**
Total liabilities	**197,619,672**	**201,917,500**	**4,297,828**
Deposits	180,999,134	183,004,733	2,005,599
Payables under repurchase agreements	11,569,371	14,855,624	3,286,253
Payables under securities lending transactions	2,473,457	2,219,384	(254,073)
Commercial paper	28,029	–	(28,029)
Borrowed money	3,900	10,100	6,200
Foreign exchanges	628	511	(117)
Other liabilities	1,354,810	1,596,945	242,134
Reserve for bonuses	7,739	7,331	(408)
Reserve for employees' retirement benefits	144,190	141,628	(2,562)
Reserve for employee stock ownership plan trust	839	605	(233)
Reserve for management board benefit trust	238	311	73
Reserve for reimbursement of deposits	88,332	80,324	(8,008)
Deferred tax liabilities	948,998	–	(948,998)
Total net assets	**11,350,806**	**8,987,651**	**(2,363,154)**
Capital stock	3,500,000	3,500,000	–
Capital surplus	4,296,285	4,296,285	–
Retained earnings	2,477,736	2,563,307	85,571
Treasury stock	(1,300,926)	(1,300,881)	45
Total shareholders' equity	**8,973,095**	**9,058,711**	**85,616**
Net unrealized gains (losses) on available-for-sale securities	2,440,064	256,880	(2,183,184)
Net deferred gains (losses) on hedges	(62,353)	(327,940)	(265,586)
Total valuation and translation adjustments	**2,377,710**	**(71,060)**	**(2,448,771)**

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Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Non-consolidated

(1) Domestic

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2019 (A)			March 31, 2020 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	194,710,207	752,825	0.38%	198,026,308	629,096	0.31%	(0.06)%
Loans	6,090,997	12,072	0.19	4,947,212	11,056	0.22	0.02
Securities	77,703,674	615,038	0.79	71,842,673	492,509	0.68	(0.10)
Due from banks, etc.	49,543,054	30,905	0.06	52,928,370	28,874	0.05	(0.00)
Interest-bearing liabilities	187,129,472	114,900	0.06	190,695,746	79,358	0.04	(0.01)
Deposits	181,227,650	80,834	0.04	183,018,232	55,096	0.03	(0.01)
Payables under securities lending transactions	6,057,199	1,013	0.01	229,198	229	0.10	0.08

(2) Overseas

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2019 (A)			March 31, 2020 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	59,119,568	700,201	1.18%	63,366,957	789,429	1.24%	0.06%
Loans	5,000	20	0.41	10,868	57	0.52	0.10
Securities	59,005,163	698,775	1.18	63,239,883	787,476	1.24	0.06
Due from banks, etc.	8,801	164	1.86	1,263	29	2.35	0.49
Interest-bearing liabilities	58,418,073	322,000	0.55	63,324,744	362,345	0.57	0.02
Payables under securities lending transactions	2,619,354	59,283	2.26	2,240,788	49,376	2.20	(0.05)

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Average Balance, Interest and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities

Non-consolidated

(3) Total

(Millions of yen, %)

	For the fiscal year ended						Increase (Decrease) (B) – (A)
	March 31, 2019 (A)			March 31, 2020 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	200,414,539	1,357,985	0.67%	203,590,095	1,318,014	0.64%	(0.03)%
Loans	6,095,997	12,093	0.19	4,958,081	11,113	0.22	0.02
Securities	136,708,838	1,313,813	0.96	135,082,556	1,279,986	0.94	(0.01)
Due from banks, etc.	49,551,855	31,069	0.06	52,929,633	28,904	0.05	(0.00)
Interest-bearing liabilities	192,132,309	341,859	0.17	196,217,319	341,193	0.17	(0.00)
Deposits	181,227,650	80,834	0.04	183,018,232	55,096	0.03	(0.01)
Payables under securities lending transactions	8,676,554	60,297	0.69	2,469,986	49,605	2.00	1.31

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, 2020, ¥3,129,526 million; fiscal year ended March 31, 2019, ¥2,977,608 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2020, ¥3,129,526 million; fiscal year ended March 31, 2019, ¥2,977,608 million) and the corresponding interest (fiscal year ended March 31, 2020, ¥5,441 million; fiscal year ended March 31, 2019, ¥5,298 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 ¥60,511 million for the fiscal year ended March 31, 2020 (¥80,783 million for the fiscal year ended March 31, 2019).
4. Average balance and interest on transactions between “domestic” and “overseas” are offset to calculate totals.
5. “Due from banks, etc.” consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

Interest Rate Spread

Non-consolidated

	For the fiscal year ended		Increase (Decrease) (B) – (A)
	March 31, 2019 (A)	March 31, 2020 (B)	
Yield on interest-earning assets (a)	0.67%	0.64%	(0.03)%
Total cost of funding (including general and administrative expenses) (b)	0.71	0.69	(0.02)
Interest rate on interest-bearing liabilities (c)	0.17	0.17	(0.00)
Overall interest rate spread (a) - (b)	(0.04)	(0.04)	(0.00)
Interest rate spread (a) - (c)	0.49	0.47	(0.02)

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Unrealized Gains (Losses) on Financial Instruments

Non-consolidated

(1) Held-to-maturity Securities

(Millions of yen)

	As of March 31, 2019 (A)		As of March 31, 2020 (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	25,015,921	755,550	21,038,148	475,518	(3,977,772)	(280,032)
Japanese local government bonds	533,474	4,001	1,146,788	1,665	613,313	(2,335)
Japanese corporate bonds	1,660,749	28,626	1,985,771	13,654	325,022	(14,972)
Others	32,433	5,014	–	–	(32,433)	(5,014)
Foreign bonds	32,433	5,014	–	–	(32,433)	(5,014)
Total	27,242,577	793,192	24,170,708	490,838	(3,071,869)	(302,354)

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, 2019 (A)		As of March 31, 2020 (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	96,909	5,124	5	–	(96,904)	(5,124)
Bonds	47,326,243	1,298,872	45,366,981	857,136	(1,959,262)	(441,735)
Japanese government bonds	33,340,646	1,167,684	32,597,964	794,222	(742,682)	(373,461)
Japanese local government bonds	5,850,490	50,706	4,839,561	25,675	(1,010,929)	(25,030)
Commercial paper	220,998	–	806,975	–	585,976	–
Japanese corporate bonds	7,914,108	80,481	7,122,480	37,238	(791,627)	(43,242)
Others	62,818,814	824,586	66,019,472	(1,608,708)	3,200,658	(2,433,294)
Foreign bonds	22,003,095	637,751	23,706,870	429,425	1,703,774	(208,326)
Investment trusts	40,433,941	184,918	41,901,017	(2,040,416)	1,467,075	(2,225,334)
Total	110,241,967	2,128,583	111,386,459	(751,571)	1,144,491	(2,880,154)

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, ¥308,341 million and ¥266,443 million losses were included in the statements of income for the fiscal years ended March 31, 2020 and 2019, respectively, because of the application of fair value hedge accounting.
4. Investment trusts are mainly invested in foreign bonds.
5. Impairment losses for the fiscal years ended March 31, 2020 and 2019 amounted to ¥20 million and ¥8,063 million, respectively.

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Unrealized Gains (Losses) on Financial Instruments

Non-consolidated

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

(Millions of yen)

	As of March 31, 2019 (A)		As of March 31, 2020 (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	3,951,489	1,122,266	4,549,736	813,852	598,246	(308,413)
Domestic stocks	2,141,784	1,106,458	1,859,682	816,565	(282,101)	(289,892)
Domestic bonds	1,195,685	17,468	1,419,008	(893)	223,323	(18,361)

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, 2020 and 2019 amounted to ¥9,212 million and ¥3,573 million, respectively.

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

(Millions of yen)

	As of March 31, 2019 (A)		As of March 31, 2020 (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	7,839,145	(122,376)	8,913,409	(458,664)	1,074,264	(336,287)
Currency swaps	6,527,044	32,497	7,426,920	(14,041)	899,876	(46,539)
Foreign exchange forward contracts	–	–	–	–	–	–
Total	14,366,189	(89,879)	16,340,330	(472,705)	1,974,140	(382,826)

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, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Total net unrealized gains (losses)	3,427,414	(102,083)	(3,529,498)

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.

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General and Administrative Expenses

Non-consolidated

(Millions of yen, %)

	For the fiscal year ended				Increase (Decrease) (B) – (A)
	March 31, 2019 (A)		March 31, 2020 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	124,201	11.99	120,653	11.84	(3,548)
Salaries and allowances	101,619	9.81	98,694	9.69	(2,925)
Others	22,582	2.18	21,959	2.15	(622)
Non-personnel expenses	841,648	81.28	844,334	82.91	2,685
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	600,661	58.01	369,716	36.30	(230,944)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (*)	–	–	237,820	23.35	237,820
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (**)	1,619	0.15	510	0.05	(1,108)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59,654	5.76	59,486	5.84	(167)
Rent for land, buildings and others	13,332	1.28	11,956	1.17	(1,375)
Expenses on consigned businesses	65,031	6.28	64,085	6.29	(946)
Depreciation and amortization	33,688	3.25	36,146	3.54	2,457
Communication and transportation expenses	18,635	1.79	16,886	1.65	(1,748)
Maintenance expenses	11,866	1.14	12,457	1.22	591
IT expenses	16,774	1.62	16,791	1.64	16
Others	20,385	1.96	18,476	1.81	(1,908)
Taxes and dues	69,527	6.71	53,332	5.23	(16,195)
Total	1,035,378	100.00	1,018,320	100.00	(17,058)

* 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.

** The Bank makes subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

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Capital

Non-consolidated/
Consolidated

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

(Millions of yen)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,879,601	8,965,233	85,631
Core Capital: regulatory adjustments (b)	35,388	32,685	(2,702)
Total capital (a) - (b) = (c)	8,844,213	8,932,547	88,334
Total amount of risk-weighted assets (d)	56,033,562	57,407,276	1,373,714
Credit risk-weighted assets	53,334,010	54,775,080	1,441,069
Market risk equivalent / 8%	–	–	–
Operational risk equivalent / 8%	2,699,551	2,632,196	(67,355)
Capital adequacy ratio (c) / (d)	15.78%	15.55%	(0.22)%pt

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

(Millions of yen)

	As of March 31, 2019 (A)	As of March 31, 2020 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,888,716	8,974,876	86,159
Core Capital: regulatory adjustments (b)	35,398	32,827	(2,571)
Total capital (a) - (b) = (c)	8,853,318	8,942,048	88,730
Total amount of risk-weighted assets (d)	56,004,545	57,390,850	1,386,304
Credit risk-weighted assets	53,305,125	54,758,899	1,453,774
Market risk equivalent / 8%	–	–	–
Operational risk equivalent / 8%	2,699,419	2,631,950	(67,469)
Capital adequacy ratio (consolidated) (c) / (d)	15.80%	15.58%	(0.22)%pt

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Securitized Products Exposure

Non-consolidated

As of March 31, 2019 and March 31, 2020, the Bank held the following securitized products and others.
The Bank's holdings of securitized products and others were limited to securitization exposure as final investor. The Bank has never originated any securitized products and thus has no exposure as an originator and no exposure to special purpose entities (SPEs) that should be consolidated.

(1) Securitized products

(Millions of yen)

Region		As of March 31, 2019			As of March 31, 2020		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings	Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	1,305,786	40,178	AAA	1,359,705	28,113	AAA
	Subprime loan related	–	–	–	–	–	–
	Collateralized loan obligations (CLO)	–	–	–	–	–	–
	Other securitized products	165,503	11	AAA	173,975	(205)	AAA
	Commercial mortgage-backed securities (CMBS)	–	–	–	–	–	–
	Collateralized debt obligations (CDO)	1,247	52	AAA	1,018	37	AAA
	Subtotal	1,472,537	40,241		1,534,699	27,945	
Overseas	Residential mortgage-backed securities (RMBS)	99,786	(11,624)	AAA	38,546	(9,390)	AAA
	Subprime loan related	–	–	–	–	–	–
	Collateralized loan obligations (CLO)	1,178,783	(6,083)	AAA	1,767,354	(121,935)	AAA
	Subtotal	1,278,569	(17,708)		1,805,900	(131,326)	
Total		2,751,107	22,533		3,340,600	(103,380)	

Notes:
1. The underlying assets provided are only those from multiple debtors comprising securitized products.
2. No hedging activities against credit risks were made.
3. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.
4. Other securitized products are securitized products of which underlying assets are mainly auto loan claims.
5. "Overseas" does not include U.S. government sponsored enterprises, etc. (GSEs) related products.
6. The overseas collateralized loan obligations (CLO) are only those in the United States.
7. Net unrealized gains (losses) do not reflect the effect of foreign exchange hedging.

(2) Structured investment vehicles (SIVs)

There were no investments in SIVs.

(3) Leveraged loans

There were no outstanding leveraged loans.

(4) Monoline insurer related products

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

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2. FY2021/3 Financial Forecasts

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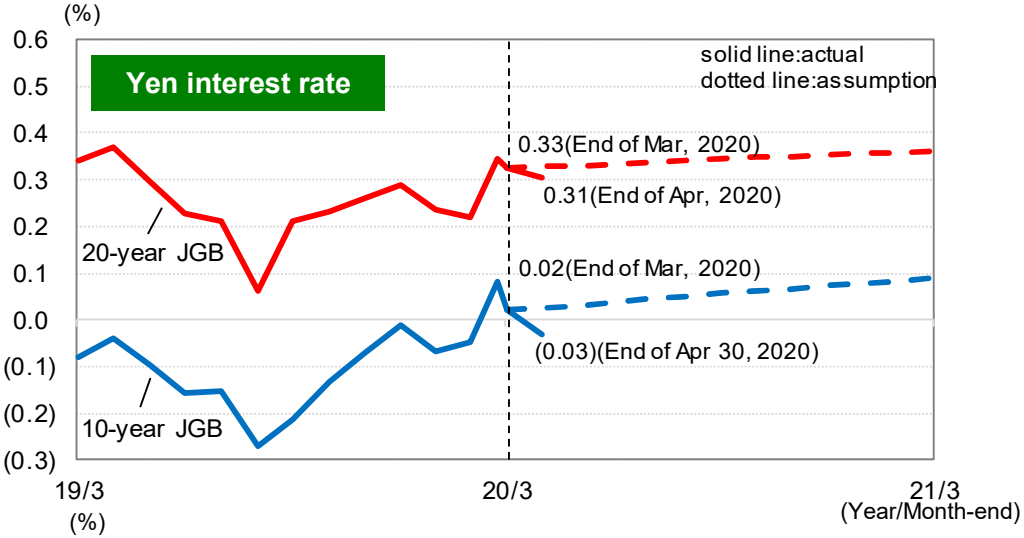
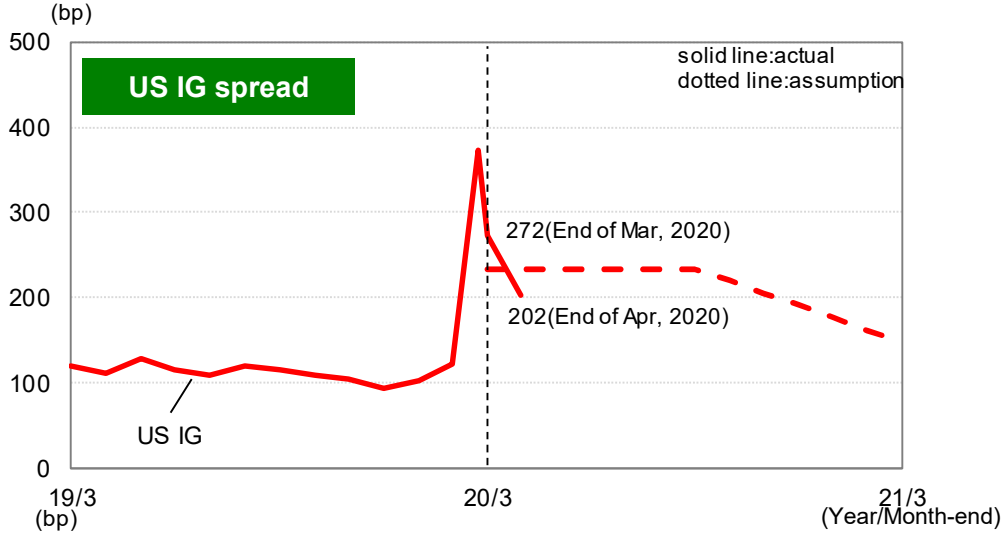
Assumptions for Earnings Forecasts

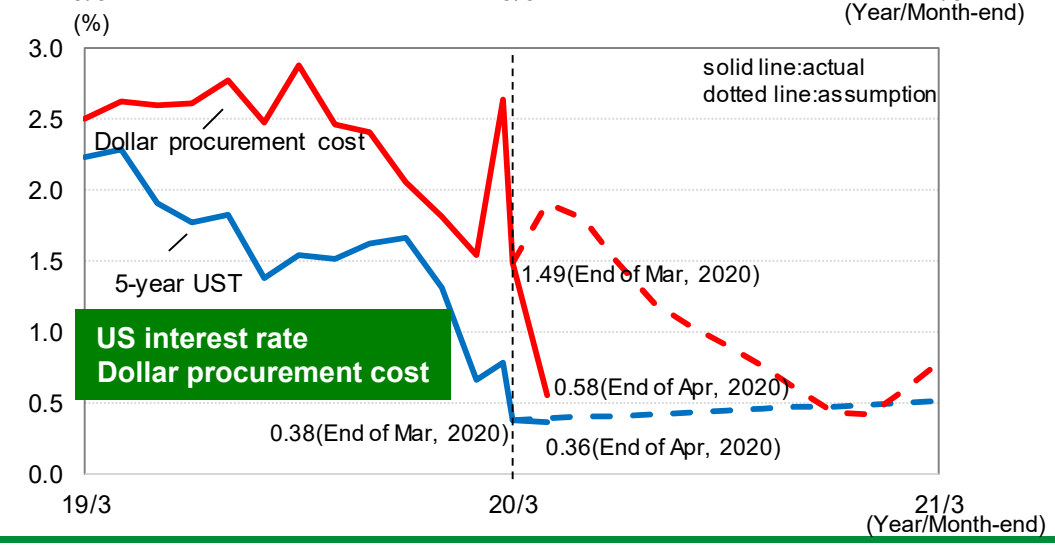
Consolidated

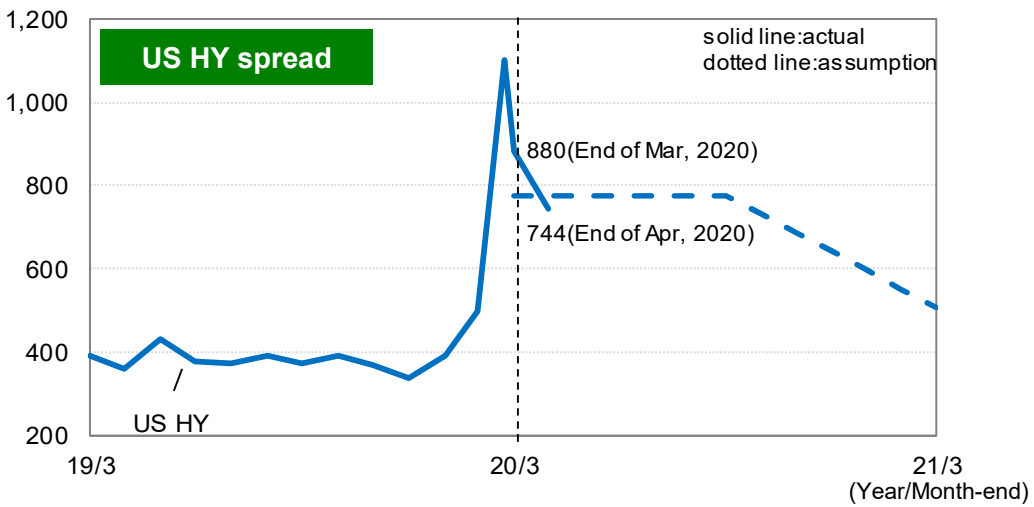
- **Domestic and foreign market interest rates are based on the implied forward rates as of March 31, 2020**
- **Foreign credit spreads remain high during the first half of FY21/3 and will gradually decrease as the impact of COVID-19 is gradually resolved**

Assumptions









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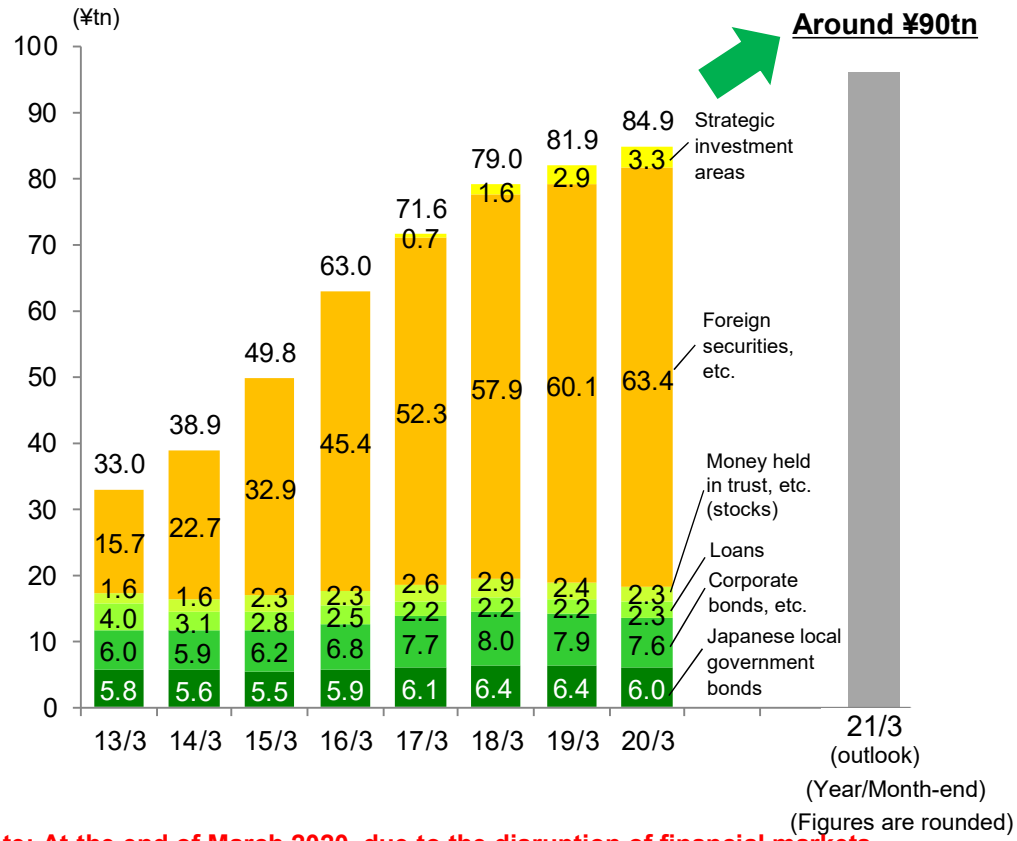
Investments Forecasts

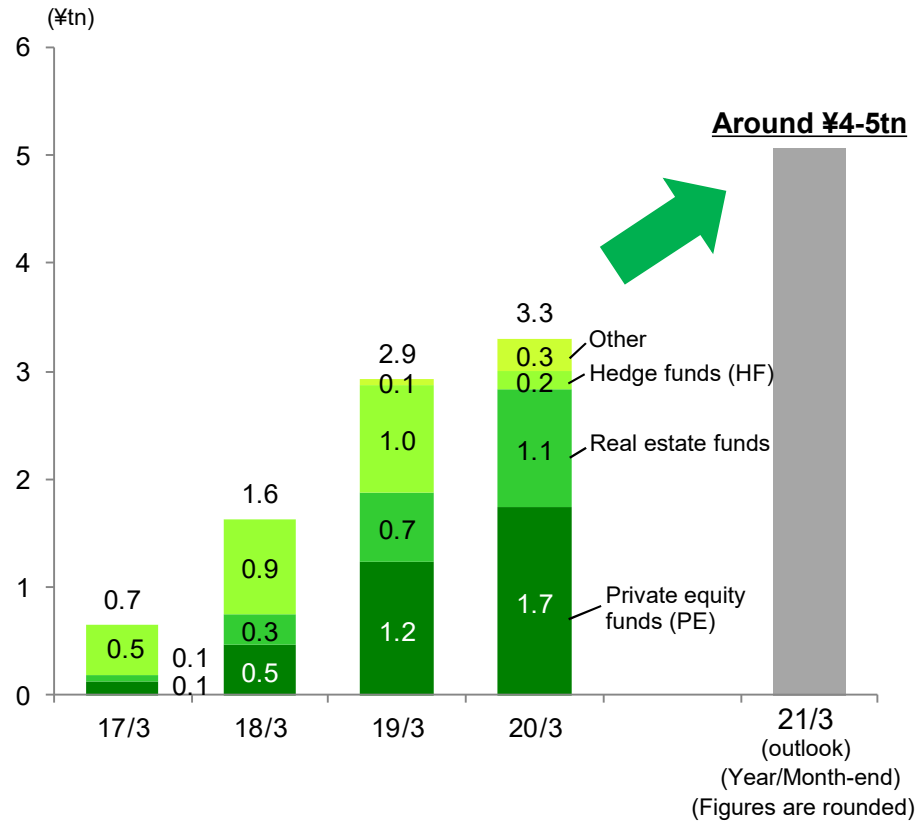
Non-consolidated

- **Amid persistent low yen interest rates and concerns over deterioration of the global economy and continued turmoil in financial markets due to the spread of COVID-19, the investment environment is extremely challenging and uncertain**
- **For this reason, with regard to ALM (Asset Liability Management) and investment operations, we will promote restrictive measures until the end of turmoil in financial markets. And when we get the prospect of the end of turmoil, we will ensure additional profits within the range of acceptable risk while keeping an eye on market trends**

Risk Assets[1]



Strategic Investment Areas[2]



Note: At the end of March 2020, due to the disruption of financial markets associated with the spread of COVID-19, credit spreads expanded rapidly and the fair value decreased.

1. Assets other than yen interest rates (JGBs, etc.) (credit bonds, foreign government bonds, equities, alternatives)
2. "Strategic investment areas" are alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt) and direct lending funds.

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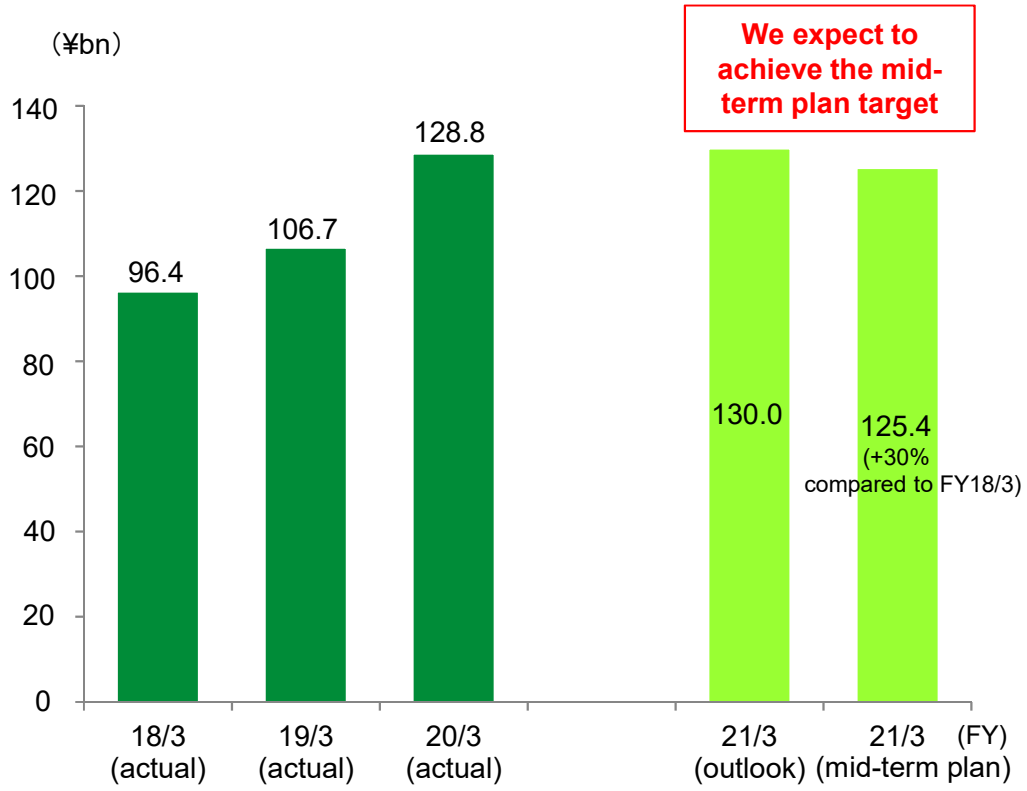
Fees and Commissions / Expenses Forecasts

Consolidated

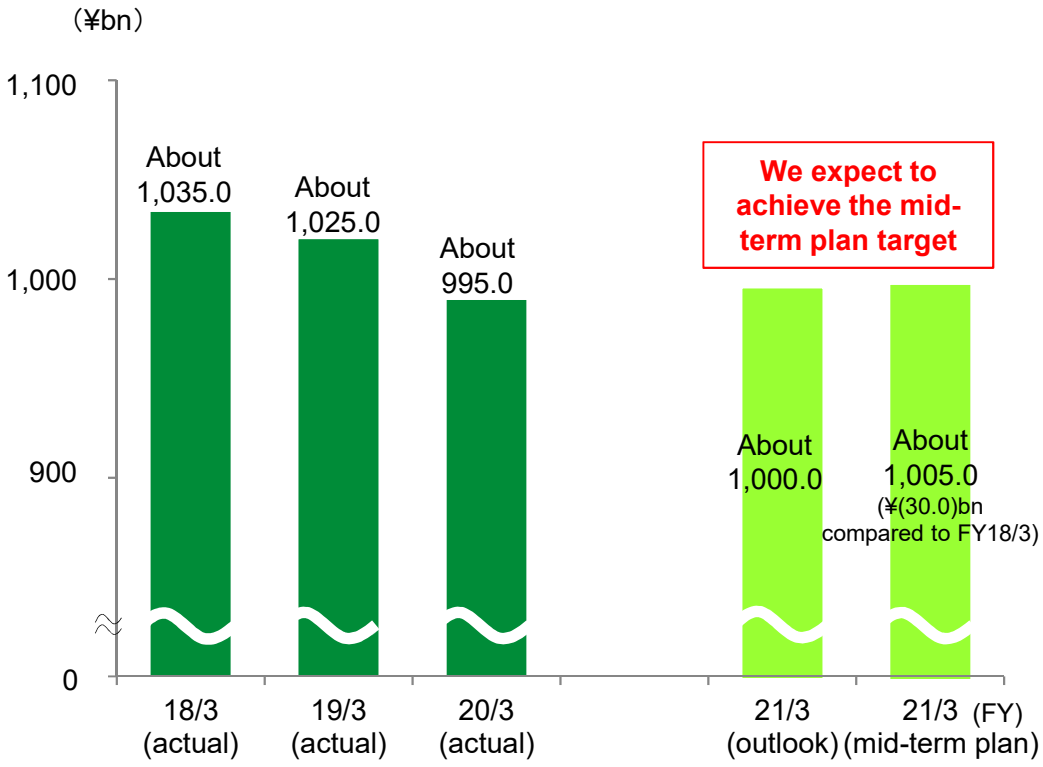
- **The outlook for fees and commissions for the FY21/3 is about ¥130.0bn**
- **The outlook for expenses* for the FY21/3 is about ¥1,000.0bn**
- **At the moment, we expect to achieve the Mid-term plan target for fees and commissions and expenses**

*** Excluding expenses pertaining to the consumption tax rate increase in October 2019 and the allocation of resources to growth areas**

Fees and Commissions



Expenses



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Earnings / Dividends Forecasts

Consolidated

- **Under the assumptions, for earnings forecasts for the FY21/3, net ordinary income and net income attributable to owners of parent are expected to amount to ¥275.0bn and ¥200.0bn, respectively**
- **Dividend per share for the FY21/3 is undetermined at this point, since the financial markets are in a state of uncertainty in the meantime and there is a possibility that our performance will change significantly, depending upon the market trends, we are considering it while assessing business performance trends going forward**
- **Taking into account uncertain future market trends etc., our current policy for dividends from surplus for the FY21/3 is to provide annual dividends, which will be provided once in that year**

Earnings Forecasts

(¥bn)

	FY2020/3 (actual)	FY2021/3 (forecast)
Net interest income, etc.*	1,267.0	1,180.0
Net fees and commissions	128.8	130.0
General and administrative expenses	1,019.5	1,040.0
Net ordinary income	**379.1**	**275.0**
Net income attributable to owners of parent	**273.4**	**200.0**

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

Dividends Forecasts

(¥bn)

	FY2020/3 (actual)	FY2021/3 (forecast)
Dividend per share	¥50 (Interim ¥25, Annual ¥25)	Undetermined*
Total dividend payment	187.4	Undetermined
Dividend payout ratio	68.5%	Undetermined

* Until FY20/3, we have provided dividends twice per year in the form of interim dividends and annual dividends. However, taking into account uncertain future market trends and current net unrealized gains (losses) on available-for-sale securities, our current policy for dividends from surplus for the FY21/3 is to provide annual dividends, which will be provided once in that year.

(Reference) Basic dividend policy（until the FY21/3）

1. The Bank aims to secure dividends of ¥50 per share.
2. The Bank aims to maintain stable dividends per share.
3. The Bank shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves.

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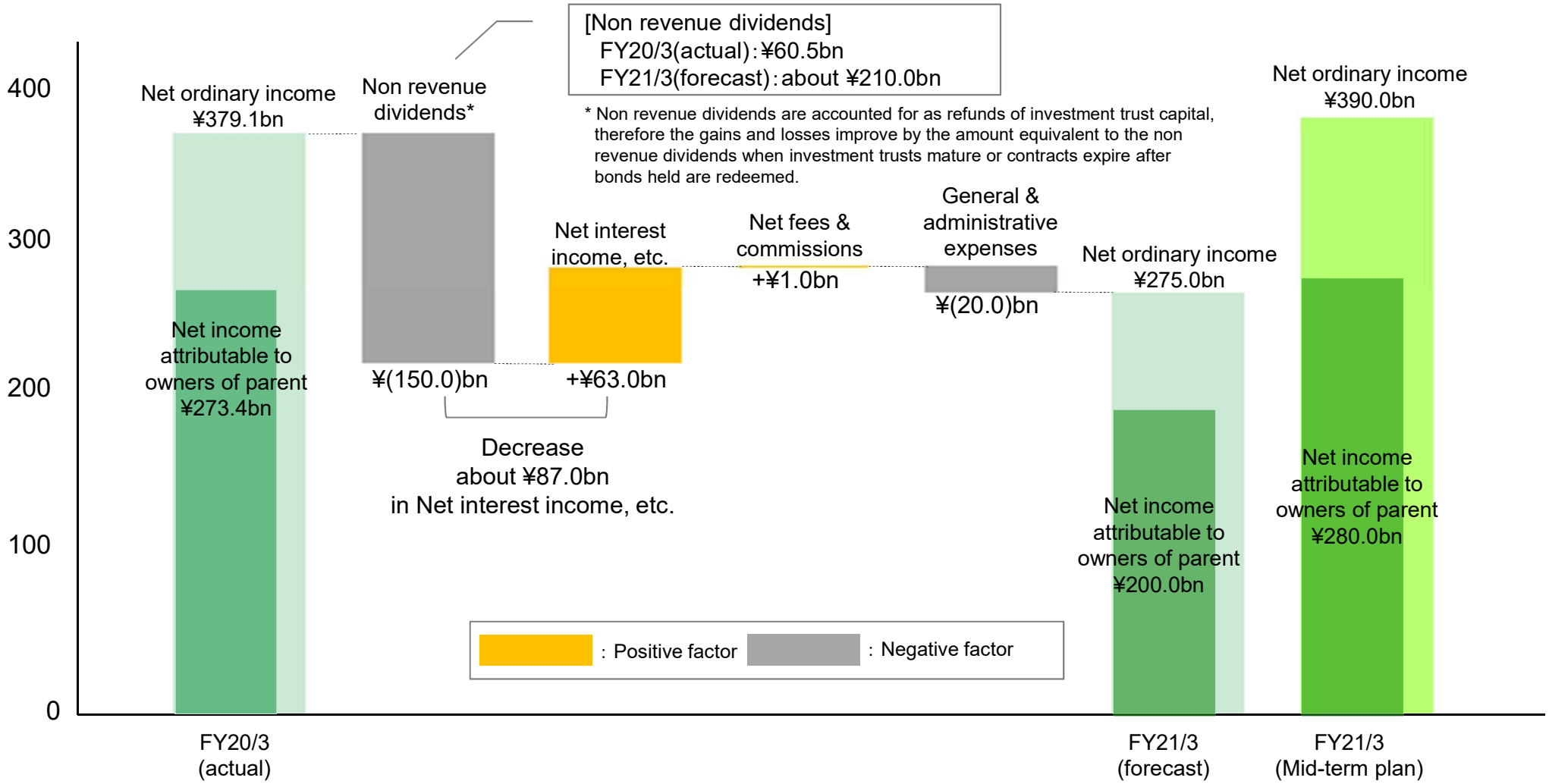
Changes in Net Ordinary Income for Earnings Forecasts

Consolidated

- **The decrease in income from the previous period is mainly attributable to the significant increase in those dividends from investment trusts in our held securities which are non revenue dividends not recognized in income on condition that foreign credit spreads remain high (We anticipate that the impact of these non revenue dividends will be large, especially in the first half of the year)**
- **If foreign credit spreads widen (or tighten) more than the amount anticipated above, then the projected income for the FY21/3 might decrease (or increase)**

Net ordinary income comparison（FY20/3 (actual) vs FY21/3 (forecast)



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Appendix

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Preventing the Spread of COVID-19

- **We have established a crisis management system and Business Continuity Plan (BCP) in place for new strains of influenza, etc.**
- **In addition, the entire Japan Post Group has also put in place measures to meet the demands of national and local governments in regards to preventing the spread of COVID-19**

Measures Ensuring Business Continuity

Japan Post Group

Head Office-Group Joint Countermeasures Headquarters

Consultation regarding measures to prevent the spread of infection and ensure business continuity

Japan Post Bank

Crisis Management Committee

Customer-Oriented Measures

○ **Ensuring Business Continuity system**
- Continue operations at all post offices, branches, and ATMs of the Bank
- Continue essential operations, e.g., cash deposits/withdrawals and settlement services
- Establish a back-up system using flexible staffing and multiple locations

○ **Preventing Customer Infection**
- Reduce number of counters and shortened operating hours of some branches
- Suspend proactive sales activities through visits and at counters, seminars, etc.
- Reduce crowding in lobbies by requesting customers to consider using Japan Post Bank Direct Internet Banking Service and ATMs, as well as to avoid congestion on pension payment dates, etc.
- Use plastic sheets at counters to prevent droplet infection

Bank Employee-Oriented Measures

○ **Preventing Employee Infection**
- Implement staggered working hours to avoid traffic congestion
- Implement shift work
- Refrain from taking business trips, meetings, etc.
- Reduce number of counters
- Implement teleworking, etc.
- Consider leave on the HR system (grant special leave to employees who cannot attend work due to childcare needs owing to school closures, etc.)

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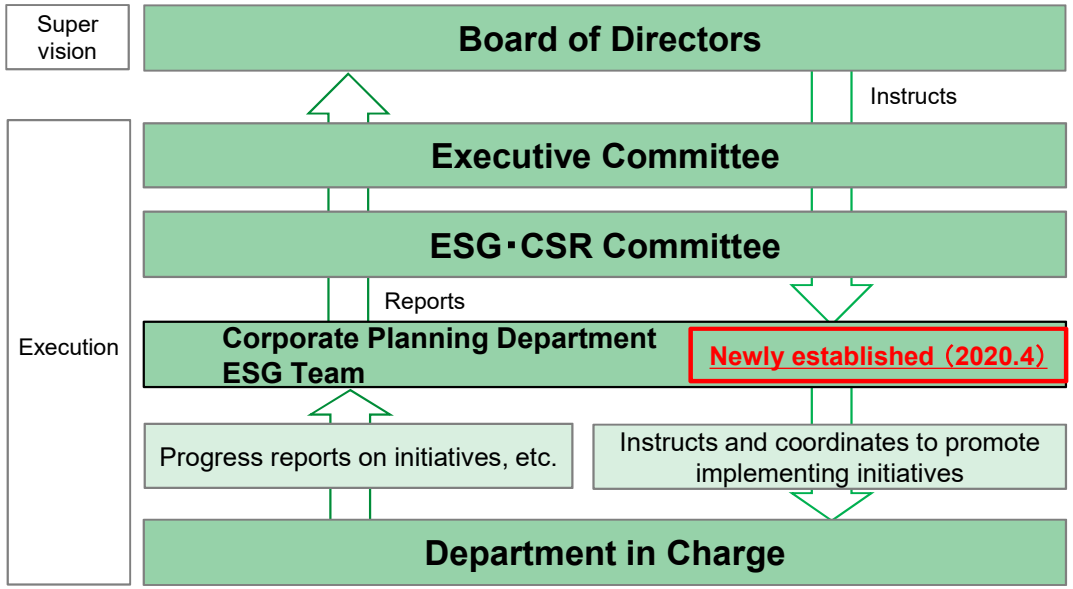
ESG (Initiatives Aimed at Creating Sustainable Social Value)

- **Through business execution, we are flexibly and appropriately addressing the changes in the environment of society as it aims to achieve sustainable society**
- **We established and revised various policies throughout FY2019/3 to FY2020/3. In April 2020, we established the ESG Team in the Corporate Planning Department to further improve initiatives aimed at enhancing corporate value**

ESG・CSR Management Structure



Policies on Environmental/Social Initiatives

JAPAN POST BANK Human Rights Policy Fully revised (May 2019)	The policy has been fully revised based on the UN "Guiding Principles on Business and Human Rights" and the Japan Federation of Bar Associations "Guidance on Human Rights Due Diligence."
JAPAN POST BANK Environmental Policy Revised (April 2019)	In light of our support of TCFD, additions have been made to the policy to promote initiatives on environmental issues, such as climate change, through business activities.
JAPAN POST GROUP's Approach to Procurement Activity Revised (December 2018)	In compliance with the UN Global Compact, additions have been made to ensure that the Group also asks its business partners (suppliers) to take environmental and social issues into consideration.
ESG Investment Policy Newly established (May 2019)	In light of our support of TCFD, a policy has been established which states that various international agreements, etc. will be taken into consideration when promoting diversification of overseas investment.

Inclusion in Indices

Japan Post Bank was selected as a constituent of the following SRI Indexes.
(as of December 2019)

< MSCI Japan Empowering Women Index (WIN) >

MSCI Japan Empowering Women Index (WIN)

THE INCLUSION OF JAPAN POST BANK CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF JAPAN POST BANK CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES.
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< Euronext Vigeo Eiris World 120 Index >

EURONEXT vigeo eiris INDICES WORLD 120

External evaluation

< Platinum Kurumin >

Ministry of Health, Labour and Welfare: Certification as a childcare support company when certain conditions are met in February 2019

< Tomonin >

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

< Certified Health and Productivity Management Organization >

Ministry of Economy, Trade and Industry /Nippon Kenko Kaigi: Certification for corporations that provide health management for employees

< PRIDE Index Gold >

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

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ESG (Contributing to a Sustainable Society)

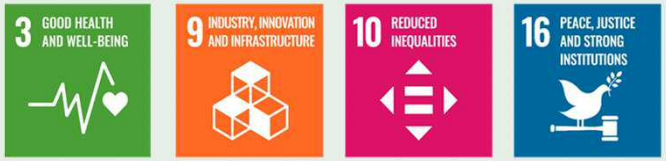
■ **Aim to contribute to the sustainability of both society and Japan Post Bank itself by looking for opportunities in various social issues from a business standpoint and establishing issues that are priorities for Japan Post Bank**

Social issues

- Overconcentration
- Accelerating household assets accumulation
- Declining birth-rate and aging population
- Work style reforms
- Local economic downturn
- Climate change

Opportunities and Risks

Contributions

Stakeholders	Value provided by Japan Post Bank	Related SDGs
Customers	We provide secure and convenient, community-based financial services to all our customers.	
Regional Communities	We revitalize of local economies with funds flow to regional communities and by meeting the needs for cashless transactions. We contribute to the future of regional communities through educating children.	
Environment	We reduce the environmental impact of society overall through financial products.	
Employees	We create lively, employee-friendly working environments where every employee can demonstrate their full potential.	

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ESG (Environmental Initiatives) E: Environment

- **In April 2019, we announced our support for the TCFD recommendations**
- **We act in ways that show consideration for the environment, with regard to environmental issues such as climate change**

Supporting TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In response to climate change, Japan Post Bank supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and will promote initiatives based on the aims of the recommendations.

In May 2019, Japan Post Bank took part in the TCFD Consortium as a forum for the discussion of effective disclosing information, etc.

Disclosure Category	Initiatives Based on TCFD Recommendations
Governance	Newly established the ESG Team in the Corporate Planning Department Incorporate meeting TCFD recommendations into our business strategy in consultation with the Board of Directors and the Executive Committee
Strategy	Identify physical risks and transition risks to Japan Post Bank - Assume a drop in value of securities we hold due to tightening of environmental regulations Continue to review quantitative scenario analysis methodology, etc.
Risk Management	With the ESG Investment Policy having been established, continue to consider ways to further improve it going forwards
Metrics and Targets	Energy usage per unit 25% reduction in FY2021/3 compared to FY2010/3

Initiatives to Reduce Energy Usage

We are committed to reducing energy usage throughout the entire company.
Our achievements in reducing Energy usage per unit* are as follows:

FY2017/3 Performance	FY2018/3 Performance	FY2019/3 Performance
21.2% reduction	22.5% reduction	23.6% reduction
compared to FY2010/3	compared to FY2010/3	compared to FY2010/3

* Energy usage per unit : Energy usage divided by the total floor area

Environmental Conservation Activities

■ JAPAN POST BANK Deposits for International Voluntary Aid

We donate a portion of interest gained on customer deposits to promote environmental conservation and similar initiatives in developing countries.
(Cumulative total since the start through to the end of September 2019: ¥33.55 million)

■ Yucho Eco-Communication

We donate a portion of the savings achieved in reducing paper usage to environmental conservation groups across Japan to support activities that contribute to local sustainable development.
(Cumulative total since the start: ¥13 million)

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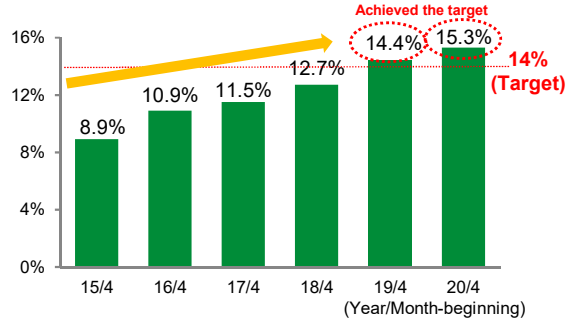
ESG (Diversity Management and Regional Vitalization) S: Social

- **We aim to increase diversity in our corporate culture and improve the working environment, enabling every employee to deliver their best performance**
- **We contribute to the development of regional economies and work together with regional financial institutions by investing in Regional Vitalization Funds. We will also consider providing capital support to companies across the country affected by the spread of COVID-19 with the aim of further contributing to the revitalization of local economies**

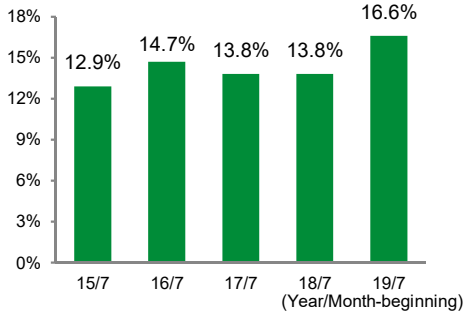
Empowerment of women

- Aiming to increase the percentage of women in managerial positions to 14% or more by April 1, 2021
- Aiming to increase the percentage of women to around 50% attendance of leadership training by introducing selective training

【Percentage of women in managerial positions】



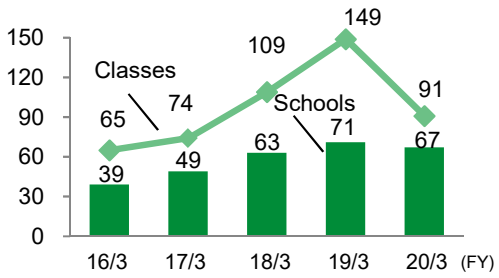
【Percentage of women executives*】



* Executives defined by the Companies Act of Japan (directors and executive officers)

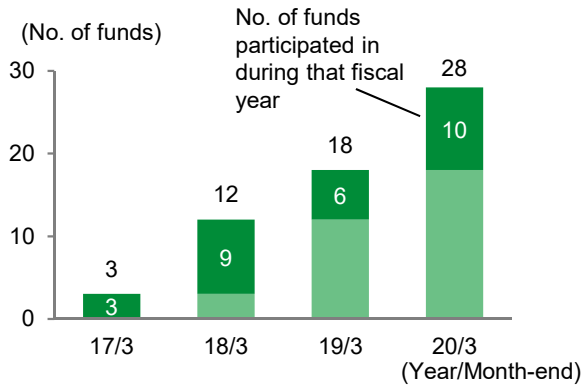
Financial Education

- Staff visit elementary and junior high schools to deliver lessons aimed at improving financial literacy.



Participation in Regional Vitalization Funds

- We contribute to the development of regional economies and work together with regional financial institutions. (Refer to p47 for details.)

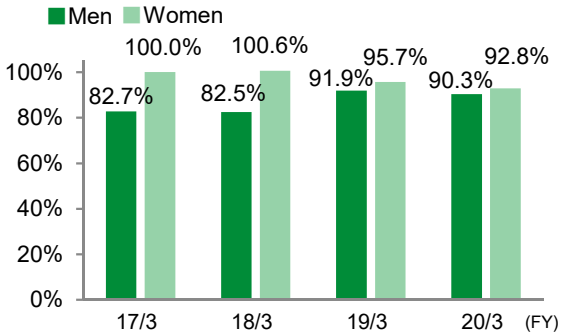


Work-life balance management

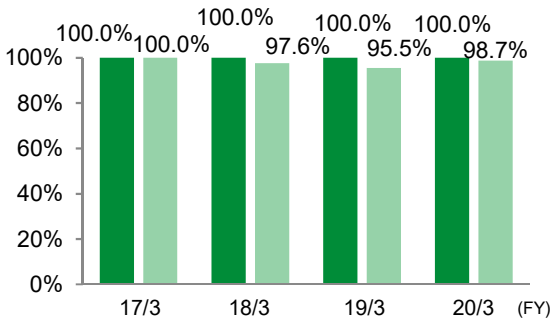
- Creation of system combining "work" and "life" in an active and autonomous manner

(1) Implementation of various kinds of training and seminars related to work-life balance (2) Support system exceeding the standards prescribed in the Child Care and Family Care Leave Act
(3) Promotion of telecommuting and implementation of flextime

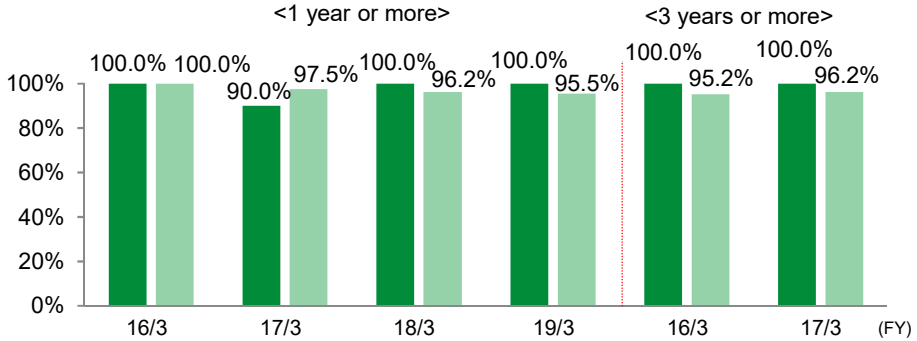
【Employees Taking Child Care Leave[1,2,3]】



【Child Care Leave Return Rate[2]】



【Retention Rate After Child Care Leave Return[2]】



Notes: 1. Employees Taking Child Care Leave (%) = The number of employees who commenced child care leave in a given fiscal year / the number of employees whose children were born in the fiscal year
2. Calculations for men include those taking paternity leave 3. The figures for FY2020/3 are preliminary data for April 2019 to March 2020 (Men), preliminary data for April 2019 to January 2020 (Women)

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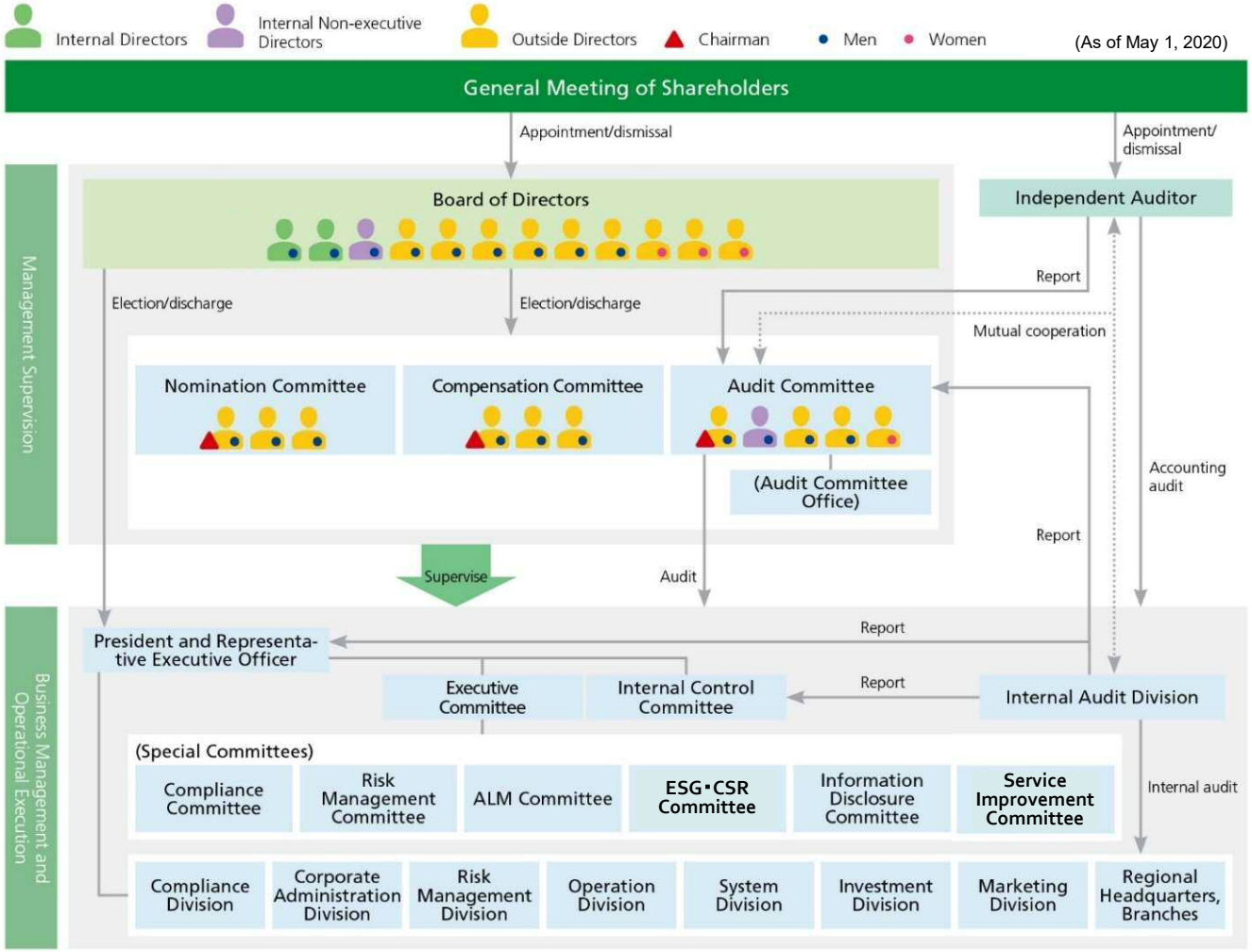
ESG (Framework for Corporate Governance) G: Governance (1)

- Ensure management transparency with the adoption of a committees based system
- Effective supervision by Outside Directors
  (9 out of 12 Directors are Independent Outside Directors)*

* As of May 1, 2020



- Board of Directors' meetings held 12 times
- Rate of attendance at Board of Directors' meetings: 98.01%

(June 2019 – May 21, 2020)

Committee	Chairperson	Committee members
Nomination Committee	Makoto Kaiwa	Tomoyoshi Arita Ryoji Chubachi
Compensation Committee	Ryoji Chubachi	Katsuaki Ikeda Keisuke Takeuchi
Audit Committee	Tomoyoshi Arita	Ryoichi Nakazato Sawako Nohara Tetsu Machida Katsuaki Ikeda

(As of May 1, 2020)

Directors with underline are Independent Outside Directors (TSE standards)

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ESG (Framework for Corporate Governance) G: Governance (2)

9 Outside Directors

Tomoyoshi Arita
Attorney-at-law

Sawako Nohara
President and CEO of IPSe Marketing, Inc.
Project professor at Keio University Graduate School of Media and Governance

Tetsu Machida
Independent economic journalist

Nobuko Akashi
Board chairman of a non-profit organization, Japan Manners & Protocol Association

Katsuaki Ikeda
Former Corporate Auditor of MS&AD Insurance Group Holdings, Inc.

Ryoji Chubachi
Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology

Keisuke Takeuchi
Former Chairman and Representative Director of JGC Corporation

Makoto Kaiwa
Representative Director and Chairman of the Board of Tohoku Electric Power Co., Inc.
Chairman of TOHOKU ECONOMIC FEDERATION

Risa Aihara
Representative Director and President of Ai-LAND Co., Ltd.

3 Inside Directors

Ryoichi Nakazato
Former Director, Executive Vice President and Executive Officer of Hitachi Solutions, Ltd.
Former Executive Vice President of JAPAN POST BANK Co., Ltd.

Norito Ikeda
Director, President and Representative Executive Officer

Susumu Tanaka
Director and Representative Executive Vice President

10 Non-Executive Directors

2 Executive Directors

(As of May 1, 2020)

(Reference) 25 Executive Officers include 2 Directors above.

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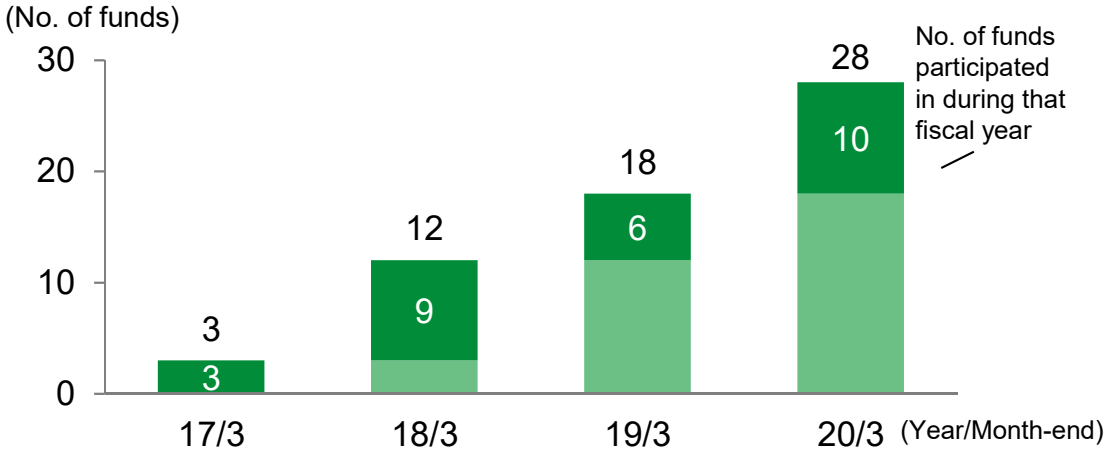
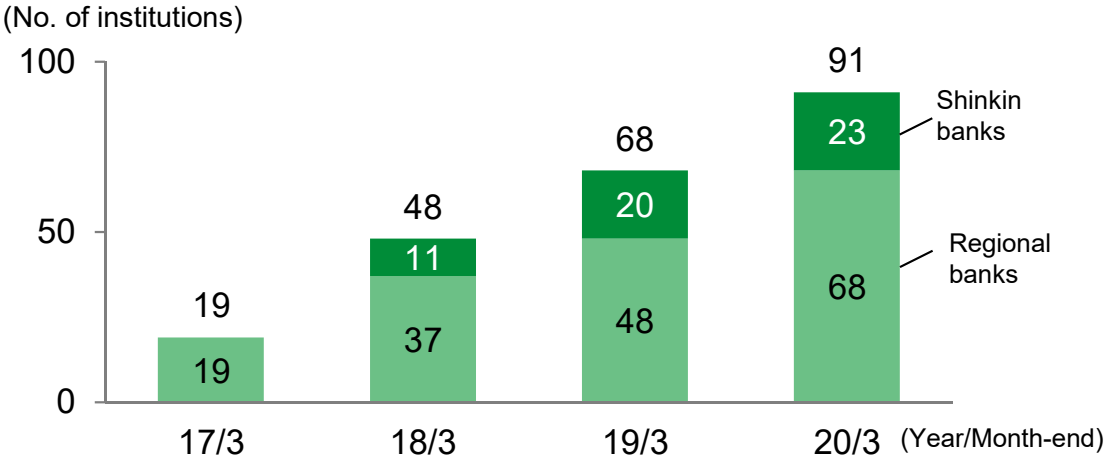
Funds Flow to Regional Communities (1)

- **As an initiative to contribute to the vitalization of regional economies through collaboration with regional financial institutions, we have participated in regional funds as a fund investor (LP) since July 2016**
- **As of March 31, 2020, we are participating in 28 funds**
- **We will continue to actively encourage participation in regional vitalization funds**
- **We will also consider providing capital support to companies across the country affected by the spread of COVID-19 with the aim of further contributing to the revitalization of local economies**

Trends in Participation in Regional Vitalization Funds

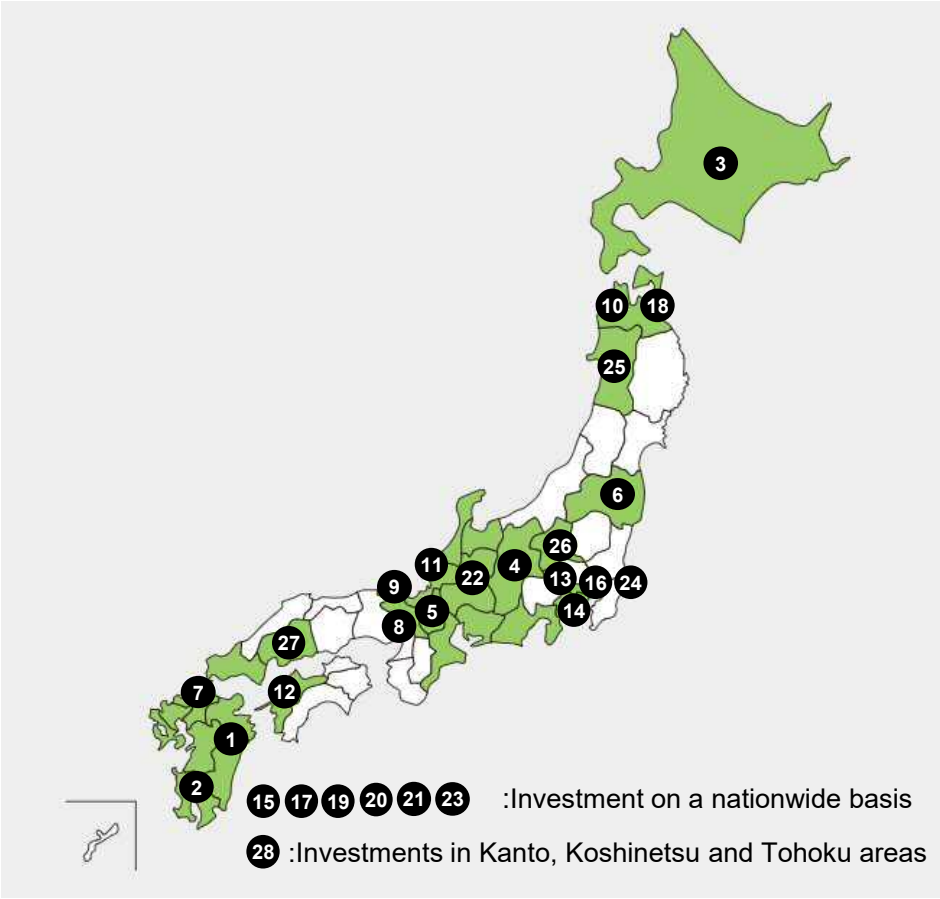


Trends in the No. of Regional Financial Institutions Affiliated with JP Bank



Regions of Investment by Regional Vitalization Funds

(As of March 31, 2020)



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Funds Flow to Regional Communities (2)

(As of March 31, 2020)

FY2017/3-FY2018/3

	Name of Fund	Year/month of participation	Total fund amount
①	Kyushu Wide Area Reconstruction Assistance Investment LP	2016/ 7	Around ¥11.7bn
②	KFG Regional Enterprise Support Investment LP	2016/11	¥2.5bn
③	Hokkaido Growth Companies Support Investment LP	2016/11	¥0.2bn[1]
④	Chubu / Hokuriku Region Vitalization Investment LP	2017/ 4	¥5.0bn min.[2]
⑤	Shiga Bank Core Business Support Investment LP	2017/ 6	¥0.6bn
⑥	Toho Business Succession Investment LP	2017/ 8	¥0.5bn
⑦	Kyushu Setouchi Potential Value Investment LP	2017/10	¥2.3bn[1]
⑧	MIYAKO Kyoto University Innovation LP	2017/11	Around ¥2.0bn[1]
⑨	MBC Shisaku 1 LP	2017/12	Around ¥2.0bn[2]
⑩	Michinoku Regional Vitalization Investment LP	2018/ 3	¥0.5bn
⑪	Fukui Future Business Support Investment LP	2018/ 3	Around ¥0.5bn[1]
⑫	Ehime Regional Vitalization Investment LP	2018/ 3	¥0.3bn

Notes: 1. As of establishment 2. Targeted investment amount

FY2019/3-FY2020/3

	Name of Fund	Year/month of participation	Total fund amount
⑬	Healthcare New Frontier Investment LP	2018/ 8	¥1.25bn
⑭	Tokyo SME Support 2 LP	2018/ 8	¥2.0bn
⑮	Succession Investment LP, I	2018/10	¥3.0bn
⑯	TOKYO Relationship No.1 Investment, L.P.	2018/12	¥3.4bn[1]
⑰	Kyoto-University-Venture NVCC No.2 Investment LP	2019/ 3	¥5.4bn
⑱	Aomori Bank Regional Vitalization LP	2019/ 3	Around ¥0.3bn
⑲	Capitalization of Tourism Heritage Investment LP	2019/ 6	¥3.0bn[2]
⑳	Regional Next-generation Industry Accelerate Investment LP	2019/ 7	¥0.71bn[1]
㉑	Regional Companies Value Up Support Investment 1 LP	2019/ 7	¥4.0bn
㉒	Growth Support Investment Project No.1 LLP	2019/ 7	¥1.52bn
㉓	Ant Bridge No.5-A Private Equity Secondary Investment Fund, LP	2019/ 9	¥21.2bn
㉔	Kiraboshi Capital-Mercuria Investment LP for the Investment Business	2019/10	¥2.52bn
㉕	Akita City SME Promotion Investment LP	2019/11	¥0.3bn
㉖	Towa Regional Activation Investment LP	2019/11	¥0.5bn
㉗	Furusato Renkei Ouen Fund, L.P.	2020/ 1	¥7.1bn
㉘	Wide Area Typhoon Reiwa 1 Recovery Support Investment LP	2020/ 1	¥3.18bn[1]

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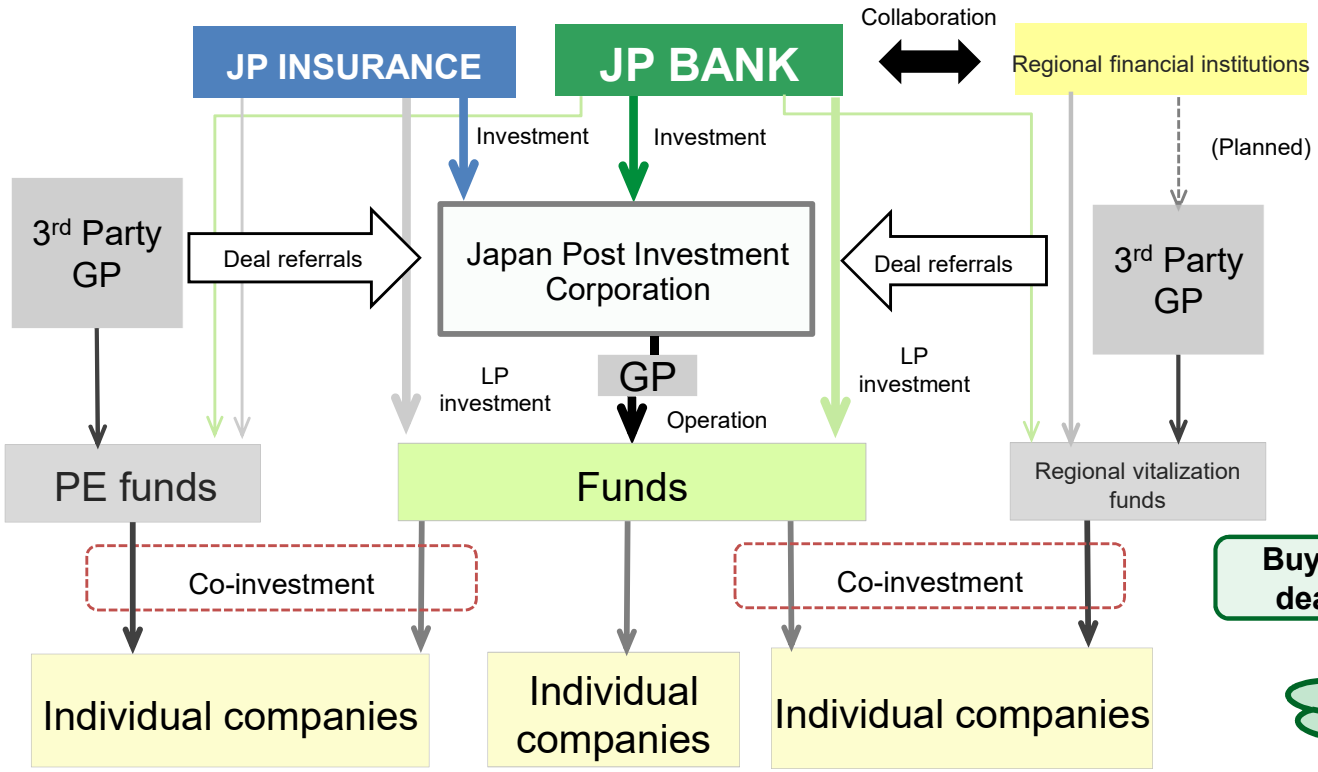
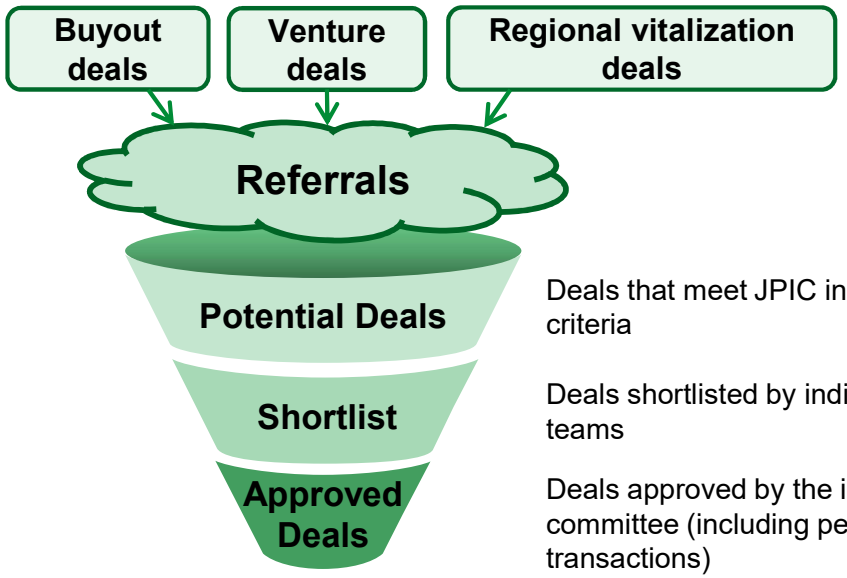
PE Investments through Japan Post Investment Corporation

- **Aim to expand revenues by capturing private equity investment opportunities via Japan Post Investment Corporation funds**
- **Support investee companies by providing equity capital**



- Contribution to development of domestic industries through equity funding
- Support corporate growth through promotion of investment in technology and venture businesses



Deals that meet JPIC investment criteria

Deals shortlisted by individual deal teams

Deals approved by the investment committee (including pending transactions)

◆ No. of employees: 30

* Includes those seconded from Japan Post Bank and Japan Post Insurance and direct contractors but does not include non-executive board members or agency staff

◆ Current fund size：Around ¥90.0bn

(As of March 31, 2020)

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Aggregation of Operational Processes with Regional Financial Institutions

- **We are promoting aggregation of operational processes that makes use of spare capacity at our 11 Operation Centers, in order to encourage cooperation and partnerships with regional financial institutions**
- **As the first step, we are introducing aggregation of operational processes related to taxes and public dues, which is a non-competitive area in the Japanese banking industry**

Aim of Aggregation

To encourage cooperation and partnerships with regional financial institutions, etc.

Streamline operations and ensure effective utilization of equipment and personnel

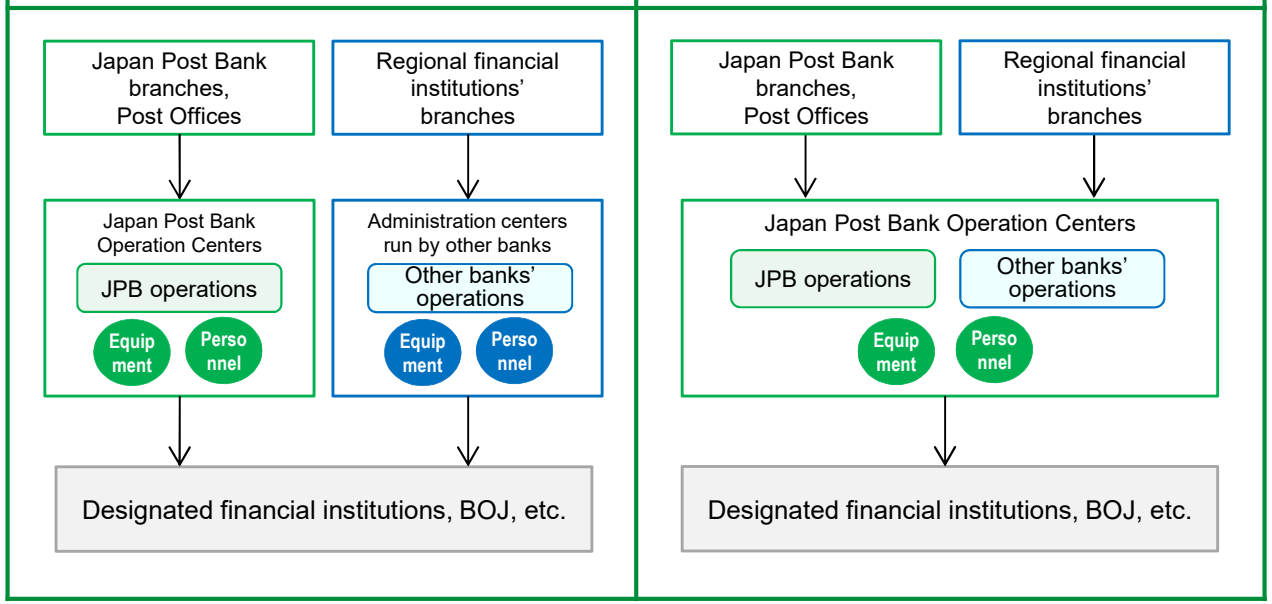
Obtain new revenue through entrusted business operations

Forming "Regional Financial Infrastructure" by promoting the aggregation of operational processes, which are "non-competitive areas" in the banking industry

Summary of Aggregation of Operational Processes related to Taxes and Public Dues

- Accepting payments for taxes and public dues from customers at our branches
- Categorizing and aggregating the paid bills (proof of receipt) by type
- Sending them to the designated financial institutions, Bank of Japan, etc. on time

Current Status	After Aggregation
Each financial institution purchases dedicated systems (equipment) and employ a large number of personnel	Using a common system, it is possible to streamline the operational process and reduce the number of personnel



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Main ATM-Related Initiatives

- **Provide an ATM network covering all of Japan with the largest number of ATMs**
- **Expand win-win partnerships with regional financial institutions using the JP Bank ATM Network**
- **Implement initiatives to improve profitability of ATMs, such as expanding the installation of compact ATMs**

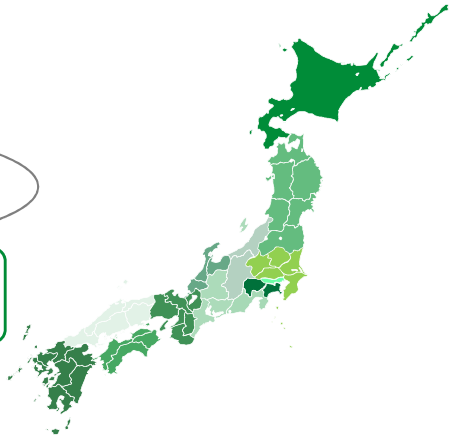
Nationwide ATM network with the largest number of ATMs in Japan

■ Japan's largest ATM network

No. of ATMs
(As of March 31, 2020)

Approx. 32,000

No. of partner financial institutions:
Approx. 1,400
(As of March 31, 2020)

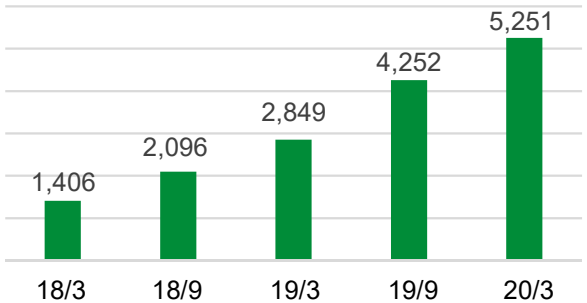


■ Increasing compact ATMs at FamilyMart, etc.

We are currently expanding the installation of compact ATMs compatible with 16 languages at FamilyMart and other locations

【JP Bank compact ATM】

【No. of compact ATMs installed】



(Year/Month-end)

Win-win partnerships with regional financial institutions, etc.

■ JP Bank's ATM network platform* and cooperation with regional financial institutions

〔ATM network platform〕

Apr 2019 **The Ehime Bank, Ltd.**: Free ATM charge nationwide up to 4 times a month during the day on weekdays

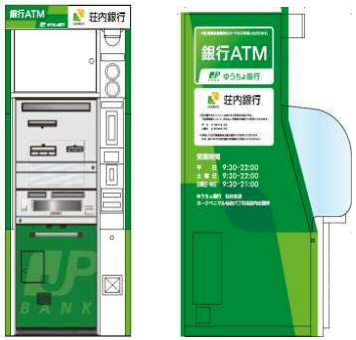
The Bank of Nagoya, Ltd.: Free ATM charge nationwide up to 4 times a month during the day on weekdays for customers who make a certain number of transactions

* 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.

〔Installing Partnered ATMs〕

Two locations of ATMs installed outside the branch with the Shonai Bank (December 2019 and February 2020)

[(Ex.1) External ATM]



[(Ex.2) External ATM]

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Agency Commissions Paid to Japan Post Co., Ltd.

- **Agency commissions consist of basic agency commissions (commission for operating deposits, investment trusts, and for remittance and settlement services) and sales & service incentives**
- **The Contribution System for the support of postal service network (hereinafter called ‘‘contribution’’) was introduced in FY2020/3 and we revised how to cover the cost of agency services provided by Japan Post Co., Ltd. using contribution and (new) basic agency commissions. The (new) basic agency commissions maintain a structure that will reflect any change in operating efficiency of our directly-operated branches. In FY2021/3, we will begin efforts to significantly reduce the number of teller employees in our directly-operated branches during the next Mid-term Plan period (FY2022/3 - FY2024/3) in light of changes in customers’ lifestyles**
- **The (new) basic agency commissions for FY2020/3, have been set by deducting the component covered by contribution from the amount corresponding to the cost of agency services**

(Basic agency commissions)

Using operating costs at our directly-operated branches as a benchmark, we paid an amount corresponding to the cost of agency services based on the actual results of services and transactions handled by Japan Post Co., Ltd. (post offices).

+

(Sales & service incentives)

Paid in line with achievements in sales targets and improvements in service quality.

FY2019/3, and earlier

Basic agency commissions

+

Sales & service incentives

Agency commissions

FY2020/3, and later

Contribution [1]

(New) Basic agency commissions

+

Sales & service incentives[2]

(New) Agency commissions

(Revision of calculation method)

Calculated by multiplying the percentage increase or decrease from the previous fiscal year's amount corresponding to the cost of agency services (based on the costs of our directly-operated branches) by the previous fiscal year's basic agency commissions.

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

*2: Sales & service incentives are set as before.

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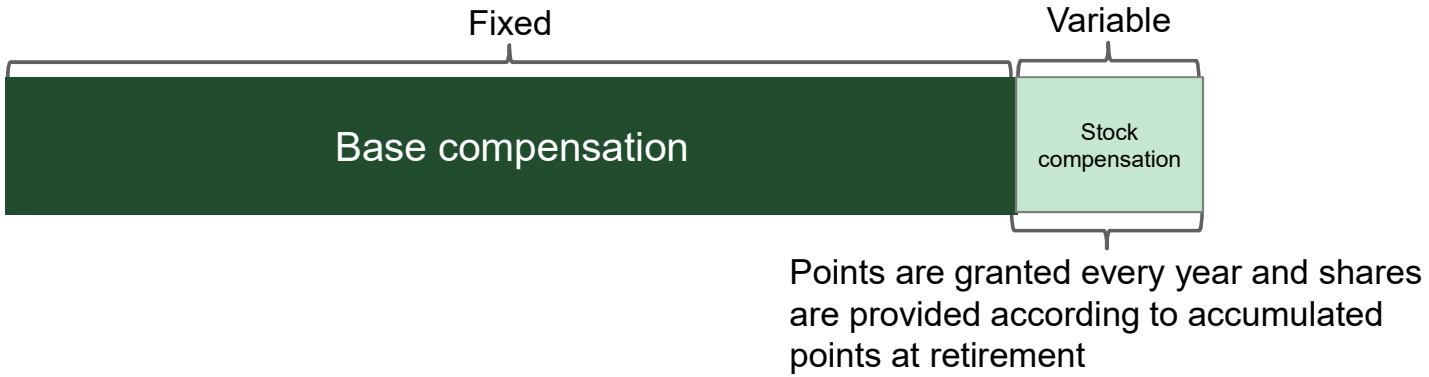
Performance-Linked Stock Compensation System for Executive Officers

■ **Introduction of performance-linked stock compensation system for Executive Officers in May 2016**

Overview of performance-linked stock compensation system for Executive Officers

- The compensation of the Executive Officers of the Bank shall consist of a “base compensation” component as fixed compensation, and a “performance-linked stock compensation” component as variable compensation
- The objectives of the system are to further enhance the awareness of Executive Officers regarding the importance of contributing to sustainable growth and enhancing the Bank’s corporate value over the medium and long terms
- Points that are calculated by multiplying the sum of basic points corresponding to separately prescribed duties and evaluation points based on individual evaluation by a coefficient that varies according to the state of achievement of management targets shall be granted every year, and shares corresponding to the points accumulated at the time of retirement from office shall be provided. However, a certain percentage of this shall be paid in the form of money obtained by converting the shares into cash
- The system enables shares provided at the time of retirement to be reduced or not provided if the recipient has breached duties as an Executive Officer, etc.



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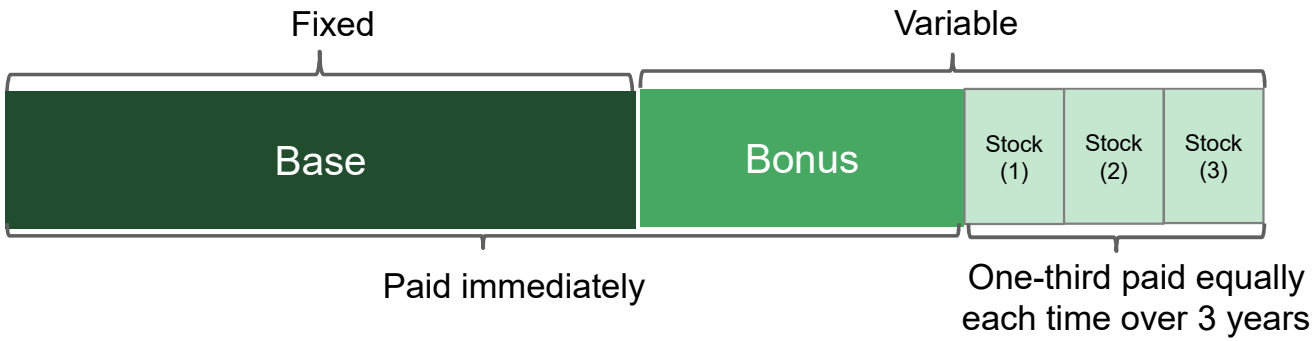
Employee stock ownership plan for management employees of the Bank's Investment Division

■ **As part of our effort to promote diversification and sophistication of investment management, the Bank introduced an employee stock ownership plan for management employees of the Bank's Investment Division in April 2016**

Overview of employee stock ownership plan for management employees of the Bank's Investment Division

- The compensation of management employees of the Bank's Investment Division consists of fixed compensation and variable compensation (performance-linked portion)
- The variable compensation contains stock-based rewards, in addition to cash, as a compensation payment method that emphasizes the creation of longer-term corporate value
- In light of Japanese and overseas regulations and guidelines, the plan is implemented with a three-year deferral for granting the Bank's shares
- The Bank will be entitled to reduce or confiscate the deferred grant, depending on factors such as the earnings performance of the Bank or the employee



(As of March 31, 2020)

Investment Division

- CIO Office
  - CIO Office Quants Team
- Global Fund Investment Department
- Global Credit Investment Department
  - Structured Products Team
- Rates and FX Investment Department
- Equity Investment Department
- Private Equity Investment Department
- Real Estate Investment Department
- Treasury Department
- Treasury Administration Department

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Review

(¥bn)

JAPAN POST BANK	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3
Non-consolidated							
Gross operating profit	1,568.7	1,634.7	1,452.0	1,410.2	1,462.3	1,327.0	1,314.2
Net interest income[1]	1,470.2	1,540.7	1,361.0	1,223.5	1,175.6	1,016.1	976.8
Net fees and commissions	92.6	89.2	91.1	86.6	96.4	106.7	128.8
General and administrative expenses[2]	(1,096.0)	(1,114.7)	(1,066.1)	(1,056.1)	(1,045.0)	(1,037.5)	(1,020.2)
Provision for general reserve for possible loan losses	—	—	—	0.0	(0.0)	—	(0.0)
Net operating profit	472.6	519.9	385.8	354.0	417.3	289.4	293.9
Non-recurring gains (losses)	92.4	49.4	96.1	87.9	82.3	84.8	85.1
Net ordinary income	565.0	569.4	481.9	442.0	499.6	374.2	379.0
Extraordinary income (losses)	(0.6)	1.5	(1.1)	(1.4)	(0.7)	(4.1)	(0.4)
Net income	354.6	369.4	325.0	312.2	352.7	266.1	273.0
Total net assets	11,464.5	11,630.2	11,508.1	11,780.0	11,513.1	11,350.8	8,987.6
Total assets	202,512.8	208,179.3	207,056.0	209,568.8	210,630.6	208,970.4	210,905.1
Capital adequacy ratio (Domestic standard)	56.81%	38.42%	26.38%	22.22%	17.42%	15.78%	15.55%
Number of employees[3]	12,963	12,889	12,905	12,965	13,009	12,800	12,477
Average number of temporary employees[3]	5,699	5,523	5,223	4,902	4,612	4,184	3,865
New employees[4]	419	383	367	465	542	404	234
Consolidated							
Net ordinary income	—	—	—	—	499.6	373.9	379.1
Net income attributable to owners of parent	—	—	—	—	352.7	266.1	273.4
Capital adequacy ratio (Domestic standard)	—	—	—	—	17.43%	15.80%	15.58%

1. Net interest income is calculated by deducting interest expenses (excluding the expenses related to money held in trust) from interest income.
2. General and administrative expenses exclude non-recurring expenses. 3. As of the end of each fiscal year. 4. As of the beginning of each fiscal year. The number of new employees in FY2021/3 is 230.

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Appendix 2

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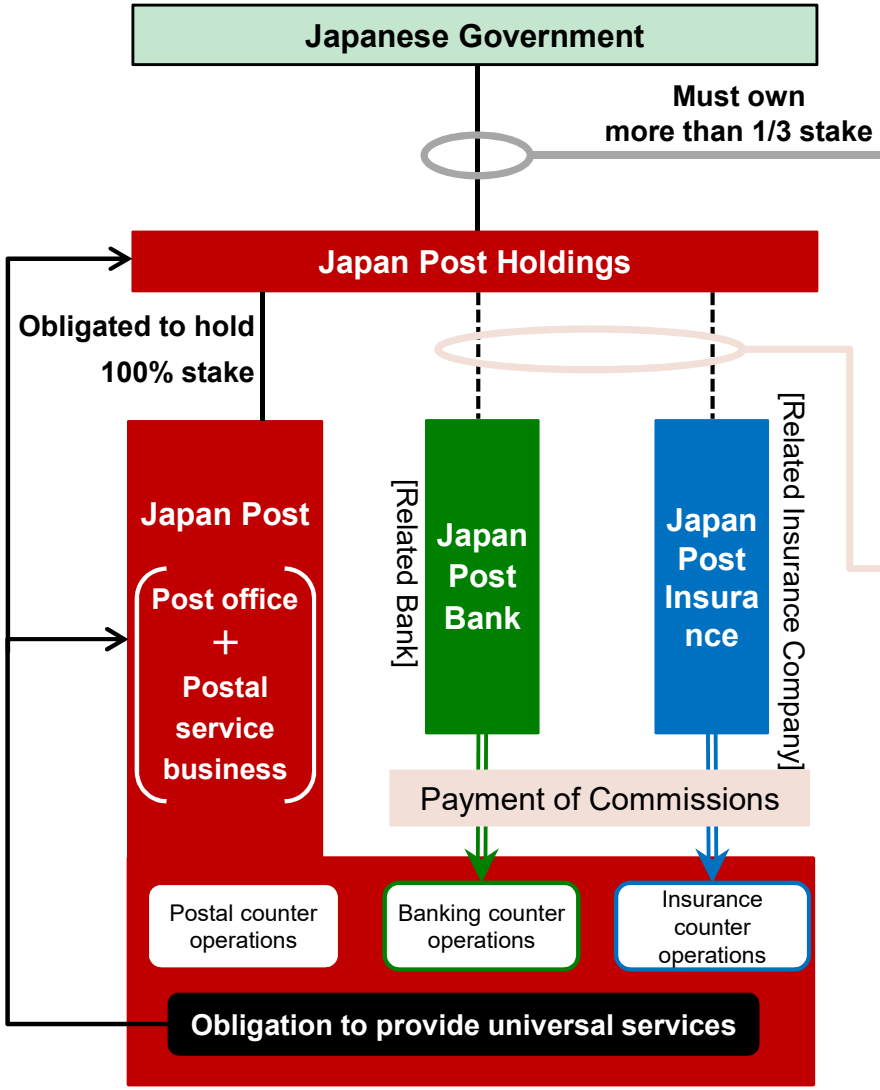
Privatization and Listing Scheme of Japan Post Group

- The Postal Service Privatization Act: the shares of Japan Post Holdings and the Two Financial Subsidiaries must be disposed within the earliest possible timeframe
- Announcement by Japan Post Holdings: aim to list Japan Post Holdings, Japan Post Bank, and Japan Post Insurance concurrently
  Japan Post Holdings initially plans to incrementally dispose of its holdings in the Two Financial Subsidiaries until its ownership of each is reduced to around 50%



Shareholding requirements/sale policy pursuant to the Postal Service Privatization Act

- The Japanese government must reduce its equity interest in Japan Post Holdings within the earliest possible timeframe. However, it shall maintain an equity interest that exceeds one-third
- Japan Post must be wholly-owned by Japan Post Holdings
- Japan Post Holdings is required to dispose of its entire interest in the Two Financial Subsidiaries (Japan Post Bank and Japan Post Insurance) within the earliest possible timeframe in light of the condition of their businesses, and having regard to the impact on the ability of Japan Post Holdings and Japan Post Co. to fulfill their obligations to provide access to universal services

Japan Post Holdings: Announcement on Dec. 26, 2014

(Concurrent initial public offerings)

- Japan Post Holdings aims to conduct initial public offerings of the Two Financial Subsidiaries concurrently with the initial public offering of Japan Post Holdings

(Reduction of Japan Post Holdings' equity interests in the Two Financial Subsidiaries)

- In light of increasing management flexibility of the Two Financial Subsidiaries, Japan Post Holdings initially plans to incrementally dispose of its holdings in the Two Financial Subsidiaries until its ownership of each is reduced to around 50%, while maintaining the group's unity and comprehensive strength

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“Retail Financial Institution that Caters to All Segments of Society” and “One of the Largest Institutional Investors in Japan”

- “One of the largest retail financial institutions in Japan” providing essential financial services mainly through the post office network
- “One of the largest institutional investors in Japan” with its securities-centered portfolio aiming to diversify through global asset allocation

Customer Base

One of the largest retail customer bases in Japan with an “accessible and trusted brand”

- Around 120mn ordinary deposit accounts (as of March 31, 2020)
- Deposit balance ¥183.0tn (as of March 31, 2020)

Channels

Significant network channels covering a broad range of customers

- Nationwide network of post offices as the main channel
- Largest number of ATMs nationwide, internet banking

Products and Services

Essential financial services for individual customers

- Focus on basic financial services essential to individual customers such as savings, remittances, investment trusts, loans and other services

Retail financial institution with customers from all segments of society

Asset Manage-ment

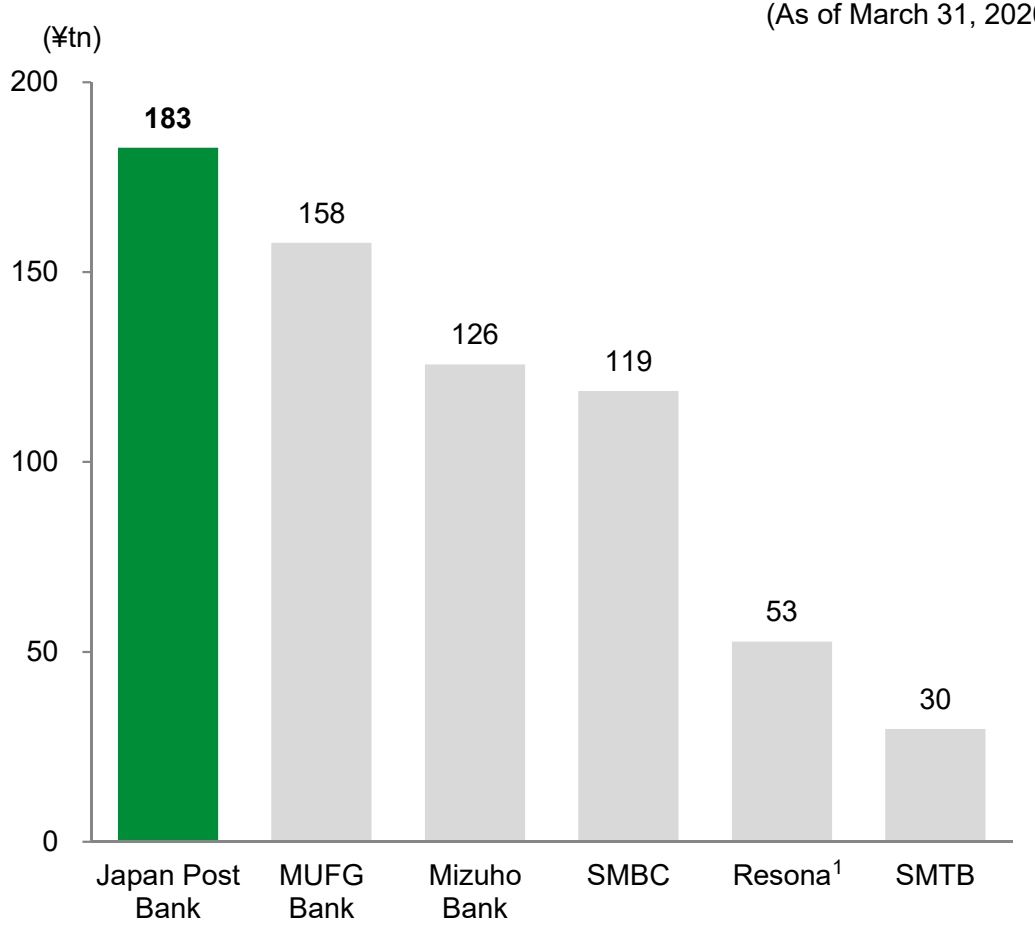
Diversification of investment portfolio while maintaining securities-centered portfolio

- Planning to diversify revenue sources by expanding credit exposure and increasing global asset allocation

One of the largest institutional investors in Japan

Deposit Ranking of Japanese Banks

(As of March 31, 2020)



Source: Company disclosures, subsidiary bank non-consolidated basis
Note: Excluding negotiable certificate of deposits.
1. Aggregate deposit balance of Resona Bank, Saitama Resona Bank, Kansai Mirai Bank and Minato Bank.

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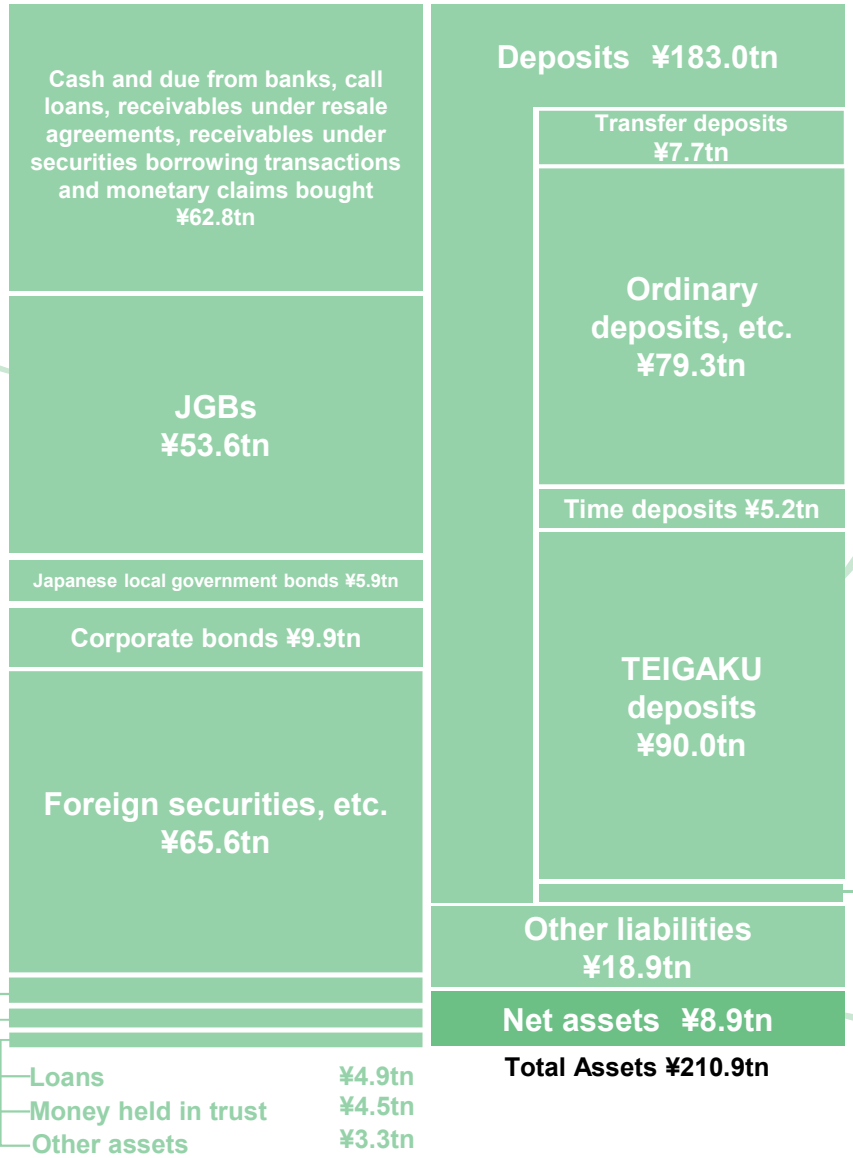
Strategic & Financial Highlights

Non-consolidated

1. Maintained Stable Profit despite Economic Volatility

Condensed Balance Sheet (As of March 31, 2020)



4. Investment Strategy having Secured Stable Profits

2. Retail Marketing Capability through the Largest Network among Japanese Banks

5. Growth Strategy and Compelling/Stable Shareholder Return

3. Solid Capital Base

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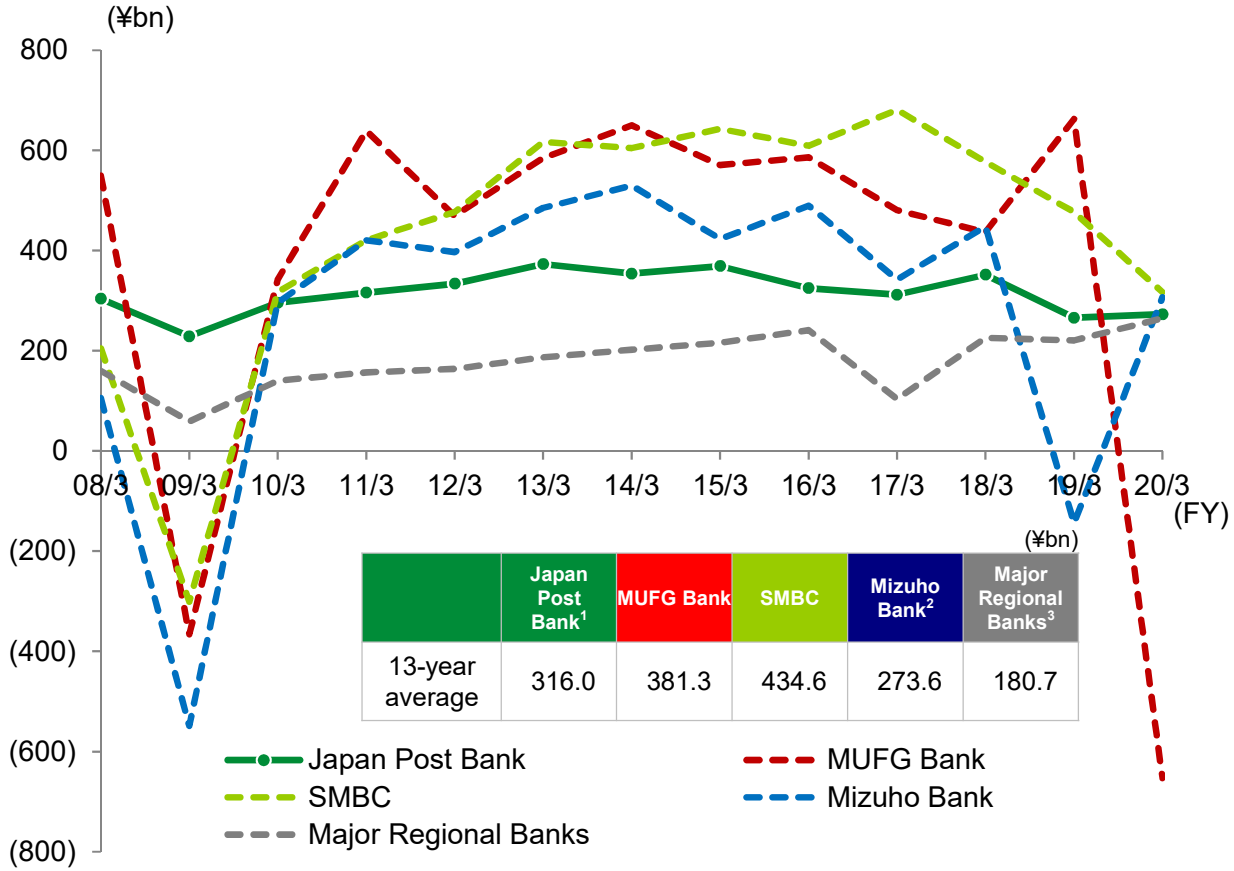
Stable Profits through Retail Funding and Market Investment

- Maintained stable profits up to FY20/3 with its funding structure and investment portfolio resilient to economic fluctuation
- Our differentiated business model (retail funding/market investment) supported by ALM strategy and cost control is the key to stable profits

History of Net Income
(Comparison with megabanks and major regional banks since corporatization of Japan Post Bank)



(¥bn)

	Japan Post Bank[1]	MUFG Bank	SMBC	Mizuho Bank[2]	Major Regional Banks[3]
13-year average	316.0	381.3	434.6	273.6	180.7

Source: Company disclosures Note: Data are on a non-consolidated basis (excl. Fukuoka FG)

1. Net income of Japan Post Bank for FY08/3 is shown as double the net income from Oct. 1, 2007 to Mar. 31, 2008.
2. FY14/3 for Mizuho Bank is calculated by simply adding 1Q net income of "former" Mizuho Bank to the full year net income of "new" Mizuho Bank (ex. Mizuho Corporate Bank).
3. Major Regional Banks include The Bank of Yokohama, Shizuoka Bank, Chiba Bank, Joyo Bank (non-consolidated basis, a subsidiary of Mebuki FG) and Fukuoka FG (consolidated). Figures shown are the aggregate net income of these banks.

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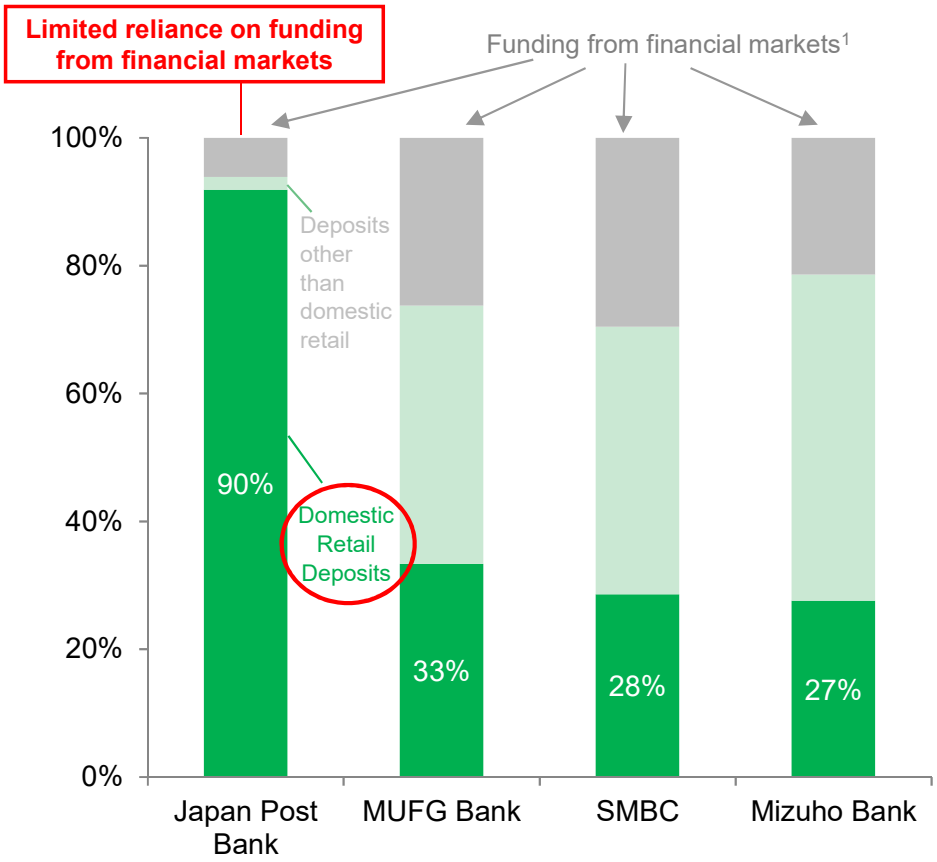
Stable/Low-cost Funding through Significant Network and Customer Base

- Around 90% of our funding is retail deposits – relatively stable and low-cost funding structure compared to market-based funding
- Post offices, Japan's largest physical network covering every municipality in Japan, are our main channel
- We hold a retail deposit market share of around 20%

Breakdown of Funding Sources

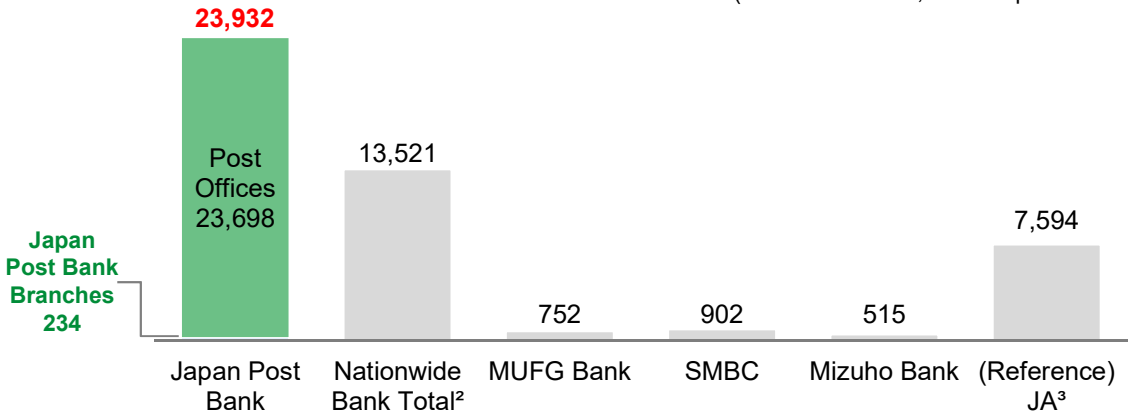
(As of March 31, 2020)



Source: Company disclosures
Note: Subsidiary bank non-consolidated basis.
1. Funding from financial markets includes negotiable certificates of deposit, call money, payables under repurchase agreements, payables under securities lending transactions, commercial paper, borrowings, bonds, etc.

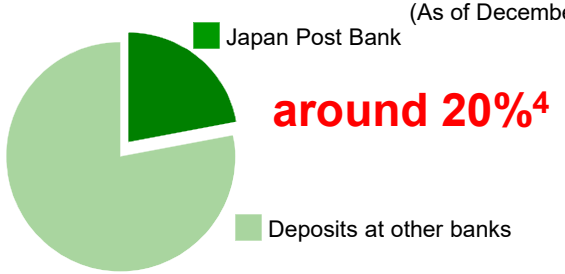
Domestic Branch Network

(Branches/Offices, as of September 30, 2019)



Estimated Share of Japan Post Bank Japanese Household Deposits

(As of December 31, 2019)



Source: Company disclosures, Japanese Bankers Association, JA Bank website
2. Nationwide bank total: domestic head office/branches and sub branches of 114 banks (excluding Japan Post Bank). Independent ATMs located outside of branches are not included in sub-branches, as of September 30, 2019.
3. Total of Japan Agricultural Cooperative and the Prefectural Credit Federations of Agricultural Cooperatives locations with exchange operations, as of March 31, 2019.
4. Retail deposits of Japan Post Bank as of December 31, 2019 / household deposits (from "Flow of Funds Accounts" released by Bank of Japan) as of December 2019.

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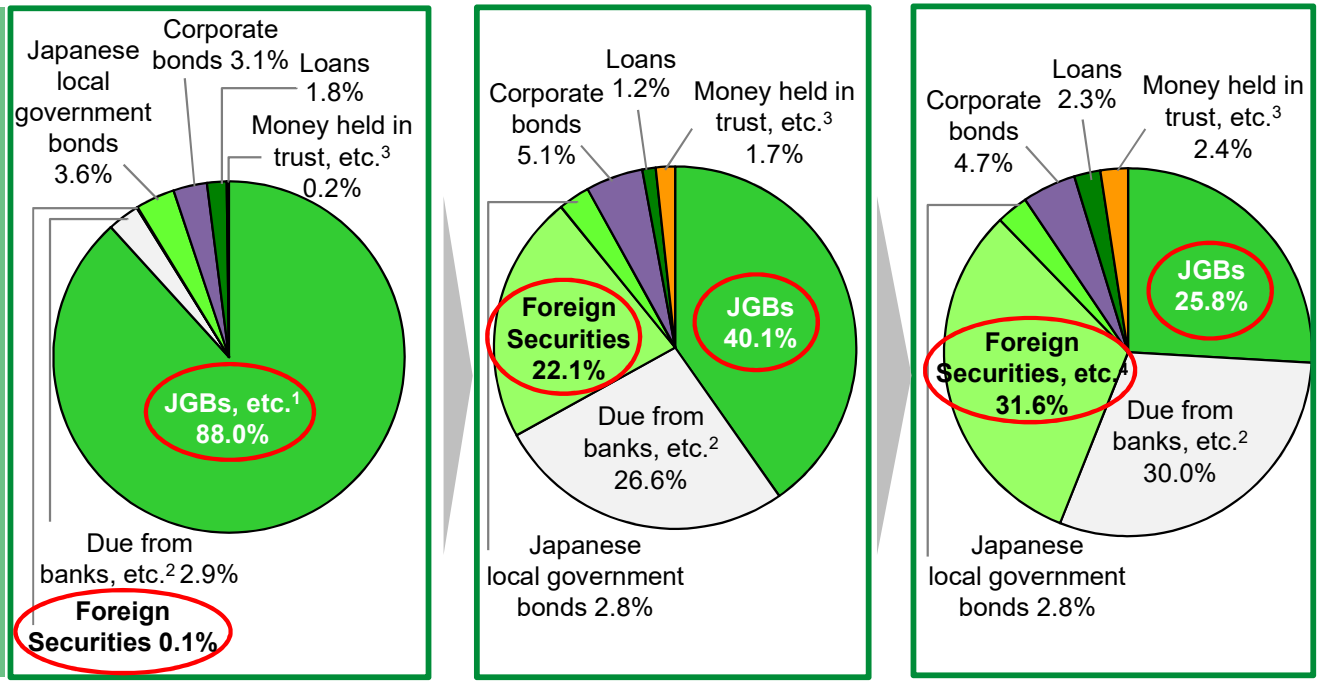
Secured Stable Yield Under Historically Low Interest Rate Environment

Non-consolidated

- Diversified revenue source and risks by taking credit exposure through foreign securities, etc. and global asset allocation
- Realized relatively stable net interest margin despite historically low-level interest rate environment after corporatization

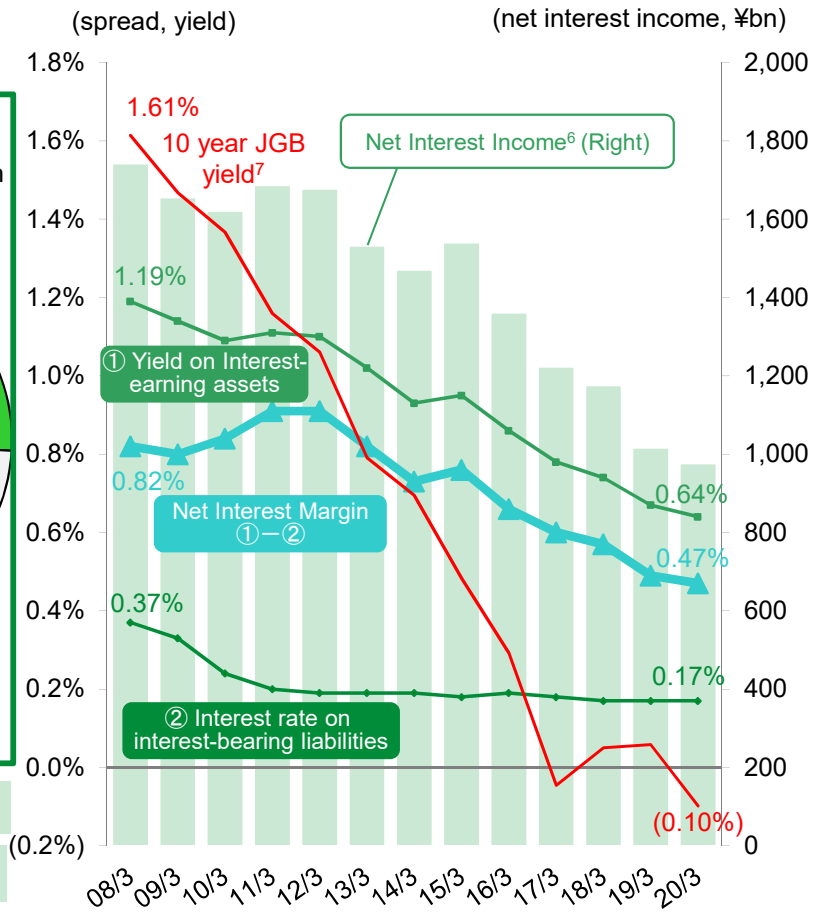
Change in Investment Portfolio

Breakdown of Investment Portfolio



	Upon Corporatization (October 1, 2007)	As of March 31, 2016	Current FY2020/3 (March 31, 2020)
JGBs[1]	88.0%	40.1%	25.8%
Foreign Securities[4]	0.1%	22.1%	31.6%

Historical Spread etc.[5]



1. JGBs, etc. 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. Due from banks, etc. includes negotiable certificates of deposits, BOJ deposits, monetary claims bought, call loans, receivables under securities borrowing transactions and receivables under resale agreements.
3. Money held in trust, etc. includes equity securities of affiliated companies, etc.
4. Foreign securities, etc. includes collective investment scheme, etc.

Source: JGB interest rate information - Ministry of Finance Japan

5. Historical spread is calculated by excluding the average balance and corresponding interest of money held in trust.
6. Net interest income for FY2008/3 is shown as double the net interest income from October 1, 2007 to March 31, 2008.
7. 10 year JGB yield is the average of the fiscal year. Figures are rounded.

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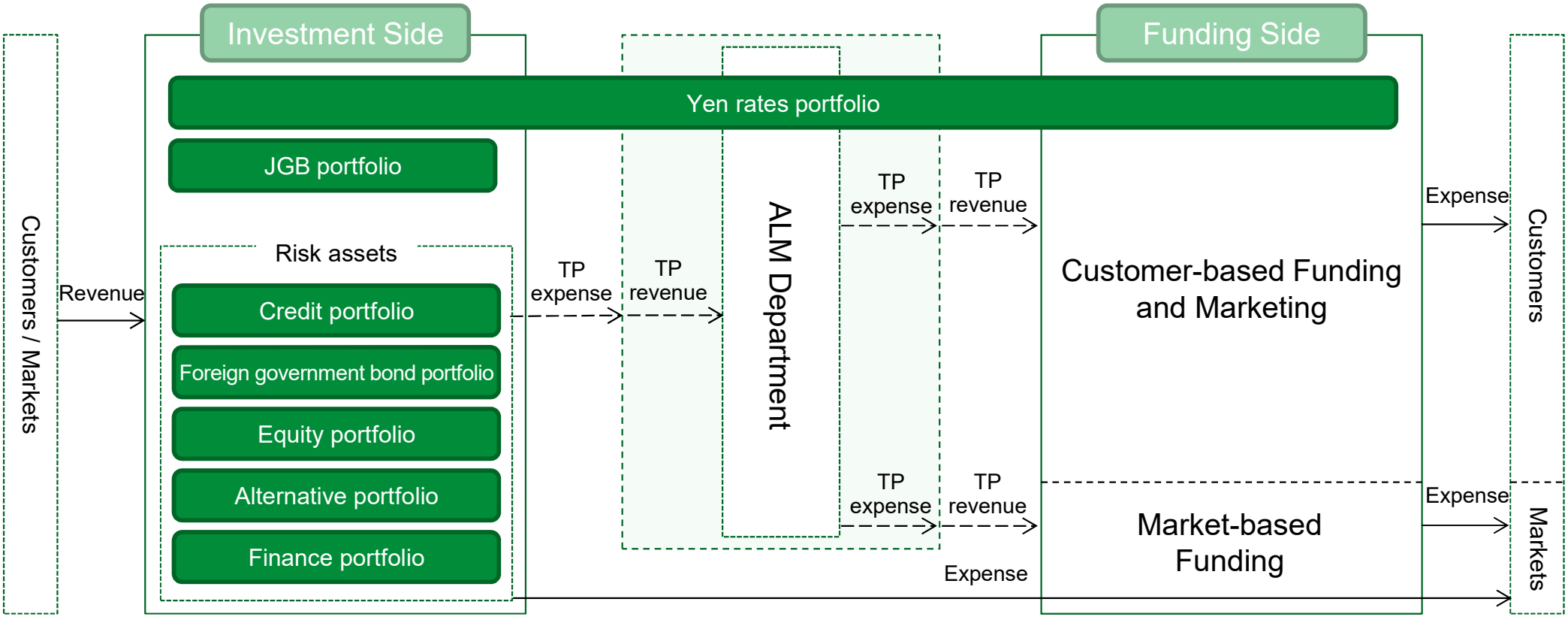
ALM/Investment Strategy to Generate Stable Income and Excess Return



1. Transfer Price (TP): Transfer pricing was established for internal transactions using internal rates based on market interest rates.

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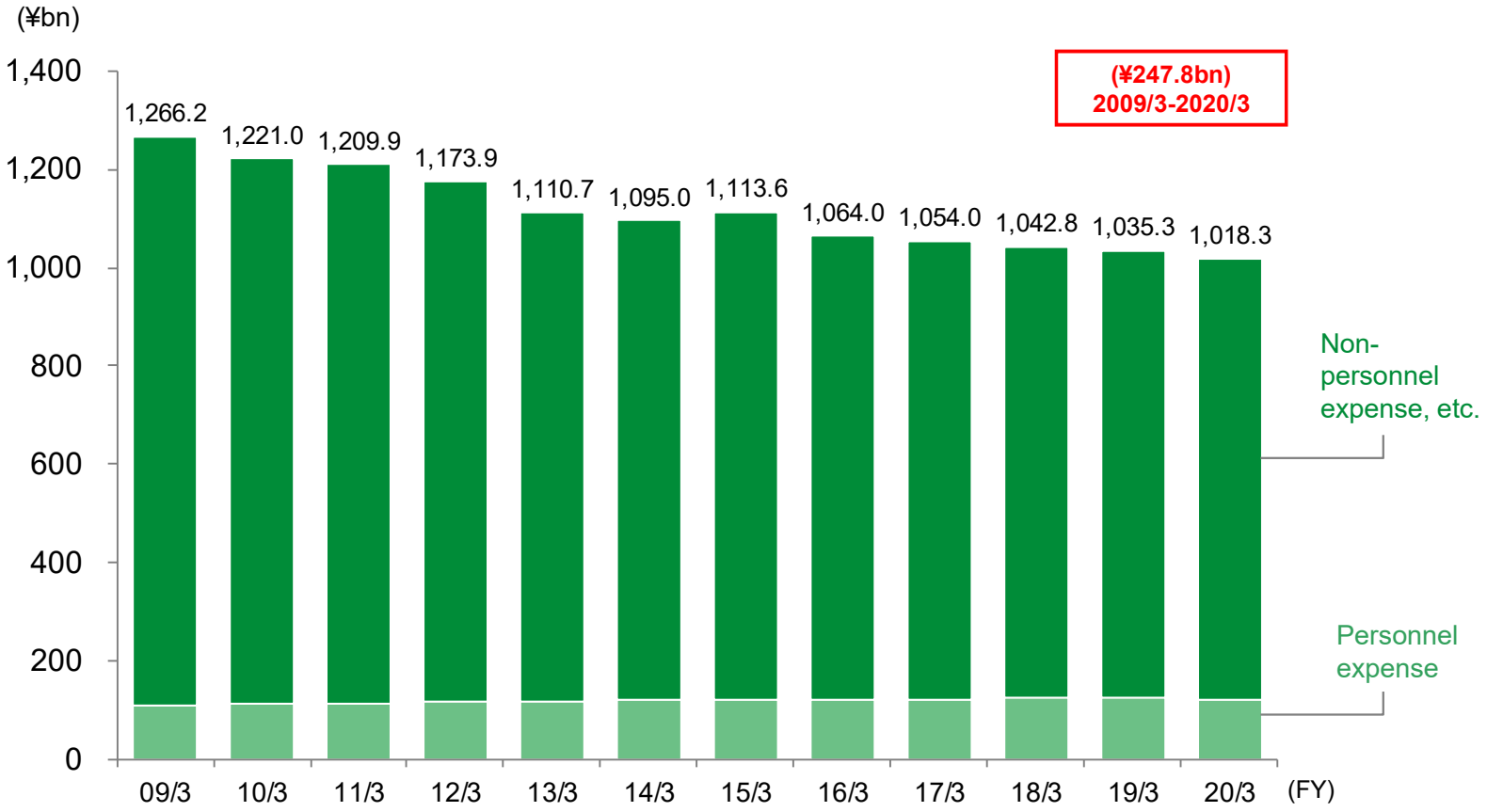
Expense Control

Non-consolidated

- Seek to manage expenses by reducing costs through such initiatives as business process re-engineering, while maintaining the nationwide network of 24,000 post offices as our main channel

G&A Expense



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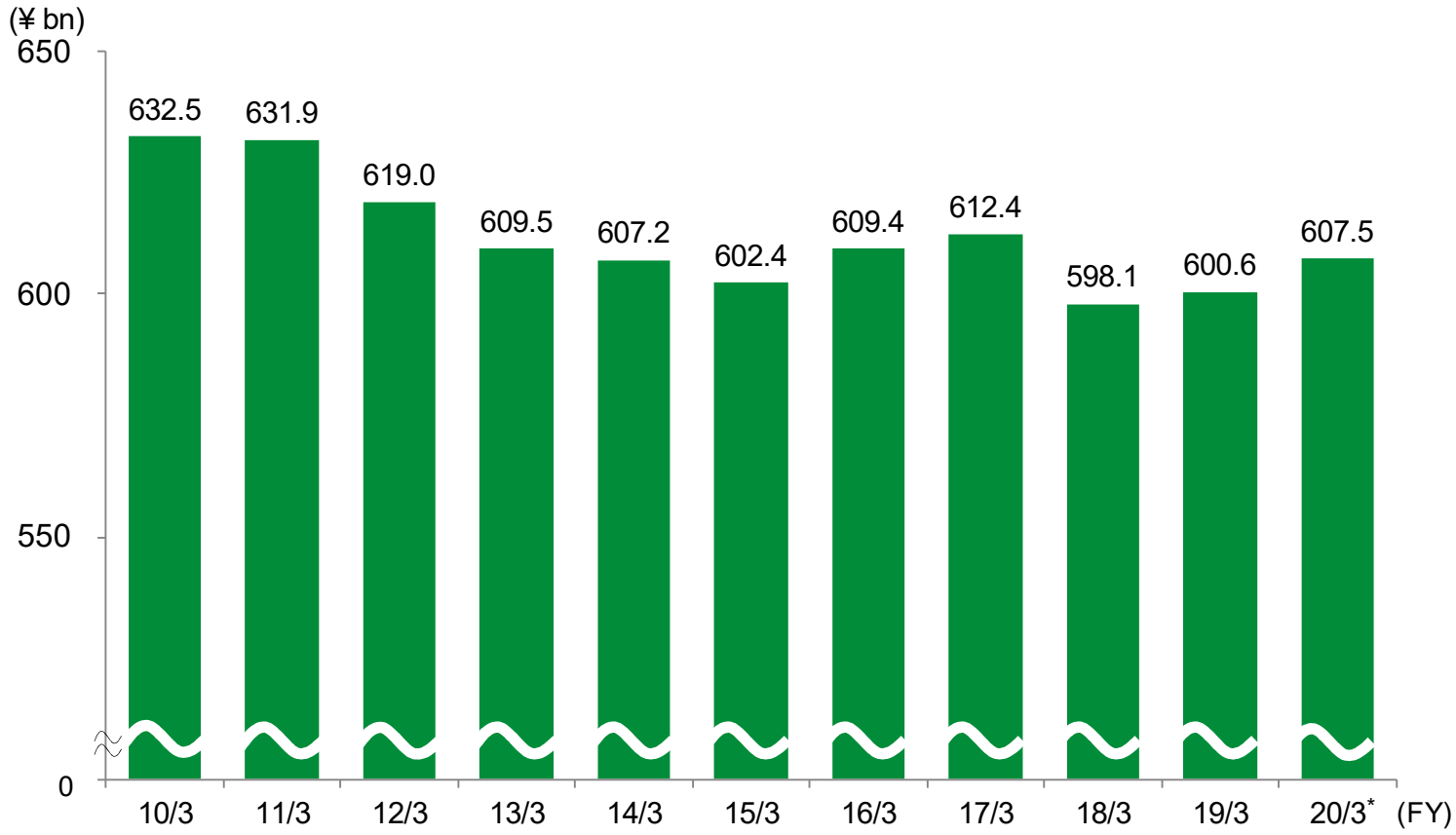
Agency Commissions Paid to Japan Post Co., Ltd.

Non-consolidated

- Fee structure incentivizes both Japan Post Bank and Japan Post to increase efficiency

Agency Commissions Paid to Japan Post



*FY2020/3 = Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.
+ Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network
Refer to p.52 for details.

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Management System

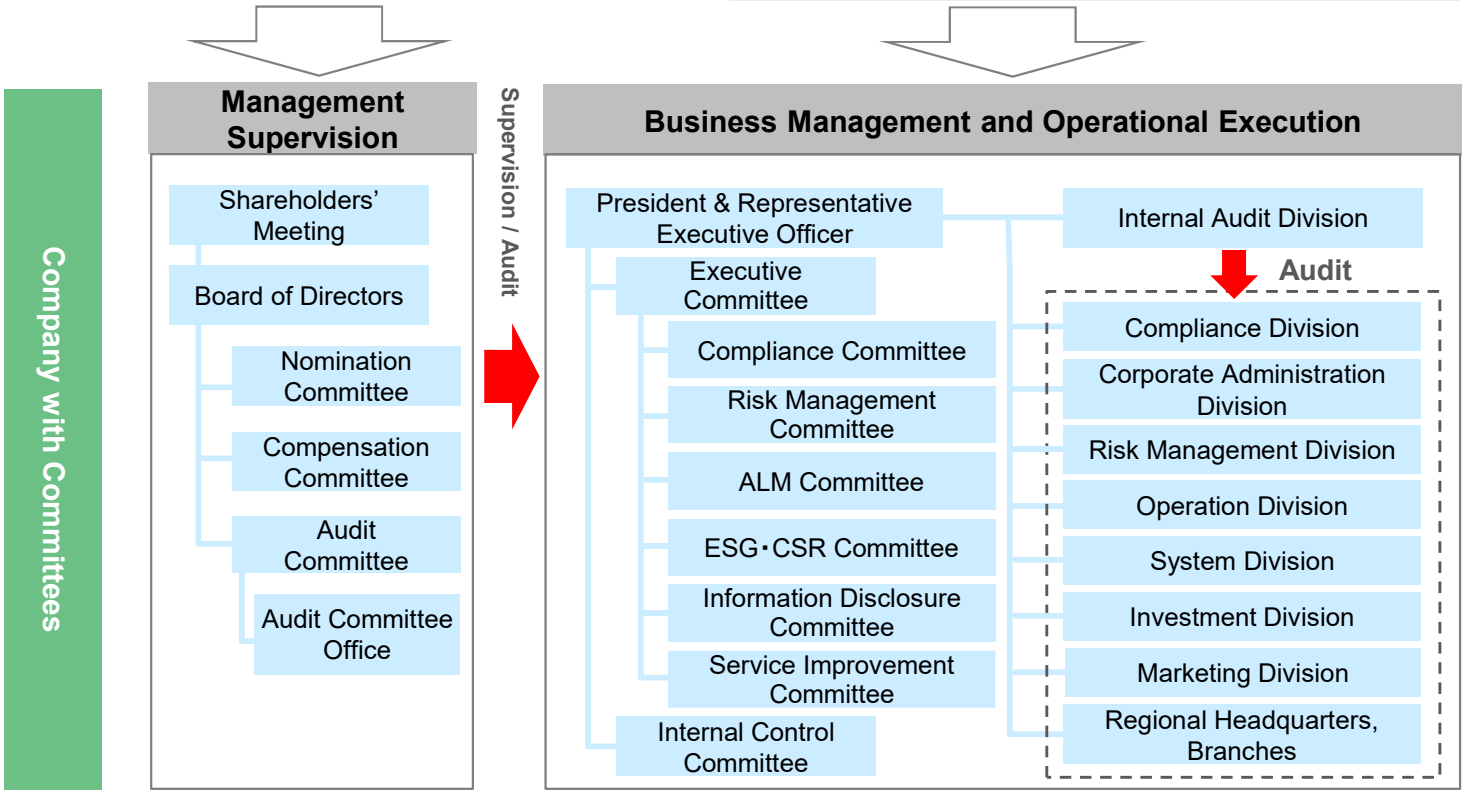
- Adopted Committee system to enhance corporate governance
- Outside directors comprise a majority of the Board membership who effectively oversee the Bank's operations
- The Executive Officers, who are selected by the Board of Directors, conduct business operations efficiently in a timely manner

Management Transparency, Effective oversight by Outside Directors

- Advanced corporate governance based on Nomination Committee, etc.
- 9 out of 12 Directors are external
- Diverse array of experience and expertise
  → Ability to convey voices of a variety of stakeholders

Authority to conduct business operations delegated from Board of Directors
Speedy and efficient decision making
Business operations focused on customers and the market

- Internal control through Executive Committee and Special Committees, etc.
- Audit by an independent Audit Division



Independence from Parent Company

- Solely responsible for decision making; independent operations
  - Important matters:
    Prior approval⇒Prior consultation
- Oversight by directors
- Regulatory supervision pursuant to the Banking Act
- Ensure appropriateness of intra-group transactions

Synergies from Group Collaboration

- Shared services (salary administration, system networks, etc.)
- "Organic Integration" of Japan Post Bank (Expertise) and Japan Post (client base) (unified marketing, back office consolidation)

Pursue economy of scale, leverage on brand strength

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Overview of Regulations Surrounding Japan Post Bank

■ In addition to banking regulations, we are subject to additional regulations pursuant to the Postal Service Privatization Act

		Summary of Regulations		
Universal Service Obligation (Imposed on Japan Post Holdings and Japan Post)		■ 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, etc. with Japan Post Bank, etc.		
Share-holding	Japan Post Holdings ⇒ Japan Post Bank	■ Japan Post Holdings must aim to dispose all of their shares within the earliest possible timeframe while considering the management situation of both financial services companies, and the impact on the fulfillment of obligations to provide universal services		
Regulations on Japan Post Bank	Regulations under the Banking Act	■ Same regulation is imposed as a "Bank" under the Banking Act		
	【Additional Regulations】 Restrictions on Scope of Business	Current	Approval from the Ministers in charge (consultation with the Postal Privatization Committee)	No additional regulations imposed[1] after "Specified Date"[2]
		After Japan Post Holdings disposes of 50% or more	Notification to the Ministers in charge (Obligation to care for fair competition + notice to Postal Privatization Committee + Supervision)	
	【Additional】 Restrictions on the Maximum Amount of Deposit	■ Maximum amount of deposits (ordinary deposits:¥13mn/fixed-term deposits:¥13mn) are stipulated by the enforcement order of the Privatization Act		

1. Our banking license is subject to the following conditions: (1) obtain approval from the Prime Minister in order to conduct new types of businesses, (2) continue outsourcing our business operations to an authorized banking agent, in order to maintain a sound, appropriate and stable foundation of our business. (Condition (2) is effective until the Specified Date)
2. "Specified Date" means the earlier of the following:
(1) The date when Japan Post Holdings disposes of all its interest in Japan Post Bank
(2) The date when Japan Post Holdings disposes of 50% or more of its interest in Japan Post Bank and both the Prime Minister and the Minister of Internal Affairs and Communications decide to acknowledge lifting of additional regulations will not negatively affect fair competition with other financial institutions, etc. nor provision of appropriate services to customers

New Business requiring approvals (Example)	■ Bi-lateral loans to corporations ■ Loans to individuals	■ Establishment/acquisition of subsidiaries with certain businesses ■ Merger, transfer of business, etc.

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The graph of P21 is written by using the data of BLOOMBERG®.

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