



**JAPAN POST BANK**

Results for the Six Months Ended September 2017

November 16, 2017



Deeply in Tune  
with Customers  
in Every Corner of Japan  
**Super Regional**

&



Engaging in Diversified  
Investment in Massive International  
Financial Markets  
**Super Global**

## 1. Overview of FY2018/3 1H Results

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- Dividends

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- Customer-Oriented Financial Services
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- Diversification and Sophistication of Investment Management

## Appendix

### <Definition of terms>

Base Portfolio (BP)	: Portfolio aimed at ensuring stable income by investing mostly in Japanese government bonds while managing interest rate and liquidity risks.
Satellite Portfolio (SP)	: Portfolio aimed at accumulating profit, including capital gains from sales of bonds and other assets, primarily by taking credit and market risks through diversified investment in foreign and other assets.
Transfer Price (TP)	: Transfer pricing was established for internal transactions using internal rates based on market interest rates.
Limited Partner (LP)	: Fund investor leaving fund management to the GP. Japan Post Bank accumulates a wide range of expertise, through participation in fund investment committees as an observer, as a step leading to investment in the GP.
General Partner (GP)	: The principal fund manager responsible for selecting investments, making investment decisions and so on. Unlimited liability is assumed towards creditors, including the sum invested.

Note: All figures regarding the business performance of JAPAN POST BANK Co., Ltd. (the “Bank”) are rounded down, unless otherwise noted.  
Accordingly, the total of each account may not be equal to the combined total of individual items.

# 1. Overview of FY2018/3 1H Results

- Net income up 20.2% YoY, with 51.8% progress rate to full-year forecast
- Endeavour to enhance flexible investment, diversify and sophisticate investment strategy, reinforce investment trust sales and enhance operational efficiency

# Overview of Business Results

Net income ¥181.5bn\* [ YoY +20.2% ]

\* Progress rate to forecast 51.8%

Net ordinary income ¥257.1bn\* [ YoY +21.0% ]

\* Progress rate to forecast 52.4%

Net interest income ¥618.0bn [ YoY (¥11.2bn) ]

Net fees and commissions ¥47.1bn [ YoY +¥4.1bn ]

Net other operating income (loss) ¥92.5bn [ YoY +¥48.5bn ]

General and administrative expenses<sup>1</sup> ¥522.2bn [ YoY (¥8.7bn) ]

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Dividend per share (Interim) ¥25

p 6

1. Exclude non-recurring items

Net unrealized gains (losses) on available-for-sale securities  
adjusted by gains (losses) on hedge transactions  
¥4,424.1bn [ vs FY2017/3 end +¥26.0bn ]

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Capital adequacy ratio 19.64% [ vs FY2017/3 end (2.57%pt) ]  
(Domestic standards)

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Leverage ratio (pro forma basis) 4.14% [ vs FY2017/3 end +0.03%pt ]

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	Average balance	Net gains (losses)
Total Portfolio (BP + SP) (A)	¥198.4tn	¥255.3bn
Base Portfolio (BP) <sup>1</sup>	¥126.7tn	(¥174.1bn)
BP (Customer-based funding, sales)	—	(¥264.8bn)
BP Investment side, etc.	—	¥90.6bn
Satellite Portfolio (SP) <sup>1</sup>	¥71.6tn	¥429.4bn
Net other ordinary income <sup>2</sup> (B)	—	¥1.8bn
Total (A + B)	—	¥257.1bn

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1. Includes net fees and commissions [BP:¥47.6bn, SP:(¥0.5bn)], general and administrative expenses [BP:(¥516.9bn), SP:(¥4.1bn)].
2. Recoveries of written-off loans, rent for land, buildings and others, etc. which are unrecognized under management accounting basis.

Exchange and settlement  
transactions, ATM related  
commissions ¥33.4bn [ YoY +¥0.5bn ]

Sales of asset management  
products, etc.<sup>1</sup> ¥13.6bn [ YoY +¥3.6bn ]

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## Investment trust sales-related results;

Sales amount ¥357.7bn [ YoY +¥113.9bn ]

Outstanding AUM ¥1,521.5bn [ vs FY2017/3 end +¥211.4bn ]

Number of accounts 807thou [ vs FY2017/3 end +58thou ]

p 9, 33

1. JGBs related commissions, investment trust related commissions, new businesses related commissions, other.

# Development of BP and SP

(management accounting basis, figures are rounded to the nearest trillion)

## Portfolio Management Policy

### Base Portfolio (Liability-driven portfolio)

**¥127tn [ vs FY2017/3 end (¥2tn) ]**  
(JGB balance decreased, reflecting prolonged historically low interest rate environment)

- **Purpose:** The foundation of our ALM
- **Funding:** Stable liabilities (over 90% are retail, small-sized deposits)
- **Strategy:** Manage interest rate/liquidity risk, secure fundamental return mainly from JGBs  
Main source of profits – spread between long and short-term interest rates; aim for carry profits  
Provide internal funding to the Satellite Portfolio

	Sep 30, 2017	Difference	Mar 31, 2017
Short-term assets <sup>1</sup>	57	2	55
Bonds held to maturity — JGBs, Government guaranteed bonds	35	(3)	38
Available for sale securities — JGBs, Government guaranteed bonds	34	(1)	35
Loans	1	(0)	1

1. Short-term assets include cash and due from banks, call loans/receivables under securities borrowing transactions (excl. those in trust), T-bills, short-term corporate bonds, loans to the government (special accounts), etc.

### Satellite Portfolio (Excess-return portfolio)

**¥73tn [ vs FY2017/3 end +¥2tn ]**  
(Further expansion of SP with focus on foreign securities and endeavour to invest in alternative areas)

- **Purpose:** Pursue excess return
- **Funding:** Mainly funding from the Base Portfolio  
(Transfer price (TP) based on market interest rates)
- **Strategy:** Promote global asset allocation while assessing market and economic conditions  
Aim to achieve excess return including capital gains  
Create a “hedge position” by adding assets with negative correlation against domestic bonds

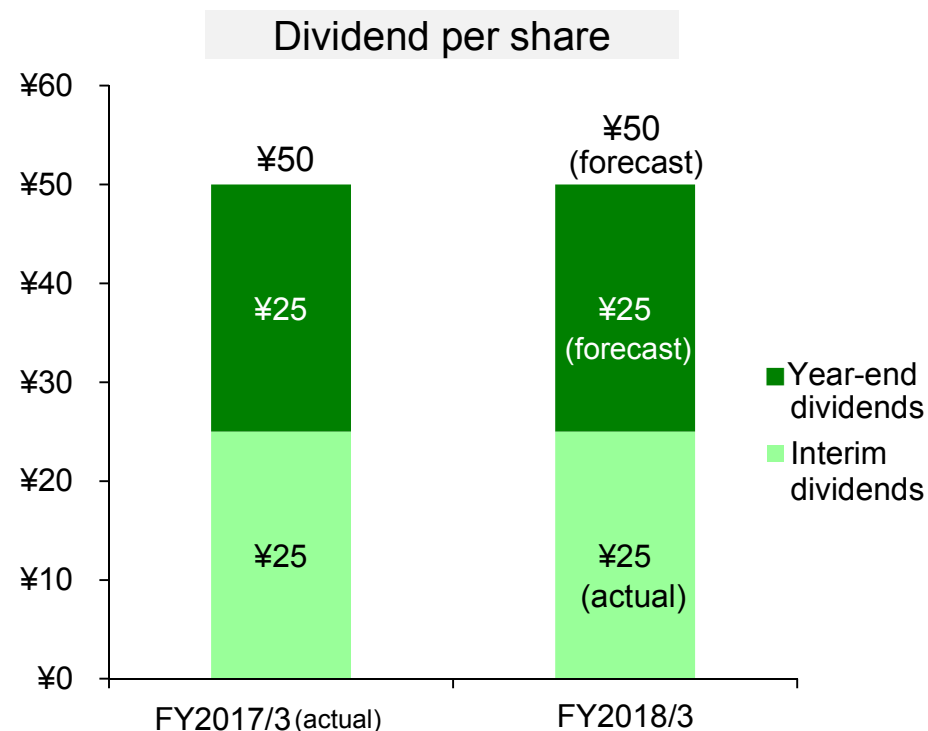
	Sep 30, 2017	Difference	Mar 31, 2017
Available-for-sale securities — Japanese local government bonds	6	0	6
— Corporate bonds, etc. <sup>1</sup>	8	0	8
— Foreign securities <sup>1,3</sup> [Investment trusts]	54 [33]	2 [1]	52 [32]
Bonds held to maturity — Corporate bonds, etc.	0	(0)	0
Money held in trust (Stocks) <sup>2,3</sup>	3	0	3
Loans	1	0	1
Alternative assets	1	0	1

1. Corporate bonds, etc., foreign securities include monetary claims bought.  
2. JGBs contained in money held in trust are included in the Base Portfolio.  
3. Assets related to alternative investment are included in “alternative assets.”

Interim dividend per share is ¥25

Dividend forecast for the fiscal year ending March 31, 2018 is unchanged i.e. ¥50

## Actual result and forecast of dividends



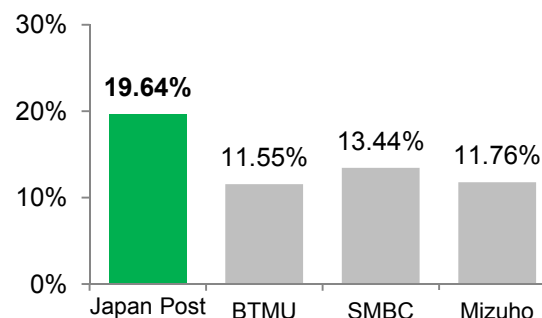
(¥bn)

	For the fiscal year	
	ended March 31, 2017 (actual)	ending March 31, 2018 (forecast)
Total dividend payment (A)	187.4	187.4
Net income (B)	312.2	350.0
Dividend payout ratio (A) / (B)	60.0%	53.5%

## Dividend policy (until March 31, 2018)

1. The Bank aims to maintain a dividend payout ratio of approximately 50% or more of the Bank's net income for the relevant fiscal year.
2. The Bank aims to pay a stable per-share dividend.
3. The Bank shall also consider additional shareholder return, while taking into account developments on regulations, earnings growth and accumulation of retained earnings, etc.

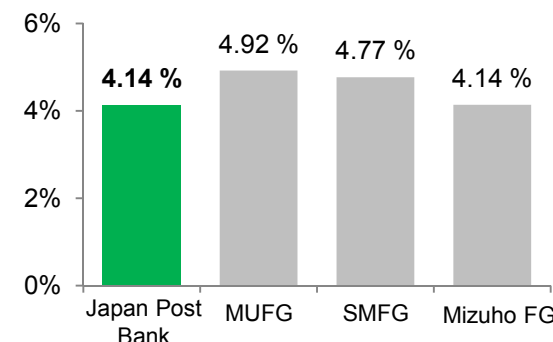
(Reference 1) Capital Adequacy Ratio (Sep 30, 2017)



Source: Corporate disclosure materials

Note: The Bank calculates capital adequacy ratio based on domestic standard (non-consolidated). BTMU, SMBC, Mizuho calculate common equity Tier 1 ratios based on uniform international standard (consolidated).

(Reference 2) Leverage Ratio (pro forma basis, Sep 30, 2017)



Source: Corporate disclosure materials

Notes 1: MUFG, SMFG, Mizuho FG are consolidated group basis.  
2: Regarding definition of leverage ratio by Basel Committee on Banking Supervision, final adjustment is not completed. The Bank's leverage ratio (pro forma basis) = Core capital/Total assets (as reported on B/S)

## 2. Business Development for Future Growth

### Key initiatives for FY2018/3

- ◆ Customer-oriented financial services
  - Expanding sales of investment trust products
  - Offering further settlement options, etc.
  - Attracting customers with wider range of products and services
- ◆ Funds flow to regional communities
  - Expanding the cooperation with regional financial institutions through participations in regional vitalization funds, etc.
- ◆ Diversification and sophistication of investment management
  - Promoting diversification focusing on foreign assets along with appropriate risk management
  - Upgrading operational framework for investments in new asset classes

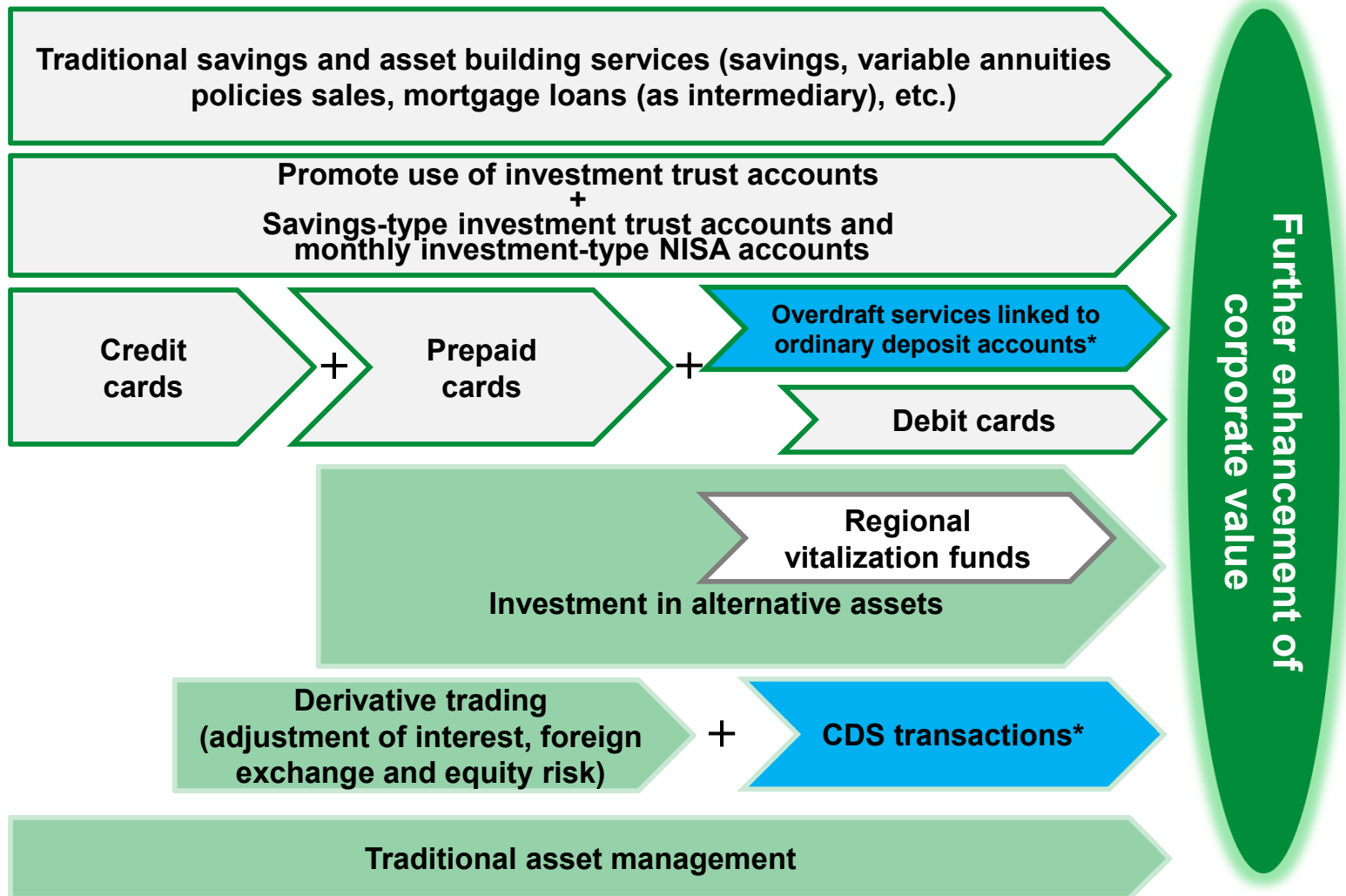


**Customer-oriented  
financial services**

**“From savings to  
asset building”**

**Funds flow to  
regional  
communities**

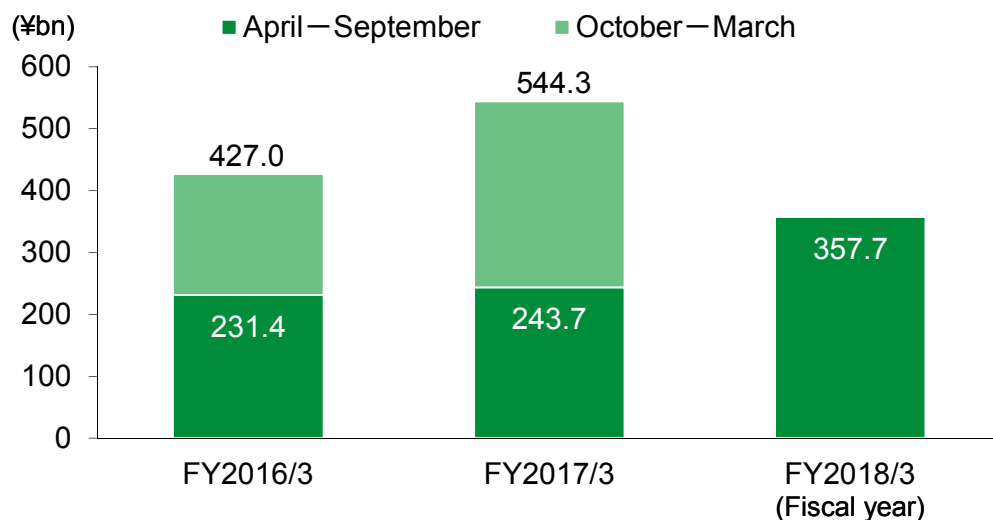
**Sophistication of  
investment  
management**



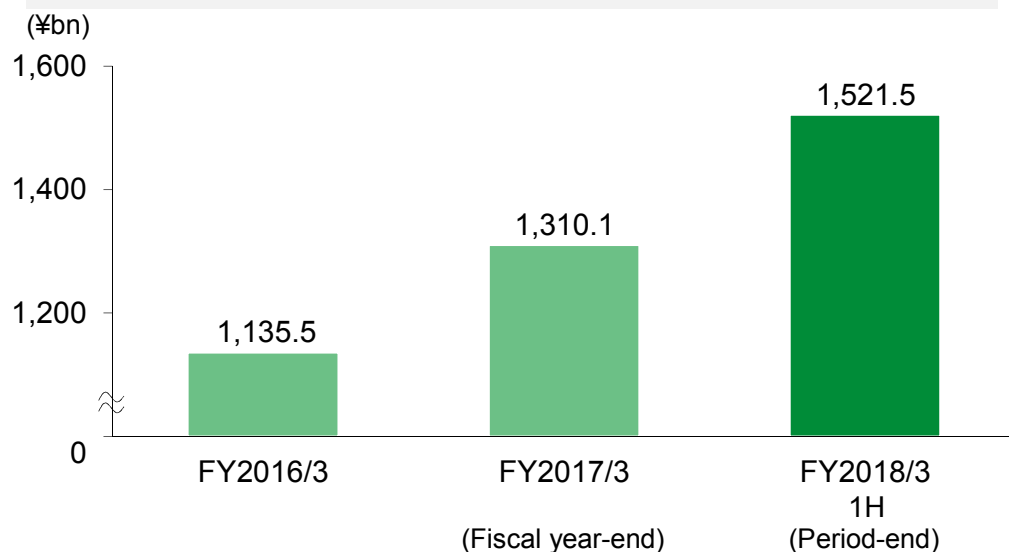
\* Regulatory approval received (as of June 19, 2017)

# Customer-Oriented Financial Services (1)

## Investment Trusts Sales



## Net Assets of Investment Trusts



## Enhancement of Consulting Marketing

### (1) Develop and increase personnel engaged in consulting marketing

Our branches: As of April 1, 2016 1,100 staffs

As of April 1, 2017 1,300 staffs

Post offices : Training program provided by Japan Post Bank marketing instructors aiming to improve marketing skills of investment trusts, etc.

### (2) (On post offices)

Expanding investment trust sales locations and sales support locations

	Jun 2017	Jul 10, 2017	Oct 16, 2017
Investment trust sales locations	1,315	1,328 (+13)	1,415 (+87)
Investment trust sales support locations	805	16,686 (+15,881)	Aug 31, 2017 18,301 (+1,615)

### (3) Implementing “sales campaign for new customers”, etc. to expand investment trust customer base

### (4) Run a “campaign for monthly investment-type NISA” with eight eligible products ahead of the launch of “monthly investment-type NISA” in Jan 2018

### (5) iDeCo (Individual-type Defined Contribution Pension) “Yucho Plan A”

- Lowered administration fee
- (A) Expansion of product lineup
- (B) Lowered management fees
- (C) Consultation at post offices

from Jul 1, 2017

from Oct 3, 2017

# Customer-Oriented Financial Services (2)

## ◆ Real-time money transfer service

Real-time money transfer to customer's accounts in the internet services of alliance partners

(Ichiyoshi Securities Co., Ltd.)



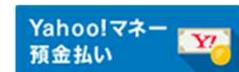
(LINE Pay Corporation)



(Nomura Securities Co., Ltd.)



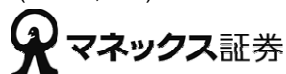
(Yahoo Japan Corporation)



(YOU-ME CARD CO LTD)



(Monex, Inc.)



\* in alphabetical order

Etc.

## ◆ Cooperation with FinTech companies

Settlement service enabling customers to pay bills etc. with payment forms via their smartphones (PayB app, provided by Billing System Corporation)



(Service launched on July 18, 2017)

## ◆ Issuance of regional prepaid VISA card "mijica"

【Sendai City】



【Kumamoto City】



Functional additions, etc. scheduled from Jan 2018

- Instant money transfers between "mijica" holders
- Reloadable at ATMs
- Start applications via website
- Start issuance in Sapporo

Etc.

## ◆ Installment of compact ATMs at FamilyMart stores

Installment of compact ATMs at FamilyMart stores on nationwide basis

- Units: 3,500 (from Jan 2017)
- Compatible with 16 languages
- Overseas issued cards can be used



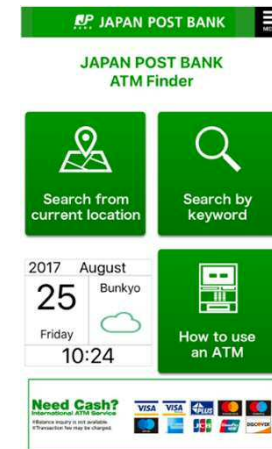
## ◆ JAPAN POST BANK ATM Finder

Developed smartphone-based multilingual-enabled app aimed at foreigners visiting Japan

### 【Main features】

- (1) ATM location information on map
- (2) ATM operating status can be checked with icons
- (3) Searches for route to ATM
- (4) ATM operating method
- (5) Multilingual capability  
(Japanese, English, Chinese (simplified / traditional), Korean)
- (6) Useful information for travelers  
(such as tourist information centers and free Wi-Fi spots)

(Service launched on September 6, 2017)



# Funds Flow to Regional Communities

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 November 13, 2017, we are participating in 9 funds

Going forward, we will strive to accumulate experience and acquire know-how with the aim of entering fund management business (GP) that engages in screening and investment decisions

MBC Shisaku 1 Limited Partnership  
(scheduled for investment contract)  
About ¥2.0bn (targeted investment amount)

MIYAKO Kyoto University  
Innovation Limited Partnership (Nov 2017)  
About ¥2.0bn (as of establishment)

Kyusyu Setouchi Potential Value  
Investment Limited Partnership (Oct 2017)  
¥2.3bn (as of establishment)

Kyushu Wide Area Reconstruction  
Assistance Investment Limited Partnership  
(Jul 2016)  
About ¥11.7bn

KFG Regional Enterprise Support  
Investment Limited Partnership (Nov 2016)  
¥2.5bn

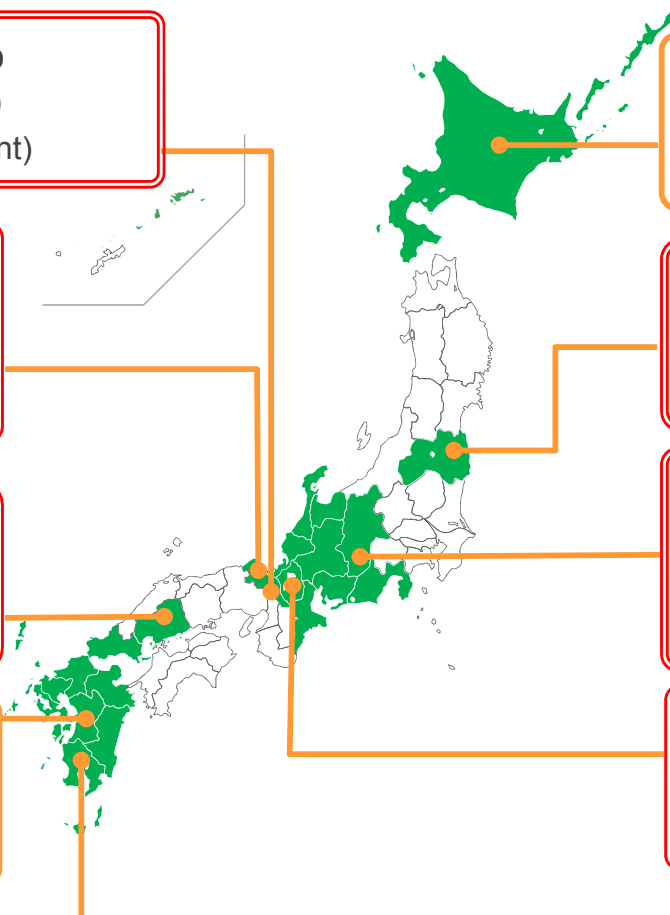
Hokkaido Growth Companies Support  
Investment Limited Partnership (Nov 2016)  
¥0.2bn

Toho Business Succession  
Investment Limited Partnership (Aug 2017)  
¥0.5bn

Chubu / Hokuriku Region Vitalization  
Investment Limited Partnership (Apr 2017)  
About ¥3.0bn (as of establishment)

Shiga Bank Core Business Support  
Investment Limited Partnership (Jun 2017)  
¥0.6bn

 Participation  
from FY2018/3



## Challenge

Severe investment  
under low interest rate  
environment

Further risk taking in  
accordance with  
investment diversification

Sustained profit growth

## Action

**Broader investment  
universe  
+  
Prudent risk appetite**

**Advanced  
risk diversification**

**Earnings in longer  
perspective  
+  
Flexible risk adjustment**

Pursue diversification of any form

**Asset classes**

**Investment strategy**

**Timing**

**Regions**

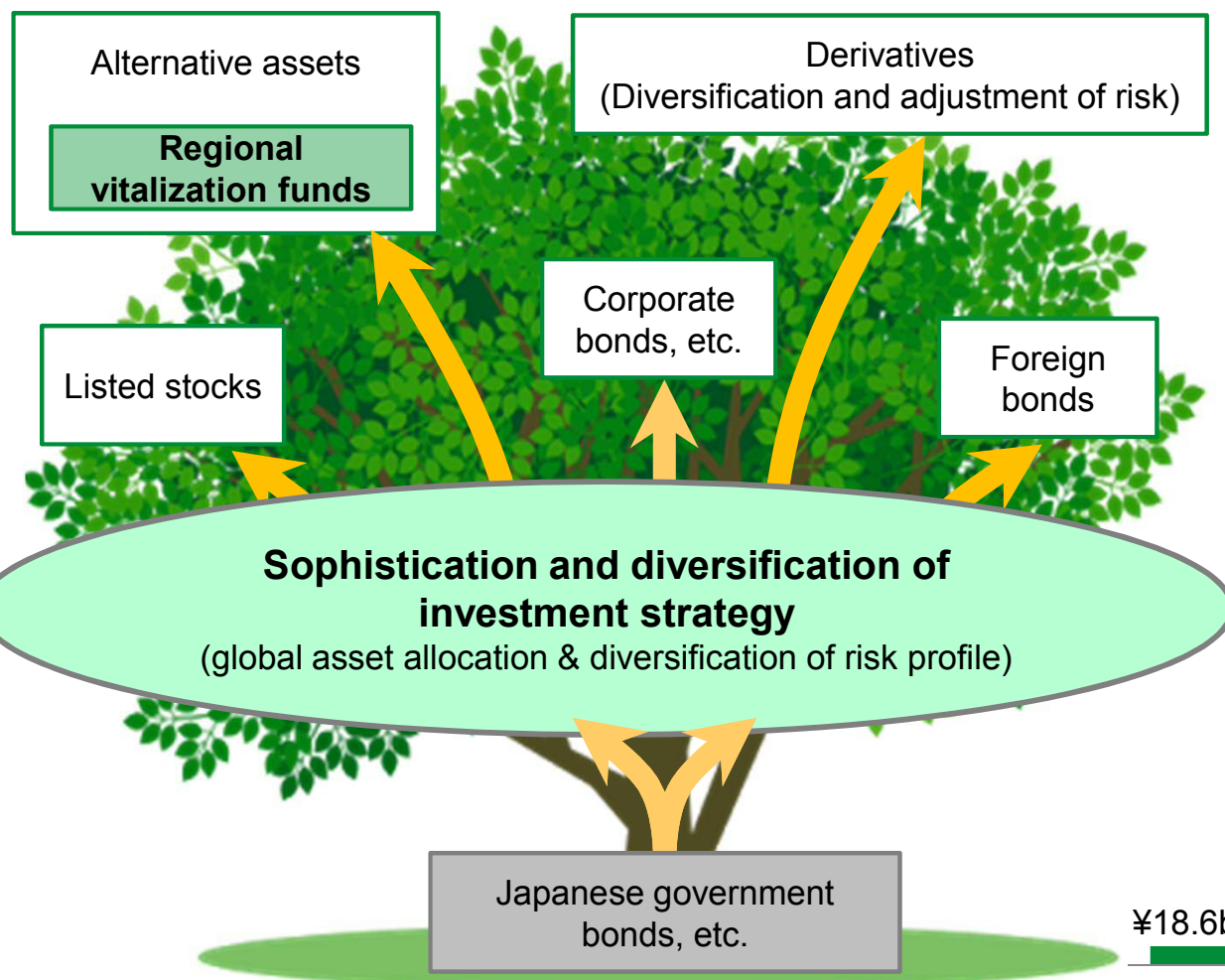
**Investment method**

**Decision-making**

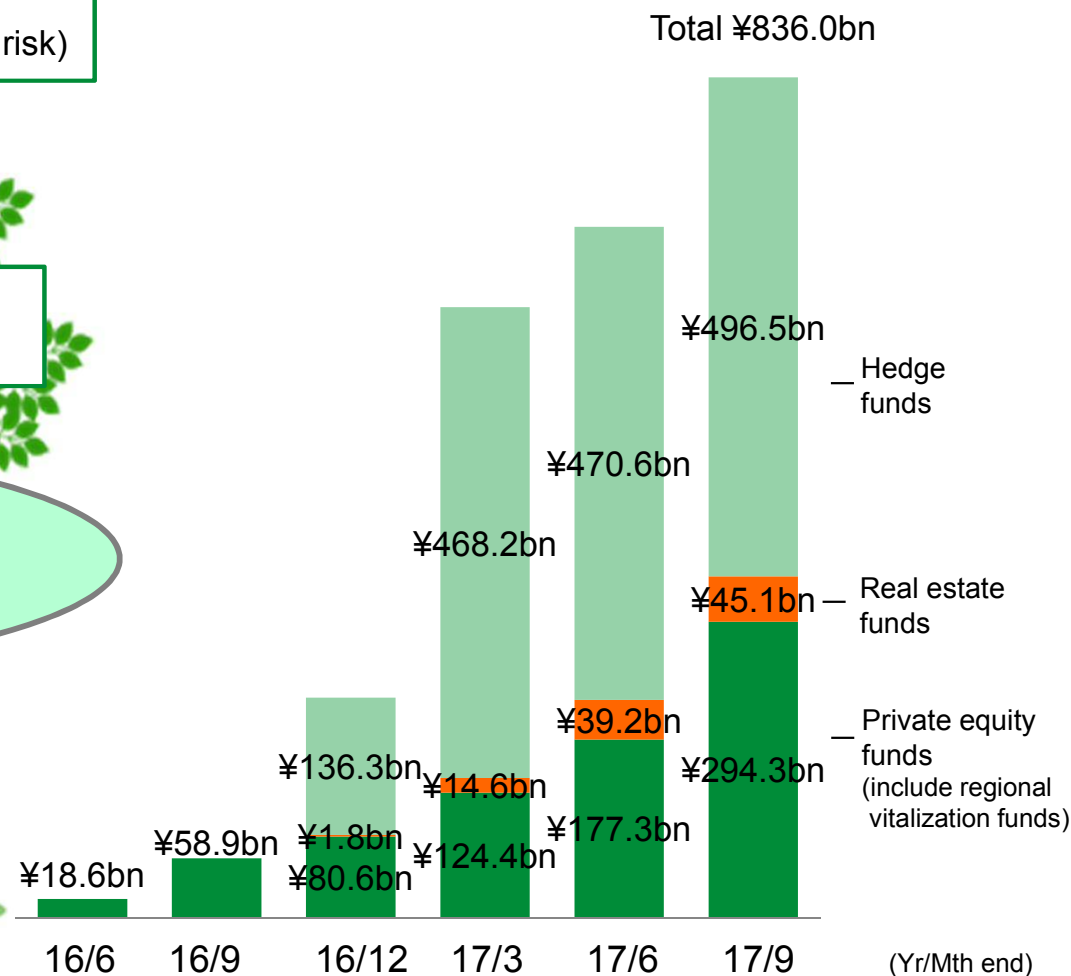


# Diversification and Sophistication of Investment Management (2)

Started investing in alternative assets (private equity funds, real estate funds and hedge funds) in FY2017/3



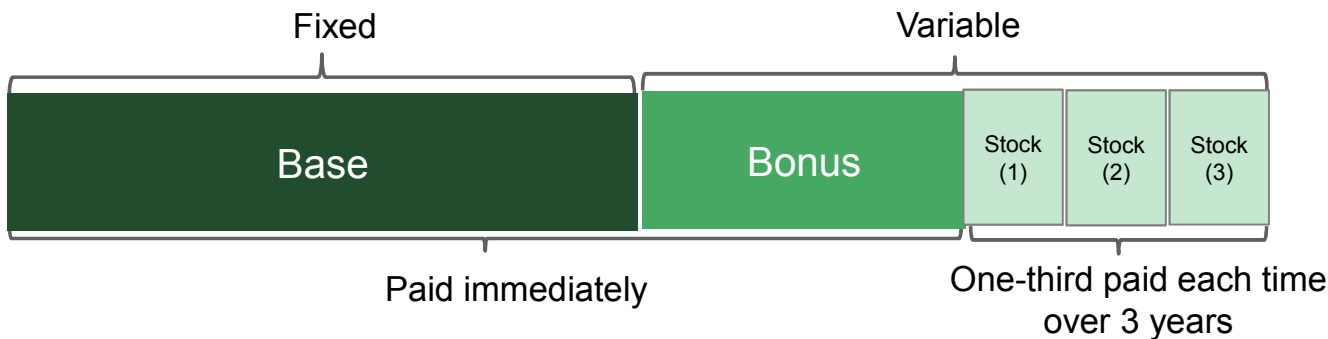
## Alternative investments



As part of our effort to promote diversification and sophistication of investment management, the Bank introduced 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



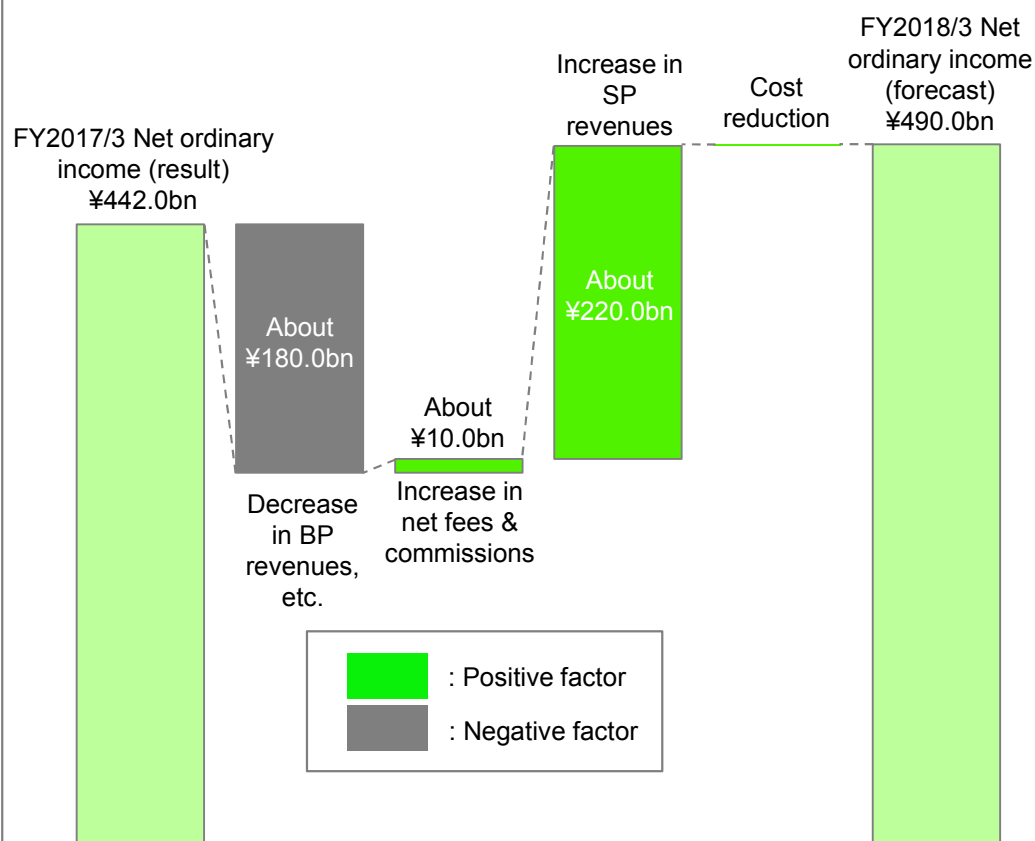
# Appendix



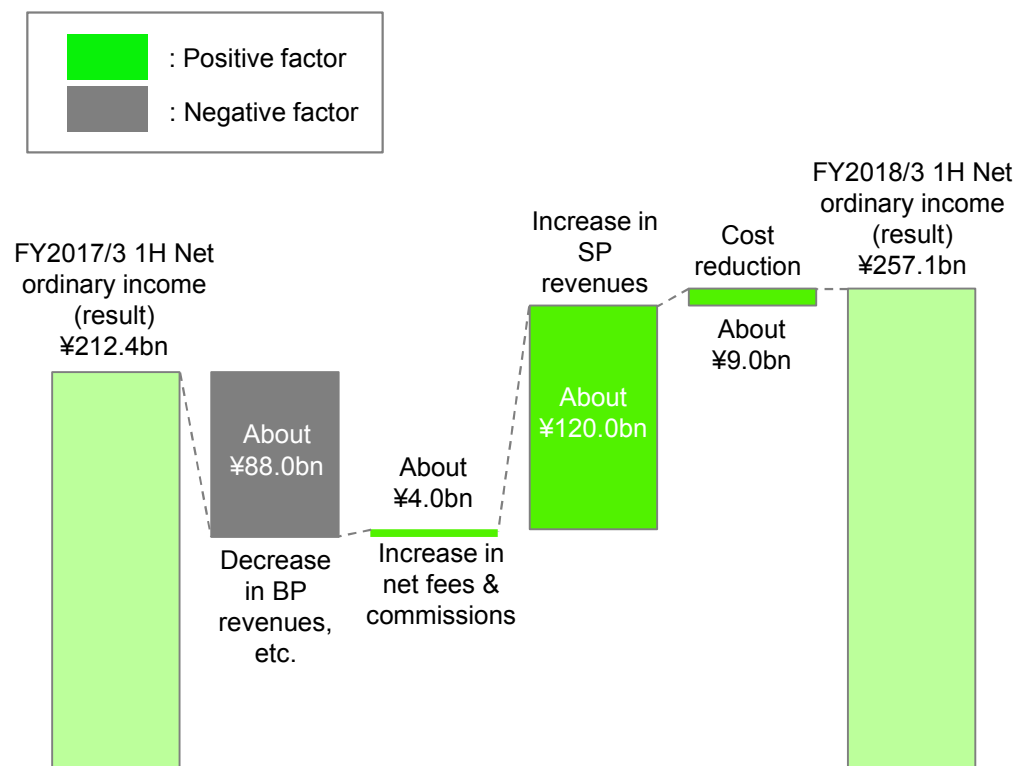
# Changes in Net Ordinary Income

Progress rate for FY2018/3 1H slightly above half-year forecast, despite sharp decline in BP revenues under severe business environment, supported by flexible investment, diversified and sophisticated investment strategy, reinforced investment trust sales, and enhanced operational efficiency

## FY2017/3 → FY2018/3 (forecast)



## YoY comparison of half-year results (FY2017/3 1H → FY2018/3 1H)



Note: The above figures, showing the change in our net ordinary income have been broken down based on our management accounting process but are different from the results calculated from "Net Gains and Losses by Portfolio" on P29 due to the followings:

1. Personnel expenses, non-personnel expenses, and taxes in "Net Gains and Losses by Portfolio" are allocated to BP and SP gains/losses, respectively, while personnel expenses and taxes in the above figures are fully factored into "Decrease in BP revenues, etc." and non-personnel expenses into "Cost reduction."
2. Fees and commissions in "Net Gains and Losses by Portfolio" are allocated to BP and SP gains/losses, respectively, while those in the above figures are factored into "Increase in net fees and commissions."
3. Increase/decrease in net other ordinary income, which are unrecognized under management accounting basis, are factored into "Decrease in BP revenues, etc." in the above figures.

# Overview of FY2018/3 1H Results

## Results of Operations

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Gross operating profit	<b>757.7</b>	716.3	41.4
Net interest income	<b>618.0</b>	629.3	(11.2)
Net fees and commissions	<b>47.1</b>	42.9	4.1
Net other operating income (loss)	<b>92.5</b>	44.0	48.5
Gains (losses) on foreign exchanges	<b>87.7</b>	39.0	48.7
Gains (losses) on bonds	<b>3.0</b>	4.0	(1.0)
General and administrative expenses (*)	<b>522.2</b>	530.9	(8.7)
Provision for general reserve for possible loan losses	<b>0.0</b>	(0.0)	0.0
Net operating profit	<b>235.4</b>	185.3	50.1
Non-recurring gains (losses)	<b>21.6</b>	27.1	(5.4)
Gains (losses) on money held in trust	<b>23.9</b>	25.3	(1.4)
Net ordinary income	<b>257.1</b>	212.4	44.7
Net income	<b>181.5</b>	150.9	30.5

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

## Financial Condition

	As of		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	March 31, 2017 (B)	
Assets	<b>209,801.0</b>	209,568.8	232.1
Cash and due from banks	<b>52,680.5</b>	51,281.9	1,398.6
Call loans	<b>551.2</b>	470.0	81.2
Receivables under securities borrowing transactions	<b>8,464.8</b>	8,718.9	(254.0)
Money held in trust	<b>3,969.4</b>	3,817.9	151.5
Securities	<b>136,412.0</b>	138,792.4	(2,380.3)
Loans	<b>4,796.2</b>	4,064.1	732.1
Liabilities	<b>197,915.0</b>	197,788.7	126.2
Deposits	<b>179,419.3</b>	179,434.6	(15.3)
Payables under securities lending transactions	<b>13,233.4</b>	13,694.2	(460.8)
Net assets	<b>11,885.9</b>	11,780.0	105.9
Total shareholders' equity	<b>8,817.1</b>	8,729.6	87.5
Total valuation and translation adjustments	<b>3,068.8</b>	3,050.4	18.4

# Management Indicators

(¥bn)

	September 30, 2017	Difference (% pt)	March 31, 2017
Capital adequacy ratio (Domestic standards)	19.64%	(2.57)	22.22%
Total capital	8,703.3		8,616.9
Total risk weighted assets	44,308.9		38,779.8
Loss-to-capital ratio	10.78%	(0.37)	11.16%
Amount of loss	939.0		961.8
Japanese yen	214.1		238.0
US dollars	641.9		654.4
Capital	8,703.3		8,616.9
Leverage ratio (pro forma basis)*	4.14%	+0.03	4.11%
Core capital	8,703.3		8,616.9
Total assets	209,801.0		209,568.8
ROE (1H figure: annualized basis)	3.06%	+0.37	2.68%**
Net income (FY2018/3 1H)	181.5		312.2**
Average of the beginning and ending balances of net assets	11,833.0		11,644.0
OHR	68.92%	(5.97)	74.89%**
General and administrative expenses	522.2		1,056.1**
Gross operating profit	757.7		1,410.2**
Yield on interest-earning assets (1H figure: annualized basis)	0.77%	(0.00)	0.78%**
Net interest margin (1H figure: annualized basis)	0.60%	+0.00	0.60%**
Yield on interest-earning assets	0.77%		0.78%**
Interest rate on interest-bearing liabilities	0.16%		0.18%**

Declined due to expansion in foreign credit investment and investment in alternative assets

Declined YoY from 74.12% due to decrease in G&A expenses and increase in gross operating profit

Funding costs decreased due to renewal of matured TEIGAKU deposits, etc.  
Interest margin remained mostly unchanged

\* Core capital/Total assets (as reported on B/S)

\*\* FY2017/3

# Summarized Balance Sheets

(Millions of yen)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
<b>Total assets</b>	<b>209,801,010</b>	<b>209,568,820</b>	<b>232,190</b>
Cash and due from banks	52,680,595	51,281,921	1,398,673
Call loans	551,273	470,000	81,273
Receivables under securities borrowing transactions	8,464,850	8,718,905	(254,055)
Monetary claims bought	255,429	252,214	3,215
Trading account securities	119	9	109
Money held in trust	3,969,430	3,817,908	151,521
Securities	136,412,090	138,792,448	(2,380,357)
Loans	4,796,252	4,064,120	732,132
Foreign exchanges	72,074	78,646	(6,572)
Other assets	2,365,466	1,871,733	493,733
Tangible fixed assets	185,726	175,825	9,901
Intangible fixed assets	48,810	46,183	2,627
Reserve for possible loan losses	(1,108)	(1,096)	(11)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
<b>Total liabilities and net assets</b>	<b>209,801,010</b>	<b>209,568,820</b>	<b>232,190</b>
<b>Total liabilities</b>	<b>197,915,020</b>	<b>197,788,782</b>	<b>126,237</b>
Deposits	179,419,380	179,434,686	(15,305)
Call money	—	45,436	(45,436)
Payables under repurchase agreements	1,252,766	960,937	291,828
Payables under securities lending transactions	13,233,442	13,694,294	(460,852)
Commercial paper	304,764	40,324	264,440
Foreign exchanges	399	407	(7)
Other liabilities	2,266,433	2,185,197	81,236
Reserve for bonuses	7,670	6,007	1,663
Reserve for employees' retirement benefits	149,581	148,800	780
Reserve for employee stock ownership plan trust	266	—	266
Reserve for management board benefit trust	106	43	62
Reserve for reimbursement of deposits	2,079	2,096	(17)
Deferred tax liabilities	1,278,129	1,270,550	7,578
<b>Total net assets</b>	<b>11,885,990</b>	<b>11,780,037</b>	<b>105,952</b>
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,321,578	2,233,759	87,818
Treasury stock	(1,300,717)	(1,300,411)	(306)
<b>Total shareholders' equity</b>	<b>8,817,146</b>	<b>8,729,634</b>	<b>87,512</b>
Net unrealized gains (losses) on available-for-sale securities	3,298,962	3,166,980	131,982
Net deferred gains (losses) on hedges	(230,118)	(116,577)	(113,541)
<b>Total valuation and translation adjustments</b>	<b>3,068,843</b>	<b>3,050,403</b>	<b>18,440</b>

# Income Analysis

(Millions of yen)

	For the six months ended		(A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Gross operating profit	757,756	716,336	41,419
Net interest income	618,062	629,304	(11,242)
Net fees and commissions	47,127	42,994	4,132
Net other operating income (loss)	92,566	44,037	48,529
Gains (losses) on foreign exchanges	87,779	39,038	48,741
Gains (losses) on bonds	3,042	4,095	(1,053)
General and administrative expenses	(522,253)	(530,999)	8,746
Personnel expenses	(64,056)	(63,341)	(714)
Non-personnel expenses	(419,629)	(428,729)	9,100
Taxes and dues	(38,568)	(38,928)	360
Operating profit (before provision for general reserve for possible loan losses)	235,503	185,336	50,166
Provision for general reserve for possible loan losses	(5)	6	(12)
<b>Net operating profit</b>	<b>235,497</b>	<b>185,343</b>	<b>50,153</b>
Non-recurring gains (losses)	21,686	27,118	(5,431)
Gains (losses) related to stocks	84	—	84
Gains (losses) on money held in trust	23,947	25,369	(1,421)
<b>Net ordinary income</b>	<b>257,184</b>	<b>212,462</b>	<b>44,721</b>

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥1,094 million and ¥1,059 million recorded as profits for the six months ended September 30, 2017 and 2016, respectively).

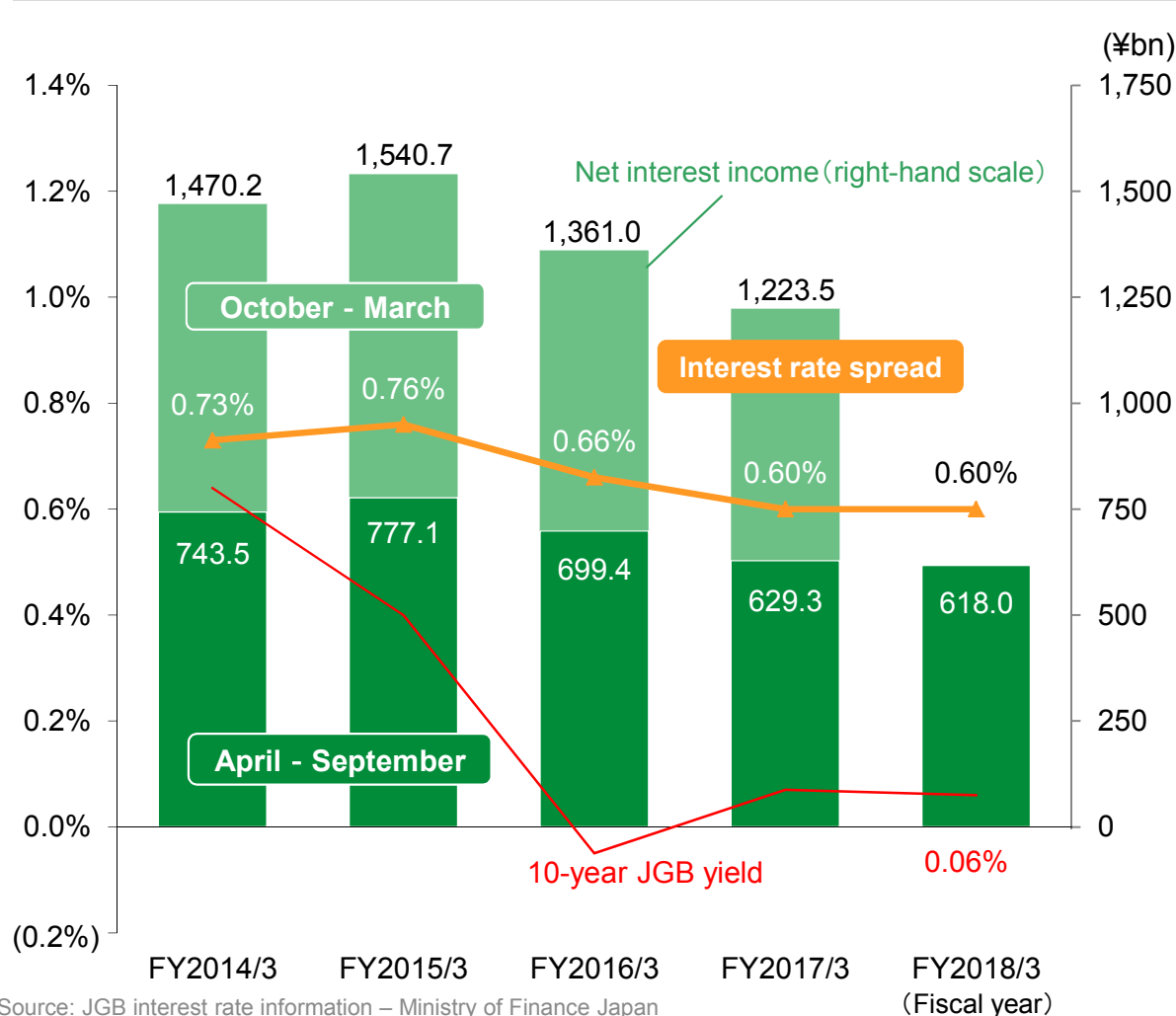
2. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.

3. Numbers in parenthesis indicate the amount of loss, expense or decrease.

	For the six months ended		(A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Extraordinary income (loss)	(512)	(338)	(174)
Gains (losses) on sales and disposals of fixed assets	(511)	(313)	(197)
Losses on impairment of fixed assets	(1)	(24)	22
<b>Income before income taxes</b>	<b>256,671</b>	<b>212,124</b>	<b>44,546</b>
Income taxes – current	(75,143)	(66,254)	(8,889)
Income taxes – deferred	27	5,103	(5,076)
<b>Total income taxes</b>	<b>(75,115)</b>	<b>(61,150)</b>	<b>(13,965)</b>
<b>Net income</b>	<b>181,555</b>	<b>150,973</b>	<b>30,581</b>
Gains (losses) on money held in trust	23,947	25,369	(1,421)
Dividends and interest income	27,859	24,349	3,510
Gains (losses) on sales of stocks	0	9,142	(9,142)
Impairment losses	(147)	(4,665)	4,518
Withholding income tax, etc.	(3,765)	(3,457)	(308)
Credit-related expenses	(5)	4	(10)
Provision for general reserve for possible loan losses	(5)	4	(10)
Write-off of loans	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Recoveries of written-off loans	—	—	—

# Net Interest Income and Interest Rate Spread

Net interest income was ¥618.0bn and interest rate spread was 0.60% for the six months ended September 30, 2017



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.

3. Interest rate spreads of FY2014/3 – FY2017/3 are the figures for the relevant fiscal years, while interest rate spread of FY2018/3 is the figure for the six months ended September 30, 2017. Interest rate spread of FY2018/3 is annualized.

Domestic		For the six months ended		Increase (Decrease) (A) – (B)
		September 30, 2017 (A)	September 30, 2016 (B)	
Net interest income		382.3	456.4	(74.1)
Interest income		482.1	580.1	(97.9)
Interest income on Japanese government bonds		322.5	417.0	(94.5)
Interest expenses		99.7	123.6	(23.8)

Overseas		For the six months ended		Increase (Decrease) (A) – (B)
		September 30, 2017 (A)	September 30, 2016 (B)	
Net interest income		235.6	172.8	62.8
Interest income		377.4	288.7	88.6
Interest income on foreign securities		376.5	288.1	88.3
Interest expenses		141.7	115.9	25.8

Total		For the six months ended		Increase (Decrease) (A) – (B)
		September 30, 2017 (A)	September 30, 2016 (B)	
Net interest income		618.0	629.3	(11.2)
Interest income		781.2	797.2	(16.0)
Interest expenses		163.1	167.9	(4.8)

# Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities (1)

(1) Domestic (Millions of yen, %)

	For the six months ended						Increase (Decrease) (A) – (B)
	September 30, 2017 (A)			September 30, 2016 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	194,888,309	482,155	0.49	193,355,723	580,150	0.59	(0.10)
Loans	4,051,668	7,239	0.35	2,528,481	9,393	0.74	(0.38)
Securities	83,794,070	384,237	0.91	95,287,659	486,157	1.01	(0.10)
Receivables under securities borrowing transactions	8,484,357	732	0.01	8,186,708	739	0.01	(0.00)
Due from banks, etc.	53,043,130	11,552	0.04	47,323,916	12,187	0.05	(0.00)
Interest-bearing liabilities	186,230,810	99,762	0.10	184,383,908	123,653	0.13	(0.02)
Deposits	180,189,097	80,980	0.08	178,830,935	104,999	0.11	(0.02)
Payables under securities lending transactions	8,773,692	529	0.01	8,200,442	406	0.00	0.00

(2) Overseas (Millions of yen, %)

	For the six months ended						Increase (Decrease) (A) – (B)
	September 30, 2017 (A)			September 30, 2016 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	51,892,842	377,452	1.45	45,803,875	288,790	1.25	0.19
Loans	81	0	0.40	3,300	5	0.35	0.05
Securities	51,709,631	376,557	1.45	45,654,017	288,181	1.25	0.19
Receivables under securities borrowing transactions	—	—	—	—	—	—	—
Due from banks, etc.	79,637	537	1.34	83,245	488	1.17	0.17
Interest-bearing liabilities	50,719,964	141,783	0.55	45,175,128	115,982	0.51	0.04
Deposits	—	—	—	—	—	—	—
Payables under securities lending transactions	4,075,448	25,561	1.25	4,547,288	17,279	0.75	0.49



# Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities (2)

(3) Total

(Millions of yen, %)

	For the six months ended						Increase (Decrease) (A) – (B)
	September 30, 2017 (A)			September 30, 2016 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	201,314,127	781,220	0.77	199,167,228	797,269	0.79	(0.02)
Loans	4,051,750	7,239	0.35	2,531,781	9,399	0.74	(0.38)
Securities	135,503,701	760,795	1.11	140,941,677	774,338	1.09	0.02
Receivables under securities borrowing transactions	8,484,357	732	0.01	8,186,708	739	0.01	(0.00)
Due from banks, etc.	53,122,767	12,090	0.04	47,407,161	12,676	0.05	(0.00)
Interest-bearing liabilities	191,483,750	163,158	0.16	189,566,667	167,964	0.17	(0.00)
Deposits	180,189,097	80,980	0.08	178,830,935	104,999	0.11	(0.02)
Payables under securities lending transactions	12,849,140	26,090	0.40	12,747,730	17,686	0.27	0.12

- 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 (six months ended September 30, 2017, ¥2,742,475 million; six months ended September 30, 2016, ¥2,647,805 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (six months ended September 30, 2017, ¥2,742,475 million; six months ended September 30, 2016, ¥2,647,805 million) and the corresponding interest (six months ended September 30, 2017, ¥4,728 million; six months ended September 30, 2016, ¥4,745 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 ¥4,644 million for the six months ended September 30, 2017 (¥426 million for the six months ended September 30, 2016).
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.
6. Earnings yield is annualized.

## Interest Rate Spread

(%)

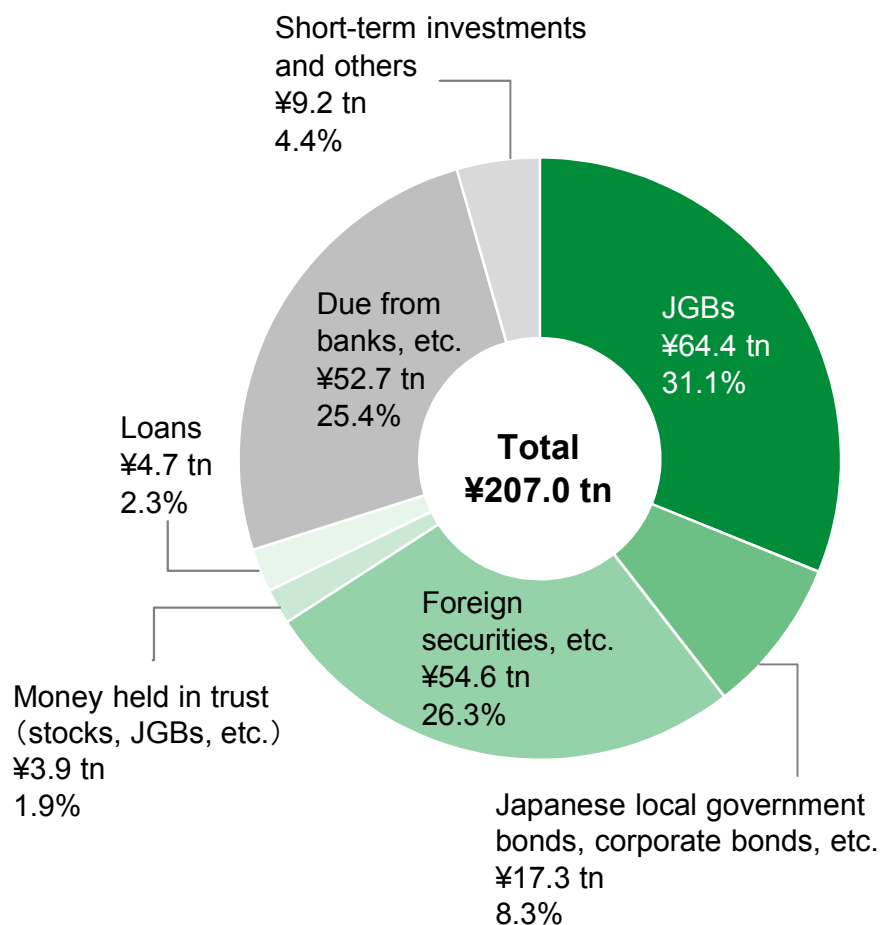
	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Yield on interest-earning assets (a)	0.77	0.79	(0.02)
Total cost of funding (including general and administrative expenses) (b)	0.71	0.73	(0.02)
Interest rate on interest-bearing liabilities (c)	0.16	0.17	(0.00)
Overall interest rate spread (a) - (b)	0.06	0.06	(0.00)
Interest rate spread (a) - (c)	0.60	0.62	(0.01)

Note: All numbers are annualized.



# Asset Management Status (1)

Included in investment assets as of September 30, 2017, JGBs were ¥64.4tn and foreign securities, etc. were ¥54.6tn



Categories	As of September 30, 2017 (A)	%	As of March 31, 2017 (B)	%	(¥bn)
					Increase (Decrease) (A) – (B)
Securities	<b>136,412.0</b>	<b>65.8</b>	138,792.4	66.9	(2,380.3)
Japanese government bonds	<b>64,475.2</b>	<b>31.1</b>	68,804.9	33.2	(4,329.7)
Japanese local government bonds, corporate bonds, etc. (*)	<b>17,332.1</b>	<b>8.3</b>	17,070.4	8.2	261.7
Foreign securities, etc.	<b>54,604.6</b>	<b>26.3</b>	52,917.0	25.5	1,687.6
Foreign bonds	<b>21,106.6</b>	<b>10.1</b>	20,143.4	9.7	963.2
Investment trusts	<b>33,491.0</b>	<b>16.1</b>	32,726.7	15.7	764.2
Money held in trust (stocks, JGBs, etc.)	<b>3,969.4</b>	<b>1.9</b>	3,817.9	1.8	151.5
Domestic stocks	<b>2,182.0</b>	<b>1.0</b>	2,079.2	1.0	102.7
Loans	<b>4,796.2</b>	<b>2.3</b>	4,064.1	1.9	732.1
Due from banks, etc. (**)	<b>52,713.4</b>	<b>25.4</b>	51,213.3	24.7	1,500.0
Short-term investments and others (***)	<b>9,201.3</b>	<b>4.4</b>	9,305.6	4.4	(104.2)
<b>Total</b>	<b>207,092.6</b>	<b>100.0</b>	207,193.4	100.0	(100.8)

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

\*\* "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 securities borrowing transactions, etc.

# Asset Management Status (2)

Net unrealized gains on available-for-sale securities adjusted by gains (losses) on hedge transactions were ¥4,424.1bn as of September 30, 2017 (before application of tax effect accounting)

(¥bn)

	As of September 30, 2017		As of March 31, 2017	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Held-to-maturity securities	34,994.4	1,172.4	38,316.9	1,456.5

(¥bn)

	As of September 30, 2017		As of March 31, 2017	
	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	105,346.3	4,755.8	104,470.1	4,566.1
Securities (*) (A)	101,442.3	3,525.8	100,666.9	3,282.1
Japanese government bonds	32,130.9	1,167.6	33,487.5	1,320.7
Foreign bonds	21,074.2	1,593.7	20,078.5	1,335.1
Investment trusts	33,203.6	606.1	32,604.2	435.0
Others	15,033.4	158.2	14,496.5	191.1
Effect of fair value hedge accounting (B)		36.3		185.3
Money held in trust (*) (C)	3,903.9	1,193.7	3,803.2	1,098.6
Domestic stocks	2,182.0	1,161.5	2,079.2	1,058.6
Others	1,721.9	32.1	1,723.9	40.0
Derivatives for which deferred hedge accounting is applied (D)	9,002.1	(331.7)	7,553.3	(168.0)
Total (A) + (B) + (C) + (D)		4,424.1		4,398.1

\* Excluding available-for-sale securities that are deemed to be extremely difficult to determine a fair value.

# Unrealized Gains (Losses) on Financial Assets (1)

## (1) Held-to-maturity Securities

(Millions of yen)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)	
	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	32,344,289	1,111,755	35,317,430	1,373,826	(2,973,141)	(262,071)
Japanese local government bonds	—	—	44,618	115	(44,618)	(115)
Japanese corporate bonds	2,617,718	51,136	2,889,963	70,626	(272,244)	(19,489)
Others	32,433	9,571	64,911	11,981	(32,478)	(2,409)
Foreign bonds	32,433	9,571	64,911	11,981	(32,478)	(2,409)
Total	34,994,441	1,172,464	38,316,923	1,456,549	(3,322,482)	(284,084)

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 (Excluding Available-for-sale Securities that are Deemed to be Extremely Difficult to Determine a Fair Value)

(Millions of yen)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)	
	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)
Bonds	46,844,038	1,327,339	47,622,031	1,518,522	(777,993)	(191,182)
Japanese government bonds	32,130,986	1,167,635	33,487,558	1,320,778	(1,356,572)	(153,143)
Japanese local government bonds	6,330,063	71,155	6,037,606	90,906	292,456	(19,750)
Commercial paper	237,994	—	233,998	—	3,995	—
Japanese corporate bonds	8,144,994	88,548	7,862,867	106,837	282,126	(18,288)
Others	54,598,297	2,198,479	53,044,897	1,763,647	1,553,400	434,832
Foreign bonds	21,074,250	1,593,755	20,078,556	1,335,157	995,694	258,598
Investment trusts	33,203,617	606,155	32,604,245	435,050	599,371	171,104
Total	101,442,336	3,525,819	100,666,928	3,282,169	775,407	243,649

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 (fair value).

3. Of net unrealized gains (losses) shown above, ¥36,355 million and ¥185,342 million losses were included in the statements of income for the six months ended September 30, 2017 and the fiscal year ended March 31, 2017, respectively, because of the application of fair value hedge accounting.

4. Investment trusts are mainly invested in foreign bonds.

5. No impairment losses were recognized on available-for-sale securities for the six months ended September 30, 2017 and the fiscal year ended March 31, 2017.

# Unrealized Gains (Losses) on Financial Assets (2)

(3) Money Held in Trust Classified as Available-for-sale (Excluding Money Held in Trust Classified as Available-for-sale that is Deemed to be Extremely Difficult to Determine a Fair Value) (Millions of yen)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)	
	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	3,903,988	1,193,709	3,803,267	1,098,661	100,720	95,047
Domestic stocks	2,182,067	1,161,585	2,079,290	1,058,661	102,776	102,924
Foreign stocks	0	0	0	(0)	0	0
Domestic bonds	1,263,701	32,123	1,274,178	40,000	(10,477)	(7,877)

Notes: 1. The amount on the balance sheet shown above is stated at the average market price of the final month for the period for equity securities and at the market price at the balance sheet date for other securities.

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

3. Impairment losses on money held in trust which is classified as available-for-sale for the six months ended September 30, 2017 and the fiscal year ended March 31, 2017 amounted to ¥147 million and ¥3,734 million, respectively.

(4) Derivatives under Hedge Accounting (Deferred Hedge Accounting) (Millions of yen)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)	
	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)
Interest rate swaps	4,829,504	(179,466)	4,498,510	(195,410)	330,994	15,944
Currency swaps	4,058,525	(142,703)	2,971,988	37,723	1,086,537	(180,427)
Foreign exchange forward contracts	114,069	(9,532)	82,803	(10,351)	31,266	819
Total	9,002,100	(331,702)	7,553,302	(168,039)	1,448,797	(163,663)

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

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

Total (2) + (3) + (4) (Millions of yen)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total net unrealized gains (losses)	4,424,181	4,398,134	26,046

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.

# Exposure Profile of Investment Assets

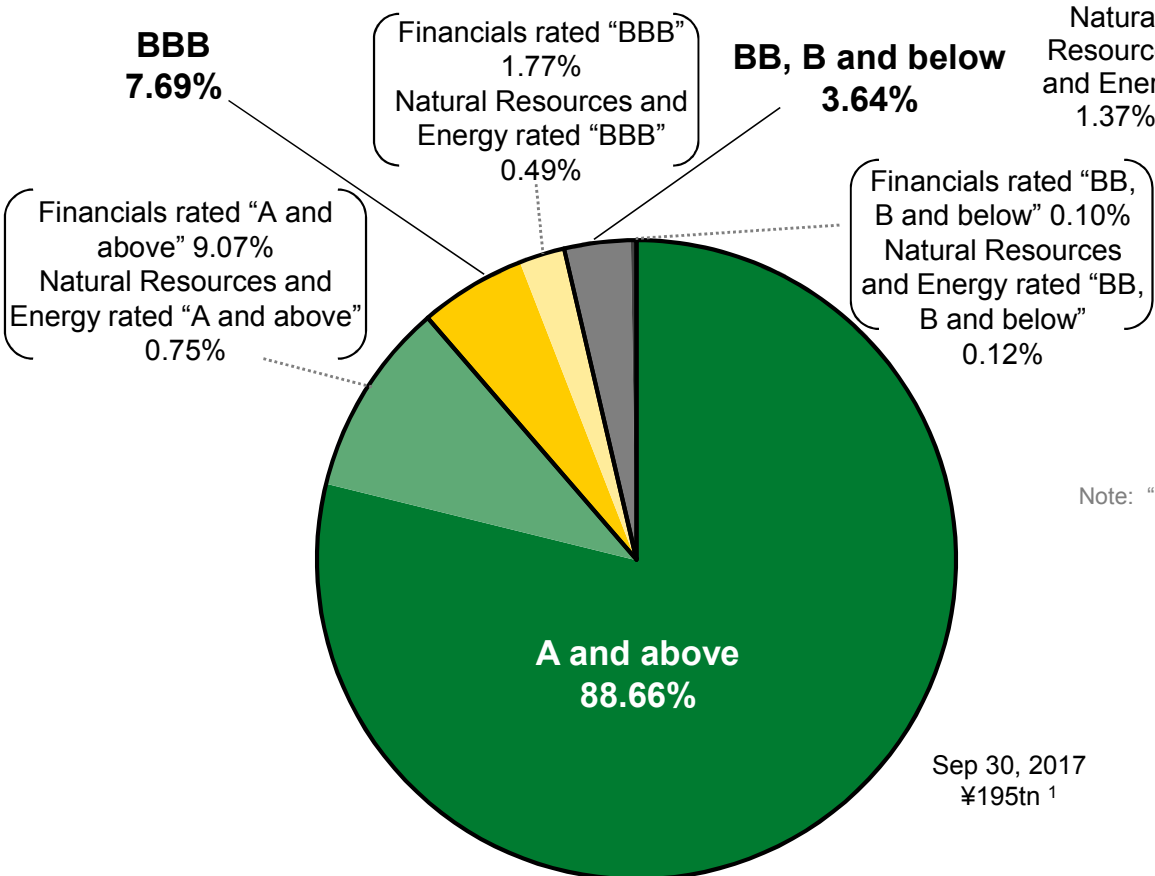
Breakdown of the Bank's investment assets,

By credit rating: 88% are rated A or above, and over 95% are rated IG (BBB or above)

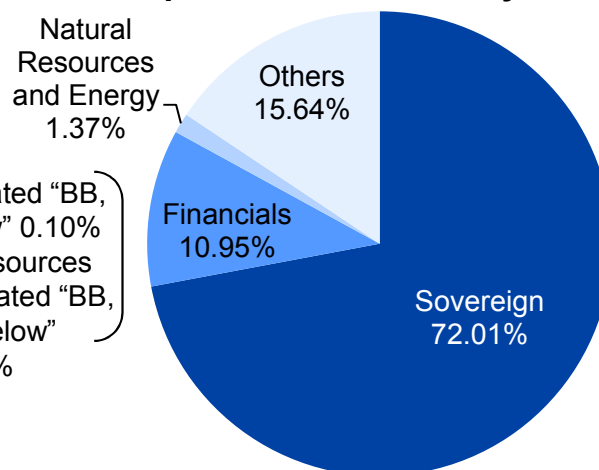
By sector: around 72% are Sovereign, and around 11% are Financials

By region: around 74% are Japan, and around 14% are North America

**Exposures Classified by Ratings**

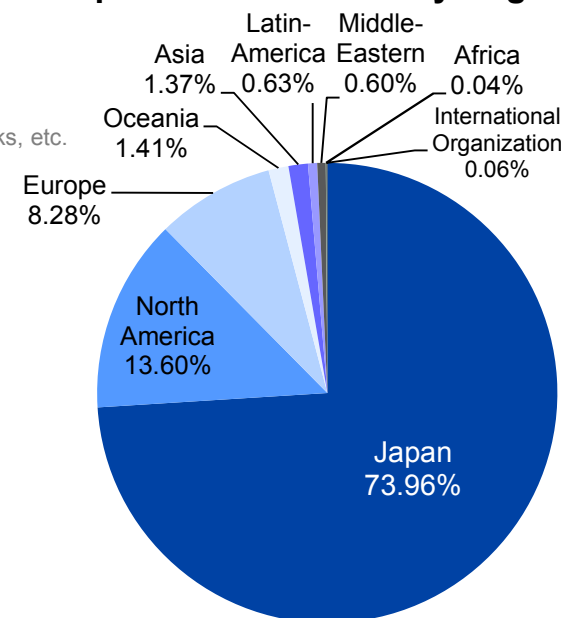


**Exposures Classified by Sector**



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, and stocks, etc.
  2. Exposures are calculated on the management accounting and book value basis.
  3. Rating categories are based on the Bank's internal ratings.

# Net Gains and Losses by Portfolio

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

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

	FY2012/3		FY2013/3		FY2014/3		FY2015/3		FY2016/3		FY2017/3		FY2017/3 1H		FY2018/3 1H	
	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)	Average balance	Net gains (losses)
Total Portfolio (BP + SP)	184.2	573.4	187.4	592.1	190.5	573.1	194.2	559.9	196.5	480.4	197.5	433.0	196.2	208.6	198.4	255.3
Base Portfolio (BP)	157.4	438.7	158.0	342.1	156.7	289.7	151.7	94.7	141.7	(35.6)	131.5	(243.3)	133.2	(102.8)	126.7	(174.1)
BP Customer-based funding, sales	-	(57.6)	-	(60.2)	-	(120.3)	-	(222.4)	-	(250.4)	-	(399.6)	-	(179.0)	-	(264.8)
BP investment side, etc.	-	496.4	-	402.3	-	410.0	-	317.2	-	214.7	-	156.3	-	76.1	-	90.6
Satellite Portfolio (SP)	26.7	134.6	29.3	249.9	33.7	283.4	42.4	465.1	54.8	516.0	66.0	676.4	62.9	311.4	71.6	429.4

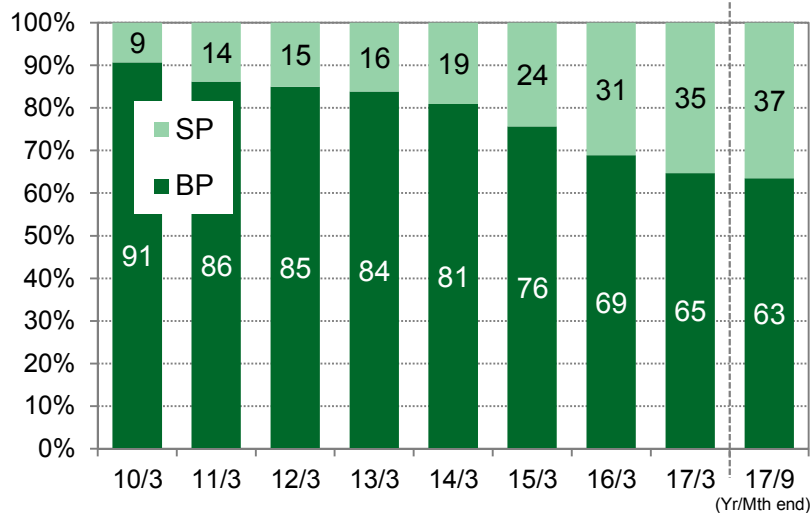
Notes: Average balance of the respective portfolios are calculated as the average of the beginning and ending balances for each period.

Net gains and losses are calculated by the below formula. Total of net gains and losses for each portfolio are 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)

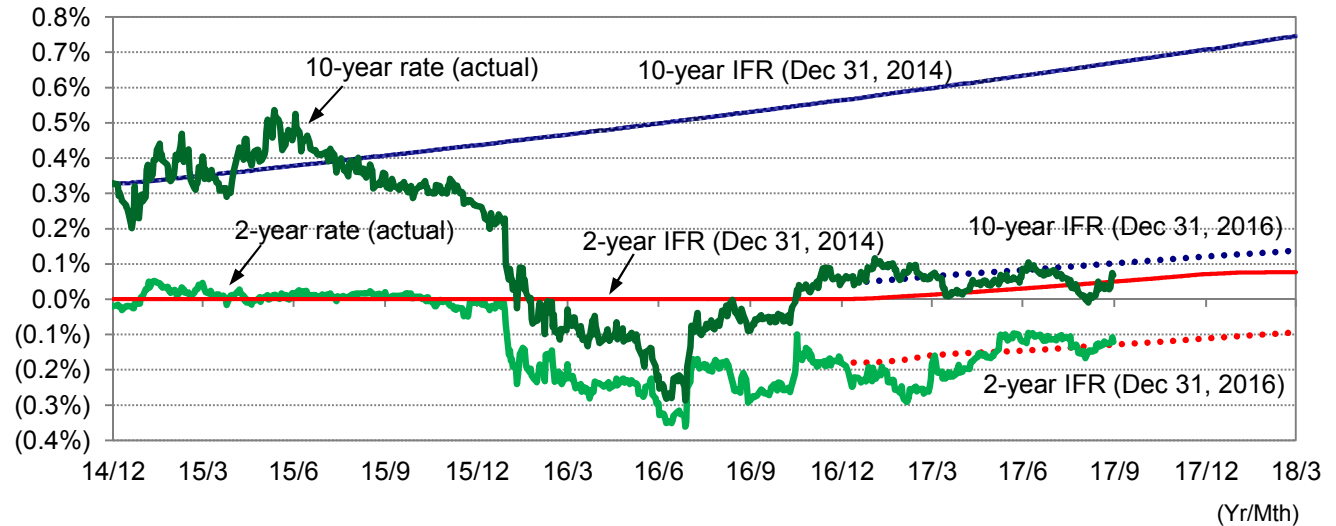
# Expansion of SP and Related Market Data

(Chart 1) Shares of BP and SP to Total Portfolio

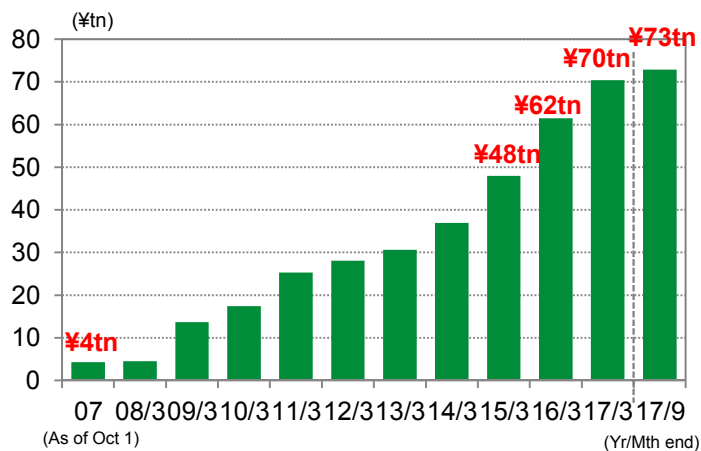


Note: Percentages are rounded.

(Chart 2) Domestic Implied Forward Rates (December 31, 2014 vs December 31, 2016)

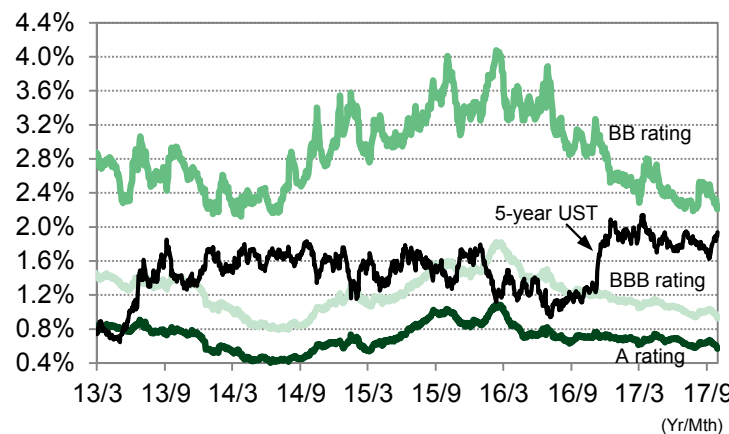


(Chart 3) SP Balance

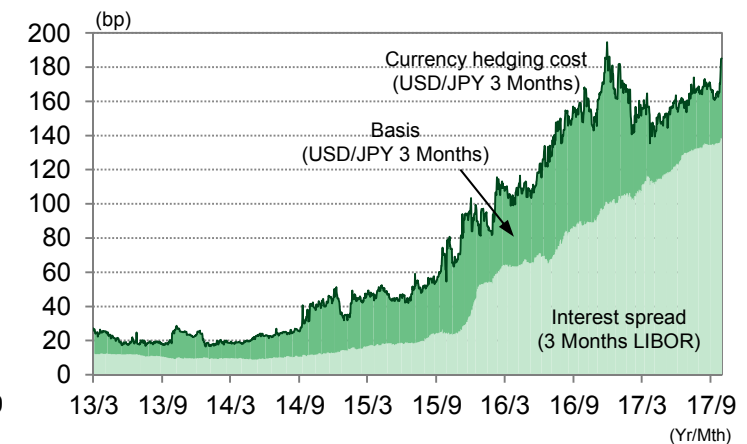


Note: Balance are rounded.

(Chart 4) US Credit Spread



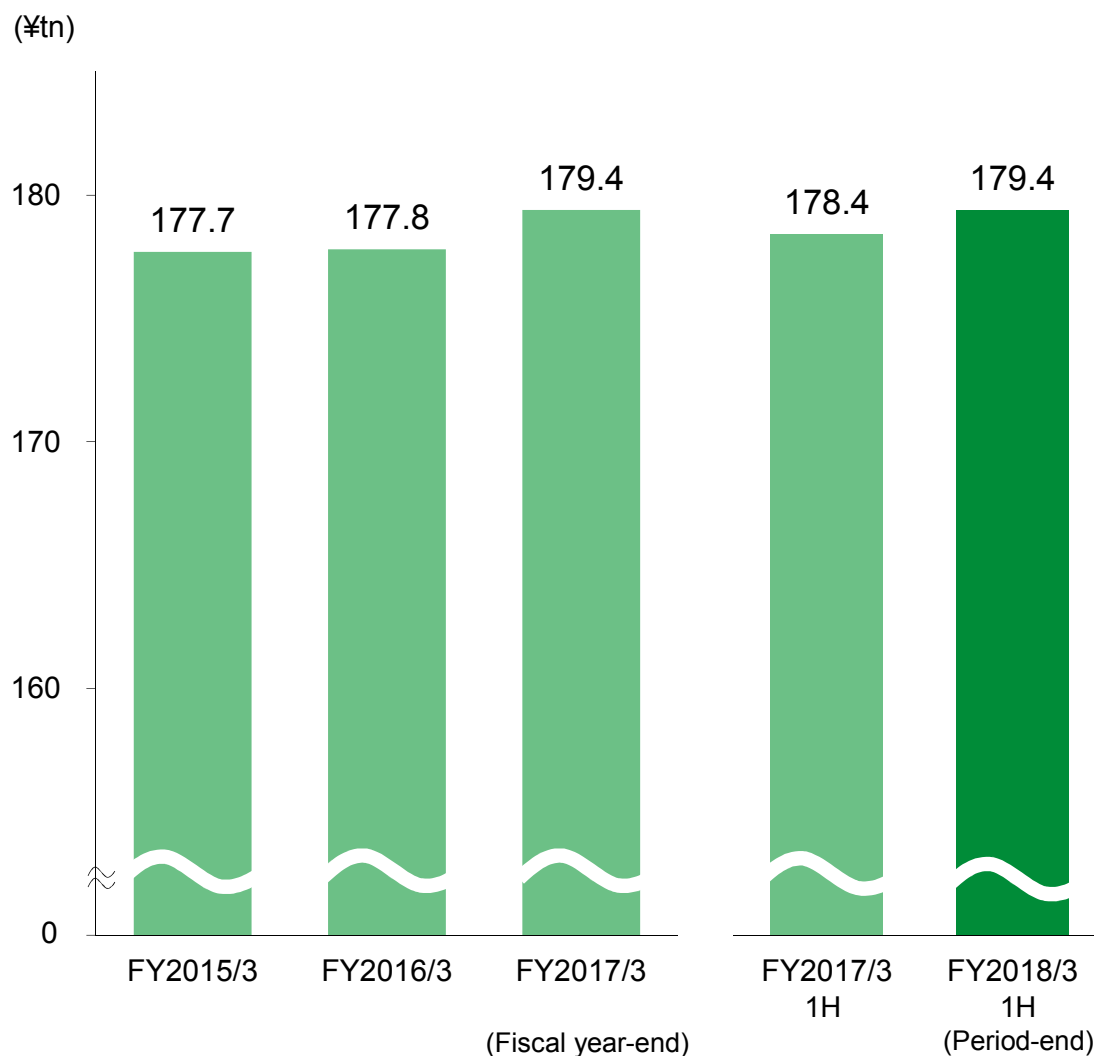
(Chart 5) Currency Hedging Cost





# Deposit Balance

Deposit balance as of September 30, 2017 was ¥179.4tn, which remained stable



	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Liquid deposits	71.2	67.9	3.3
Transfer deposits	13.4	13.0	0.3
Ordinary deposits, etc.	57.4	54.5	2.9
Savings deposits	0.3	0.3	0.0
Fixed-term deposits	108.0	111.2	(3.2)
Time deposits	9.5	10.0	(0.5)
TEIGAKU deposits, etc.	98.4	101.2	(2.7)
Other deposits	0.1	0.1	(0.0)
Total	179.4	179.4	(0.0)



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

## Results for Net Fees and Commissions

(¥bn)

	FY2018/3 1H	FY2017/3 1H	Difference
Net fees and commissions	47.1	42.9	4.1
Exchange and settlement transactions	29.6	29.3	0.2
Zengin net fee	4.7	4.6	0.0
ATM related commissions	3.8	3.5	0.2
JGBs related commissions	0.9	0.9	0.0
Investment trust related commissions	9.3	5.0	4.3
New businesses related commissions	3.2	3.4	(0.1)
Credit cards	2.2	2.0	0.1
Variable annuities	0.4	0.7	(0.3)
Consumer loans	0.5	0.5	0.0
Other	0.0	0.6	(0.6)

(ATM business)

- Install our compact ATMs at FamilyMart stores across the country from Jan 2017 (3,500 units)

(Sales promotion of investment trust products)

- (On post offices)  
Expanding investment trust sales locations and sales support locations
  - Investment trust sales locations: 1,415 (As of Oct 16, 2017)
  - Investment trust sales support locations: 18,301 (As of Aug 31, 2017)
- To expand our customer base, run a campaign targeting new customers (Apr 2017 - Mar 2018)

# Selected Business Results (1)

## (1) Investment Trusts Sales (Contract Basis)

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Number of contracts (thousands)	699	594	104
Sales amount (millions of yen)	357,739	243,744	113,994

	As of September 30, 2017 (A)	As of September 30, 2016 (B)	Increase (Decrease) (A) – (B)
Number of investment trust accounts (thousands)	807	721	86
Net assets (millions of yen)	1,521,554	1,162,855	358,698

## (2) Variable Annuities Policies

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Number of policies	4,882	8,285	(3,403)
Sales amount (millions of yen)	23,693	42,974	(19,280)

	As of September 30, 2017 (A)	As of September 30, 2016 (B)	Increase (Decrease) (A) – (B)
Number of policies (cumulative)	105,389	91,061	14,328
Sales amount (cumulative) (millions of yen)	552,128	480,696	71,431

# Selected Business Results (2)

## (3) Credit Cards

(Thousands)

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Number of cards issued	31	32	(1)

	As of September 30, 2017 (A)	As of September 30, 2016 (B)	Increase (Decrease) (A) – (B)
Number of cards issued (cumulative) (outstanding)	1,083	1,149	(66)

## (4) Mortgage Loans (as Intermediary)

(Millions of yen)

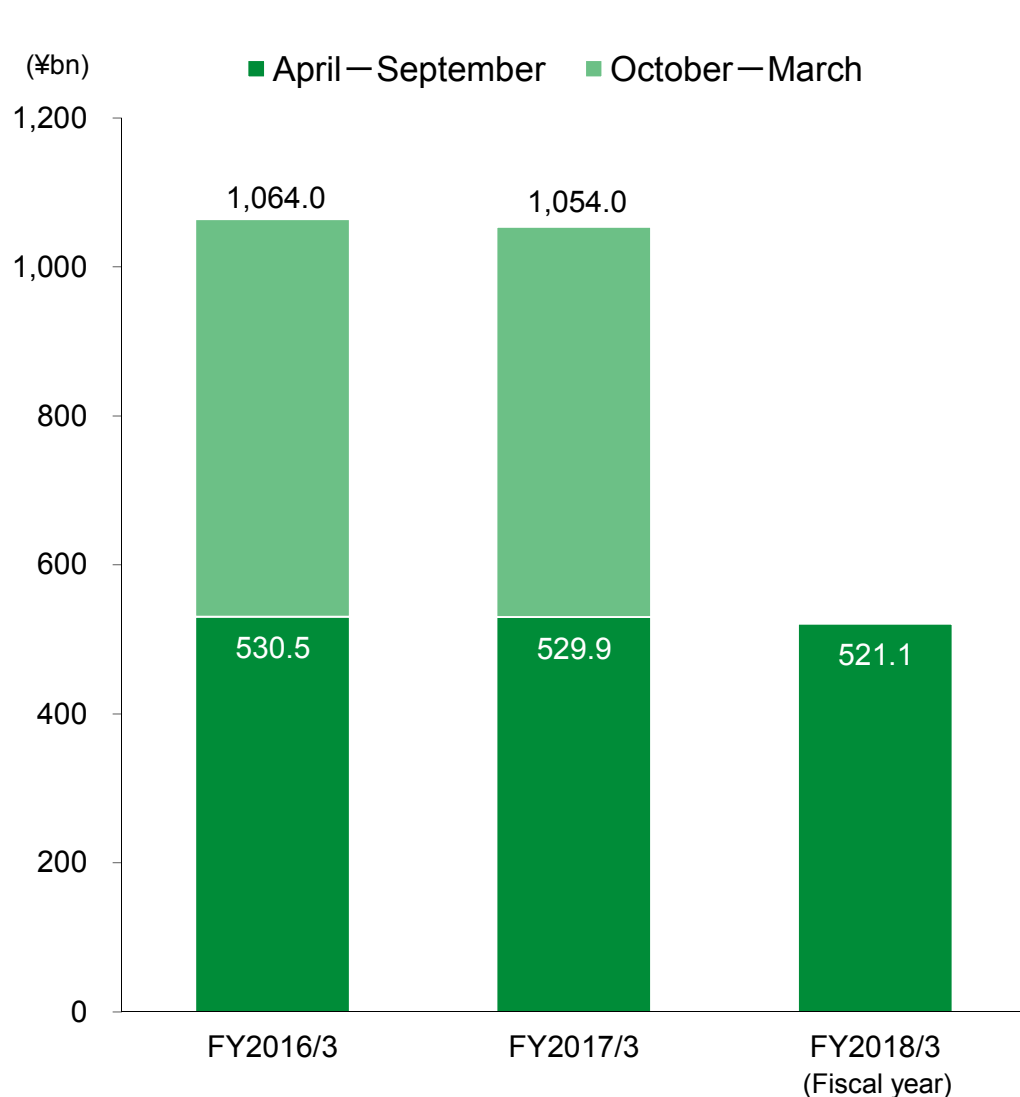
	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Amount of new credit extended	18,701	20,132	(1,431)

	As of September 30, 2017 (A)	As of September 30, 2016 (B)	Increase (Decrease) (A) – (B)
Amount of new credit extended (cumulative)	401,960	363,483	38,476

Note: The Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

# General and Administrative Expenses (1)

General and administrative expenses for the six months ended September 30, 2017 decreased by ¥8.7bn year on year to ¥521.1bn



	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Personnel expenses (*)	62.9	62.2	0.6
Salaries and allowances	51.5	51.2	0.2
Non-personnel expenses	419.6	428.7	(9.1)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	301.8	309.0	(7.2)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.	2.8	4.1	(1.3)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	30.2	33.0	(2.8)
Taxes and dues	38.5	38.9	(0.3)
<b>Total</b>	<b>521.1</b>	<b>529.9</b>	<b>(8.7)</b>

\* Personnel expenses include non-recurring losses.

# General and Administrative Expenses (2)

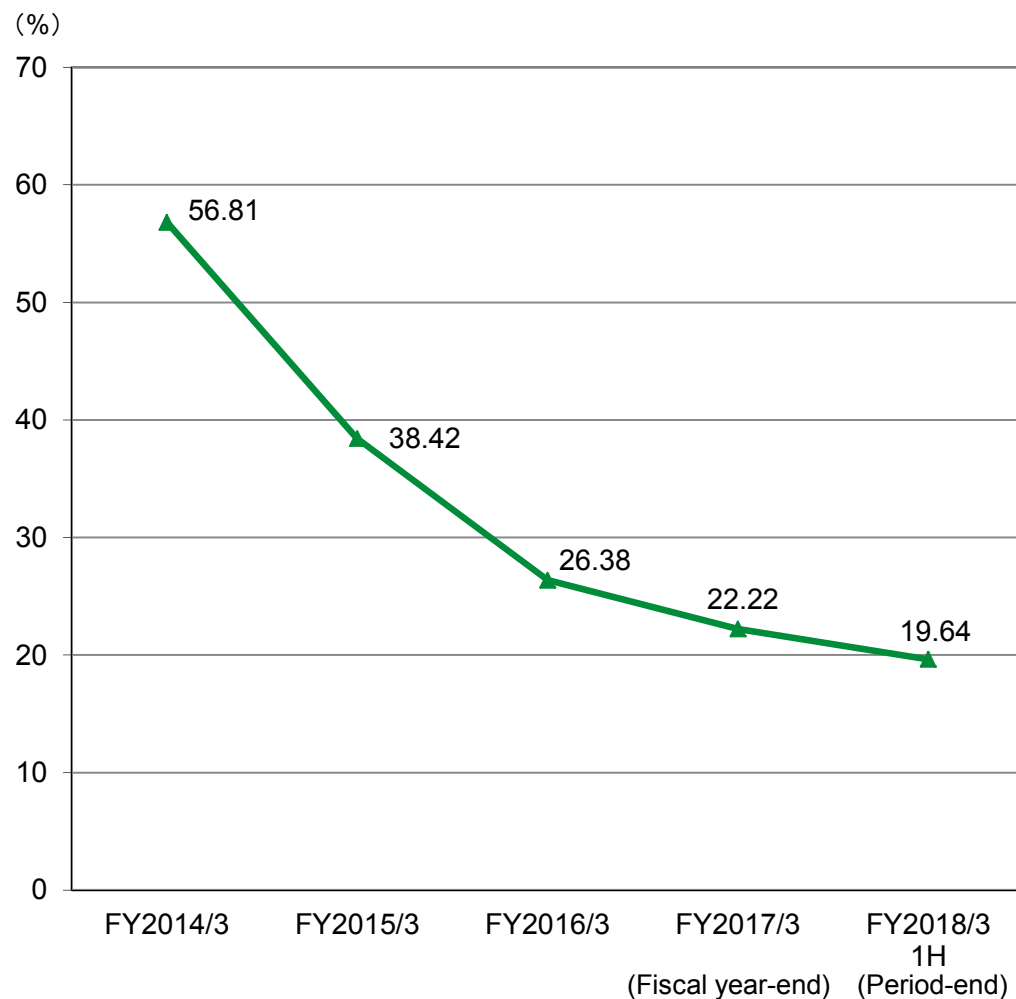
(Millions of yen, %)

	For the six months ended				Increase (Decrease) (A) – (B)
	September 30, 2017 (A)		September 30, 2016 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	62,961	12.08	62,281	11.75	680
Salaries and allowances	51,544	9.89	51,253	9.67	290
Others	11,417	2.19	11,027	2.08	389
Non-personnel expenses	419,629	80.51	428,729	80.90	(9,100)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	301,824	57.91	309,044	58.31	(7,220)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (*)	2,839	0.54	4,185	0.78	(1,345)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	30,269	5.80	33,083	6.24	(2,813)
Rent for land, buildings and others	6,336	1.21	6,197	1.16	138
Expenses on consigned businesses	25,694	4.93	25,524	4.81	170
Depreciation and amortization	19,575	3.75	17,424	3.28	2,151
Communication and transportation expenses	9,212	1.76	9,570	1.80	(358)
Maintenance expenses	5,557	1.06	6,322	1.19	(765)
IT expenses	8,075	1.54	7,187	1.35	888
Others	10,243	1.96	10,189	1.92	54
Taxes and dues	38,568	7.40	38,928	7.34	(360)
Total	521,158	100.00	529,939	100.00	(8,780)

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

# Capital Adequacy Ratio

Capital adequacy ratio (non-consolidated, domestic standard) was 19.64% as of September 30, 2017



	As of September 30, 2017 (A)	As of March 31, 2017 (B)	(¥bn, %) Increase (Decrease) (A) – (B)
Total capital (a)	8,703.3	8,616.9	86.4
Total amount of risk-weighted assets (b)	44,308.9	38,779.8	5,529.1
Credit risk-weighted assets	41,475.7	35,906.5	5,569.1
Capital adequacy ratio (a) / (b)	19.64	22.22	(2.57)

# Detailed Information on Capital Adequacy

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

(Millions of yen, %)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Core capital: instruments and reserves (a)	8,723,682	8,636,164	87,517
Core capital: regulatory adjustments (b)	20,319	19,224	1,095
Total capital (a) - (b) = (c)	8,703,363	8,616,940	86,422
Total amount of risk-weighted assets (d)	44,308,934	38,779,806	5,529,128
Credit risk-weighted assets	41,475,700	35,906,558	5,569,142
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,833,234	2,873,248	(40,014)
Capital adequacy ratio (c) / (d)	19.64	22.22	(2.57)

## (2) Status of Loss-to-Capital Ratio under the Outlier Framework

(Billions of yen, %)

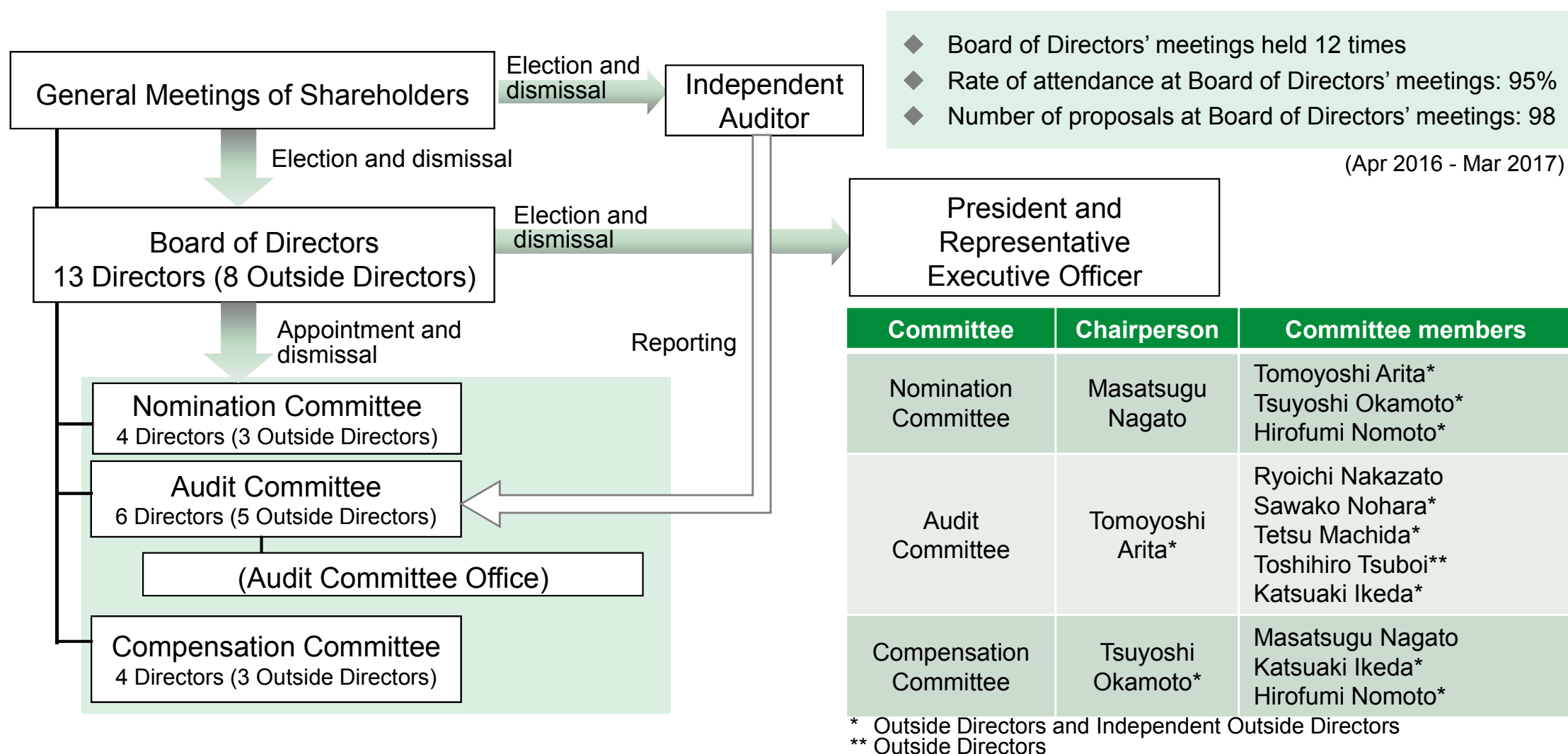
	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Amount of loss (a)	939.0	961.8	(22.8)
Japanese yen	214.1	238.0	(23.9)
U.S. dollars	641.9	654.4	(12.4)
Capital (b)	8,703.3	8,616.9	86.4
Loss-to-capital ratio (a) / (b)	10.78	11.16	(0.37)

Note: The Bank adopts an interest rate shock scenario based on historical interest rate fluctuation data for a five-year observation period with a one-year holding period. Confidence levels of 1% and 99% for interest rate fluctuations are applied in this scenario.

# Framework for Corporate Governance

- (1) Ensure management transparency with the adoption of a committees based system
- (2) Effective supervision by Outside Directors  
(8 out of 13 Directors are Outside Directors, including 7 Independent Outside Directors)\*

\* As of October 1, 2017



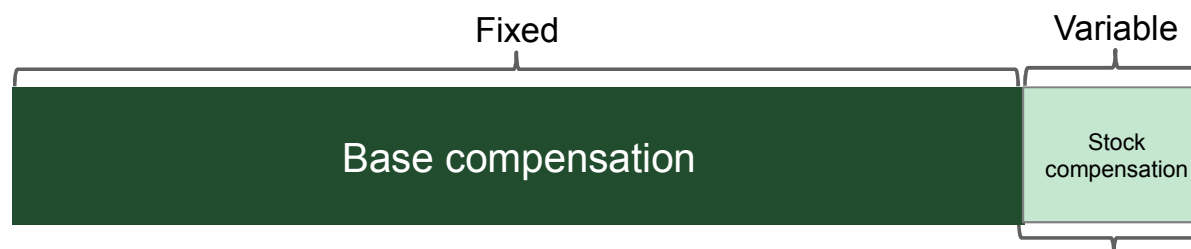


# Performance-Linked Stock Compensation System for Executive Officers

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
- 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.



Points are granted every year and shares are provided according to accumulated points at retirement

# Diversity Management, Human Resource Management

We aim to increase diversity in our corporate culture and improve working environment, enabling every employee to deliver their best performance

## Work-life balance management

Creation of system combining “work” and “life” in a actively and autonomously manner

- Implementation of various kinds of training and seminars related to work-life balance
- Support system exceeding the standards prescribed in the Child Care and Family Care Leave Act
- Promotion of men’s participation in childcare  
(promote taking of childbirth leave of spouse, etc.)

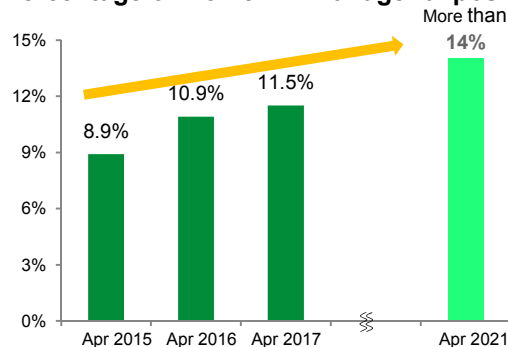
No. of employees taking childcare leave

	FY2015/3	FY2016/3	FY2017/3
Men	16	15	25
Women	335	337	364
Total	351	352	389

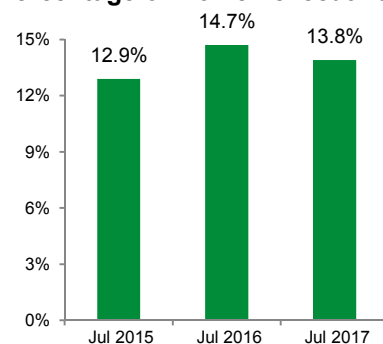
## Empowerment of women

- 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 about 50% attendants of leadership training by introducing selective training

Percentage of women in managerial position



Percentage of women executives\*



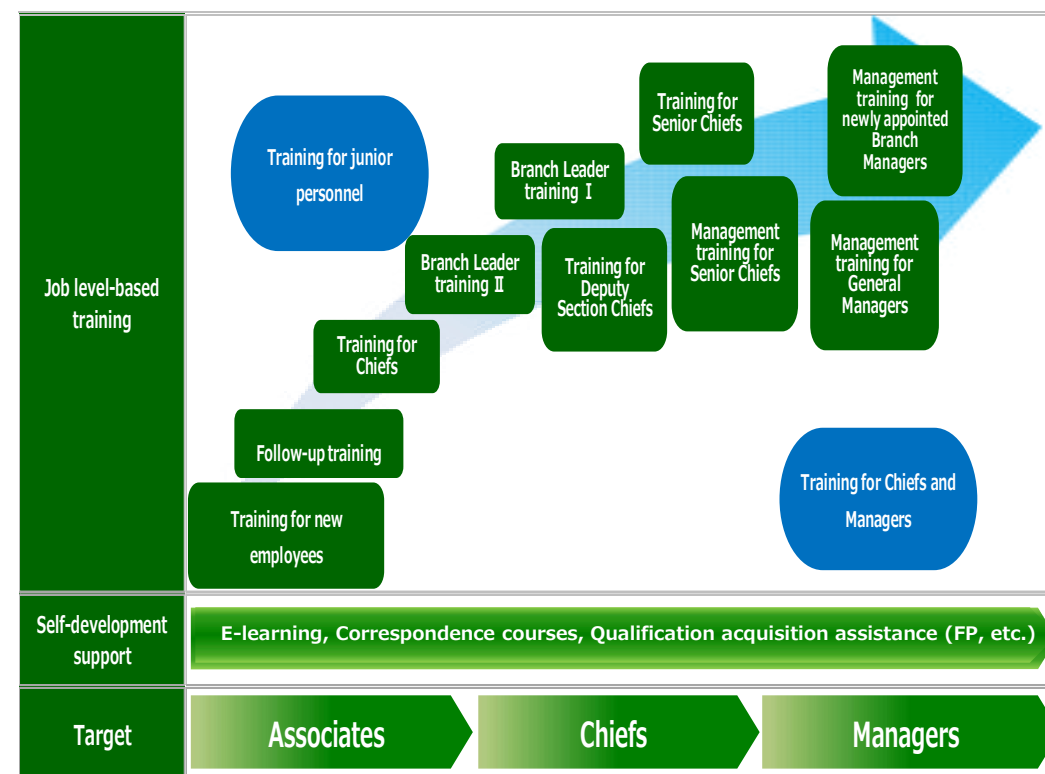
\* Executives defined by the Companies Act of Japan (directors and executive officers)

## Supporting career development

Provision of opportunities for learning and encouraging career development

- Implementation of job level-based training
- Provision of self-development training
- Global human resource development (overseas on-site training at financial institutions and opportunity to study in Japanese and overseas universities, etc.)

### Training system diagram



Achieving sustainable growth = CSR activities through the Bank's operations

## Environment

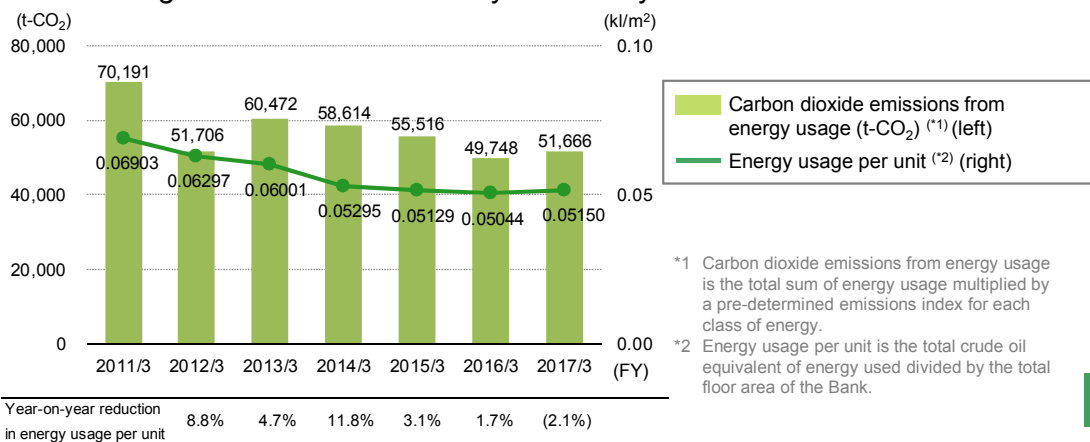
### ■ Paperless Account Japan Post Bank Direct+ (Plus)

Part of the cost reduction achieved through the shift to online-based accounts will be donated to local groups conducting environmental preservation activities in an effort to contribute to the sustainable development of local communities.

## ■ Reduction of environmental impact through operations

## Energy use data

Numerical targets (best effort targets): Reduce per-unit energy usage by an average of at least 1% annually over five years



## Regional communication

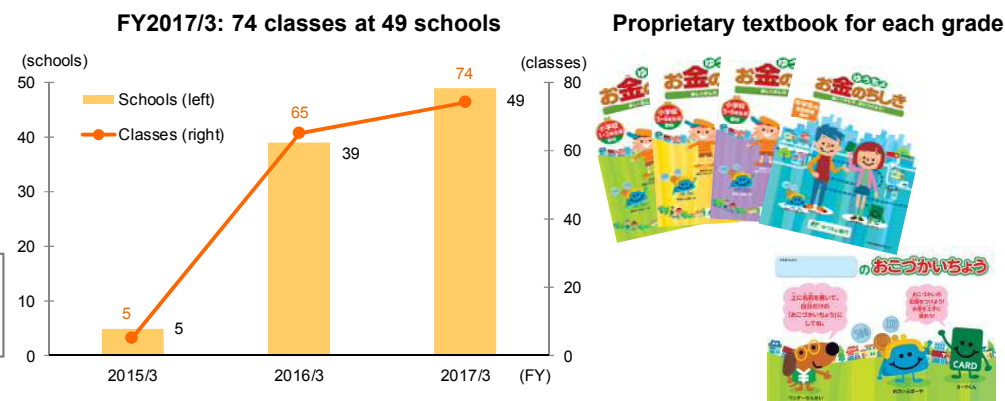
### ■ Participation in regional vitalization funds

■ Trial with “mijica”, regional prepaid VISA card, etc.

## Education

## ■ Financial education

The Bank conducts financial education classes at elementary and junior high schools. Utilizing proprietary teaching materials, the Bank strives to instill in young children the importance of financial management by giving them a sense of the value of money.



### <Other activities>


## ■ Piggy bank design contest for children

■ **Family day, etc.**

## Reliable services

### ■ Reliable services and facilities at branch

Visually impaired customers	<ul style="list-style-type: none"> <li>• Audio guidance for ATM</li> <li>• Braille guidance and Braille displays (bankbook, cash card, etc.)</li> <li>• Adoption of Color Universal Design concepts</li> </ul>
Aurally impaired customers	<ul style="list-style-type: none"> <li>• Installment of devices for communication in writing</li> </ul>
Physically challenged customers, Elderly customers	<ul style="list-style-type: none"> <li>• Installment of cane and crutch holders and provision of wheelchairs</li> <li>• Barrier-free facilities (ramps and handrails)</li> </ul>
Foreign customers	<ul style="list-style-type: none"> <li>• Installment of compact ATMs (compatible with 16 languages)</li> </ul>

	(¥bn)						
	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 1H (Apr-Sep)	FY2018/3 1H (Apr-Sep)
Gross operating profit	1,624.3	1,568.7	1,634.7	1,452.0	1,410.2	716.3	757.7
Net interest income <sup>1</sup>	1,532.1	1,470.2	1,540.7	1,361.0	1,223.5	629.3	618.0
Net fees and commissions	88.1	92.6	89.2	91.1	86.6	42.9	47.1
General and administrative expenses <sup>2</sup>	(1,111.5)	(1,096.0)	(1,114.7)	(1,066.1)	(1,056.1)	(530.9)	(522.2)
Provision for general reserve for possible loan losses	—	—	—	—	0.0	0.0	(0.0)
Net operating profit	512.8	472.6	519.9	385.8	354.0	185.3	235.4
Non-recurring gains (losses)	80.7	92.4	49.4	96.1	87.9	27.1	21.6
Net ordinary income	593.5	565.0	569.4	481.9	442.0	212.4	257.1
Extraordinary income (losses)	(1.9)	(0.6)	1.5	(1.1)	(1.4)	(0.3)	(0.5)
Net income	373.9	354.6	369.4	325.0	312.2	150.9	181.5
Total net assets	10,997.5	11,464.5	11,630.2	11,508.1	11,780.0	11,610.9	11,885.9
Total assets	199,840.6	202,512.8	208,179.3	207,056.0	209,568.8	207,210.2	209,801.0
Capital adequacy ratio <sup>3</sup> (Domestic standard)	66.04%	56.81%	38.42%	26.38%	22.22%	23.15%	19.64%
Number of employees	12,922	12,963	12,889	12,905	12,965	13,280	13,369
Average number of temporary employees	5,818	5,699	5,523	5,223	4,902	4,991	4,661

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 losses.

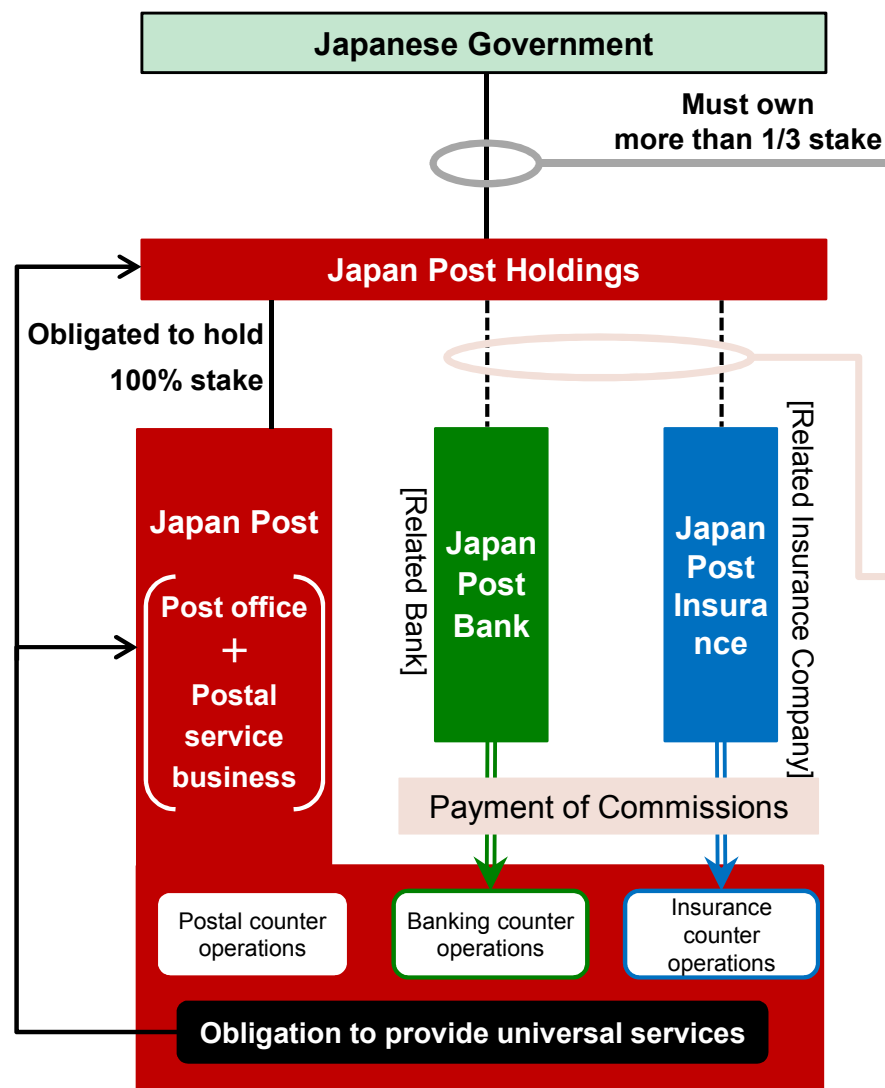
3. New domestic standards (Basel III) have been applied from FY2014/3.

# Appendix2

# 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

# “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 “accessible and trusted brand”**

- Approx. 120mn ordinary deposit customers
- Deposit balance ¥179.4tn (as of September 2017)

## 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

## Asset Management

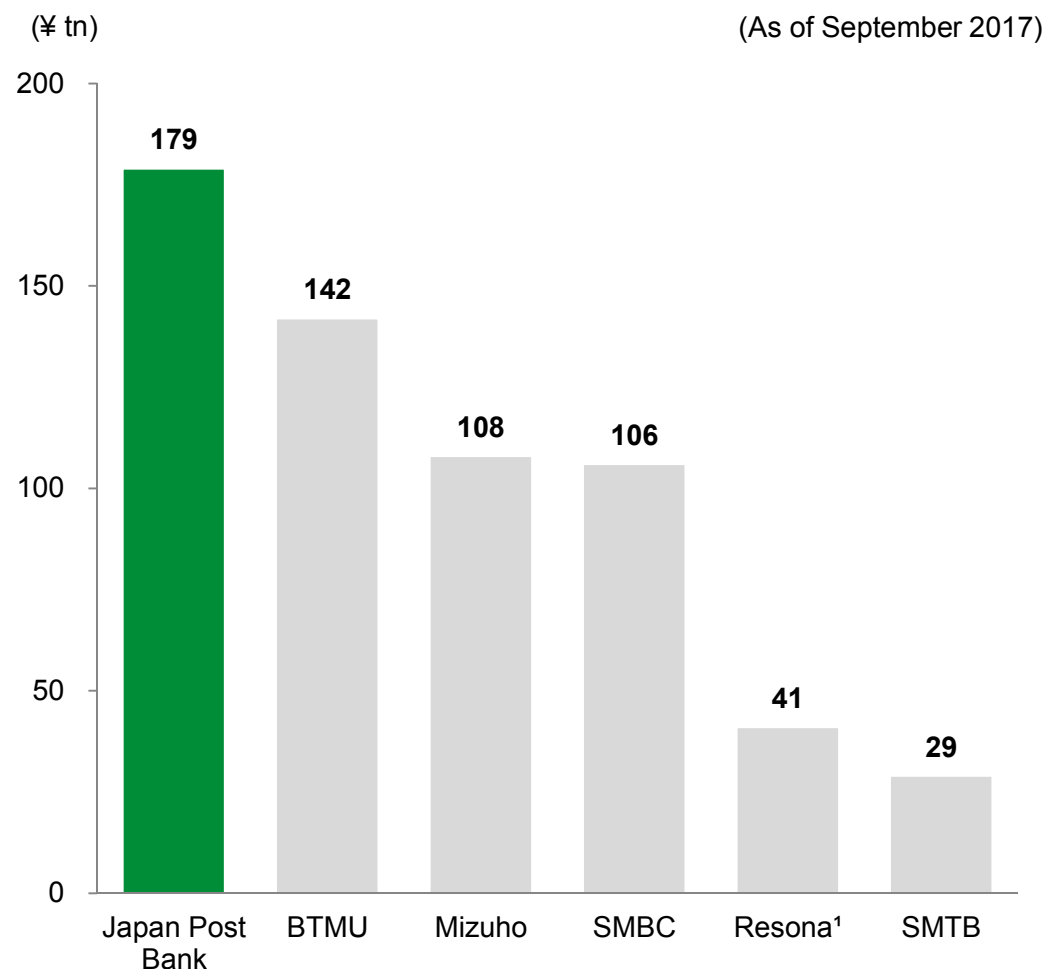
**Diversification of investment portfolio while maintaining securities-centered portfolio**

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

Retail financial institution with customers from all segments of society

One of the largest institutional investors in Japan

## Deposit Ranking of Japanese Banks



Source: Company disclosures, subsidiary bank non-consolidated basis

Note: Excluding negotiable certificate of deposits.

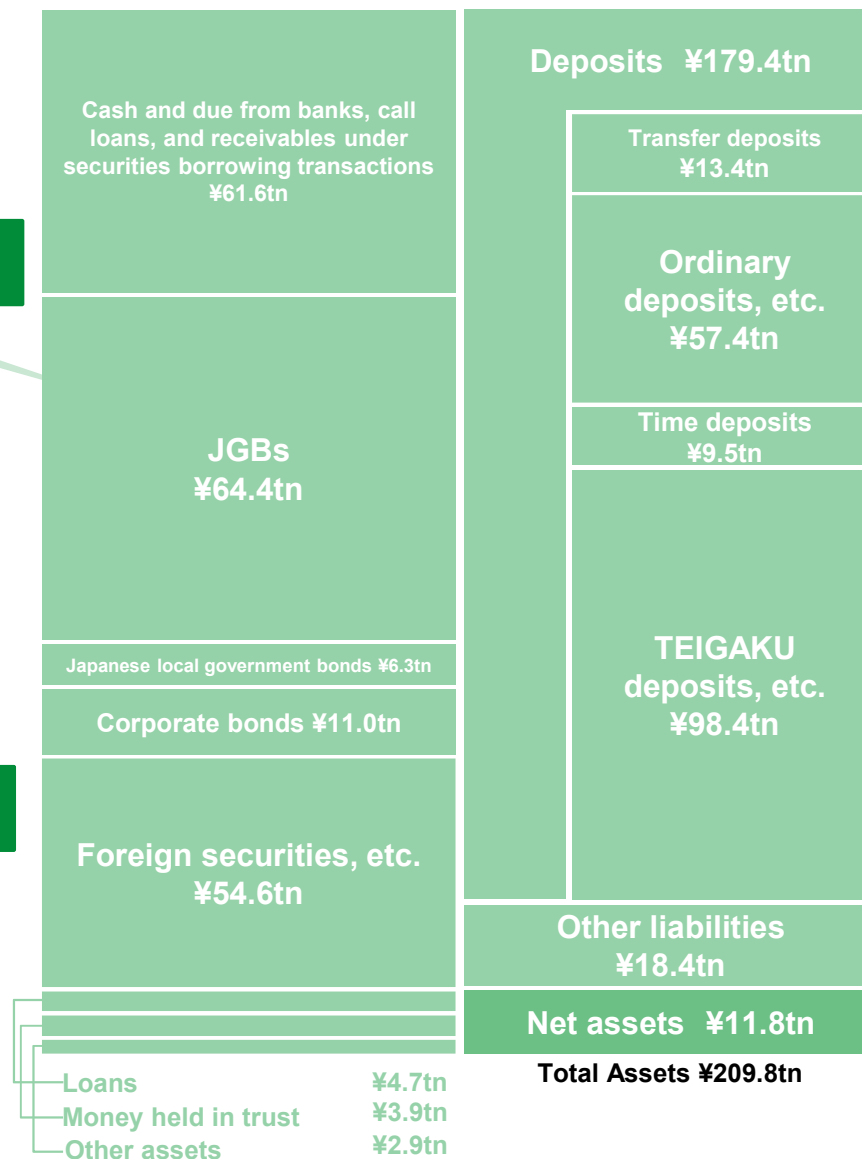
1. Aggregate deposit balance of Resona Bank, Saitama Resona Bank and Kinki Osaka Bank.

Note: Ordinary deposit customers are as of March 2017.



## 1. Maintained Stable Profit under Economic Volatility

Condensed Balance Sheet (As of September 2017)



4. Investment Strategy having Secured Stable Profits

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

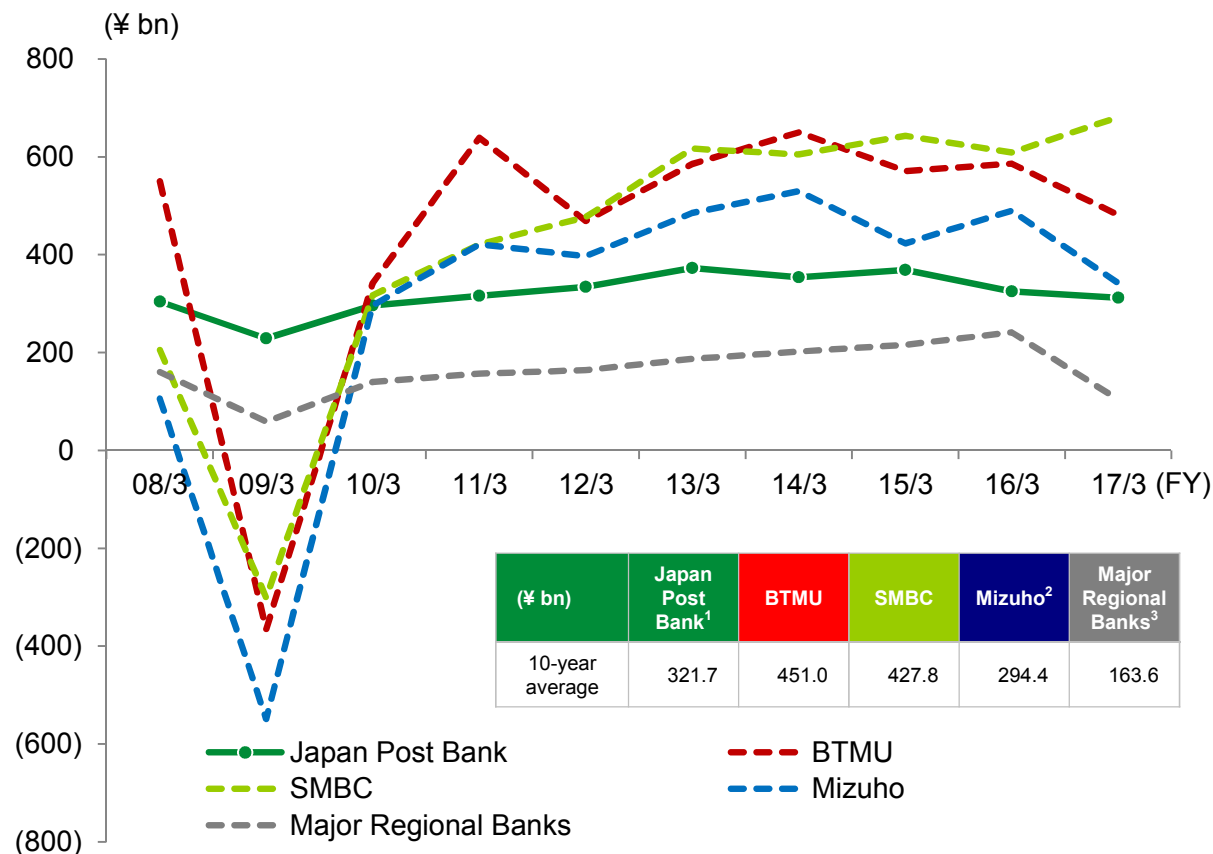
5. Growth Strategy and Compelling/Stable Shareholder Return

3. Solid Capital Base

# Stable Profits through Retail Funding and Market Investment

Maintained stable profits up to FY2017/3 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 key to stable profits

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



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

1. Net income of Japan Post Bank for FY2008/3 is shown as double the net income from Oct. 1, 2007 to Mar. 31, 2008.
2. FY2014/3 for Mizuho 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.

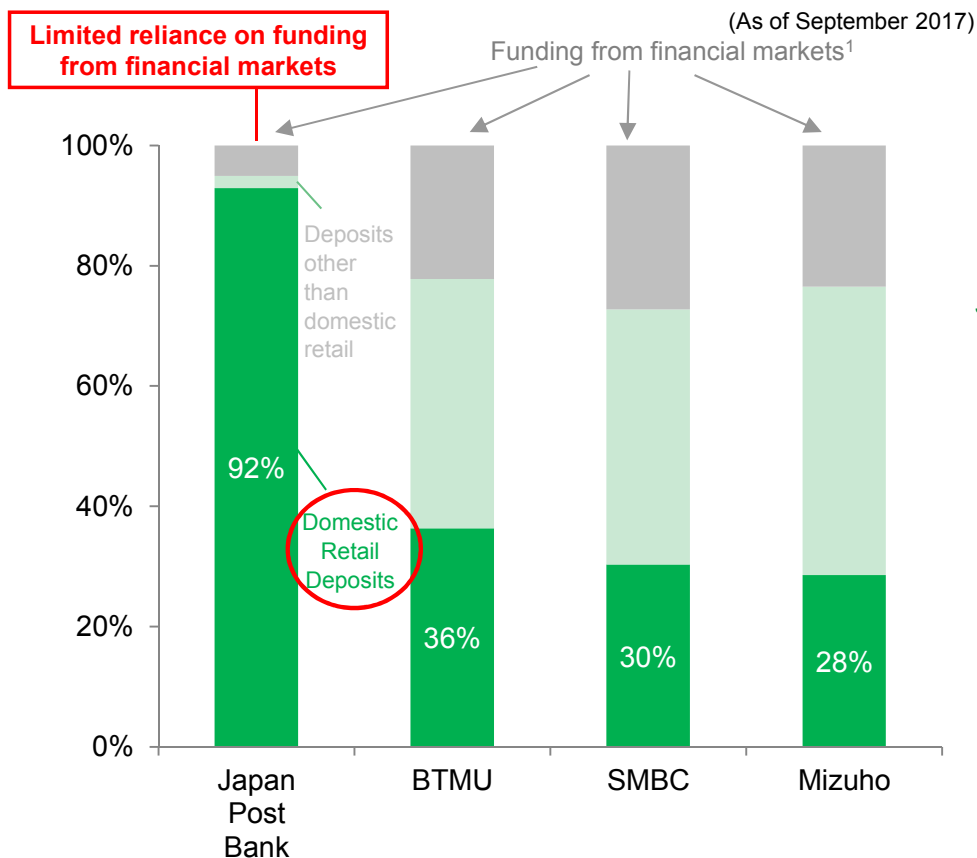
# Stable/Low-cost Funding through Significant Network and Customer Base

Over 90% of our funding is retail deposits – relatively stable and low-cost funding structure compared to market-based funding

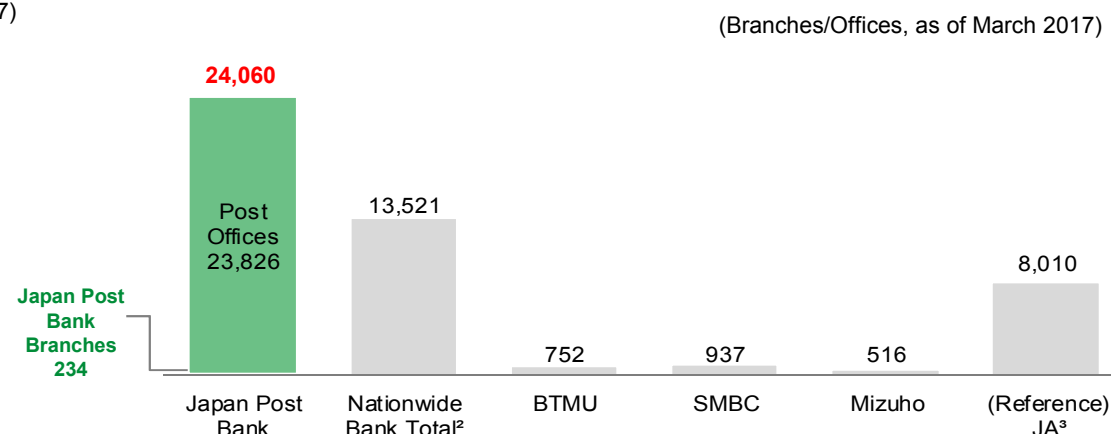
Post offices, Japan's largest physical network that covers every municipality in Japan, are our main channel

We hold a retail deposit market share of approx. 20%

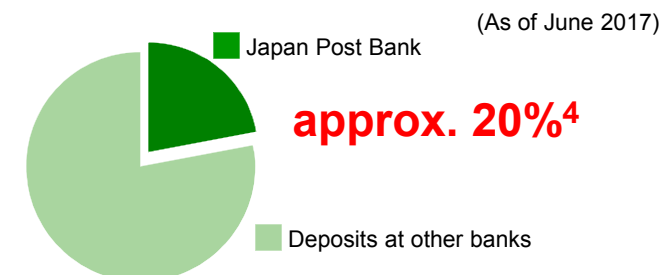
## Breakdown of Funding Sources



## Domestic Branch Network



## Estimated Share of Japan Post Bank Japanese Household Deposits



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.

Source: Company disclosures, Japanese Bankers Association, JA Bank website

2. Nationwide bank total: domestic head office/branches and sub branches of 116 banks (excluding Japan Post Bank). Independent ATMs located outside of branches are not included in sub-branches, as of March 2017.

3. Total of Japan Agricultural Cooperative and the Prefectural Credit Federations of Agricultural Cooperatives locations with exchange operations, as of March 2016.

4. Retail deposits of Japan Post Bank as of June 2017 / household deposits (from "Flow of Funds Accounts" released by Bank of Japan) as of June 2017.

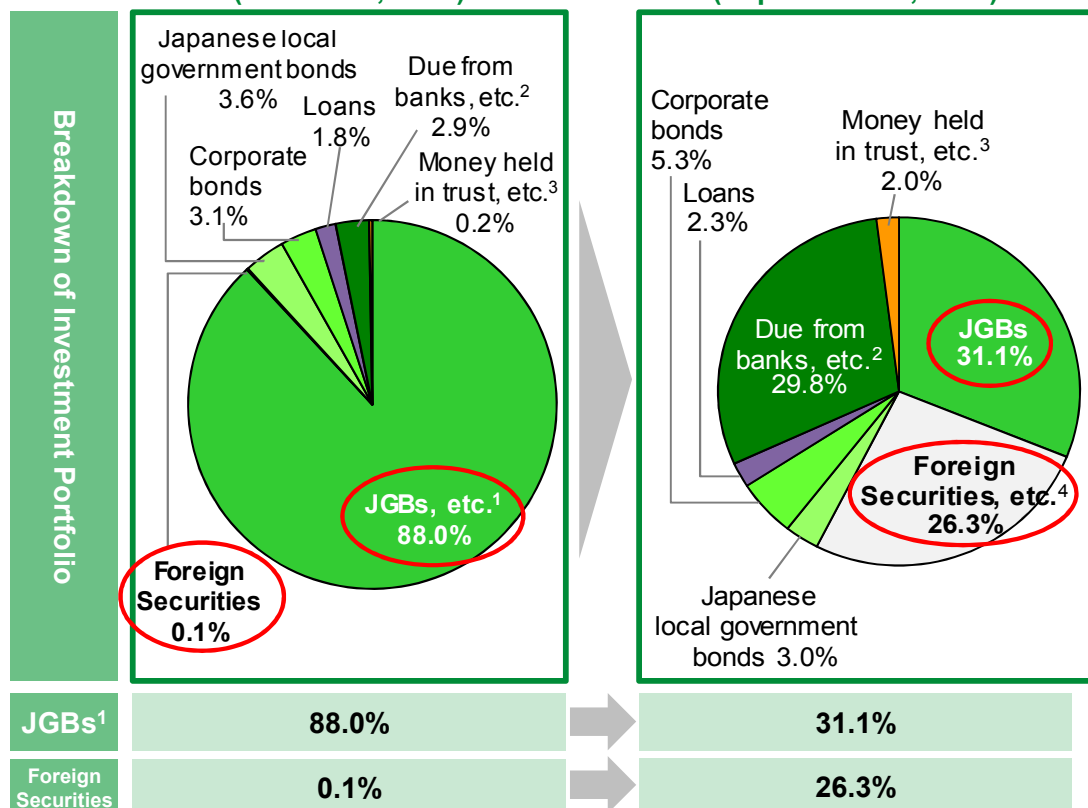
# Secured Stable Yield Under Historically Low Interest Rate Environment

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

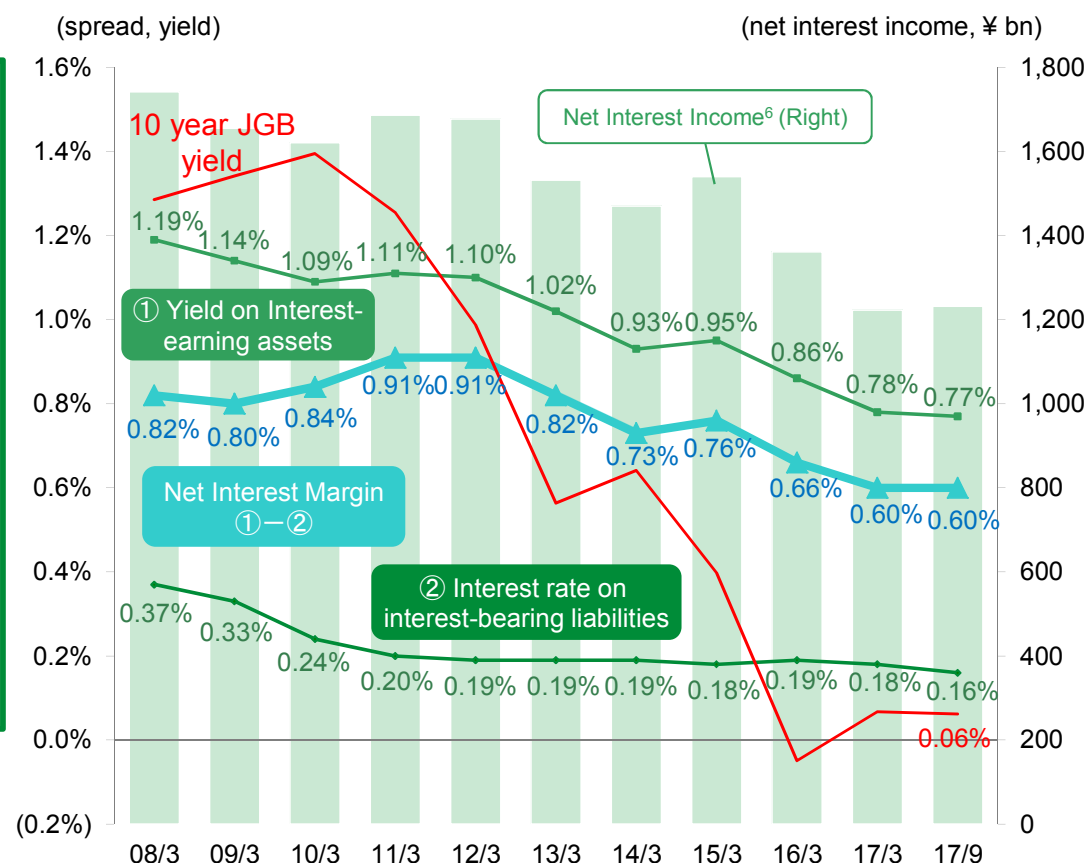
Upon Corporatization  
(October 1, 2007)

Current FY2018/3 1H  
(September 30, 2017)



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 and receivables under securities borrowing transactions.
3. Money held in trust, etc. includes equity securities of affiliated companies, etc.
4. Foreign securities, etc. includes collective investment scheme, etc.

## Historical Spread etc.<sup>5</sup>



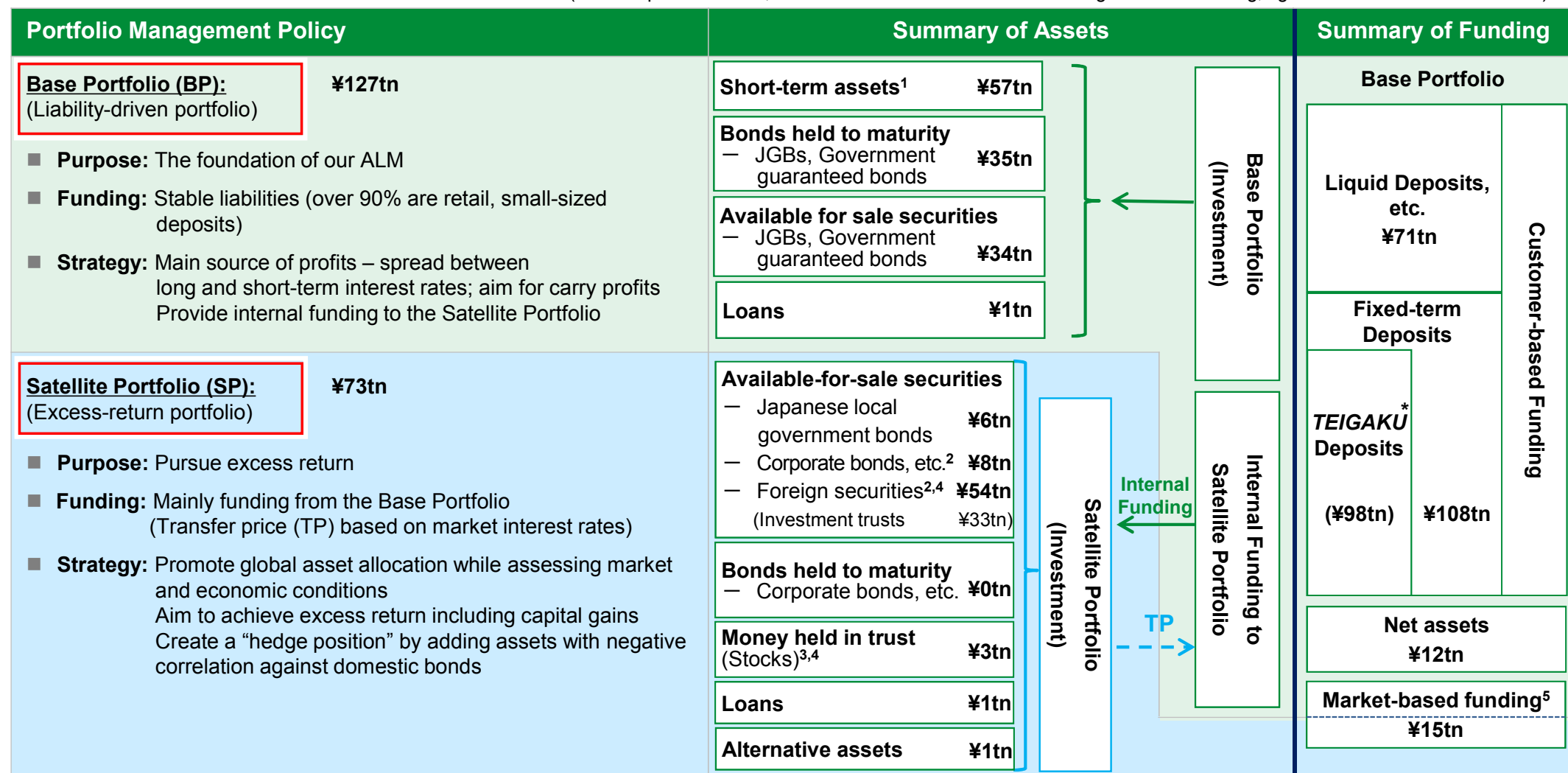
Source: JGB interest rate information - Ministry of Finance Japan

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. Net interest income for FY2017/9 is annualized.

# ALM/Investment Strategy to Generate Stable Income and Excess Return

BP: manage interest rate/liquidity risk, secure fundamental return mainly from JGBs; stable funding enables held-to-maturity investment  
 SP: seek excess return by taking credit/market risk in the global market; solid capital allows over-the-market-cycle investment

(As of September 2017, illustrative breakdown based on management accounting, figures are rounded to the trillion)



1. Short-term assets include cash and due from banks, call loans/receivables under securities borrowing transactions (excl. those in trust), T-bills, short-term corporate bonds, loans to the government (special accounts), etc. 2. Corporate bonds, etc., foreign securities include monetary claims bought. 3. JGBs contained in money held in trust are included in the Base Portfolio.

4. Assets related to alternative investment are included in “alternative assets.”

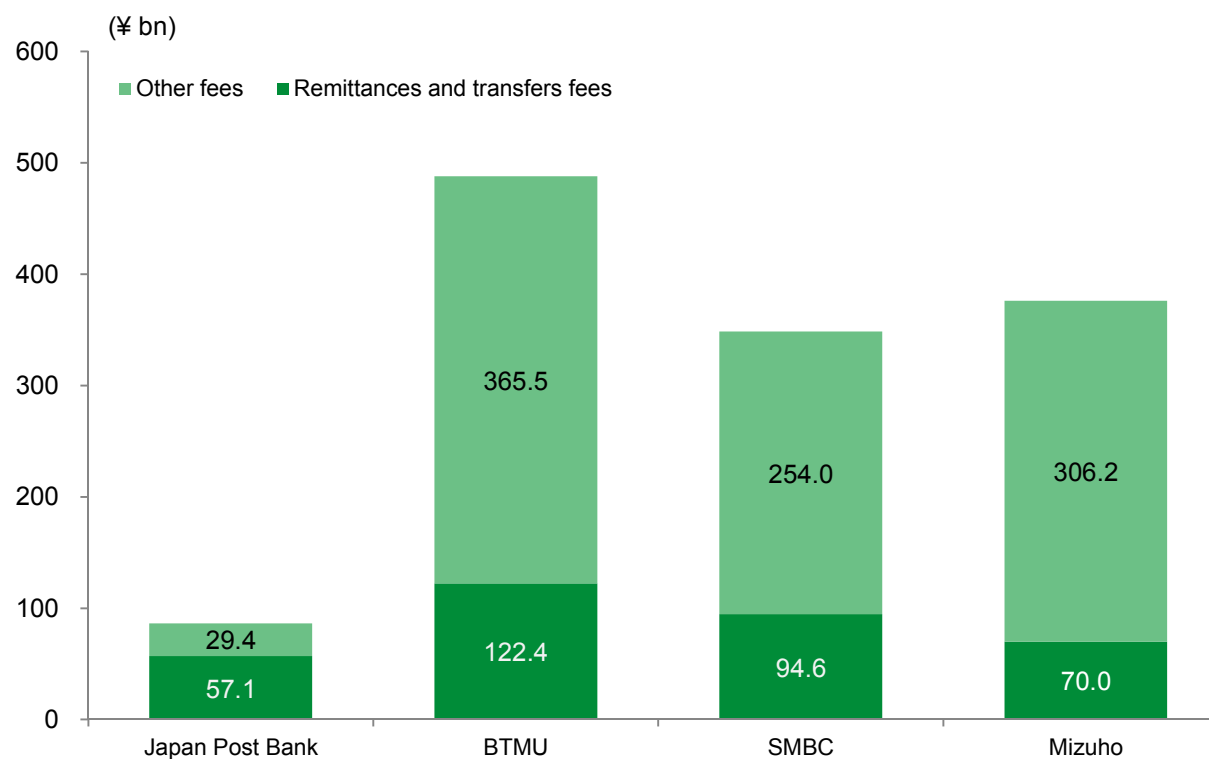
5. Market-based funding includes payables under repurchase agreements, payables under securities lending transactions, commercial paper.

<sup>\*</sup> TEIGAKU Deposits: 10-year-maturity time deposits with option to withdraw after 6 months; semi-annual compound interest

# Strengthening Fee Businesses

Aim to enhance new fee businesses, such as investment trust sales and ATM alliances, etc.

## Net Fees and Commissions<sup>1,2</sup> Compared to Japan's Major Banks (FY2017/3)



Source: Company disclosures

1. Fees and commission income — Fees and commission expenses.

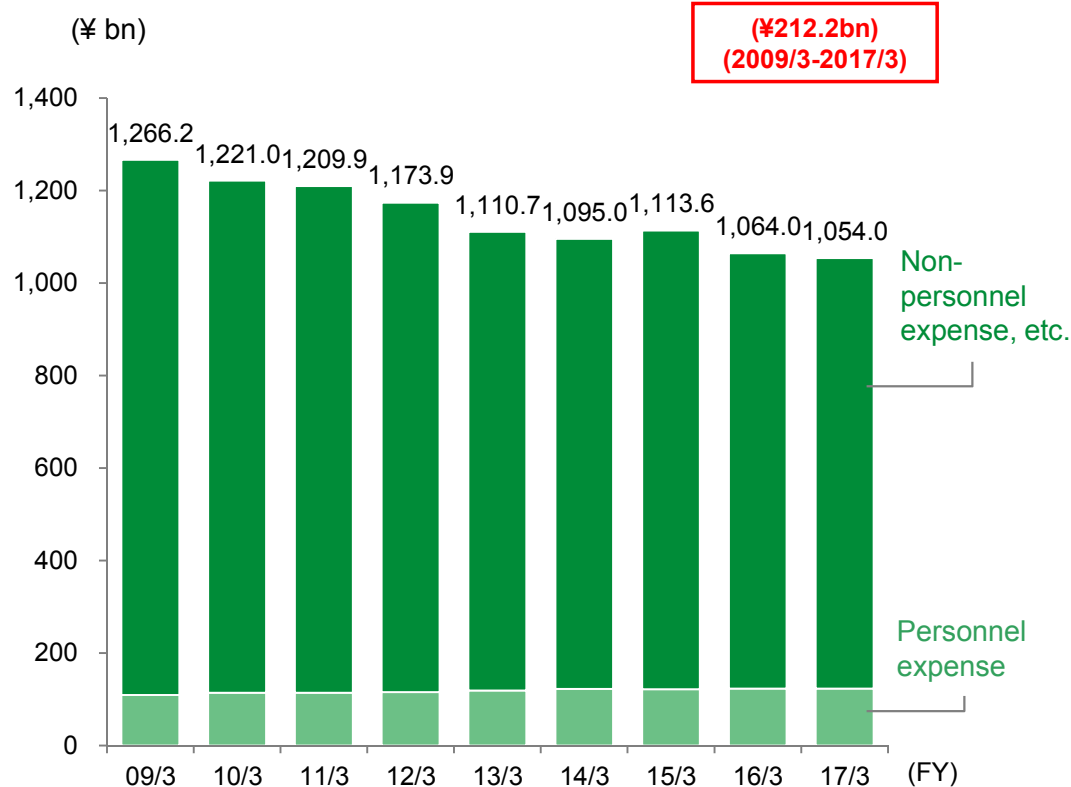
2. Subsidiary bank non-consolidated basis.

# Expense Control through IT Expense Reduction

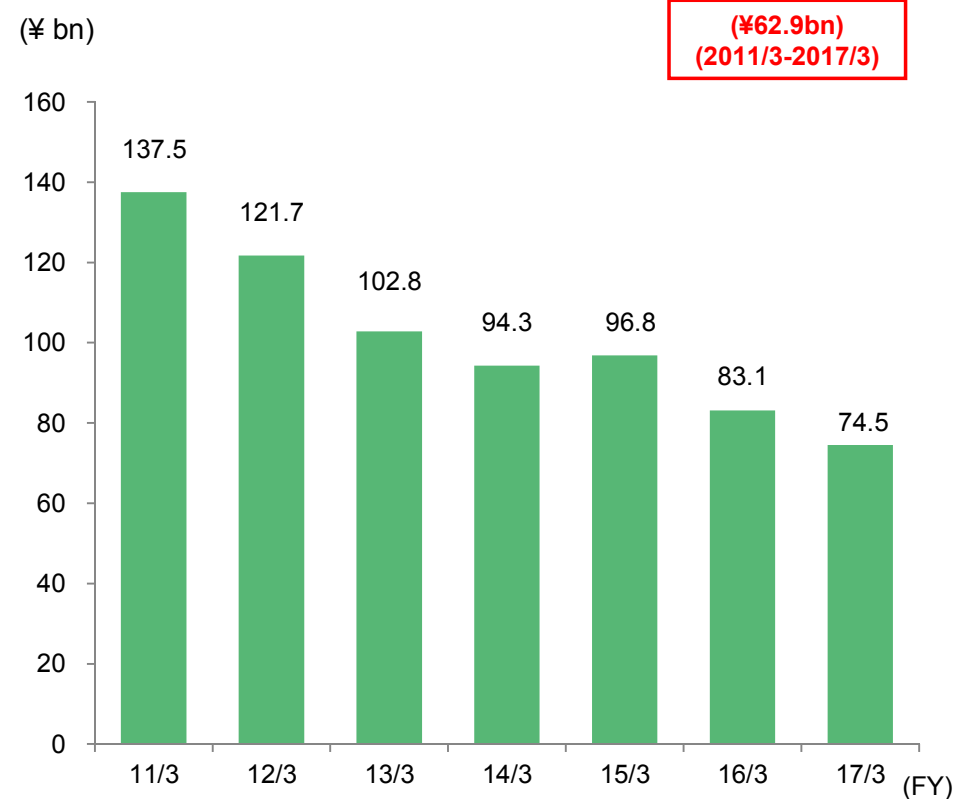
While maintaining the nationwide network of 24,000 post offices as our main channel, seek to manage expenses by reducing costs through such initiatives as business process re-engineering

Have significantly reduced its IT costs through integration, restructuring, and internalizing of system development and operations

## Trend of G&A Expense



## Trend of IT Expense<sup>1</sup>



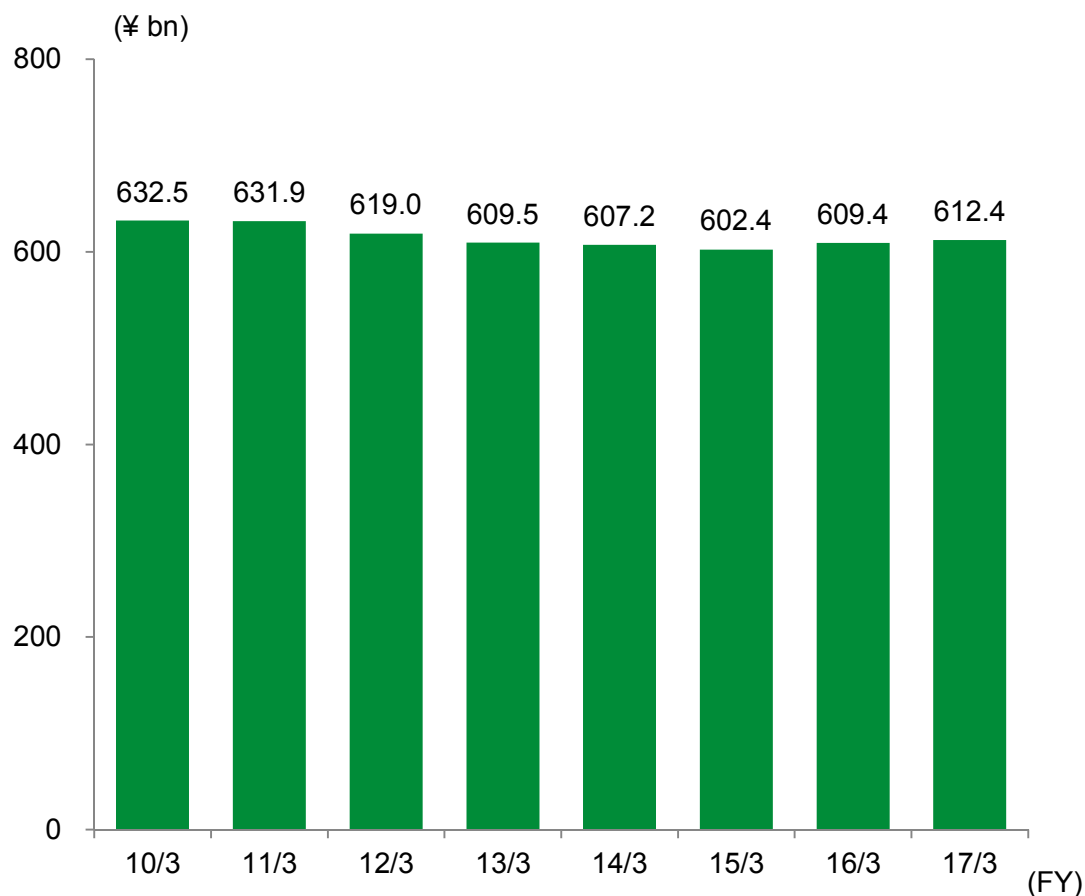
1. Management accounting basis.



# Commissions to Japan Post Co., Ltd.

Commissions we pay to Japan Post are in compliance with arm's length rules  
(Based on the operating cost of our branches and operational volume, etc. of post offices + incentive component)  
Fee structure incentivizes both Japan Post Bank and Japan Post to increase efficiency

## Commissions Paid to Japan Post



## Commission Structure

Commissions are based on operating cost of Japan Post Bank branches and operational volume, etc. of post offices to arrive at an amount reflecting the cost of agency services.

Banking Counter Component<sup>1</sup>

Deposit Component

Remittance Component

Financial Product Sales Component



Payable based on marketing targets and service quality

Incentive component

The breakdown of commissions for FY2017/3 (¥612.4bn):  
banking counter services component of ¥262.0bn, deposit component of ¥202.7bn, remittance component of ¥98.2bn, financial product sales component of ¥4.1bn and incentive component of ¥45.1bn

1. Cost to maintain post offices (allocated to Japan Post Bank based on management accounting of Japan Post) within "cost of agency services" as mentioned in the left column of the table.

# Management System

Adopted Committee system as 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.
- 8 out of 13 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

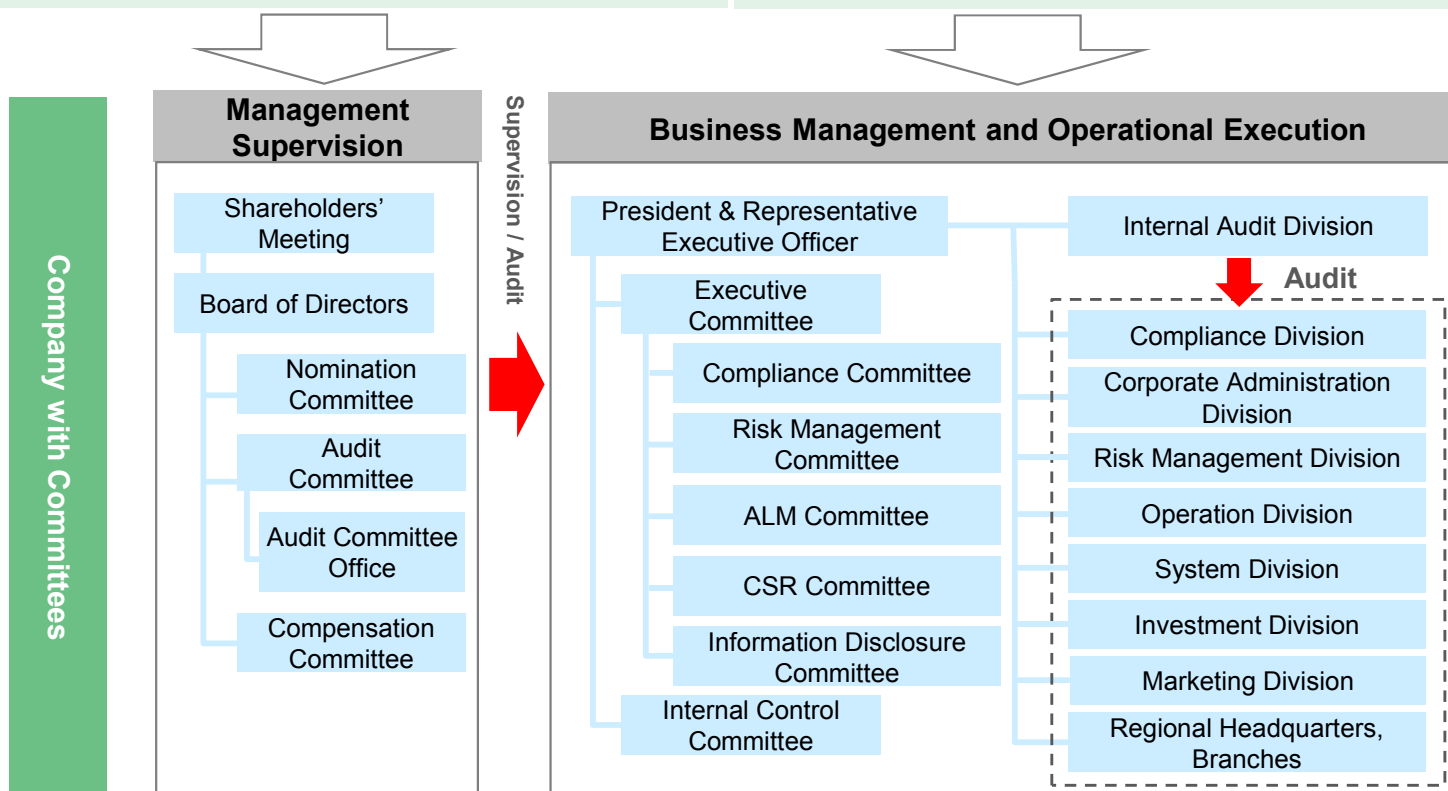
## Independence from Parent Company

- 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



# 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)		<ul style="list-style-type: none"><li>■ Obligation to provide basic banking services (acceptances and withdrawals of ordinary, <i>TEIGAKU</i> and time deposits, and remittance, etc.) through the post office network</li><li>■ Japan Post Co. has Bank Counter Services Agreement, etc. with Japan Post Bank, etc.</li></ul>		
Share-holding	Japan Post Holdings ⇒ Japan Post Bank	<ul style="list-style-type: none"><li>■ Japan Post Holdings must aim to dispose all of their shares within the earliest possible timeframe while considering the management situation of both financial services companies, and the impact on the fulfillment of obligations to provide universal services</li></ul>		
Regulations on Japan Post Bank	Regulations under the Banking Act	<ul style="list-style-type: none"><li>■ Same regulation is imposed as a “Bank” under the Banking Act</li></ul>		
	【Additional Regulations】	Current	Approval from the Ministers in charge (consultation with the Postal Privatization Committee)	No additional regulations imposed <sup>1</sup> after “Specified Date” <sup>2</sup>
	Restrictions on Scope of Business	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	<ul style="list-style-type: none"><li>■ Maximum amount of deposits (¥13mn) are stipulated by the enforcement order of the Privatization Act</li></ul>		
<div>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)</div> <div>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</div>				
New Business requiring approvals (Example)		<ul style="list-style-type: none"><li>■ Bi-lateral loans to corporations</li><li>■ Loans to individuals</li><li>■ Establishment/acquisition of subsidiaries with certain businesses</li><li>■ Merger, transfer of business, etc.</li></ul>		

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