



Results for the Six Months Ended September 2019

November 20, 2019

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Note: All figures are rounded down, unless otherwise noted.

Accordingly, the total of each account may not be equal to the combined total of individual items.

# 1. Strategic Highlights

Note: See p.14 for notes mentioned on p.3-13.

# Overview of Business Results

## [Consolidated]

Net income attributable to owners of parent*	¥144.8bn	
		* Progression rate to forecast 53.6%
Net ordinary income*	¥201.1bn	
		* Progression rate to forecast 53.6%

## [Non-consolidated]

Net income	¥144.7bn	[ YoY (9.1%) ]
Net ordinary income	¥201.0bn	[ YoY (10.0%) ]
Net interest income	¥501.8bn	[ YoY (¥47.2bn) ]
Net fees and commissions	¥65.4bn	[ YoY +¥12.4bn ]
Net other operating income (loss)	¥110.9bn	[ YoY (¥7.1bn) ]
General and administrative expenses <sup>1</sup>	¥514.6bn	[ YoY (¥7.3bn) ]

Dividend per share (Interim) ¥25

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Net unrealized gains (losses) on financial instruments (available-for-sale)  
adjusted by gains (losses) on hedge transactions  
¥3,779.5bn [ vs FY19/3 end +¥352.1bn ]

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Capital adequacy ratio (consolidated)  
(Domestic Standard) 15.74% [ vs FY19/3 end (0.06%pt) ]

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	Average Balance	Net gains (losses)
Total portfolio (A)	¥198.5tn	¥199.9bn
Yen rates portfolio <sup>2</sup>	¥115.4tn	(¥227.5bn)
Customer-based funding and marketing	—	(¥384.9bn)
Investment side, etc.	—	¥157.3bn
Risk assets <sup>2</sup>	¥83.1tn	¥427.5bn
Net other ordinary income <sup>3</sup> (B)	—	¥1.1bn
Total (A)+(B)	—	¥201.0bn

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Strategic investment area	¥2,970.6bn	[ vs FY19/3 end +¥42.1bn ]
Private equity funds <sup>4</sup>	¥1,400.8bn	[ vs FY19/3 end +¥171.3bn ]
Hedge funds	¥575.2bn	[ vs FY19/3 end (¥419.3bn) ]
Real estate funds	¥843.6bn	[ vs FY19/3 end +¥189.9bn ]
Others	¥151.0bn	[ vs FY19/3 end +¥100.2bn ]

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Exchange and settlement transactions, ATM related commissions	¥49.1bn	[ YoY +¥11.9bn ]
Sales of asset management products, etc. <sup>5</sup>	¥16.3bn	[ YoY +¥0.5bn ]

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# Progress to Full-year Forecast

Consolidated

Although net interest income is decreasing due to factors such as a decline in revenue from JGBs, etc. as a result of the maturity of high-yield JGBs in which the Bank invested in the past, the Bank aims to secure net income of ¥270.0bn or more in FY2020/3 and ¥280.0bn in FY2021/3 through (1) Diversification and sophistication of investment management, (2) Expansion of non-interest revenue and (3) Efficient allocation of management resources, etc.

FY2020/3 1H net income attributable to owners of parent: ¥144.8bn (progress to earnings forecasts: 53.6%)

			(¥bn)	(¥bn)	(Reference) (¥bn)
	FY2019/3 1H (actual) (A)	FY2020/3 1H (actual) (B)	Increase (Decrease) (B)-(A)	FY2020/3 (forecast)	FY2021/3 (forecast)
Net interest income, etc. <sup>6</sup>	686.1	648.5	(37.5)	1,290.0	1,300.0
Net fees and commissions	52.9	65.4	+12.4	120.0	130.0
General and administrative expenses	521.2	514.1	(7.1)	1,040.0	1,040.0
<b>Net ordinary income</b>	<b>223.3</b>	<b>201.1</b>	<b>(22.2)</b>	<b>375.0</b>	<b>390.0</b>
<b>Net income attributable to owners of parent</b>	<b>159.2</b>	<b>144.8</b>	<b>(14.4)</b>	<b>270.0</b>	<b>280.0</b>

[Progress to earnings forecasts (FY2020/3)]

[53.6%]

# Progress to Income, Sales, Investments Targets

**FY2020/3 1H net income attributable to owners of parent: ¥144.8bn (progress to earnings forecasts: 53.6%)**

**Continue to expand investment trusts balance and net fees and commissions**

**We will invest selectively in strategic investment areas while paying attention to the market environment**

**Going forward, we will make efforts to increase the sophistication of and diversify our investments under appropriate risk management to secure stable earnings**

## Income Targets

(consolidated)			(¥bn)	(¥bn)	(Reference) (¥bn)
	FY2019/3 1H	FY2020/3 1H	Increase (Decrease)	FY2020/3 (forecast)	Mid-term plan (FY2021/3)
Net ordinary income	223.3	201.1	(22.2)	375.0	390.0
Net income attributable to owners of parent	159.2	144.8	(14.4)	270.0	280.0
[Progress to earnings forecasts (FY2020/3)]		[53.6%]			

## Sales Targets

	FY2019/3 1H	FY2020/3 1H	Increase (Decrease)	FY2020/3 (forecast)	Mid-term plan (FY2021/3)
Net increase of investment trusts balance <sup>7</sup>	+337.5	<b>+240.2</b>	(97.3)	+690.0	Around +¥1.7tn
Net fees and commissions	52.9	<b>65.4</b>	+12.4	120.0	+30% (compared to FY2018/3) (at least ¥125.4bn)

(¥tn, figures are rounded)

## Investments Targets

	As of September 30, 2018	As of September 30, 2019	Increase (Decrease)
Risk assets <sup>8</sup>	80.0	<b>84.3</b>	+4.3
Strategic investment area <sup>9</sup>	2.5	<b>3.0</b>	+0.5

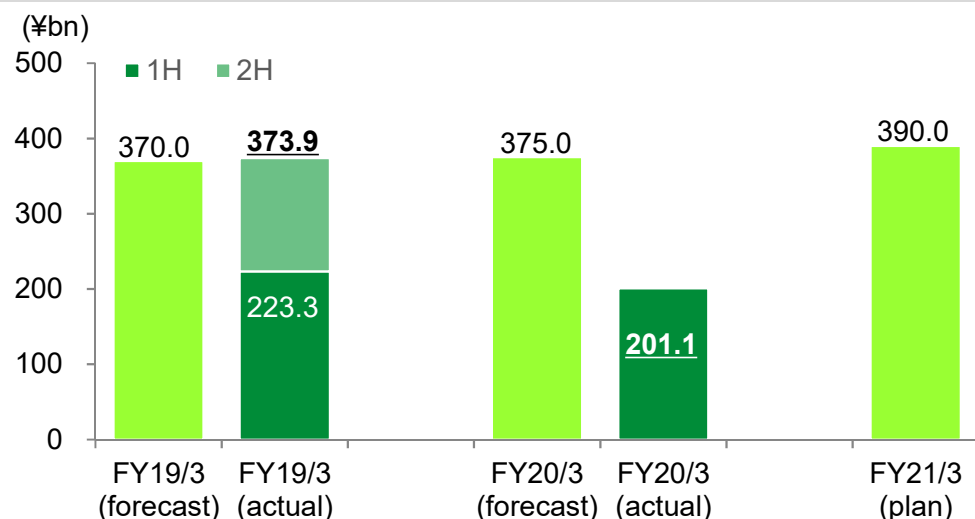
See p.7 for FY2021/3-end outlooks

\* In addition, in the medium-term management plan, the capital adequacy ratio to be maintained is set at around 10% (after consideration of the strengthening of financial regulations)  
(As of September 30, 2019: 15.74% (consolidated)).

# Progress to Income, Sales Targets

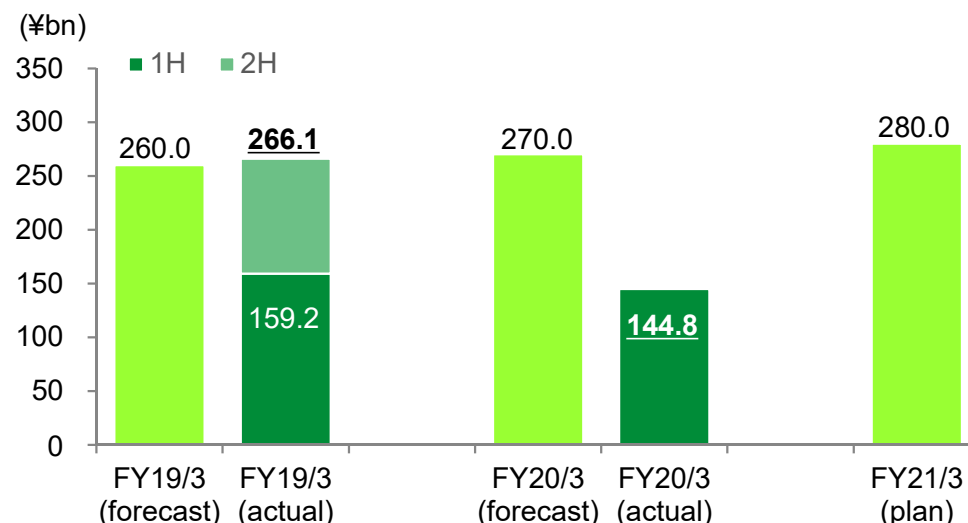
## Net ordinary income (consolidated)

Progress to overall earnings plan (total over three years): **Around 50%**



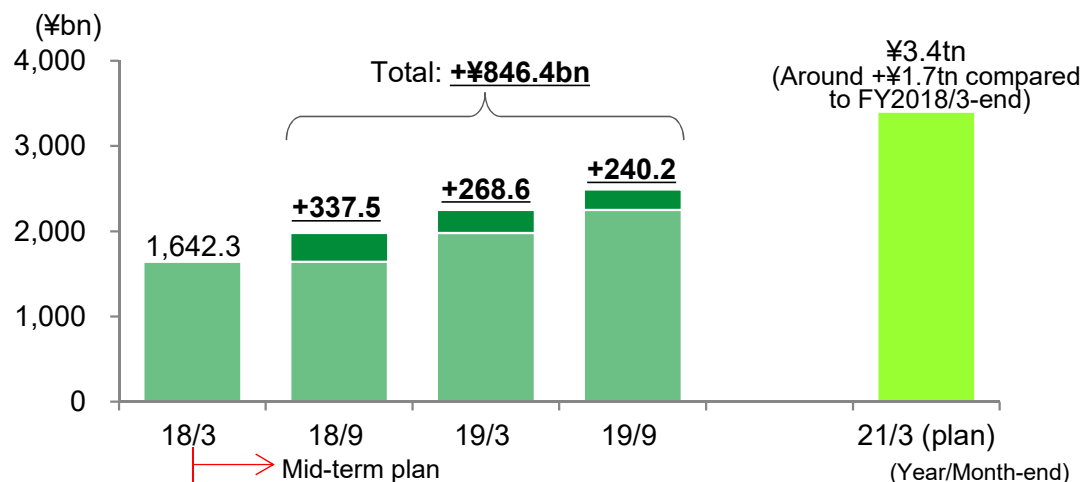
## Net income attributable to owners of parent (consolidated)

Progress to overall earnings plan (total over three years): **Around 50%**



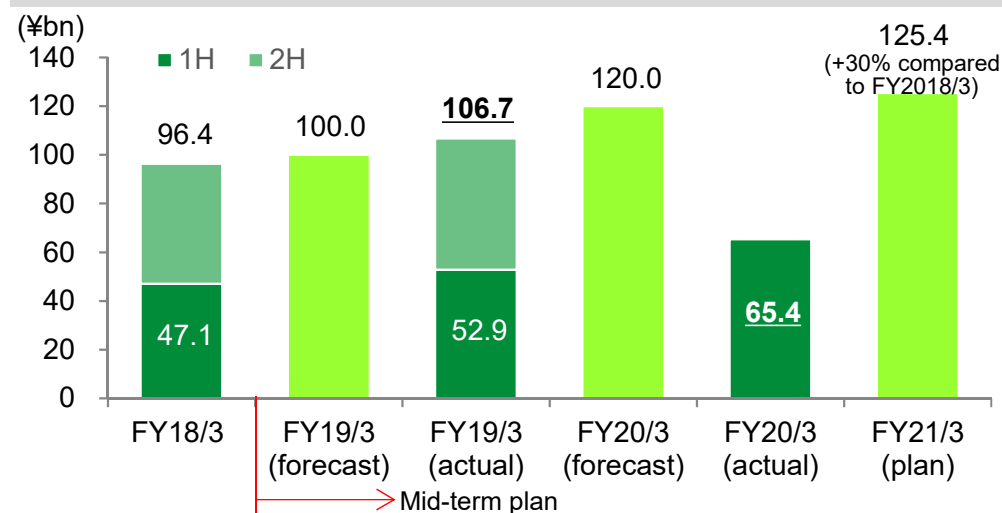
## Net increase of investment trusts balance (sales - cancellations)

Progress to the Mid-term plan (Around +¥1.7tn compared to FY2018/3-end): **Around 50%**



## Net fees and commissions

Progress to overall earnings plan (total over three years): **Around 50%**



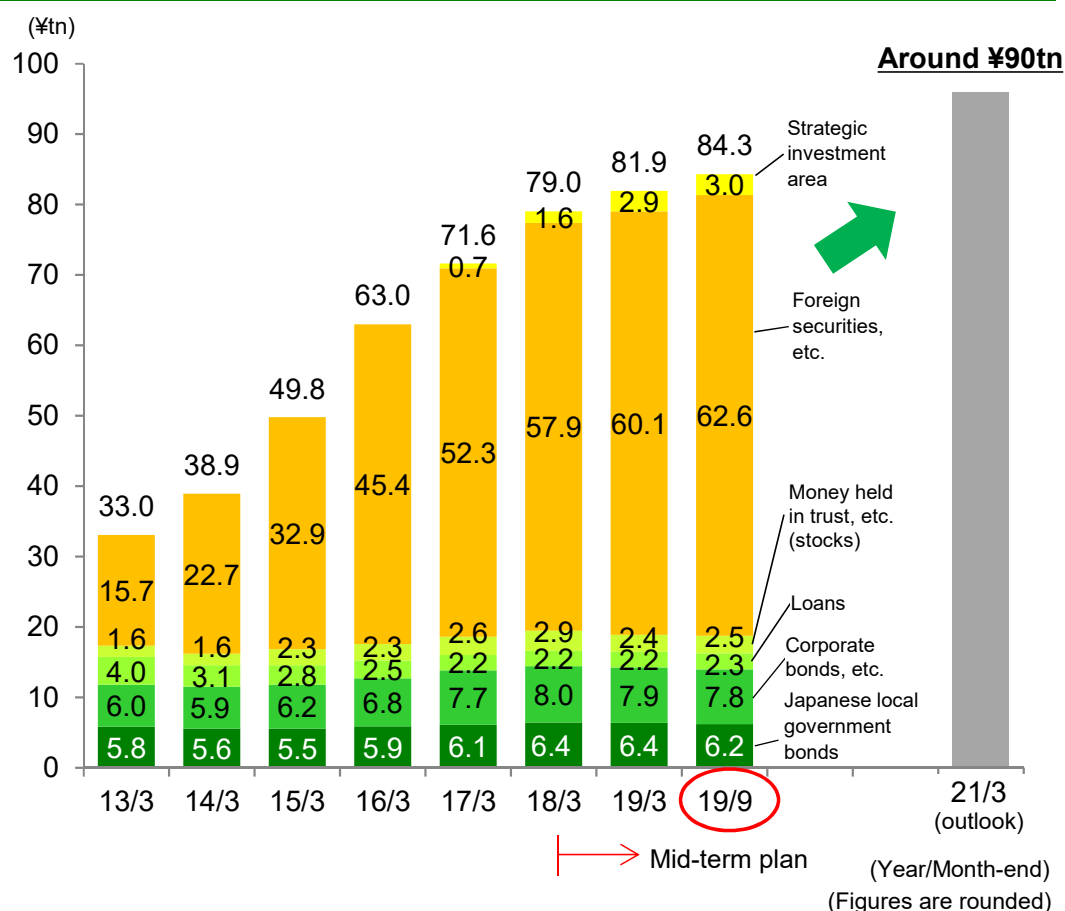
# Progress to Investments Targets

Non-consolidated

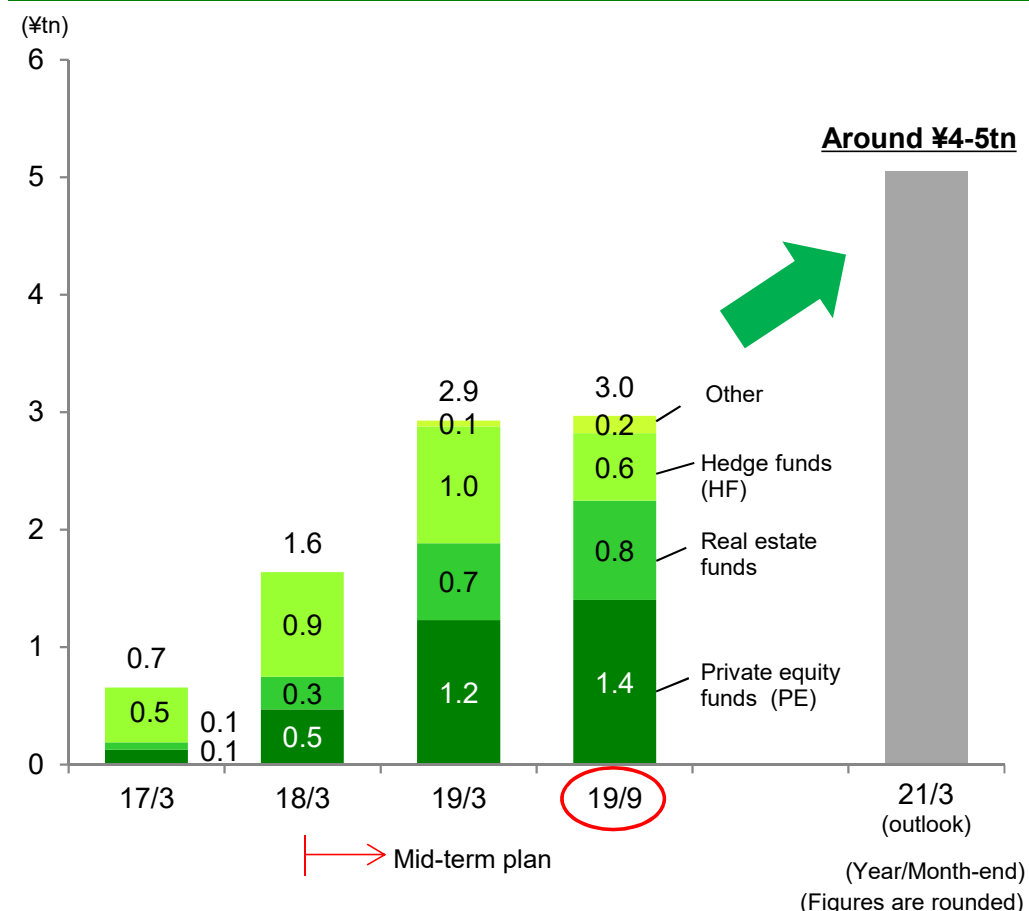
Promotion of diversification and sophistication of investment management to respond to the reduction of interest income from JGBs, etc.

The balance of risk assets as of September 30, 2019 increased to ¥84.3tn with the balance of strategic investment area coming in at ¥3.0tn

## Risk Assets<sup>8</sup>

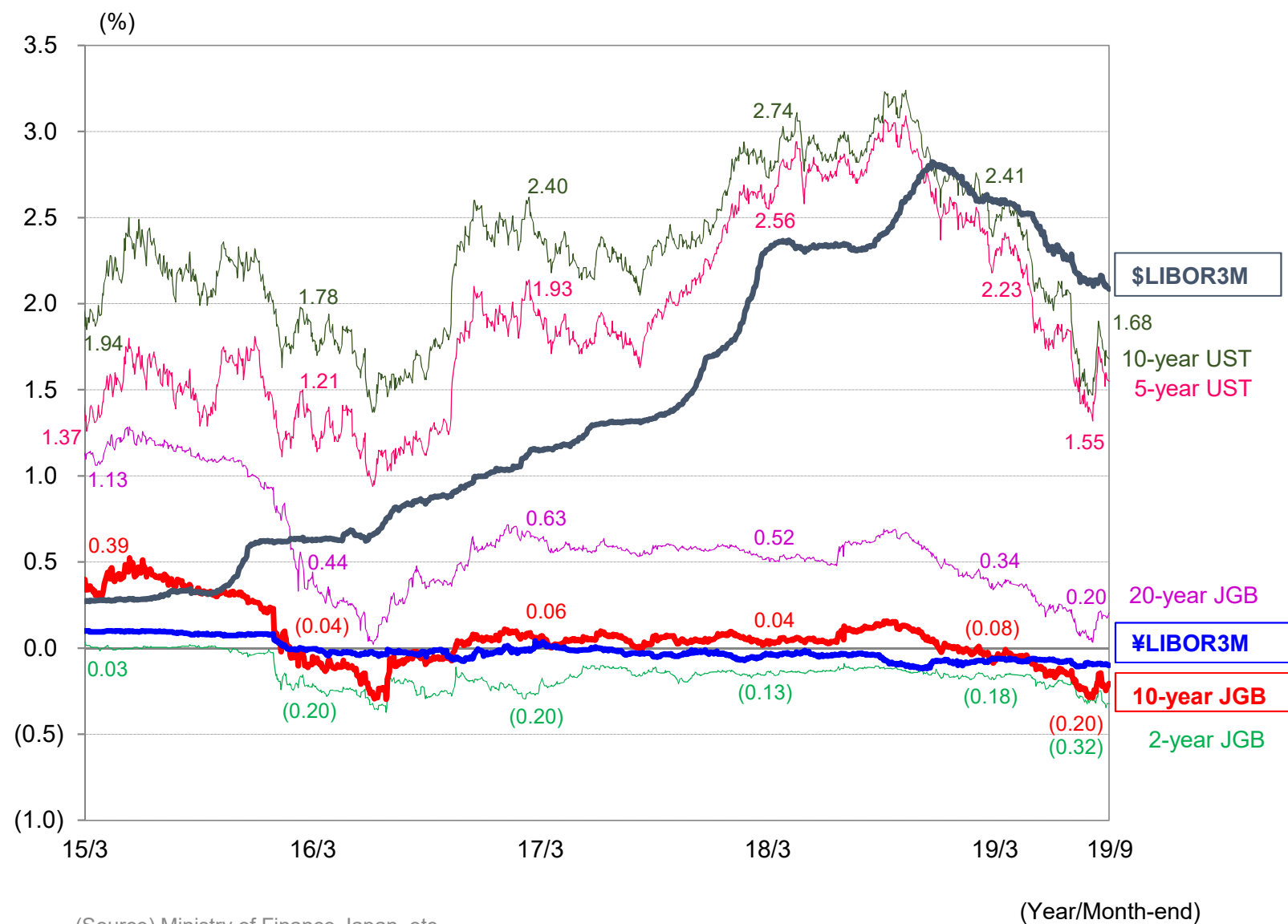


## Strategic Investment Area<sup>9</sup>





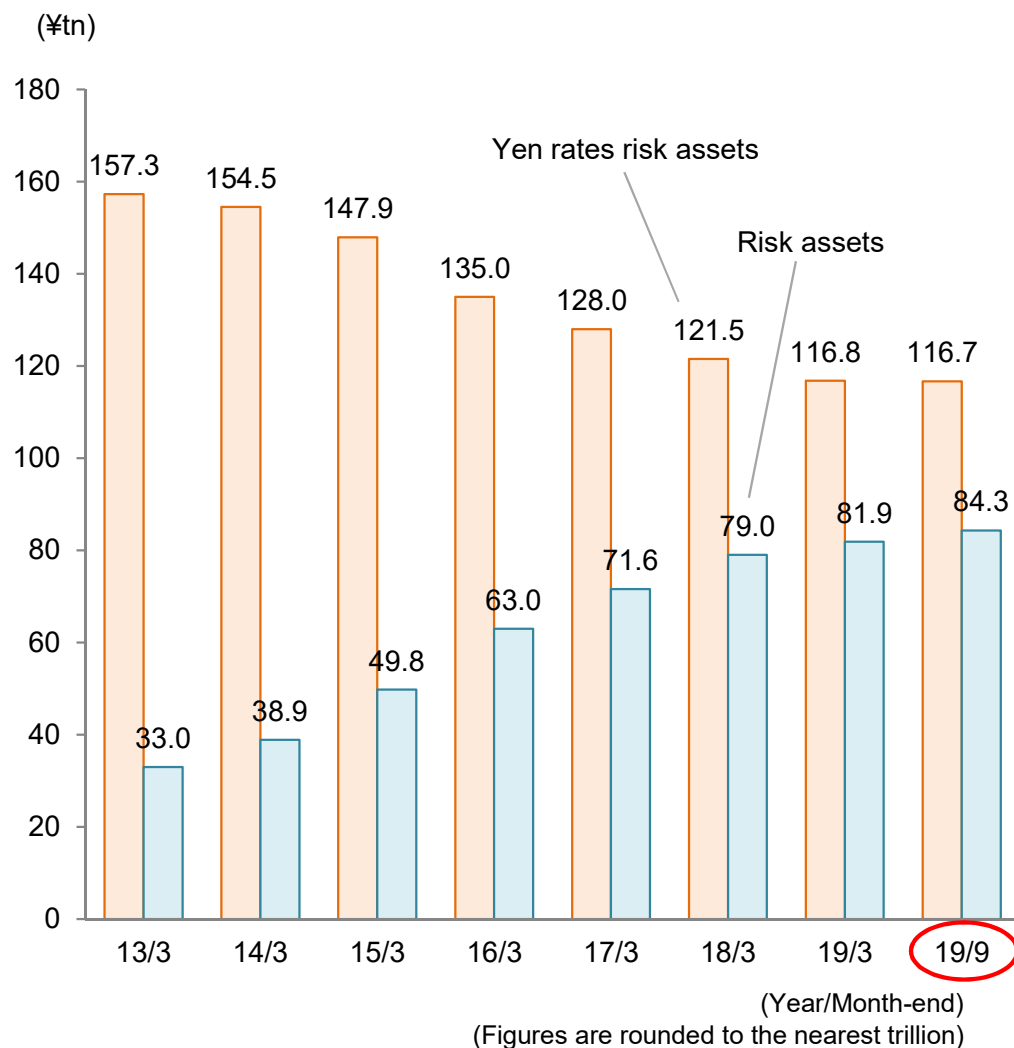
# Interest Rates in Japan and US



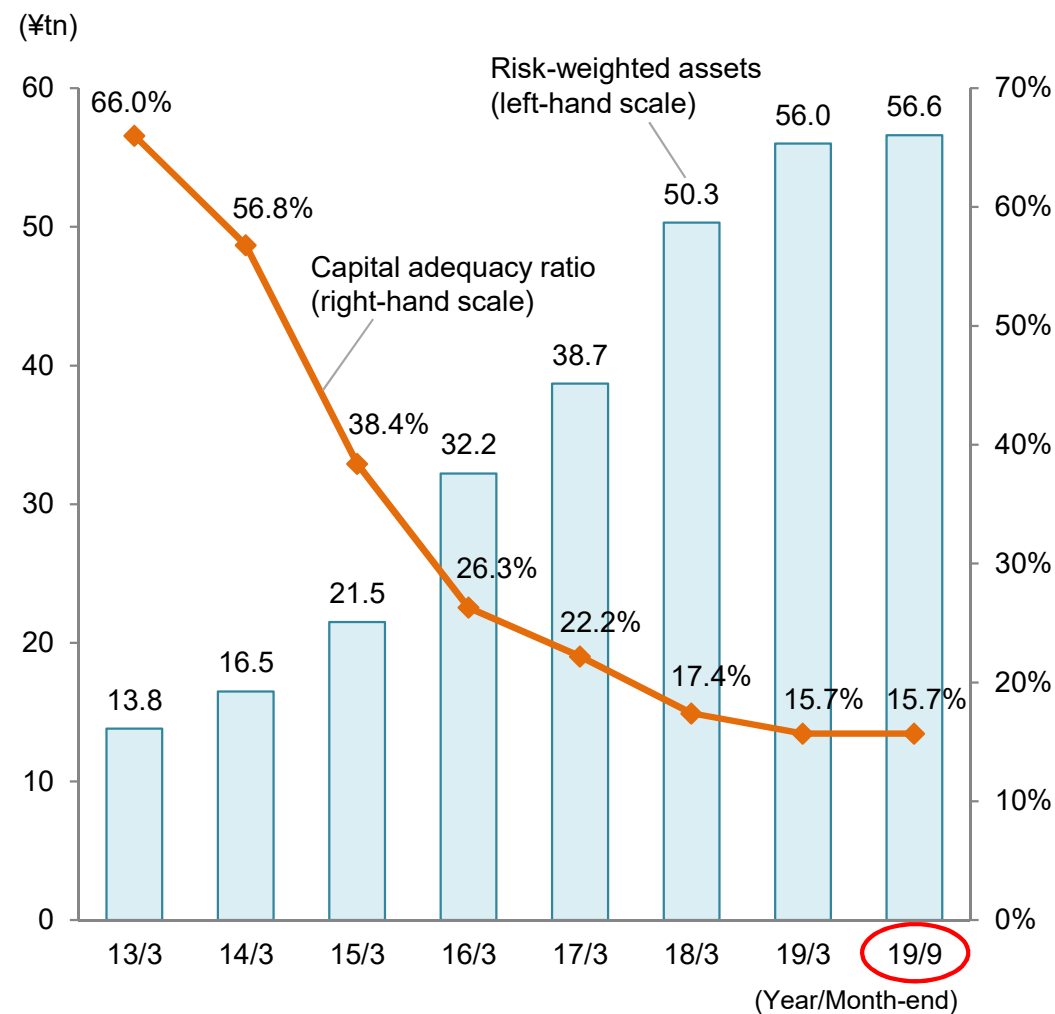
# Capital Adequacy Ratio & Risk-Weighted Assets

Non-consolidated

## Assets Under Management



## Capital Adequacy Ratio & Risk-Weighted Assets



# Fees and Commissions

Non-consolidated

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

	FY2019/3 1H	FY2020/3 1H	Increase (Decrease)
Net fees and commissions	52.9	<b>65.4</b>	+12.4
Exchange and settlement transactions	30.2	<b>39.9</b>	+9.6
Zengin net fee	5.1	<b>5.8</b>	+0.6
ATM related commissions	6.9	<b>9.2</b>	+2.2
Investment trust related commissions	11.1	<b>11.8</b>	+0.6
Variable annuities	0.4	<b>0.2</b>	(0.1)
JGBs related commissions	0.9	<b>0.8</b>	(0.1)
Credit cards	2.2	<b>2.3</b>	+0.0
Consumer loans	0.6	<b>0.5</b>	(0.0)
Other	0.2	<b>0.3</b>	+0.1

### (Remittance and settlement services)

- Revision to 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)

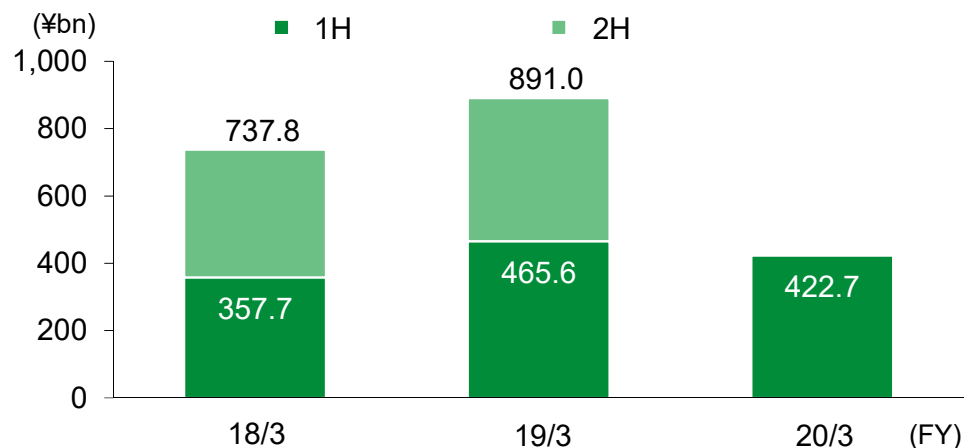
### (ATM business)

- 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

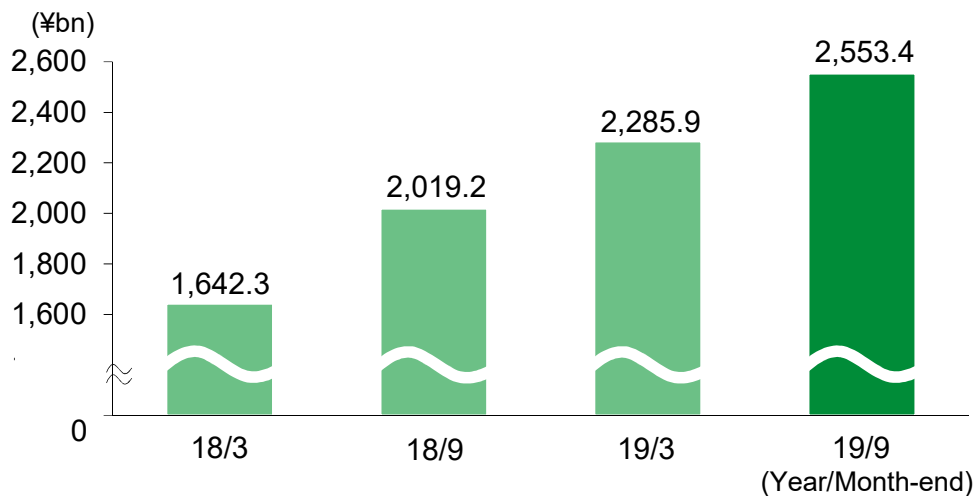
### (Sales promotion of investment trust products)

- (Post offices)  
Expanding investment trust sales locations and referral locations  
Investment trust sales locations: 1,541 (As of September 30, 2019)  
Referral locations: 18,247 (As of September 30, 2019)
- Campaign aimed at expanding customer base for investment trusts and iDeCo (April 2019 through March 2020)

## Investment Trusts Sales



## Net Assets of Investment Trusts



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

109.0	192.4	259.3	275.9
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Source: The Investment Trusts Association, Japan

## Enhancement of Consulting Marketing

Develop and increase personnel engaged in consulting marketing

As of April 1, 2017 1,300 staff members

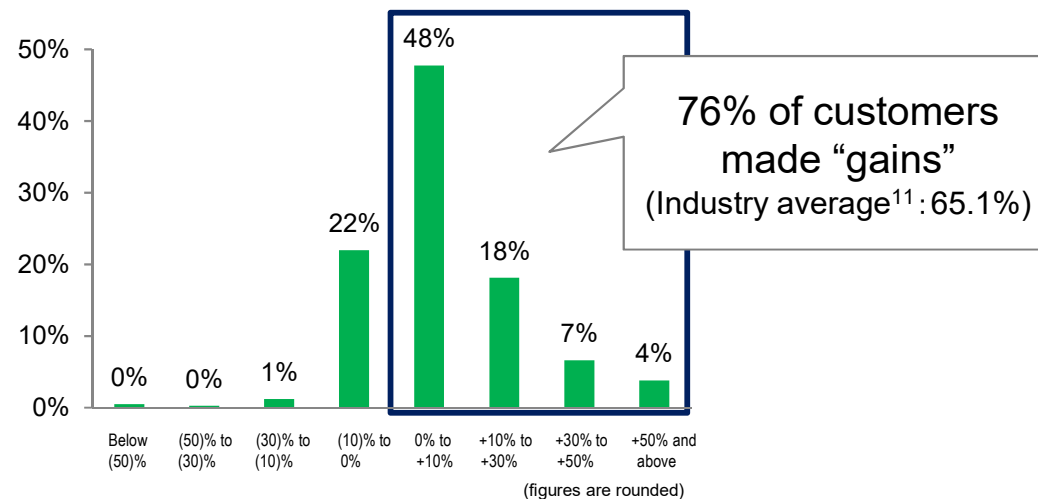
As of April 1, 2018 1,600 staff members

As of October 1, 2019 1,700 staff members

## JP Bank's Common KPIs

In terms of investment gains and losses on investment trusts, more than 70% of customers made "gains" as of March 31, 2019.

### Ratios of Customers by Gain/Loss<sup>10</sup> on Investment Performance (As of March 31, 2019)



(Ref.) If we restrict the data pool to those customers holding investments for a period of 5 years or more, then 90% of customers made "gains".



# Status of Initiatives Aimed at Cashless Payment Services

## “New Convenience” smartphone payment service



- Smartphone payment app using QR code (available from May 8, 2019)
- Efforts to increase number of partner companies and expand services
- Available at approximately 40,000 stores with approximately 400,000 members (as of October 1, 2019)
- Enhancing security measures to prevent unauthorized use

### Partner Companies

### GMO Payment Gateway “Ginko Pay” Multibank<sup>12</sup> Payment Function

(as of October 31, 2019)

#### ■ Steadily increasing the number of partner companies

(Examples of partner companies)



### Key Measures to Improve Convenience

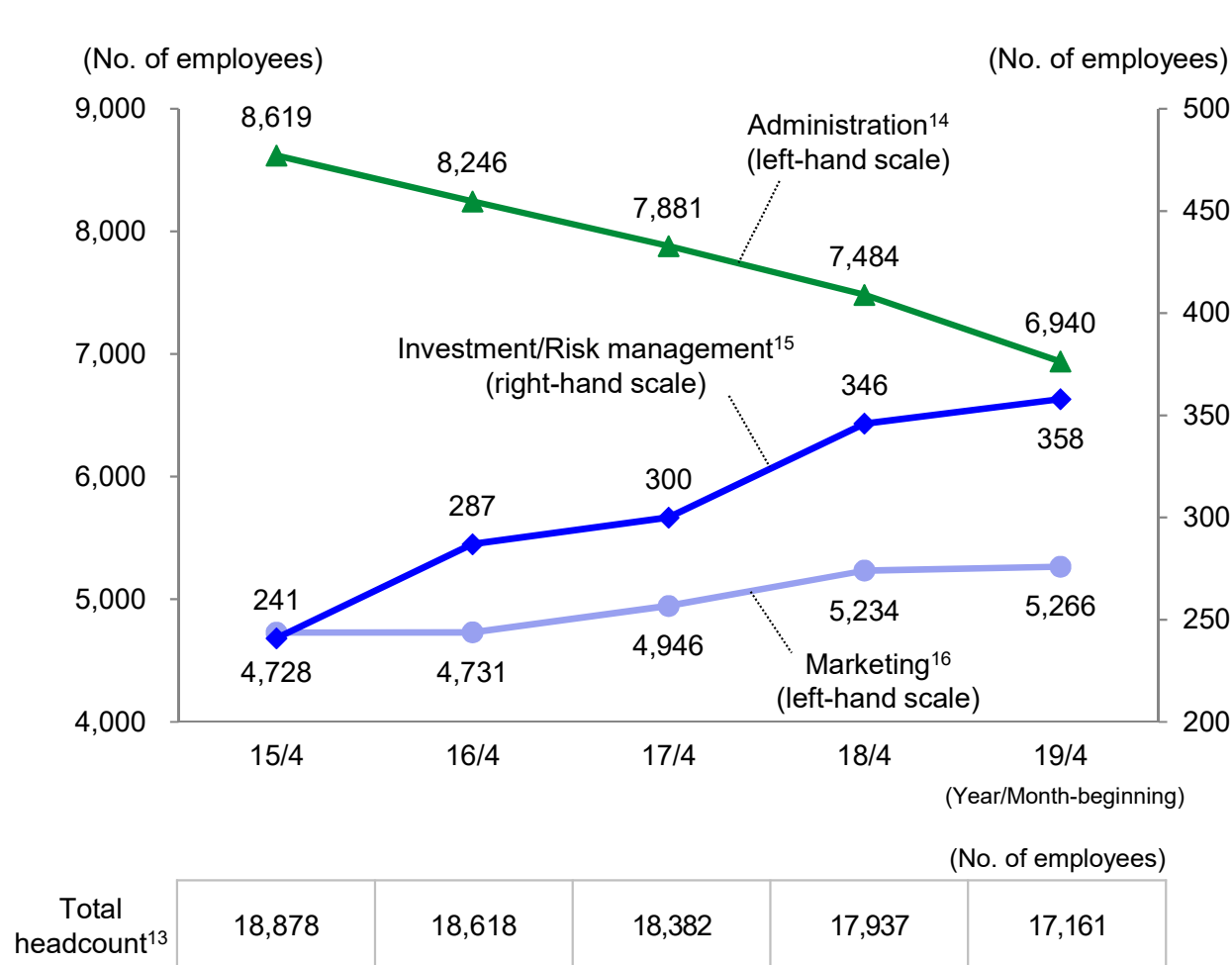
- Provision of cash withdrawal service (cash out service) from Tokyu Corporation ticket vending machines
- Provision of payment functions using Japan Post Bank payment handling slips and convenience store payment slips



### Enhancing security

- System development and 24-hour transaction monitoring

To keep reducing total headcount by streamlining administrative work and optimizing administrative staffing and reallocating human resources to areas of expected growth and of strategic importance which are the Marketing and Investment divisions



(No. of employees)	
	Change (4/1/2017 → 4/1/2019)
Total headcount	(1,200)
Reduction of administrative staffing through efficiency and productivity improvement	(1,850)
Personnel reallocation to growth areas	+650

# (Notes)

## Notes:

1. Exclude non-recurring items.
2. Yen rates portfolio and risk assets include net fees and commissions (yen rates: ¥63.3bn, risk assets: ¥2.1bn), general and administrative expenses (yen rates: ¥509.9bn, risk assets: ¥3.7bn).
3. Increase/decrease in net other ordinary income, which are unrecognized under management accounting basis, are recoveries of written-off loans, rent for land, buildings and others, etc.
4. Include regional vitalization funds.
5. JGBs related commissions, investment trust related commissions, credit cards related commissions, variable annuities related commissions, consumer loans related commissions, other.
6. Net interest income, etc. = Interest income - Interest expenses (including gains (losses) on sales, etc.)
7. FY2019/3 1H, FY2020/3 1H and FY2020/3 (forecast) net increase of investment trusts are the changes from March end. Figures for Medium-term management plan are cumulative total of “sales - cancellations” over three years (different from market value basis).
8. Assets other than yen interest rates (JGBs, etc.) (credit bonds, foreign government bonds, equities, alternatives)
9. “Strategic investment areas” is alternative assets (private equity funds and real estate funds (equity), etc.), real estate funds (debt) and direct lending funds.
10. Indicator showing percentage of customers by gain/loss on investment performance.
11. Industry average is published by the Financial Services Agency (based on data as of March 31, 2019).
12. A function enabling services to be used across banks and regions at all member stores of banks that have implemented “Ginko Pay” only described in the chart (including those that plan to implement it).
13. Includes non-regular employees.
14. Administration: HQ System Division + HQ Operation Division + Operation Support Centers, etc. Operation Support Centers mainly perform back office functions.
15. Investment/Risk management: HQ Investment Division + HQ ALM Planning Department + HQ Risk Management Division
16. Marketing: 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.



## 2. FY2020/3 1H Financial Results

- In an adverse business environment with persistently low yen interest rates, net income is ¥144.7bn
- Net income attributable to owners of parent decreased by ¥14.4bn year on year to ¥144.8bn with progression rate to full-year forecast of 53.6%



# Overview of FY2020/3 1H Results

Non-consolidated

## Results of Operations

	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2018 (A)	September 30, 2019 (B)	
Gross operating profit	720.2	678.2	(41.9)
Net interest income	549.1	501.8	(47.2)
Net fees and commissions	52.9	65.4	12.4
Net other operating income (loss)	118.1	110.9	(7.1)
Gains (losses) on foreign exchanges	132.8	107.8	(24.9)
Gains (losses) on bonds	(17.5)	5.3	22.9
General and administrative expenses (*)	521.9	514.6	(7.3)
Provision for general reserve for possible loan losses	—	—	—
Net operating profit	198.3	163.6	(34.6)
Non-recurring gains (losses)	25.1	37.4	12.2
Gains (losses) on money held in trust	26.6	27.7	1.0
Net ordinary income	223.4	201.0	(22.3)
Net income	159.2	144.7	(14.5)

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

## Financial Condition

	As of		Increase (Decrease) (B) – (A)
	March 31, 2019 (A)	September 30, 2019 (B)	
Assets	208,970.4	213,122.9	4,152.4
Cash and due from banks	50,698.5	55,209.5	4,511.0
Call loans	400.0	160.0	(240.0)
Receivables under resale agreements	8,368.1	9,969.5	1,601.4
Money held in trust	3,990.7	4,197.7	206.9
Securities	137,135.2	135,423.4	(1,711.7)
Loans	5,297.4	4,936.2	(361.1)
Liabilities	197,619.6	201,477.0	3,857.3
Deposits	180,999.1	181,902.6	903.5
Payables under repurchase agreements	11,569.3	13,832.9	2,263.6
Payables under securities lending transactions	2,473.4	3,052.2	578.7
Net assets	11,350.8	11,645.9	295.1
Total shareholders' equity	8,973.0	9,024.1	51.0
Total valuation and translation adjustments	2,377.7	2,621.8	244.1

# Management Indicators

(¥bn)

		March 31, 2019	September 30, 2019	Increase (Decrease) (%pt)
Non-consolidated	Capital adequacy ratio (Domestic standards)	15.78%	15.71%	(0.06)
	Total capital	8,844.2	8,897.7	
	Total amount of risk-weighted assets	56,033.5	56,604.3	
	ROE (net assets basis)*	2.32%	2.51%	+0.18
	Net income	266.1	144.7	
	Average of the beginning and ending balances of net assets	11,431.9	11,498.3	
	ROE (shareholders' equity basis)*	2.97%	3.20%	+0.22
	Net income	266.1	144.7	
	Average of the beginning and ending balances of shareholders' equity	8,933.8	8,998.6	
	OHR	78.18%	75.87%	(2.31)
	General and administrative expenses	1,037.5	514.6	
	Gross operating profit	1,327.0	678.2	
	Yield on interest-earning assets*	0.67%	0.65%	(0.01)
Consolidated	Net interest margin*	0.49%	0.48%	(0.01)
	Yield on interest-earning assets*	0.67%	0.65%	
	Interest rate on interest-bearing liabilities*	0.17%	0.16%	
	Capital adequacy ratio (Domestic standards)	15.80%	15.74%	(0.06)
	Total capital	8,853.3	8,907.9	
	Total amount of risk-weighted assets	56,004.5	56,582.4	

\* 1H figures are annualized basis.

# Summarized Balance Sheets

Non-consolidated

(Millions of yen)

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
<b>Total assets</b>	<b>208,970,478</b>	<b>213,122,963</b>	<b>4,152,485</b>
Cash and due from banks	50,698,549	55,209,560	4,511,011
Call loans	400,000	160,000	(240,000)
Receivables under resale agreements	8,368,139	9,969,560	1,601,420
Monetary claims bought	295,679	270,816	(24,863)
Trading account securities	2	83	80
Money held in trust	3,990,780	4,197,774	206,994
Securities	137,135,264	135,423,494	(1,711,770)
Loans	5,297,424	4,936,238	(361,186)
Foreign exchanges	80,396	88,110	7,713
Other assets	2,452,409	2,625,540	173,131
Tangible fixed assets	201,786	195,388	(6,398)
Intangible fixed assets	51,003	47,311	(3,691)
Reserve for possible loan losses	(958)	(914)	44

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
<b>Total liabilities and net assets</b>	<b>208,970,478</b>	<b>213,122,963</b>	<b>4,152,485</b>
<b>Total liabilities</b>	<b>197,619,672</b>	<b>201,477,033</b>	<b>3,857,361</b>
Deposits	180,999,134	181,902,696	903,561
Payables under repurchase agreements	11,569,371	13,832,978	2,263,606
Payables under securities lending transactions	2,473,457	3,052,225	578,767
Commercial paper	28,029	25,579	(2,450)
Borrowed money	3,900	7,700	3,800
Foreign exchanges	628	841	212
Other liabilities	1,354,810	1,361,016	6,205
Reserve for bonuses	7,739	7,195	(544)
Reserve for employees' retirement benefits	144,190	145,042	851
Reserve for employee stock ownership plan trust	839	350	(489)
Reserve for management board benefit trust	238	235	(3)
Reserve for reimbursement of deposits	88,332	83,552	(4,780)
Deferred tax liabilities	948,998	1,057,620	108,622
<b>Total net assets</b>	<b>11,350,806</b>	<b>11,645,930</b>	<b>295,124</b>
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,477,736	2,528,704	50,968
Treasury stock	(1,300,926)	(1,300,881)	45
<b>Total shareholders' equity</b>	<b>8,973,095</b>	<b>9,024,109</b>	<b>51,013</b>
Net unrealized gains (losses) on available-for-sale securities	2,440,064	2,691,426	251,361
Net deferred gains (losses) on hedges	(62,353)	(69,605)	(7,251)
<b>Total valuation and translation adjustments</b>	<b>2,377,710</b>	<b>2,621,821</b>	<b>244,110</b>

# Income Analysis

Non-consolidated

(Millions of yen)

	For the six months ended		(B) – (A)
	September 30, 2018 (A)	September 30, 2019 (B)	
Gross operating profit	720,278	678,294	(41,984)
Net interest income	549,135	501,840	(47,295)
Net fees and commissions	52,994	65,490	12,495
Net other operating income (loss)	118,148	110,963	(7,184)
Gains (losses) on foreign exchanges	132,846	107,860	(24,985)
Gains (losses) on bonds	(17,568)	5,370	22,938
General and administrative expenses	(521,976)	(514,652)	7,324
Personnel expenses	(63,158)	(61,339)	1,819
Non-personnel expenses	(422,213)	(427,615)	(5,402)
Taxes and dues	(36,604)	(25,697)	10,907
Operating profit (before provision for general reserve for possible loan losses)	198,301	163,641	(34,660)
Provision for general reserve for possible loan losses	—	—	—
<b>Net operating profit</b>	<b>198,301</b>	<b>163,641</b>	<b>(34,660)</b>
Non-recurring gains (losses)	25,176	37,453	12,276
Gains (losses) related to stocks	193	10,705	10,512
Gains (losses) on money held in trust	26,698	27,777	1,079
<b>Net ordinary income</b>	<b>223,478</b>	<b>201,095</b>	<b>(22,383)</b>

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥970 million and ¥1,082 million recorded as profits for the six months ended September 30, 2019 and 2018, respectively).

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

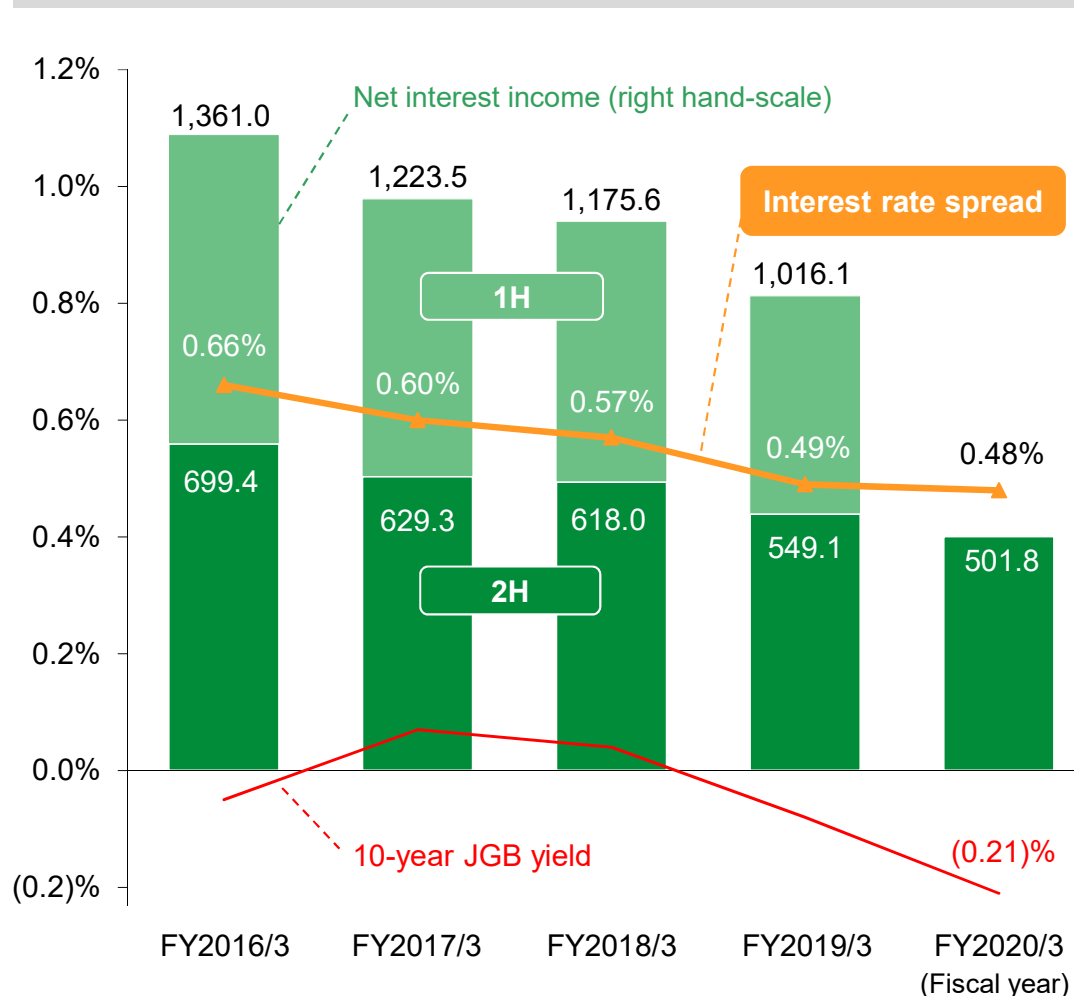
3. Numbers in parenthesis indicate the amount of loss, expense or decrease.

	For the six months ended		(B) – (A)
	September 30, 2018 (A)	September 30, 2019 (B)	
Extraordinary income (loss)	(370)	(109)	260
Gains (losses) on sales and disposals of fixed assets	(347)	(109)	238
Losses on impairment of fixed assets	(22)	(0)	22
<b>Income before income taxes</b>	<b>223,107</b>	<b>200,985</b>	<b>(22,122)</b>
Income taxes – current	(60,763)	(55,417)	5,345
Income taxes – deferred	(3,052)	(862)	2,190
<b>Total income taxes</b>	<b>(63,815)</b>	<b>(56,279)</b>	<b>7,536</b>
<b>Net income</b>	<b>159,291</b>	<b>144,705</b>	<b>(14,586)</b>
Gains (losses) on money held in trust	26,698	27,777	1,079
Dividends and interest income	33,754	37,505	3,751
Gains (losses) on sales of stocks	270	0	(270)
Unrealized gains (losses)	(825)	3	829
Impairment losses	(1,010)	(2,649)	(1,639)
Withholding income tax, etc.	(5,490)	(7,082)	(1,591)
Credit-related expenses	6	12	5
Provision for general reserve for possible loan losses	6	12	5
Write-off of loans	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Recoveries of written-off loans	—	—	—

# Net Interest Income and Interest Rate Spread

Non-consolidated

**Net interest income was ¥501.8bn and interest rate spread was 0.48% for the six months ended September 30, 2019**



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 FY2016/3 – FY2019/3 are the figures for the relevant fiscal years, while interest rate spread of FY2020/3 is the figure for the six months ended September 30, 2019. Interest rate spread of FY2020/3 is annualized.

Domestic		For the six months ended		Increase (Decrease) (B) – (A)
		September 30, 2018 (A)	September 30, 2019 (B)	
Net interest income		370.5	337.7	(32.7)
Interest income		434.3	378.2	(56.0)
Interest income on Japanese government bonds		271.7	227.7	(43.9)
Interest expenses		63.8	40.5	(23.3)
Overseas		For the six months ended		Increase (Decrease) (B) – (A)
		September 30, 2018 (A)	September 30, 2019 (B)	
Net interest income		178.5	164.0	(14.5)
Interest income		372.7	386.5	13.7
Interest income on foreign securities		372.0	385.5	13.4
Interest expenses		194.1	222.4	28.2
Total		For the six months ended		Increase (Decrease) (B) – (A)
		September 30, 2018 (A)	September 30, 2019 (B)	
Net interest income		549.1	501.8	(47.2)
Interest income		716.1	667.4	(48.7)
Interest expenses		166.9	165.5	(1.4)

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

Non-consolidated

(1) Domestic (Millions of yen, %)

	For the six months ended						Increase (Decrease) (B) – (A)
	September 30, 2018 (A)			September 30, 2019 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	194,287,761	434,376	0.44%	197,309,717	378,281	0.38%	(0.06)%
Loans	6,540,168	6,259	0.19	5,063,261	5,625	0.22	0.03
Securities	78,738,136	321,288	0.81	73,052,033	262,889	0.71	(0.09)
Due from banks, etc.	49,858,459	15,124	0.06	52,923,230	14,522	0.05	(0.00)
Interest-bearing liabilities	186,503,726	63,836	0.06	189,969,911	40,518	0.04	(0.02)
Deposits	180,944,300	47,152	0.05	182,623,839	28,952	0.03	(0.02)
Payables under securities lending transactions	8,341,119	644	0.01	128,841	64	0.09	0.08

(2) Overseas (Millions of yen, %)

		For the six months ended						Increase (Decrease) (B) – (A)
		September 30, 2018 (A)			September 30, 2019 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		57,362,740	372,777	1.29%	61,705,949	386,547	1.24%	(0.04)%
	Loans	5,000	10	0.41	7,131	18	0.52	0.10
	Securities	57,245,971	372,096	1.29	61,590,570	385,566	1.24	(0.04)
	Due from banks, etc.	14,023	121	1.73	2,526	29	2.35	0.61
Interest-bearing liabilities		56,639,738	194,182	0.68	61,635,917	222,470	0.71	0.03
	Payables under securities lending transactions	2,859,308	29,769	2.07	2,375,577	28,902	2.42	0.35

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

Non-consolidated

(3) Total

(Millions of yen, %)

	For the six months ended						Increase (Decrease) (B) – (A)
	September 30, 2018 (A)			September 30, 2019 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	200,097,163	716,116	0.71%	202,377,177	667,413	0.65%	(0.05)%
Loans	6,545,168	6,269	0.19	5,070,392	5,643	0.22	0.03
Securities	135,984,108	693,384	1.01	134,642,604	648,456	0.96	(0.05)
Due from banks, etc.	49,872,483	15,245	0.06	52,925,757	14,552	0.05	(0.00)
Interest-bearing liabilities	191,590,127	166,981	0.17	194,967,339	165,573	0.16	(0.00)
Deposits	180,944,300	47,152	0.05	182,623,839	28,952	0.03	(0.02)
Payables under securities lending transactions	11,200,427	30,414	0.54	2,504,418	28,967	2.30	1.76

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, 2019, ¥2,977,202 million; six months ended September 30, 2018, ¥3,005,541 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (six months ended September 30, 2019, ¥2,977,202 million; six months ended September 30, 2018, ¥3,005,541 million) and the corresponding interest (six months ended September 30, 2019, ¥5,120 million; six months ended September 30, 2018, ¥5,307 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 ¥34,313 million for the six months ended September 30, 2019 (¥29,461 million for the six months ended September 30, 2018).

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.

Non-consolidated

## Interest Rate Spread

	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2018 (A)	September 30, 2019 (B)	
Yield on interest-earning assets (a)	0.71%	0.65%	(0.05)%
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	0.16	(0.00)
Overall interest rate spread (a) - (b)	(0.00)	(0.03)	(0.03)
Interest rate spread (a) - (c)	0.53	0.48	(0.05)

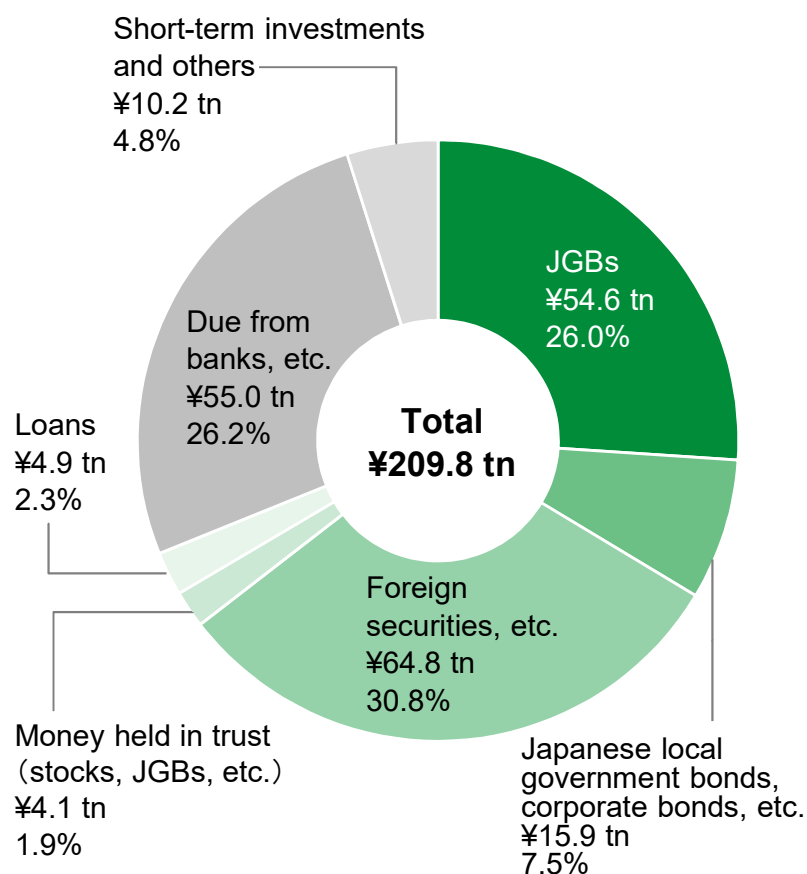
Note: All numbers are annualized.



# Asset Management Status

Non-consolidated

The amount included in investment assets as of September 30, 2019 of JGBs was ¥54.6tn and of foreign securities, etc. was ¥64.8tn



(¥bn)					
Categories	As of March 31, 2019 (A)	%	As of September 30, 2019 (B)	%	Increase (Decrease) (B) – (A)
Securities	137,135.2	66.5	135,423.4	64.5	(1,711.7)
Japanese government bonds	58,356.5	28.3	54,639.2	26.0	(3,717.3)
Japanese local government bonds, corporate bonds, etc. (*)	16,279.1	7.9	15,935.8	7.5	(343.2)
Foreign securities, etc.	62,499.5	30.3	64,848.3	30.8	2,348.7
Foreign bonds	22,035.5	10.6	22,668.4	10.8	632.9
Investment trusts (**)	40,433.9	19.6	42,140.7	20.0	1,706.7
Money held in trust (stocks, JGBs, etc.)	3,990.7	1.9	4,197.7	1.9	206.9
Domestic stocks	2,141.7	1.0	2,119.4	1.0	(22.3)
Loans	5,297.4	2.5	4,936.2	2.3	(361.1)
Due from banks, etc. (***)	50,674.2	24.6	55,060.9	26.2	4,386.7
Short-term investments and others (****)	8,877.5	4.3	10,270.6	4.8	1,393.1
Total	205,975.2	100.0	209,889.1	100.0	3,913.9

\* "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.



# Unrealized Gains (Losses) on Financial Instruments

Non-consolidated

**Net unrealized gains on financial instruments (available-for-sale) after taking into consideration of gains (losses) from hedge accounting were ¥3,779.5bn as of September 30, 2019 (before application of tax effect accounting)**

(¥bn)

	As of March 31, 2019		As of September 30, 2019	
	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	24,404.9	757.2

(¥bn)

	As of March 31, 2019		As of September 30, 2019	
	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	115,534.4	3,879.8
Securities (A)	110,241.9	2,128.5	111,336.6	2,324.2
Japanese government bonds	33,340.6	1,167.6	32,782.3	1,294.6
Foreign bonds	22,003.0	637.7	22,668.4	378.1
Investment trusts	40,433.9	184.9	42,140.7	522.5
Others	14,464.2	138.2	13,745.2	128.9
Effect of fair value hedge accounting (B)		266.4		450.3
Money held in trust (C)	3,951.4	1,122.2	4,197.7	1,105.2
Domestic stocks	2,141.7	1,106.4	2,119.4	1,086.2
Others	1,809.7	15.8	2,078.3	19.0
Derivatives for which deferred hedge accounting is applied (D)	14,366.1	(89.8)	15,619.2	(100.3)
Total (A) + (B) + (C) + (D)		3,427.4		3,779.5

# Unrealized Gains (Losses) on Financial Instruments

Non-consolidated

## (1) Held-to-maturity Securities

(Millions of yen)

	As of March 31, 2019 (A)		As of September 30, 2019 (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	21,856,947	726,488	(3,158,974)	(29,062)
Japanese local government bonds	533,474	4,001	801,991	4,633	268,517	631
Japanese corporate bonds	1,660,749	28,626	1,745,980	26,113	85,231	(2,513)
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	24,404,919	757,234	(2,837,658)	(35,958)

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 September 30, 2019 (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	19,782	(66)	(77,126)	(5,191)
Bonds	47,326,243	1,298,872	46,148,079	1,420,929	(1,178,163)	122,056
Japanese government bonds	33,340,646	1,167,684	32,782,314	1,294,608	(558,331)	126,923
Japanese local government bonds	5,850,490	50,706	5,383,950	40,499	(466,539)	(10,206)
Commercial paper	220,998	—	368,993	—	147,995	—
Japanese corporate bonds	7,914,108	80,481	7,612,820	85,821	(301,287)	5,340
Others	62,818,814	824,586	65,168,822	903,383	2,350,007	78,797
Foreign bonds	22,003,095	637,751	22,668,431	378,112	665,335	(259,638)
Investment trusts	40,433,941	184,918	42,140,714	522,531	1,706,772	337,613
Total	110,241,967	2,128,583	111,336,684	2,324,247	1,094,717	195,663

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, ¥450,368 million and ¥266,443 million losses were included in the statements of income for the six months ended September 30, 2019 and the fiscal year ended March 31 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 six months ended September 30, 2019 and the fiscal year ended March 31, 2019 amounted to ¥1,063 million and ¥8,063 million, respectively.

# 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 September 30, 2019 (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	4,197,774	1,105,270	246,284	(16,995)
Domestic stocks	2,141,784	1,106,458	2,119,470	1,086,265	(22,314)	(20,193)
Domestic bonds	1,195,685	17,468	1,145,987	21,089	(49,697)	3,621

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 six months ended September 30, 2019 and the fiscal year ended March 31, 2019 amounted to ¥2,649 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 September 30, 2019 (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)	8,592,833	(266,527)	753,688	(144,150)
Currency swaps	6,527,044	32,497	7,026,383	166,195	499,339	133,697
Foreign exchange forward contracts	—	—	—	—	—	—
Total	14,366,189	(89,879)	15,619,217	(100,331)	1,253,027	(10,452)

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 September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Total net unrealized gains (losses)	3,427,414	3,779,554	352,139

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

Non-consolidated

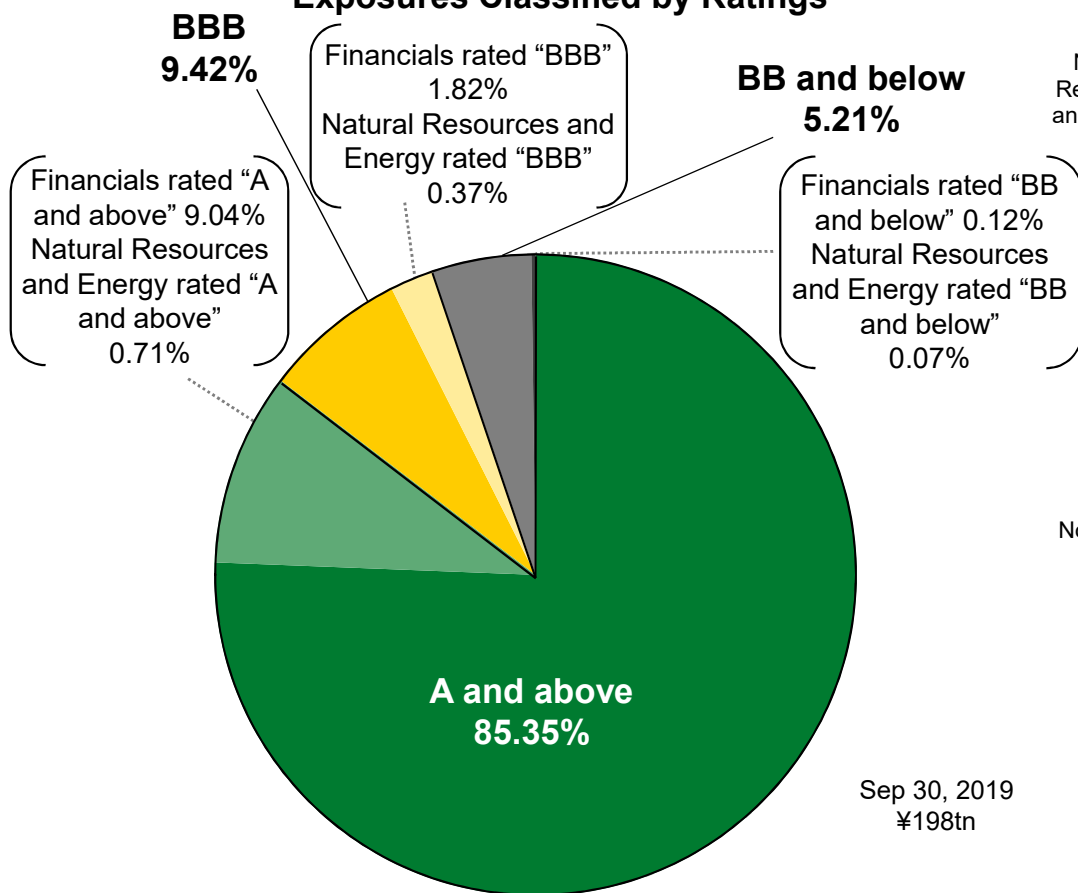
Breakdown of the Bank's investment assets,

By credit rating: around 85% are rated A or above, and around 95% are rated IG (BBB or above)

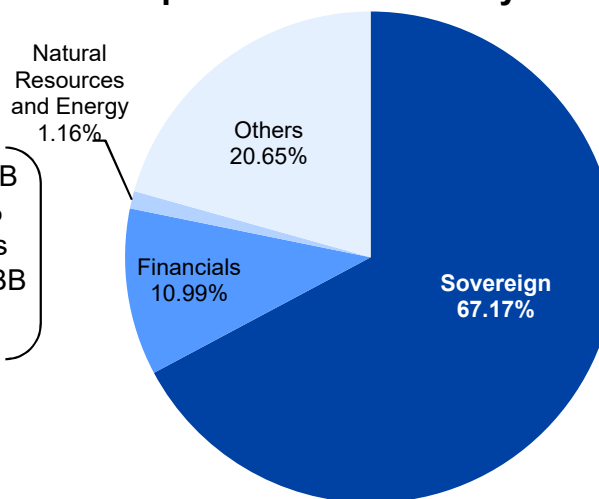
By sector: around 67% are Sovereign, and around 11% are Financials

By region: around 69% are Japan, and around 18% are North America

**Exposures Classified by Ratings**

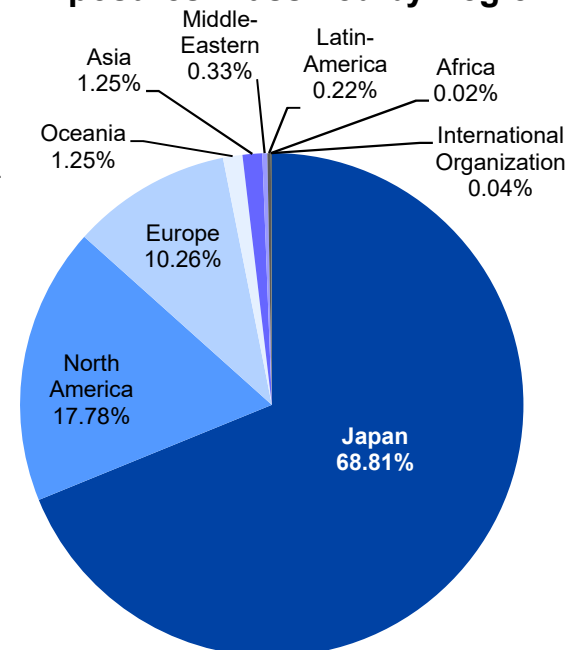


**Exposures Classified by Sector**



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

# Development of Yen Rates Risk Assets and Risk Assets

Non-consolidated

(management accounting basis)

## Yen Rates Risk Assets

¥117tn [ vs FY2019/3 end (¥0tn) ]  
(JGB balance decreased, reflecting prolonged historically low interest rate environment)

(¥tn, figures are rounded)

	Mar 31, 2019	Sep 30, 2019	Increase (Decrease)
Short-term assets <sup>1</sup>	55	59	+4
Bonds held to maturity — JGBs, Government guaranteed bonds	27	23	(3)
Available-for-sale securities — JGBs, Government guaranteed bonds <sup>2</sup>	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 rates risk assets.  
3. Exclude foreign securities included in strategic investment area.

## Risk Assets

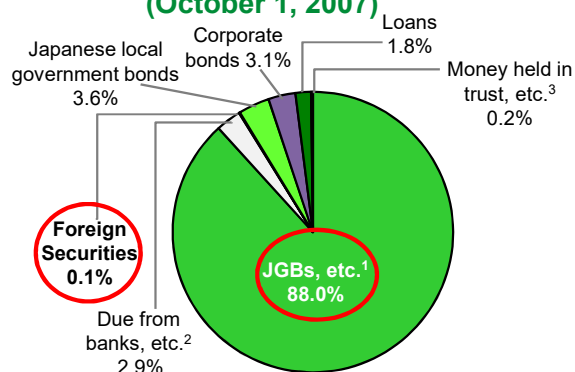
¥84tn [ vs FY2019/3 end +¥2tn ]  
(Further expansion of risk assets)

(¥tn, figures are rounded)

	Mar 31, 2019	Sep 30, 2019	Increase (Decrease)
Available-for-sale securities — Japanese local government bonds — Corporate bonds, etc. — Foreign securities, etc. <sup>3</sup> [Investment trusts]	6 8 60 [38]	5 7 63 [40]	(0) (0) +2 [+2]
Bonds held to maturity — Japanese local government bonds — Corporate bonds, etc. — Foreign securities, etc.	1 0 0	1 0 -	+0 +0 (0)
Loans	2	2	+0
Money held in trust, etc. (Stocks) <sup>2,3</sup>	2	2	+0
Strategic investment area	3	3	+0

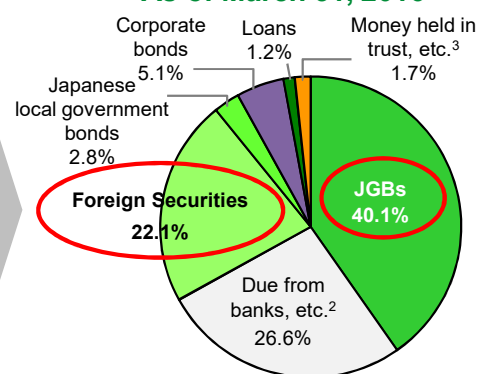
## Change in Investment Portfolio

### Upon Corporatization (October 1, 2007)



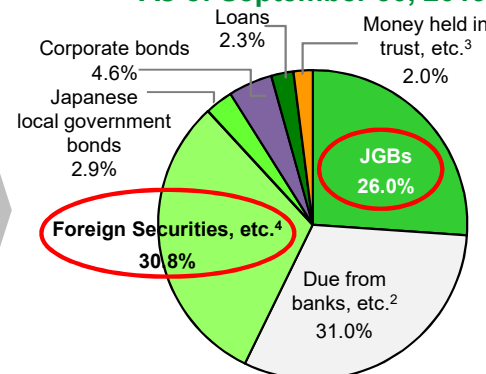
Unrealized gains (losses)	Bonds held to maturity	—
	Available-for-sale securities	—

### As of March 31, 2016



¥2,208.3bn
¥4,186.4bn

### As of September 30, 2019



¥757.2bn
¥3,779.5bn

Notes:

- 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.
- 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.
- Money held in trust, etc. includes equity securities of affiliated companies, etc.
- Foreign securities, etc. includes collective investment scheme, etc.

# 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			FY2019/3		FY2019/3 1H		FY2020/3 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)
Total portfolio (BP + SP)	194.2	559.9	196.5	480.4	197.5	433.0	198.9	438.4	Total portfolio	198.4	363.5	198.3	218.0	198.5	199.9
Base portfolio (BP)	151.7	94.7	141.7	(35.6)	131.5	(243.3)	124.6	(380.0)	Yen rates portfolio	117.9	(420.3)	118.8	(206.1)	115.4	(227.5)
BP customer-based funding and marketing	-	(222.4)	-	(250.4)	-	(399.6)	-	(571.8)	Customer-based funding and marketing	-	(721.5)	-	(347.2)	-	(384.9)
BP investment side, etc.	-	317.2	-	214.7	-	156.3	-	191.8	Investment side, etc.	-	301.1	-	141.0	-	157.3
Satellite portfolio (SP)	42.4	465.1	54.8	516.0	66.0	676.4	74.2	818.5	Risk assets	80.4	783.9	79.5	424.2	83.1	427.5

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

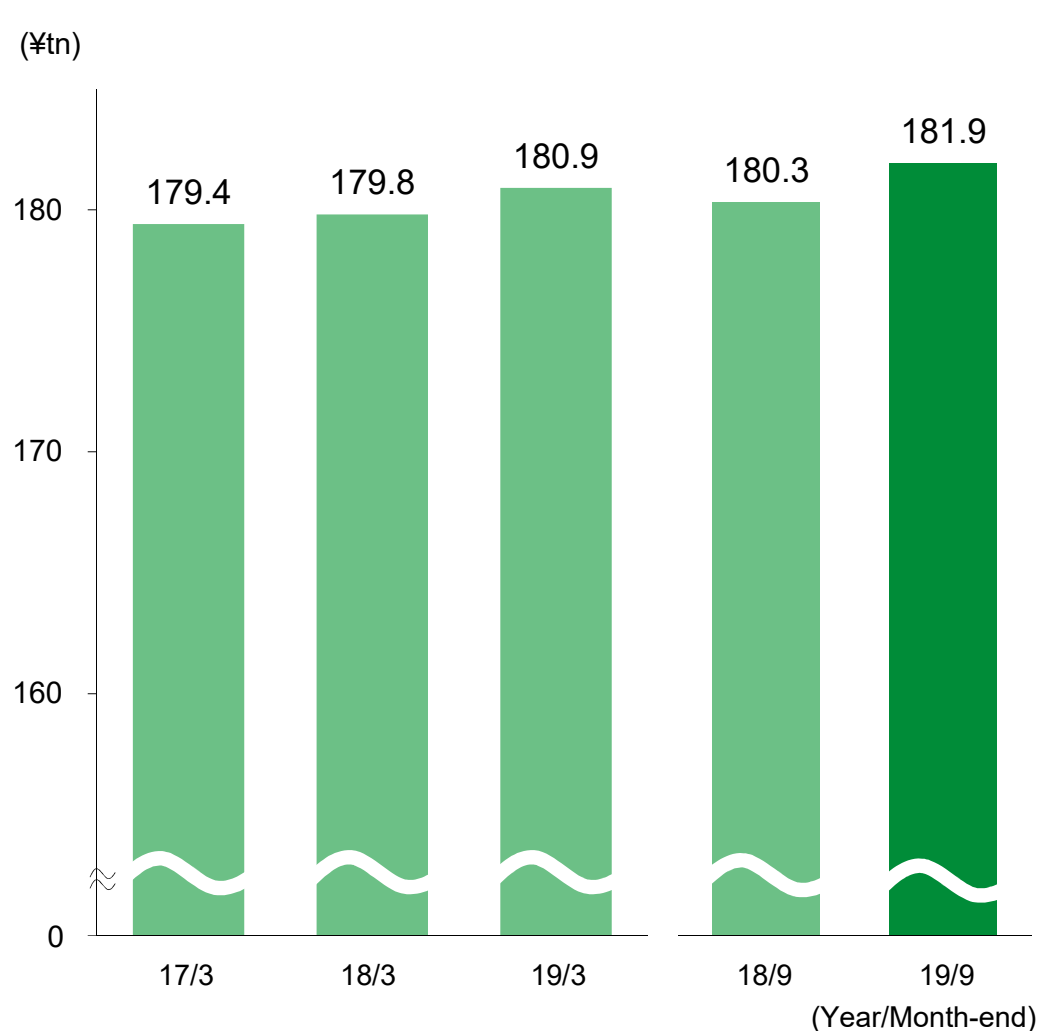
Net gains and losses are calculated by the below formula. Total of net gains and losses for each portfolio are largely equal to the Bank's net ordinary income.

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)

# Deposit Balance

Non-consolidated

Deposit balance as of September 30, 2019 was ¥181.9tn, stable compared to March 31, 2019



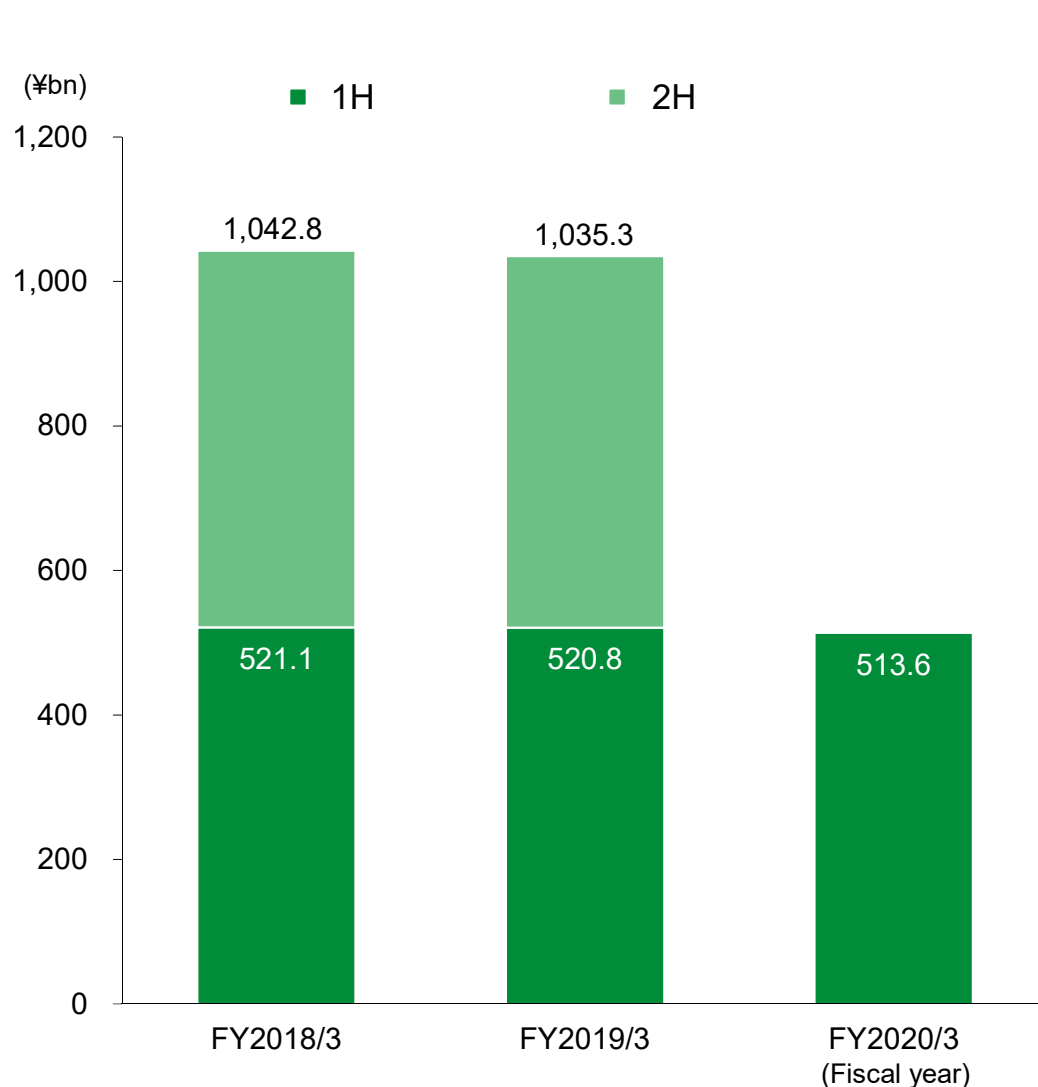
	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Liquid deposits	79.9	83.7	3.7
Transfer deposits	16.1	7.5	(8.6)
Ordinary deposits, etc. (*)	63.4	75.7	12.3
Savings deposits	0.4	0.4	0.0
Fixed-term deposits	100.9	98.0	(2.8)
Time deposits	7.0	6.2	(0.8)
TEIGAKU deposits	93.8	91.7	(2.0)
Other deposits	0.1	0.1	0.0
Total	180.9	181.9	0.9

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

# General and Administrative Expenses

Non-consolidated

**General and administrative expenses for the six months ended September 30, 2019 decreased by ¥7.2bn year on year to ¥513.6bn**



	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2018 (A)	September 30, 2019 (B)	
Personnel expenses (*)	62.0	60.3	(1.7)
Salaries and allowances	51.0	49.5	(1.4)
Non-personnel expenses	422.2	427.6	5.4
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	303.6	189.1	(114.5)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network	—	118.9	118.9
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	29.8	29.7	(0.0)
Taxes and dues	36.6	25.6	(10.9)
<b>Total</b>	<b>520.8</b>	<b>513.6</b>	<b>(7.2)</b>

\* Personnel expenses include non-recurring losses.



# General and Administrative Expenses

Non-consolidated

(Millions of yen, %)

	For the six months ended				Increase (Decrease) (B) – (A)
	September 30, 2018 (A)		September 30, 2019 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	62,076	11.91	60,368	11.75	(1,707)
Salaries and allowances	51,029	9.79	49,591	9.65	(1,437)
Others	11,046	2.12	10,776	2.09	(269)
Non-personnel expenses	422,213	81.05	427,615	83.24	5,402
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	303,689	58.30	189,162	36.82	(114,527)
Contributions paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (*)	—	—	118,933	23.15	118,933
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (**)	809	0.15	255	0.04	(554)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	29,827	5.72	29,743	5.79	(83)
Rent for land, buildings and others	6,549	1.25	6,033	1.17	(516)
Expenses on consigned businesses	32,243	6.18	31,367	6.10	(875)
Depreciation and amortization	15,791	3.03	18,221	3.54	2,430
Communication and transportation expenses	9,484	1.82	8,571	1.66	(913)
Maintenance expenses	5,905	1.13	5,984	1.16	78
IT expenses	7,945	1.52	10,208	1.98	2,263
Others	9,967	1.91	9,135	1.77	(831)
Taxes and dues	36,604	7.02	25,697	5.00	(10,907)
Total	520,894	100.00	513,682	100.00	(7,212)

\* 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.

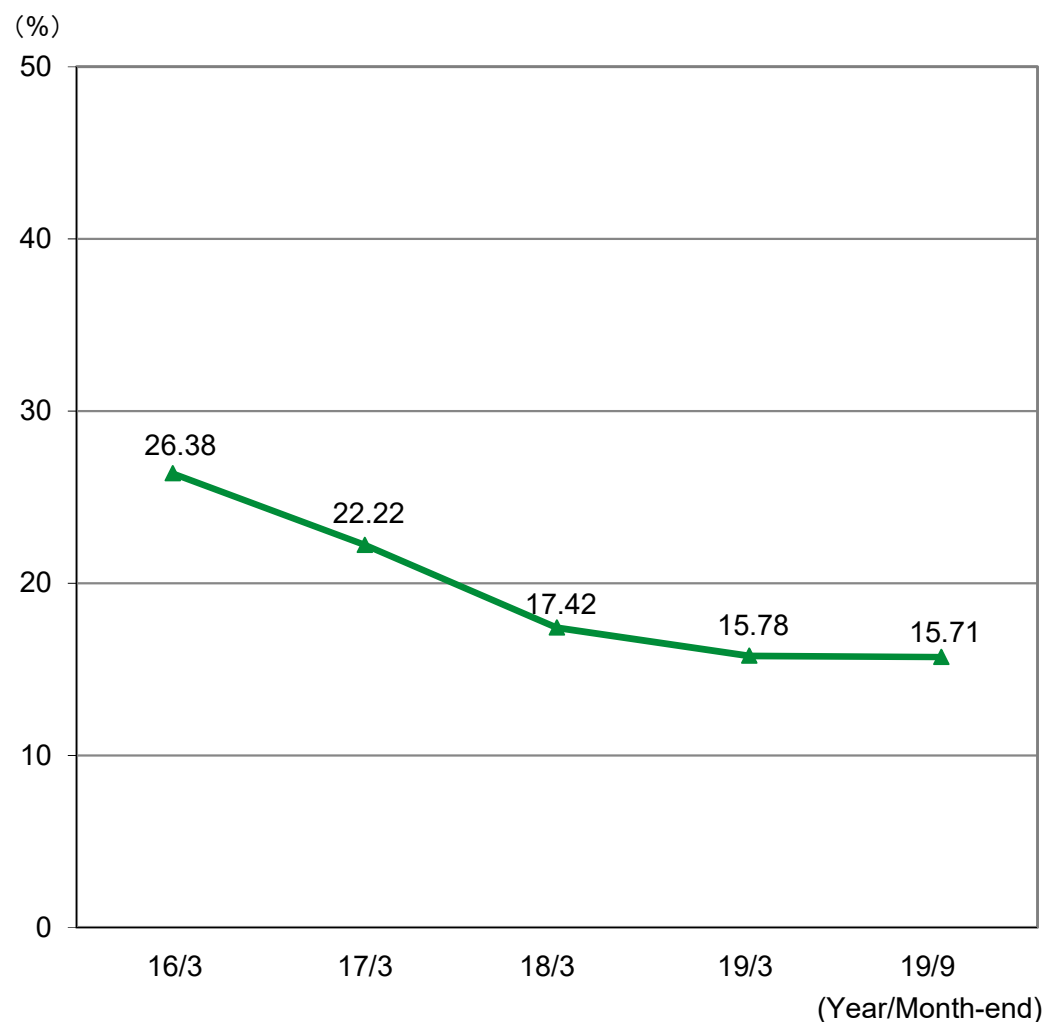
\*\* The Bank makes subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

# Capital Adequacy Ratio

Non-consolidated/  
Consolidated

**Capital adequacy ratio (non-consolidated, domestic standard) was 15.71% as of September 30, 2019**

【Non-consolidated】



【Non-consolidated】

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,844.2	8,897.7	53.5
Total amount of risk-weighted assets (b)	56,033.5	56,604.3	570.7
Credit risk-weighted assets	53,334.0	53,929.8	595.8
Capital adequacy ratio (a) / (b)	15.78%	15.71%	(0.06)%

【Consolidated】

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,853.3	8,907.9	54.6
Total amount of risk-weighted assets (b)	56,004.5	56,582.4	577.8
Credit risk-weighted assets	53,305.1	53,908.0	602.9
Capital adequacy ratio (consolidated) (a) / (b)	15.80%	15.74%	(0.06)%

# Detailed Information on Capital Adequacy

Non-consolidated/  
Consolidated

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

(Millions of yen, %)

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,879,601	8,930,603	51,001
Core Capital: regulatory adjustments (b)	35,388	32,822	(2,566)
Total capital (a) - (b) = (c)	8,844,213	8,897,780	53,567
Total amount of risk-weighted assets (d)	56,033,562	56,604,313	570,751
Credit risk-weighted assets	53,334,010	53,929,859	595,848
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,699,551	2,674,453	(25,097)
Capital adequacy ratio (c) / (d)	15.78%	15.71%	(0.06)%

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

(Millions of yen, %)

	As of March 31, 2019 (A)	As of September 30, 2019 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,888,716	8,940,821	52,104
Core Capital: regulatory adjustments (b)	35,398	32,831	(2,567)
Total capital (a) - (b) = (c)	8,853,318	8,907,989	54,671
Total amount of risk-weighted assets (d)	56,004,545	56,582,408	577,862
Credit risk-weighted assets	53,305,125	53,908,085	602,960
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,699,419	2,674,322	(25,097)
Capital adequacy ratio (consolidated) (c) / (d)	15.80%	15.74%	(0.06)%

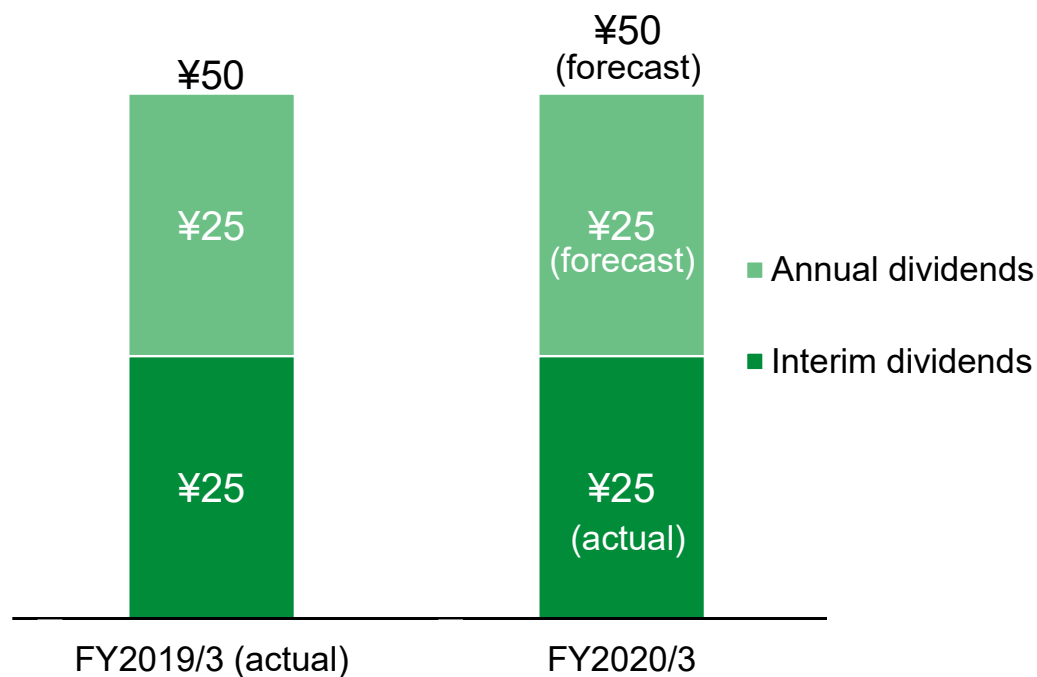
# FY2020/3 Dividend Forecast

Consolidated

Interim dividend per share is ¥25. Dividend forecast for the fiscal year ending March 31, 2020 is unchanged i.e. ¥50

## Actual result and forecast of dividends

<Dividend per share>



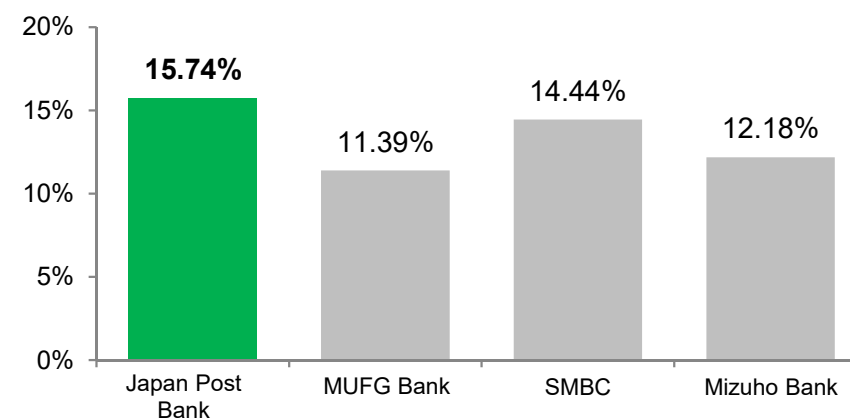
	For the fiscal year	
	ended March 31, 2019 (actual)	ending March 31, 2020 (forecast)
Total dividend payment	187.4	187.4
Dividend payout ratio	70.4%	69.4%

(¥bn, %)

## Dividend policy (until March 31, 2021)

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

(Reference) Capital Adequacy Ratio (consolidated (banking unit), Sep 30, 2019)



Source: Corporate disclosure materials

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

# (Reference) Securitized Products Exposure

Non-consolidated

As of March 31, 2019 and September 30, 2019, 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(\*)(\*\*)(\*\*\*)

(Billions of yen)

Region		As of March 31, 2019			As of September 30, 2019		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings	Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	1,305.7	40.1	AAA	1,321.3	45.5	AAA
	Subprime loan related	—	—	—	—	—	—
	Collateralized loan obligations (CLO)	—	—	—	—	—	—
	Other securitized products(****)	165.5	0.0	AAA	140.5	0.0	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—	—	—
	Collateralized debt obligations (CDO)	1.2	0.0	AAA	1.1	0.0	AAA
	Subtotal	1,472.5	40.2		1,462.9	45.6	
Overseas (*****)	Residential mortgage-backed securities (RMBS)	99.7	(11.6)	AAA	76.4	(11.7)	AAA
	Subprime loan related	—	—	—	—	—	—
	Collateralized loan obligations (CLO) (*****)	1,178.7	(6.0)	AAA	1,524.1	(34.0)	AAA
	Subtotal	1,278.5	(17.7)		1,600.6	(45.7)	
Total		2,751.1	22.5		3,063.6	(0.1)	

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

\*\* No hedging activities against credit risks were made.

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

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

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

\*\*\*\*\* Collateralized loan obligations (CLO) in overseas are U.S. CLO.

(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.

# Appendix

# Funds Flow to Regional Communities

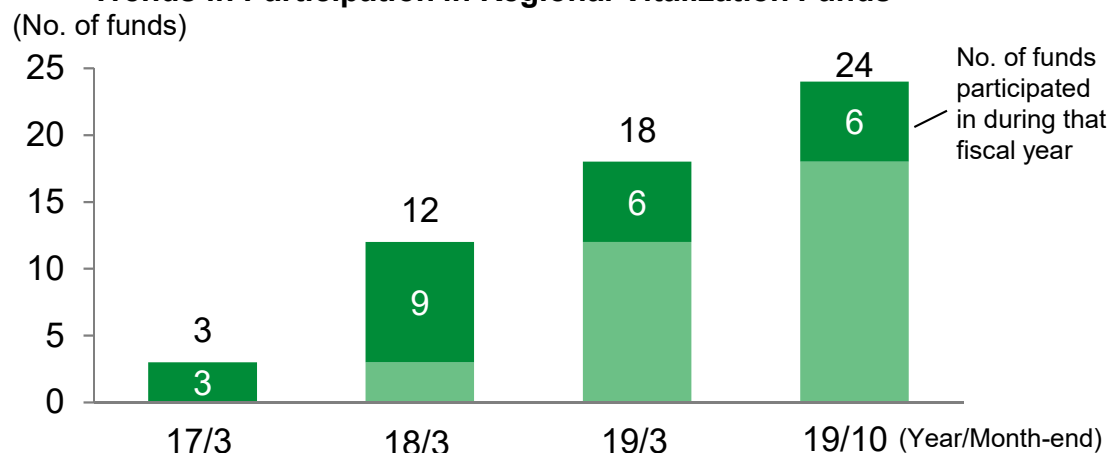
As an initiative to contribute to the vitalization of regional economies through collaboration with regional financial institutions, we have participated in regional funds as a fund investor (LP) since July 2016

As of October 31, 2019, we are participating in 24 funds

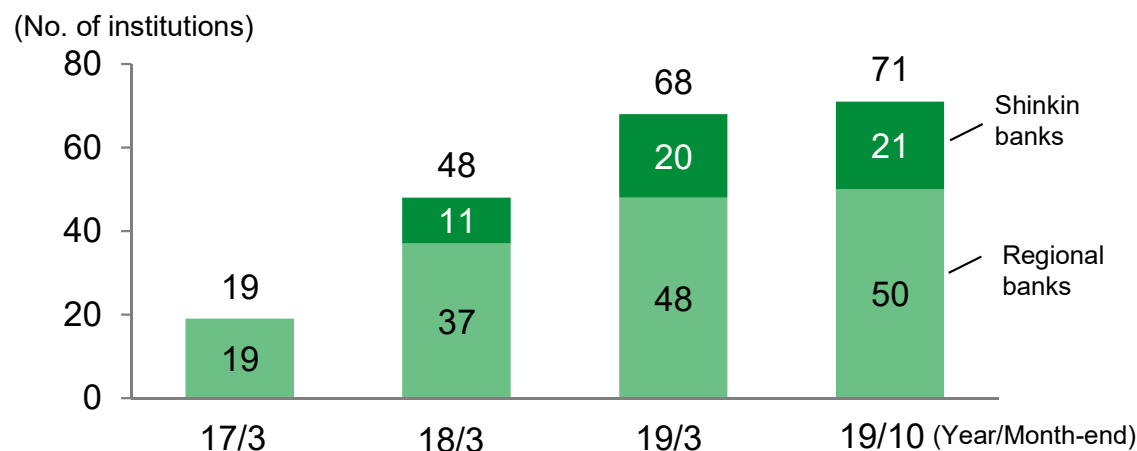
We will continue to actively encourage participation in regional vitalization funds

In addition, moving forward we will aim to take up the management of these funds in order to become involved in selecting projects and making investment decisions, etc.

## Trends in Participation in Regional Vitalization Funds

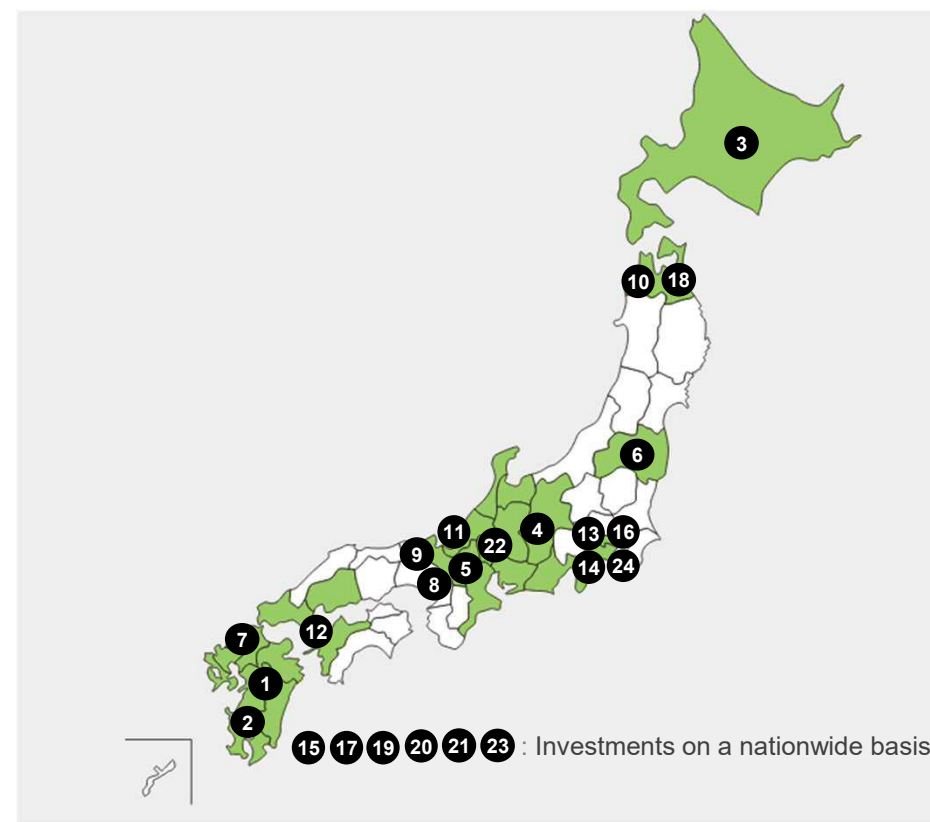


## Trends in the No. of Regional Financial Institutions Affiliated with JP Bank



## Regions of Investment by Regional Vitalization Funds

(As of October 31, 2019)



# Funds Flow to Regional Communities

(As of October 31, 2019)

## 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 <sup>1</sup>
④	Chubu / Hokuriku Region Vitalization Investment LP	2017/ 4	¥5.0bn min. <sup>2</sup>
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 <sup>1</sup>
⑧	MIYAKO Kyoto University Innovation LP	2017/11	Around ¥2.0bn <sup>1</sup>
⑨	MBC Shisaku 1 LP	2017/12	Around ¥2.0bn <sup>2</sup>
⑩	Michinoku Regional Vitalization Investment LP	2018/ 3	¥0.5bn
⑪	Fukui Future Business Support Investment LP	2018/ 3	Around ¥0.5bn <sup>1</sup>
⑫	Ehime Regional Vitalization Investment LP	2018/ 3	¥0.3bn

\* “MBC Shisaku 1 LP” (⑨) was chosen as a “Characteristic Example of Initiatives by Financial Institutions, etc. Contributing to Regional Revitalization” recognized by the Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan of the Cabinet Secretariat, and jointly received an award from the Minister of State for Regional Revitalization with other financial institutions including the Bank of Kyoto, Ltd. (March 26, 2019)

## 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 <sup>1</sup>
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	¥0.91bn <sup>1</sup>
⑳	Regional Next-generation Industry Accelerate Investment LP	2019/ 7	¥0.71bn <sup>1</sup>
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

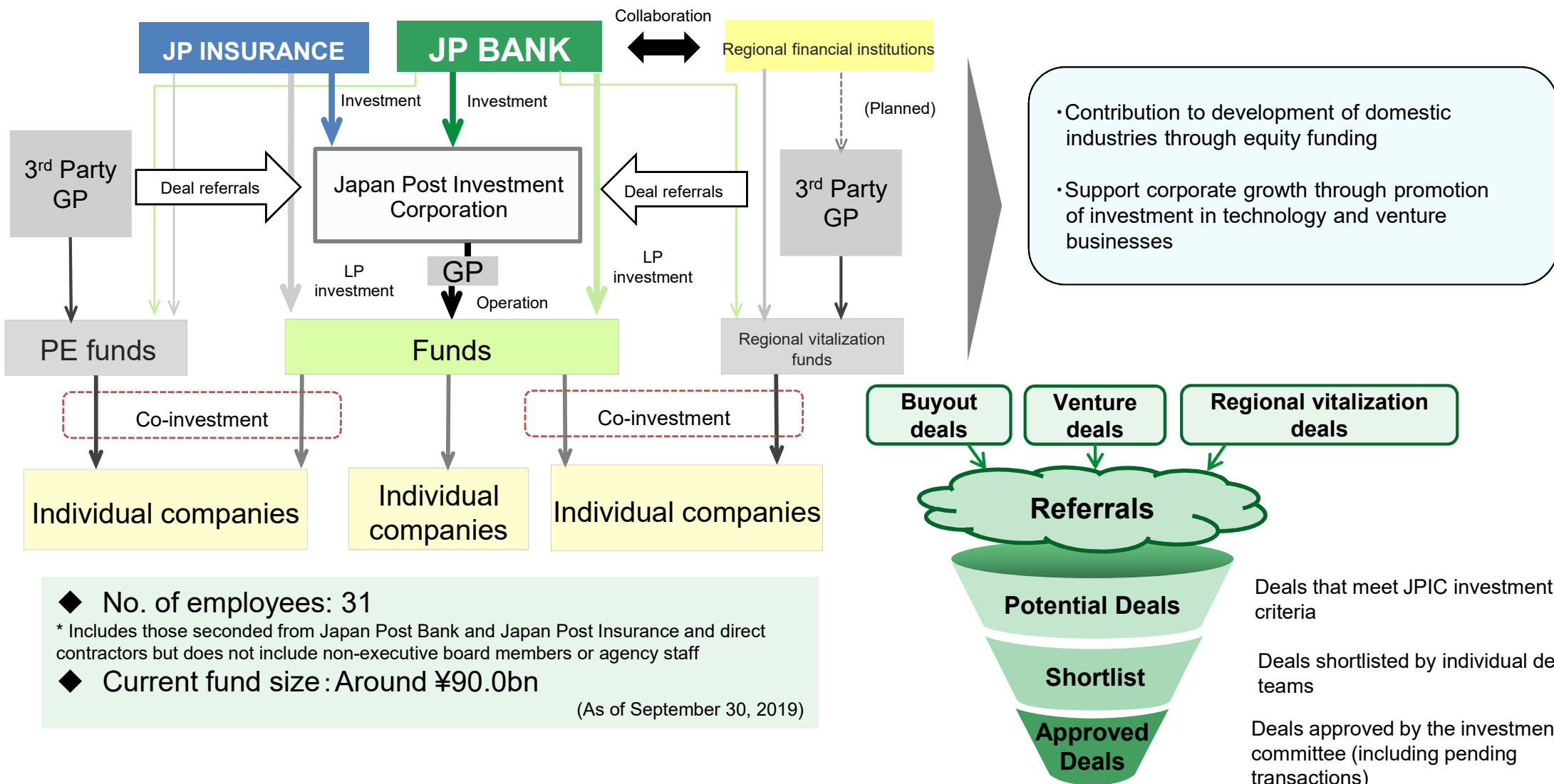
Notes: 1. As of establishment 2. Targeted investment amount



# 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**



# 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.

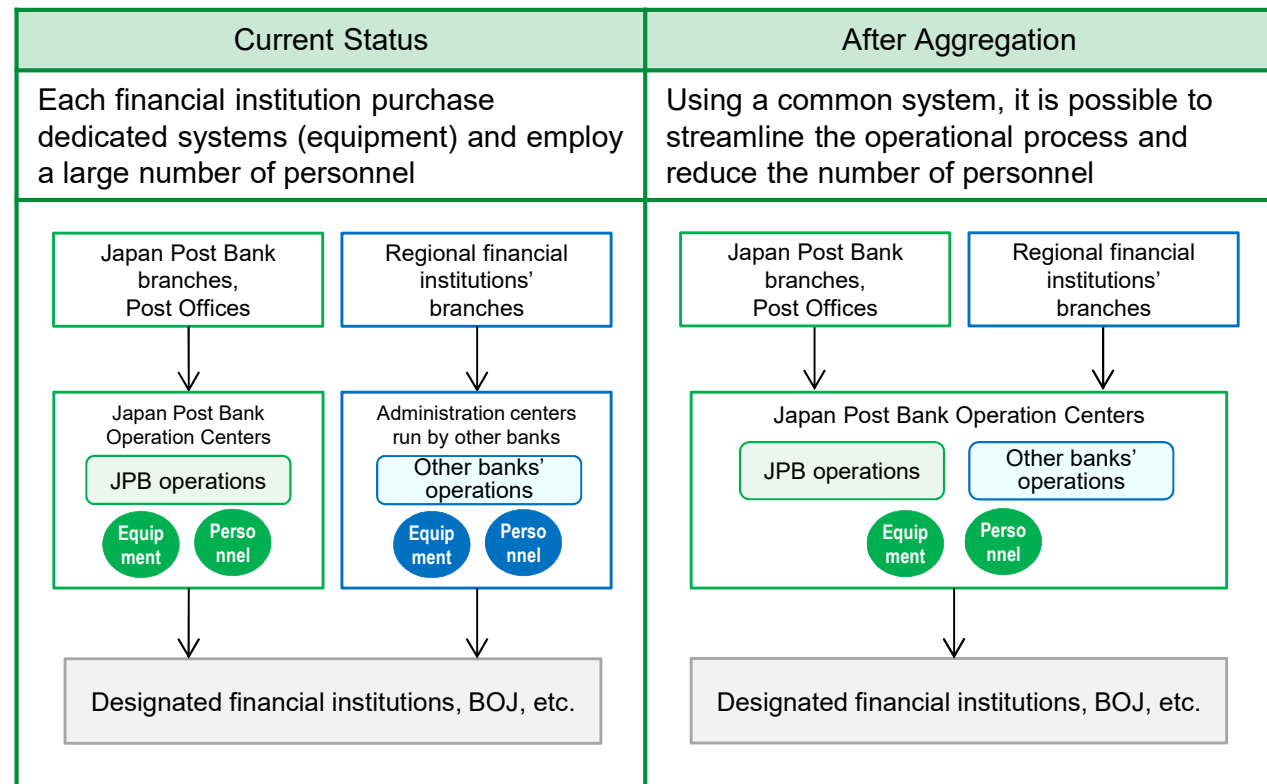
Streamline operations and ensure effective utilization of equipment and personnel

Obtain new revenue through entrusted business operations

Forming “Regional Financial Infrastructure” by promoting the aggregation of operational process, which is a “non-competitive areas” in the banking industry

## Summary of Aggregation of Operational Process 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



# Main ATM-Related Initiatives

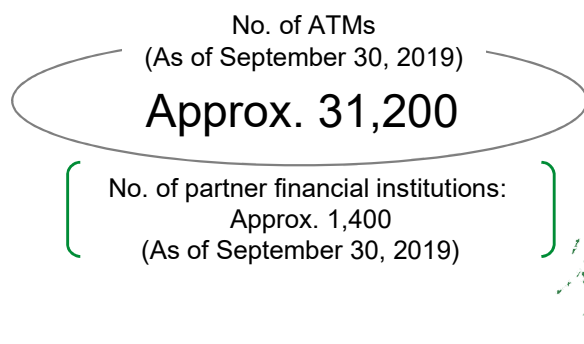
**Provide an ATM network covering all of Japan with the largest number of ATMs**

**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】**

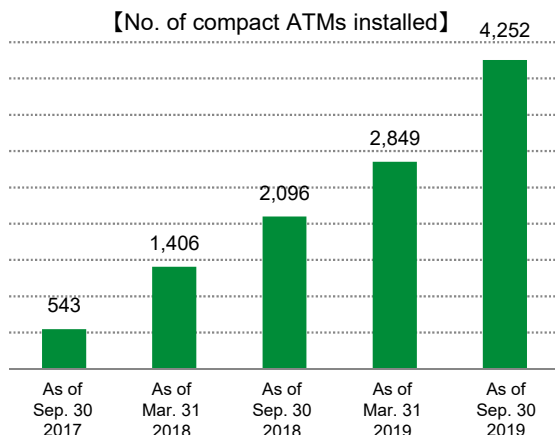
## ■ Japan's largest ATM network



## ■ 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】



**【Win-win partnerships with regional financial institutions, etc.】**

## ■ Installation of compact ATMs at other financial institutions

Compact JP Bank ATMs were installed at the central branch of The Shonai Bank, Ltd. (July 2017) and all branches of Aozora Bank, Ltd. (completed in November 2018)

## ■ JP Bank's ATM network platform\* with regional financial institutions

Apr 2018 **The Juroku Bank, Ltd.:** Free ATM charge nationwide up to 4 times a month for customers who make a certain number of transactions

Oct 2018 **The Bank of Kyoto, Ltd.:** Free ATM charge during the day on weekdays (only in Osaka, Shiga, Nara, Hyogo, Aichi and Tokyo)

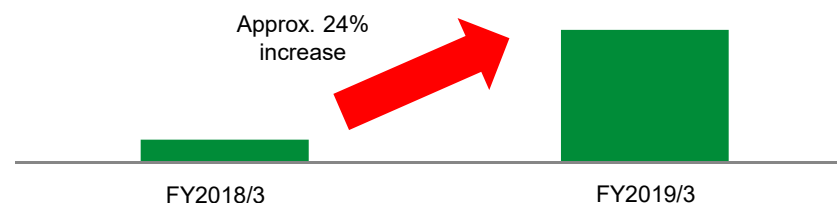
Mar 2019 **The Kagoshima Bank, Ltd.:** Free ATM charge during the day on weekdays in Okinawa

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.

**No. of transactions at JP Bank ATMs used by customers of regional financial institutions sharing ATM network platform**



# Agency Commissions Paid to Japan Post Co., Ltd.

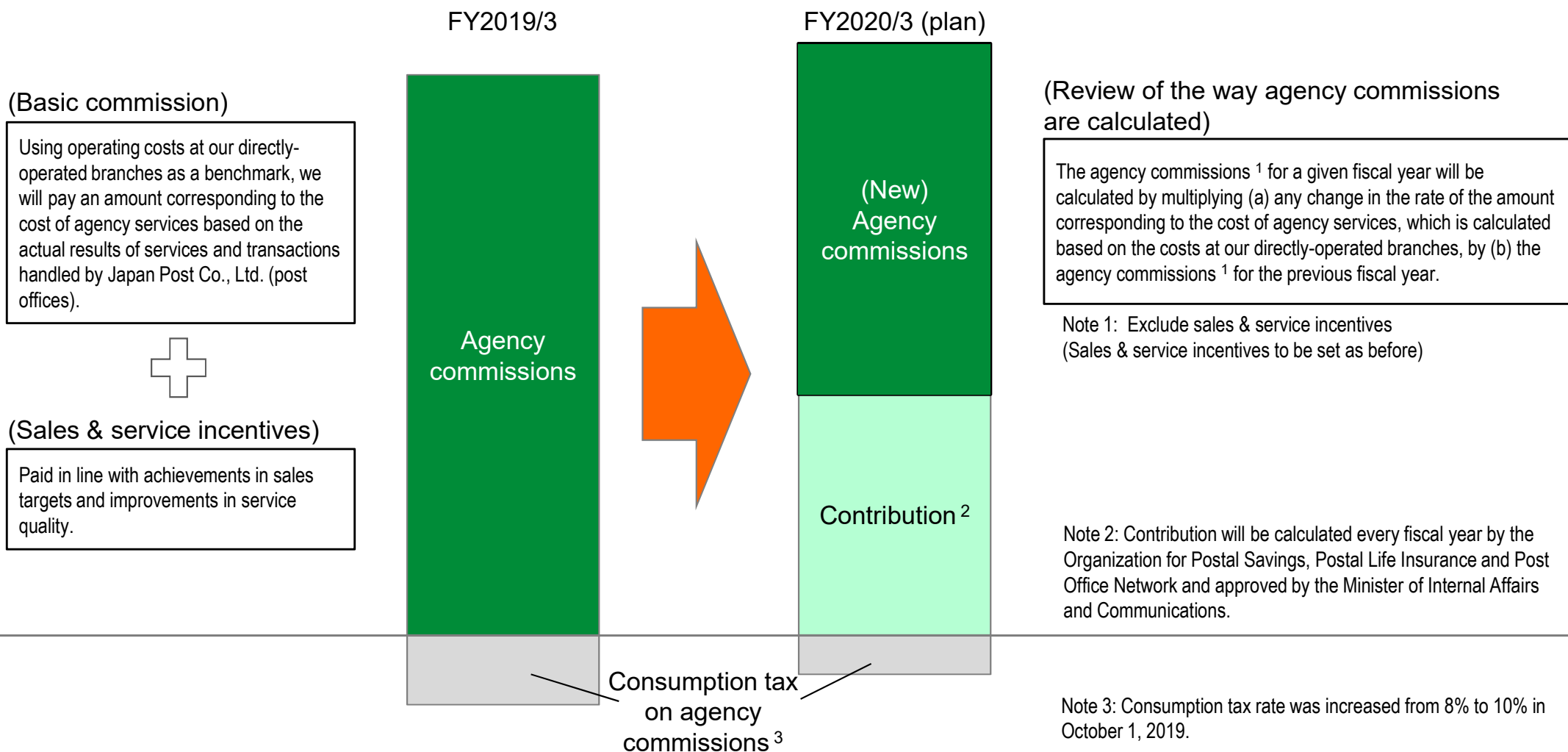
With the introduction of contribution for the support of postal service network (hereinafter called “contribution”), we are reviewing how to cover the cost of agency services provided by Japan Post Co., Ltd. using contribution and (new) agency commissions

The (new) agency commissions maintain a structure that will reflect any change in operating efficiency of our directly-operated branches

Note that there has been a reduction in the consumption tax payable on agency commissions

The (new) agency commissions for FY2020/3 will be set by deducting the component covered by contribution from the amount corresponding to the cost of agency services

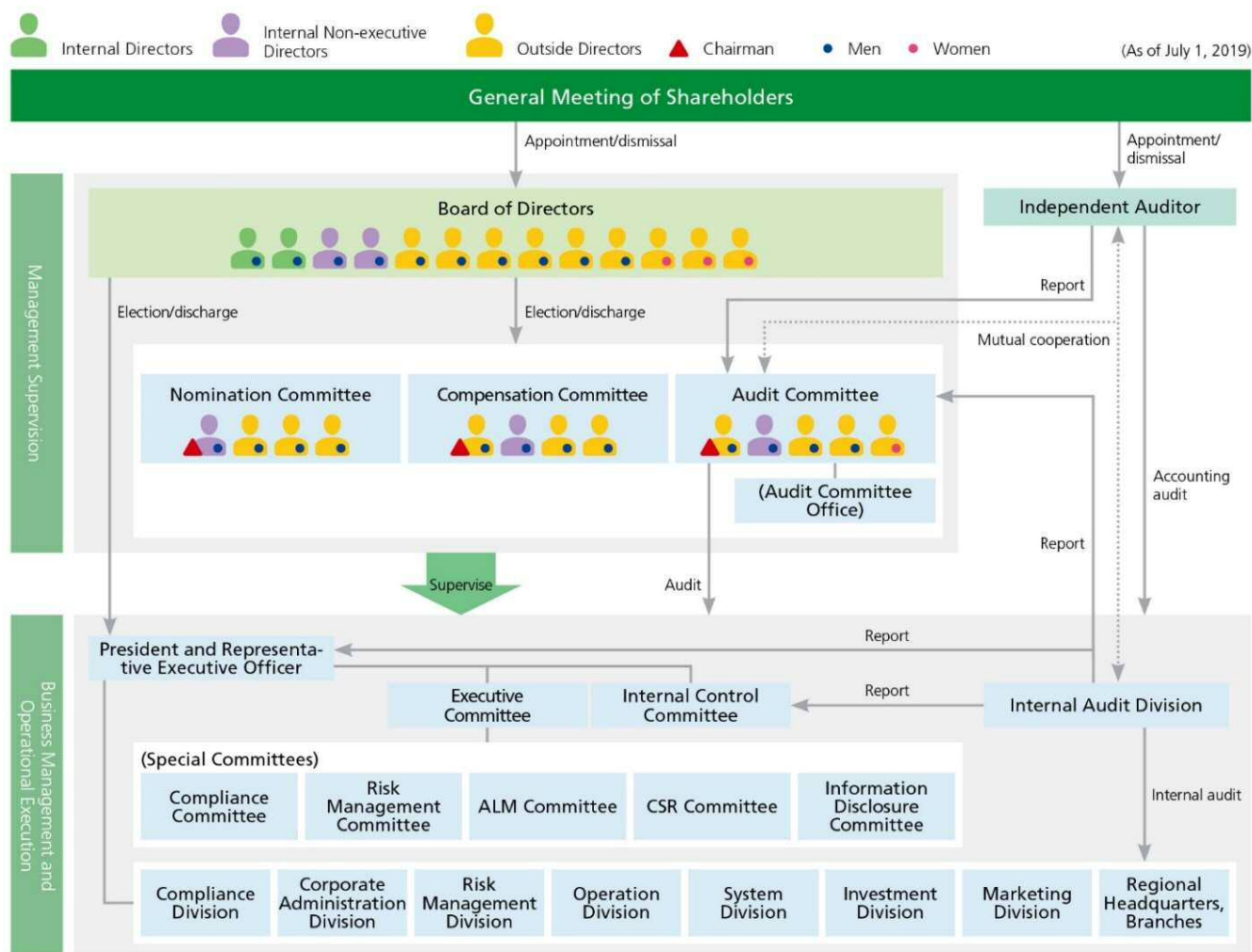
Furthermore, the calculation of the amount corresponding to the cost of agency services will reflect new factors in operating costs, in terms of further promoting a shift from savings to investment



# Framework for Corporate Governance

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

\* As of July 1, 2019



- ◆ Board of Directors' meetings held 12 times
- ◆ Rate of attendance at Board of Directors' meetings: 98.48%

(June 2018 - May 2019)

Committee	Chairperson	Committee members
Nomination Committee	Masatsugu Nagato	<u>Tomoyoshi Arita</u> <u>Ryoji Chubachi</u> <u>Makoto Kaiwa</u>
Compensation Committee	<u>Ryoji Chubachi</u>	Masatsugu Nagato <u>Katsuaki Ikeda</u> <u>Keisuke Takeuchi</u>
Audit Committee	<u>Tomoyoshi Arita</u>	Ryoichi Nakazato <u>Sawako Nohara</u> <u>Tetsu Machida</u> <u>Katsuaki Ikeda</u>

Directors with underline are Independent Outside Directors (TSE standards)



# Framework for Corporate Governance

## 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**

President 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.

## 4 Inside Directors



**Masatsugu Nagato**

Director and Representative Executive Officer,  
President & CEO of JAPAN POST HOLDINGS Co., Ltd.  
Director of JAPAN POST Co., Ltd.  
Director of JAPAN POST INSURANCE Co., Ltd.



**Norito Ikeda**

Director, President and Representative Executive Officer



**Ryoichi Nakazato**

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



**Susumu Tanaka**

Director and Representative Executive Vice President

## 11 Non-Executive Directors

## 2 Executive Directors

(As of July 1, 2019)

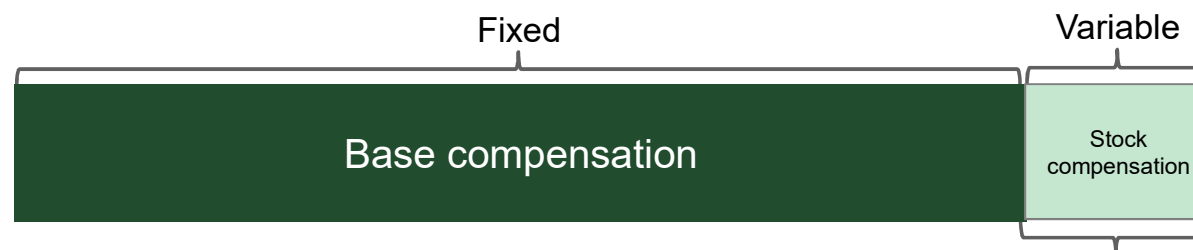
(Reference) 25 Executive Officers include 2 Directors above.

# 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.



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

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

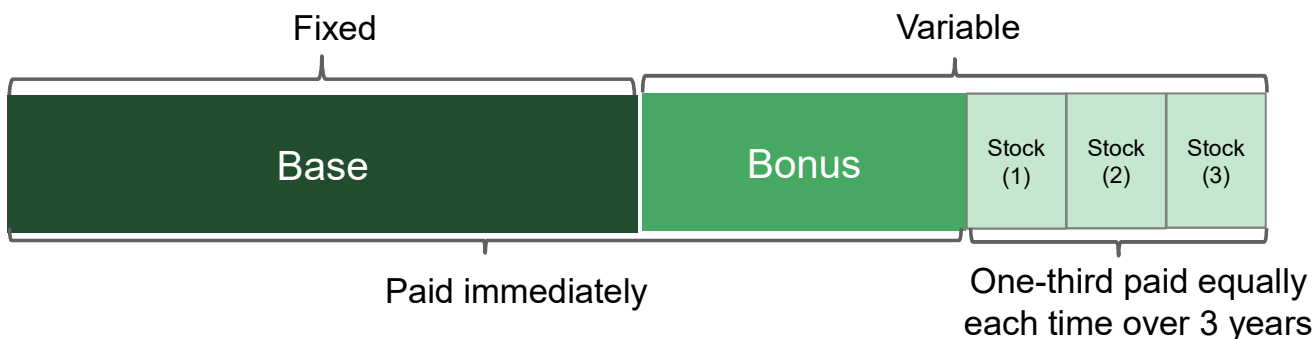
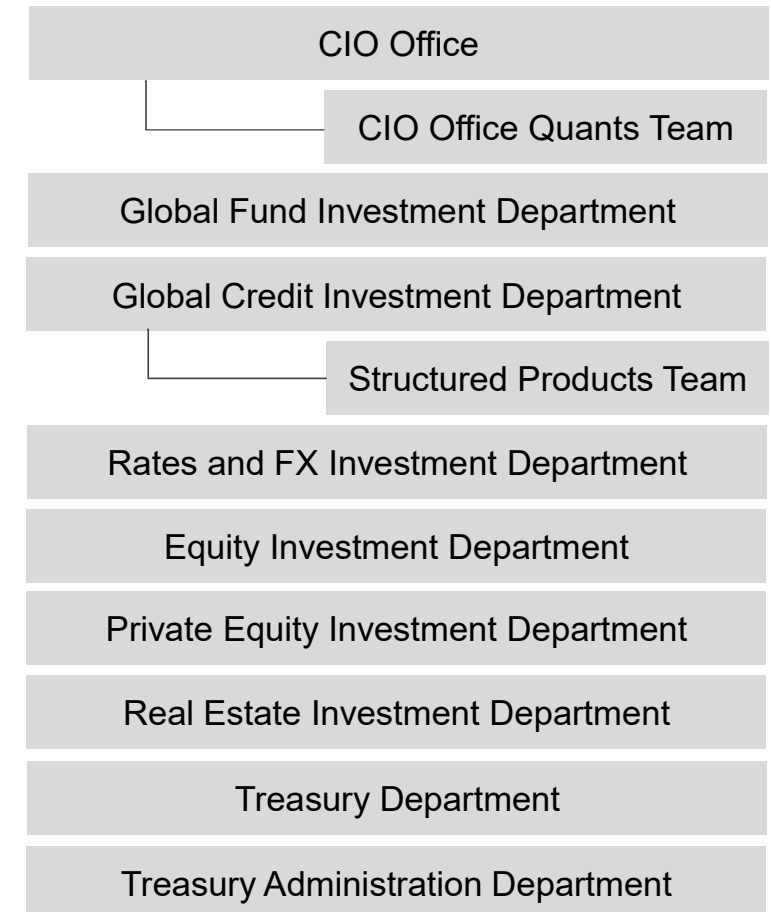
As part of our effort to promote diversification and sophistication of investment management, the Bank introduced employee stock ownership plan for management employees of the Bank's Investment Division in April 2016

## 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 May 7, 2019)

### Investment Division





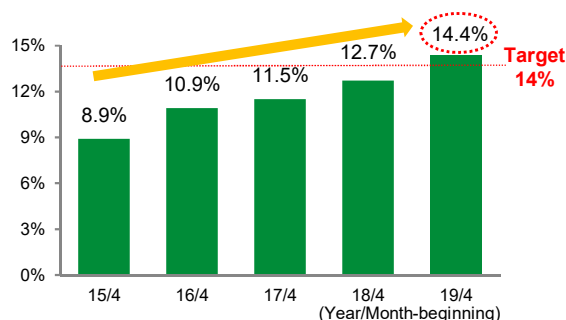
# Diversity Management and Work-life Balance, etc.

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

## Empowerment of women

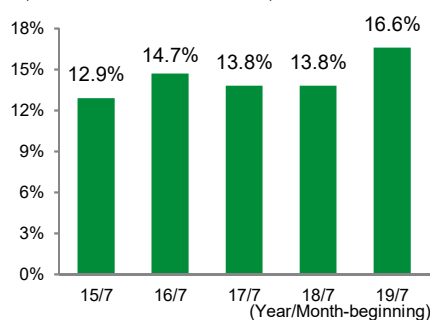
- Aiming to increase the percentage of women in managerial positions to 14% or more by April 1, 2021
- Aiming to increase the percentage of women to around 50% attendants of leadership training by introducing selective training

### Percentage of women in managerial positions



### Percentage of women executives\*

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



## Supporting career development

Provision of opportunities for learning and encouraging career development

- Implementation of job level-based training
- Provision of self-development support
- Global human resource development (overseas dispatch and programs of studying at domestic and overseas universities, etc.)

## External evaluation

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

< MSCI Japan Empowering Women Index (WIN) >



< Euronext Vigeo Eiris World 120 Index >



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

Japanese companies account for 23 of the 120 constituent companies of the Euronext Vigeo Eiris World 120 Index. JP Bank was the only one of these selected from the finance industry. (As of June 5, 2019)

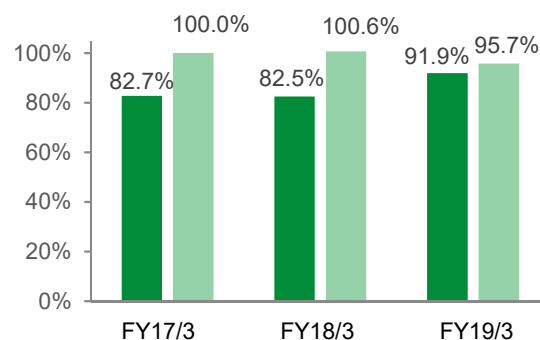
## Work-life balance management

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

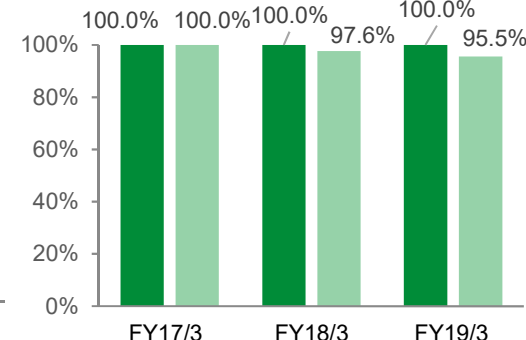
- Implementation of various kinds of training and seminars related to work-life balance
- Support system exceeding the standards prescribed in the Child Care and Family Care Leave Act

■ Men  
■ Women

### Employees Taking Child Care Leave<sup>1,2</sup>



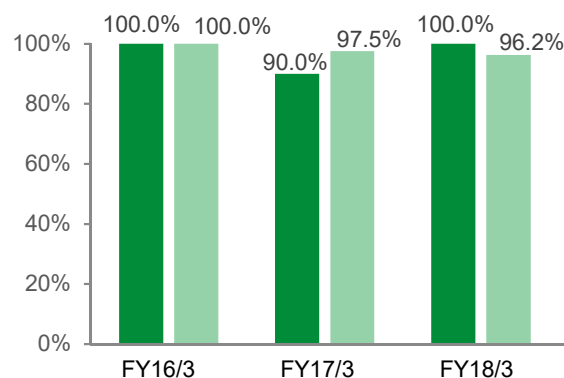
### Child Care Leave Return Rate<sup>2</sup>



### Retention Rate After Child Care Leave Return<sup>2</sup>

■ 1 year or more

■ 3 years or more



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

# Supporting TCFD Recommendations and Establishment of Policies on Environmental/Social Initiatives

**In April 2019, We announced its support for the TCFD recommendations**

**The Bank's Human Rights Policy, Environmental Policy and Procurement Policy\* have been revised and a new ESG Investment Policy has been established**

\* A Japan Post Group initiative

## Supporting TCFD Recommendations

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.



## Establishment of Policies on Environmental/Social Initiatives

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 Human Rights 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 BANK Environmental Policy	
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.
JAPAN POST GROUP's Approach to Procurement Activity	
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.
ESG Investment Policy	

### <ESG Investment Policy (Overview)>

#### 【JAPAN POST BANK Investment Activities】

We do not invest contrary to the public or social good.

#### 【Alignment with International Agreements(TCFD, etc.)】

We invest in line with various international agreements on environmental issues.

#### 【Coal-fired Power Generation Sector】

We focus in the allocation of funding on a long-term environmental impact reduction.

#### 【Companies Manufacturing Cluster Munitions】

We do not invest.

#### 【Stakeholder Engagement】

We have constructive communication through dialog and ties with all its stakeholders.

#### 【Governance】

We intend to regularly review our policy.

# Review

(¥bn)



Non-consolidated

	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2019/3 1H	FY2020/3 1H
Gross operating profit	1,634.7	1,452.0	1,410.2	1,462.3	1,327.0	720.2	678.2
Net interest income <sup>1</sup>	1,540.7	1,361.0	1,223.5	1,175.6	1,016.1	549.1	501.8
Net fees and commissions	89.2	91.1	86.6	96.4	106.7	52.9	65.4
General and administrative expenses <sup>2</sup>	(1,114.7)	(1,066.1)	(1,056.1)	(1,045.0)	(1,037.5)	(521.9)	(514.6)
Provision for general reserve for possible loan losses	—	—	0.0	(0.0)	—	—	—
Net operating profit	519.9	385.8	354.0	417.3	289.4	198.3	163.6
Non-recurring gains (losses)	49.4	96.1	87.9	82.3	84.8	25.1	37.4
Net ordinary income	569.4	481.9	442.0	499.6	374.2	223.4	201.0
Extraordinary income (losses)	1.5	(1.1)	(1.4)	(0.7)	(4.1)	(0.3)	(0.1)
Net income	369.4	325.0	312.2	352.7	266.1	159.2	144.7
Total net assets	11,630.2	11,508.1	11,780.0	11,513.1	11,350.8	11,271.9	11,645.9
Total assets	208,179.3	207,056.0	209,568.8	210,630.6	208,970.4	208,377.8	213,122.9
Capital adequacy ratio (Domestic standard)	38.42%	26.38%	22.22%	17.42%	15.78%	15.44%	15.71%
Number of employees <sup>3</sup>	12,889	12,905	12,965	13,009	12,800	13,278	12,908
Average number of temporary employees <sup>3</sup>	5,523	5,223	4,902	4,612	4,184	4,255	3,932
New employees <sup>4</sup>	383	367	465	542	404	—	—

Consolidated

Net ordinary income	—	—	—	499.6	373.9	223.3	201.1
Net income attributable to owners of parent	—	—	—	352.7	266.1	159.2	144.8
Capital adequacy ratio (Domestic standard)	—	—	—	17.43%	15.80%	15.46%	15.74%

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

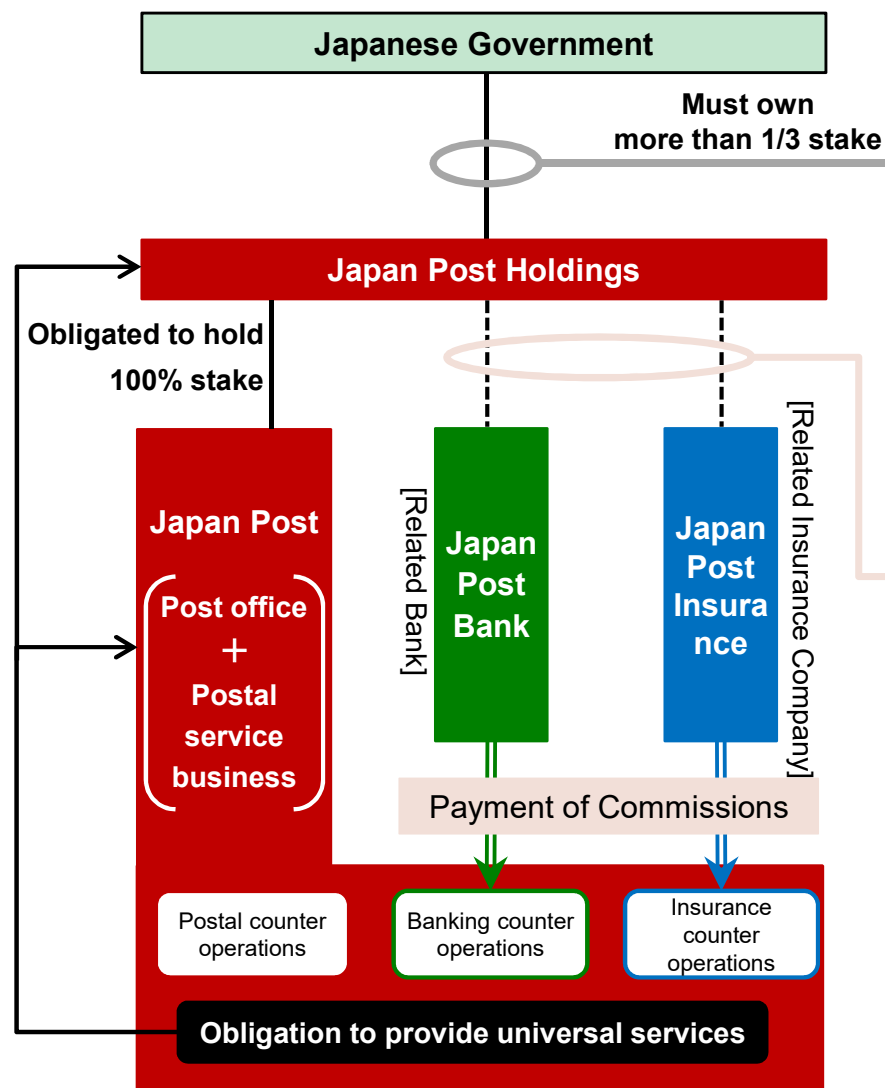
2. General and administrative expenses exclude non-recurring losses. 3. As of the end of each fiscal year. 4. As of the beginning of each fiscal year. The number of new employees in FY2020/3 is 234.

# Appendix 2

# 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 an “accessible and trusted brand”**

- Around 120mn ordinary deposit accounts (as of March 31, 2019)
- Deposit balance ¥181.9tn (as of September 30, 2019)

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

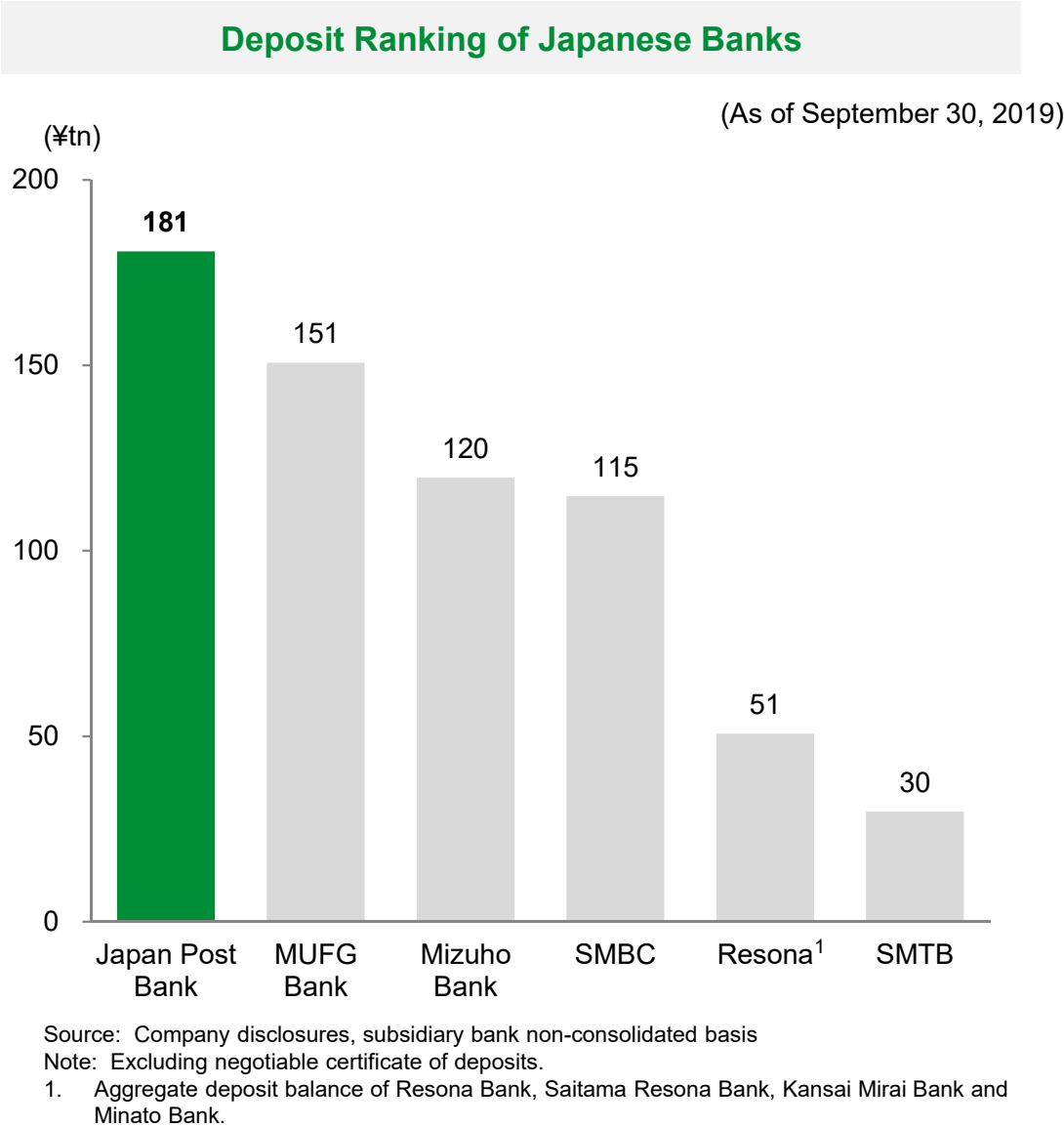
Asset Management

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

- Planning to diversify revenue sources 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



## 1. Maintained Stable Profit despite Economic Volatility

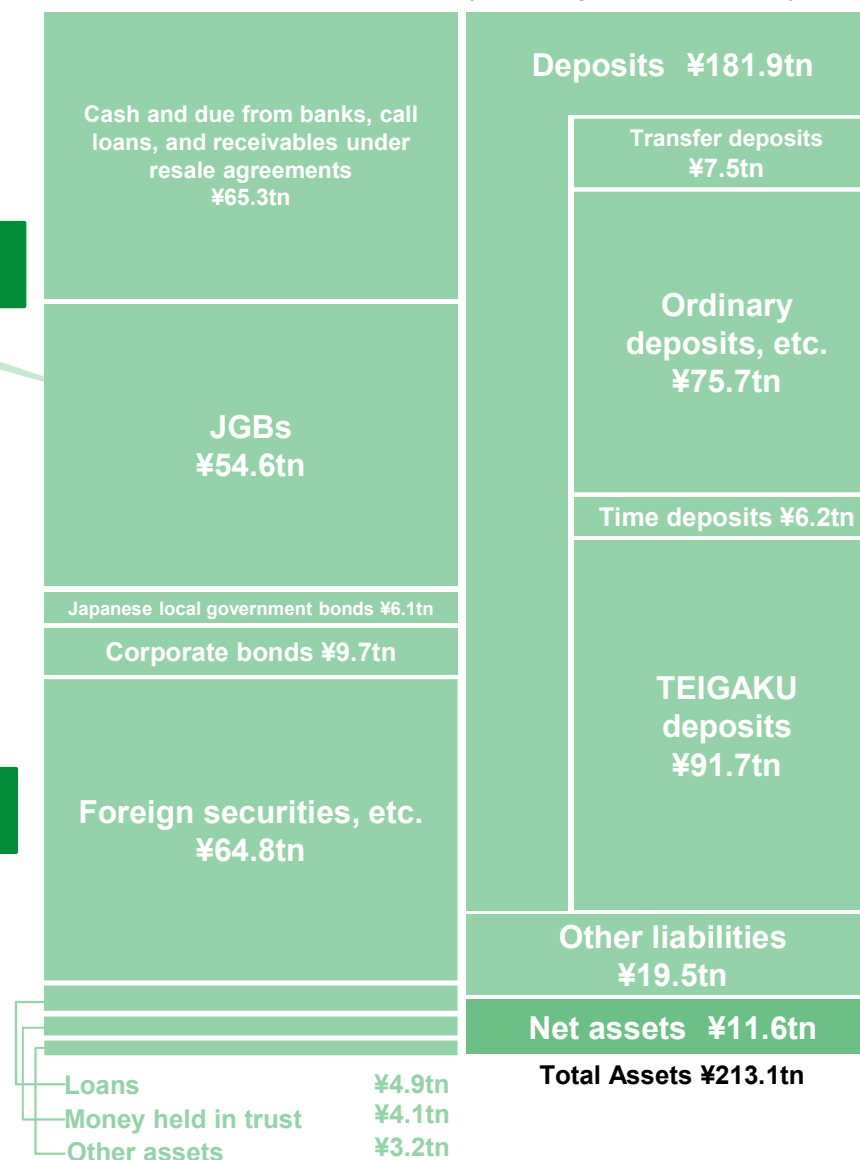
Condensed Balance Sheet (As of September 30, 2019)

## 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

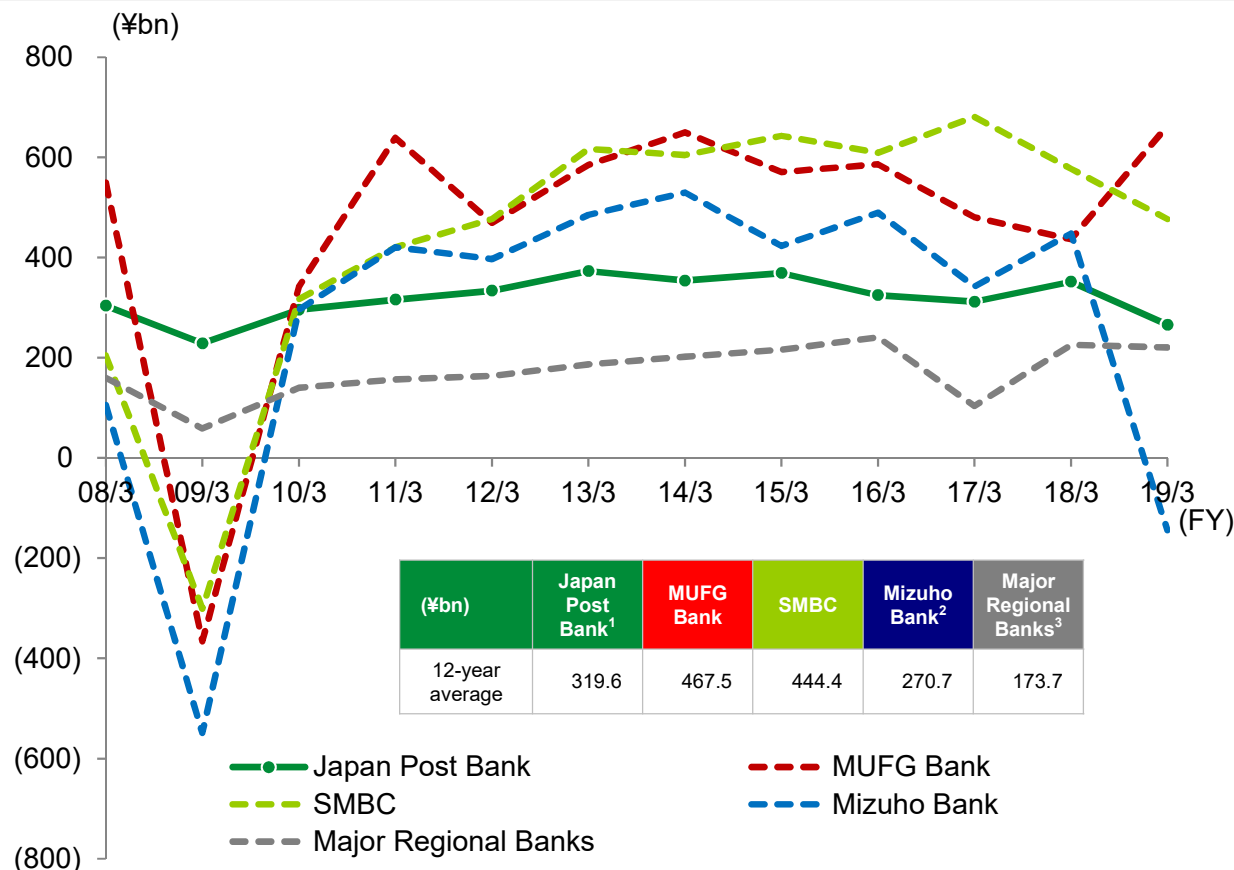


# Stable Profits through Retail Funding and Market Investment

Maintained stable profits up to FY2019/3 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)



Source: Company disclosures Note: 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 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).

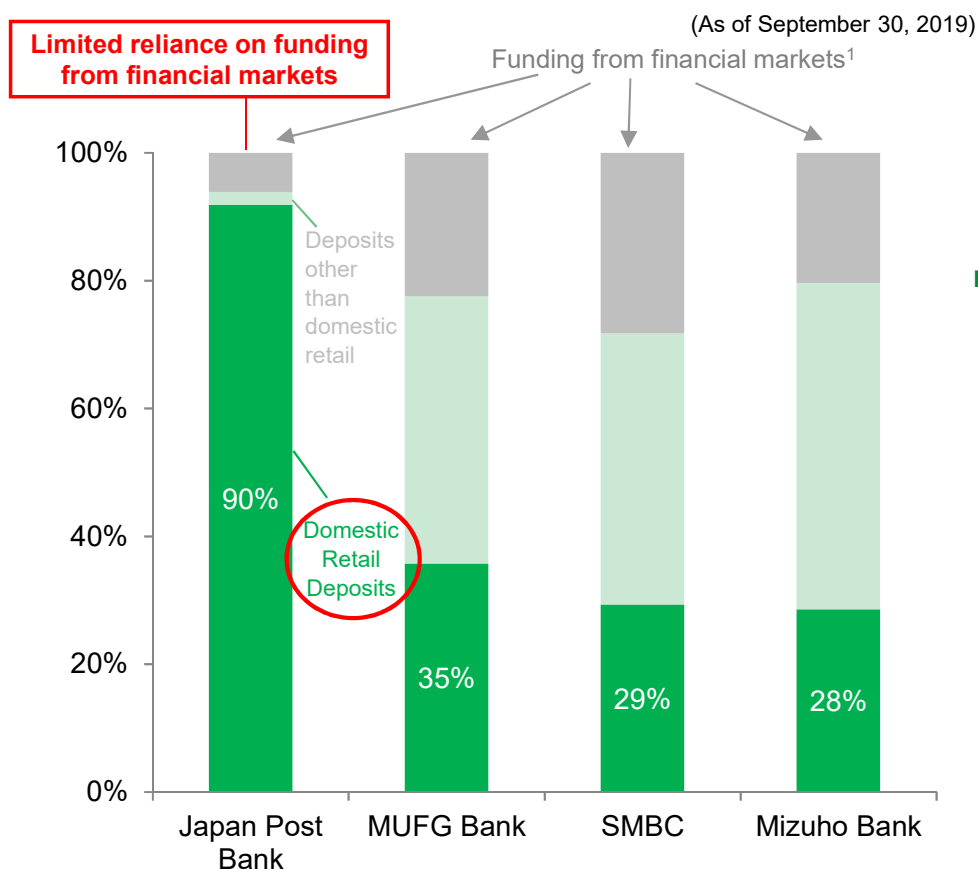
3. Major Regional Banks include The Bank of Yokohama, Shizuoka Bank, Chiba Bank, Joyo Bank (non-consolidated basis, a subsidiary of Mebuki FG) and Fukuoka FG (consolidated). Figures shown are the aggregate net income of these banks.



# 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



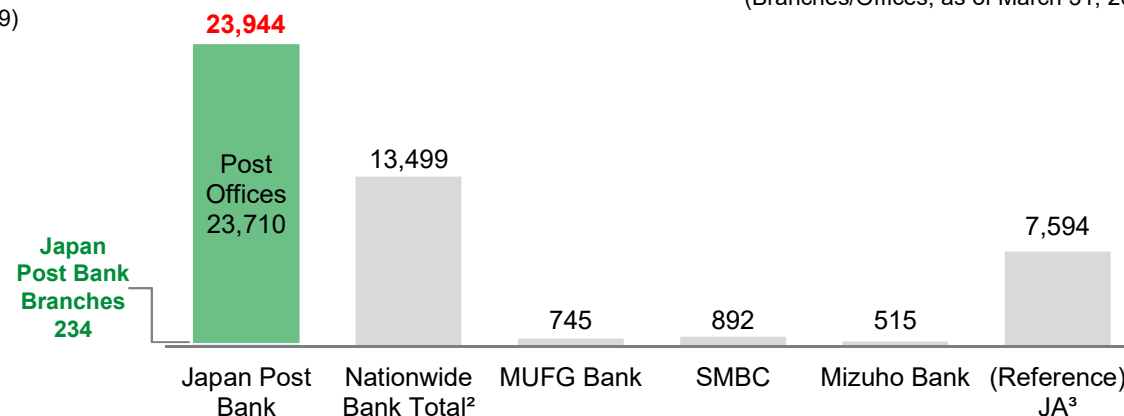
Source: Company disclosures

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.

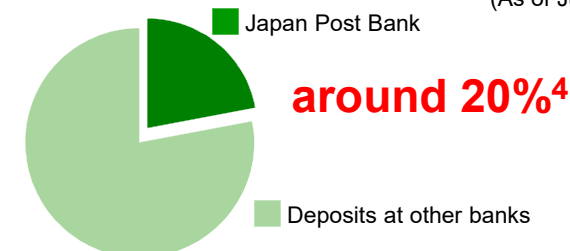
## Domestic Branch Network

(Branches/Offices, as of March 31, 2019)



## Estimated Share of Japan Post Bank Japanese Household Deposits

(As of June 30, 2019)



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

2. Nationwide bank total: domestic head office/branches and sub branches of 115 banks (excluding Japan Post Bank). Independent ATMs located outside of branches are not included in sub-branches, as of March 31, 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 June 30, 2019 / household deposits (from "Flow of Funds Accounts" released by Bank of Japan) as of June 2019.

# 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

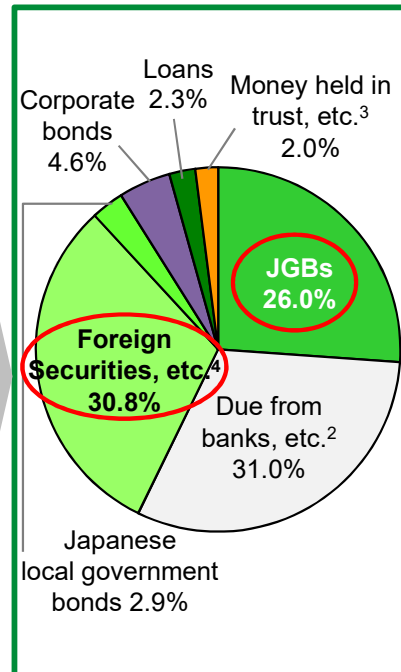
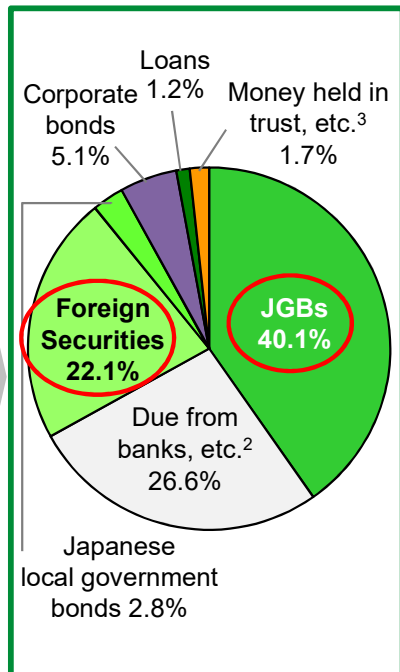
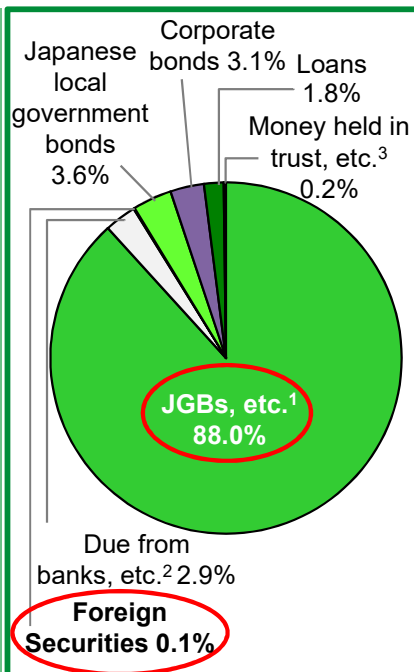
## Historical Spread etc.<sup>5</sup>

Upon Corporatization  
(October 1, 2007)

As of March 31, 2016

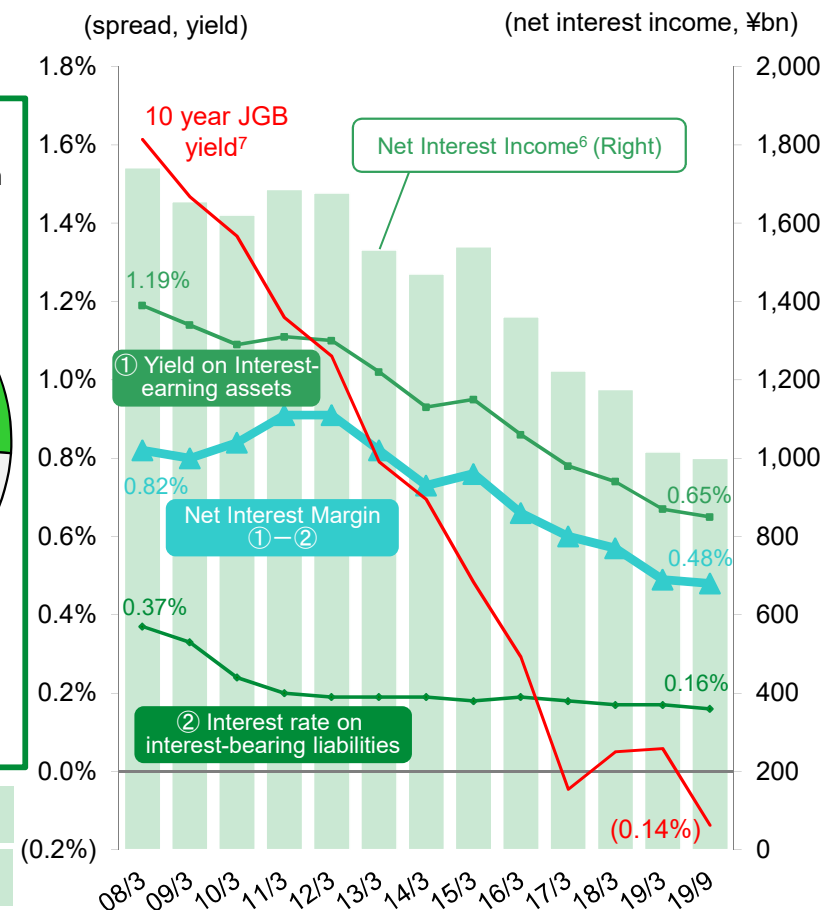
Current FY2020/3 1H  
(September 30, 2019)

Breakdown of Investment Portfolio



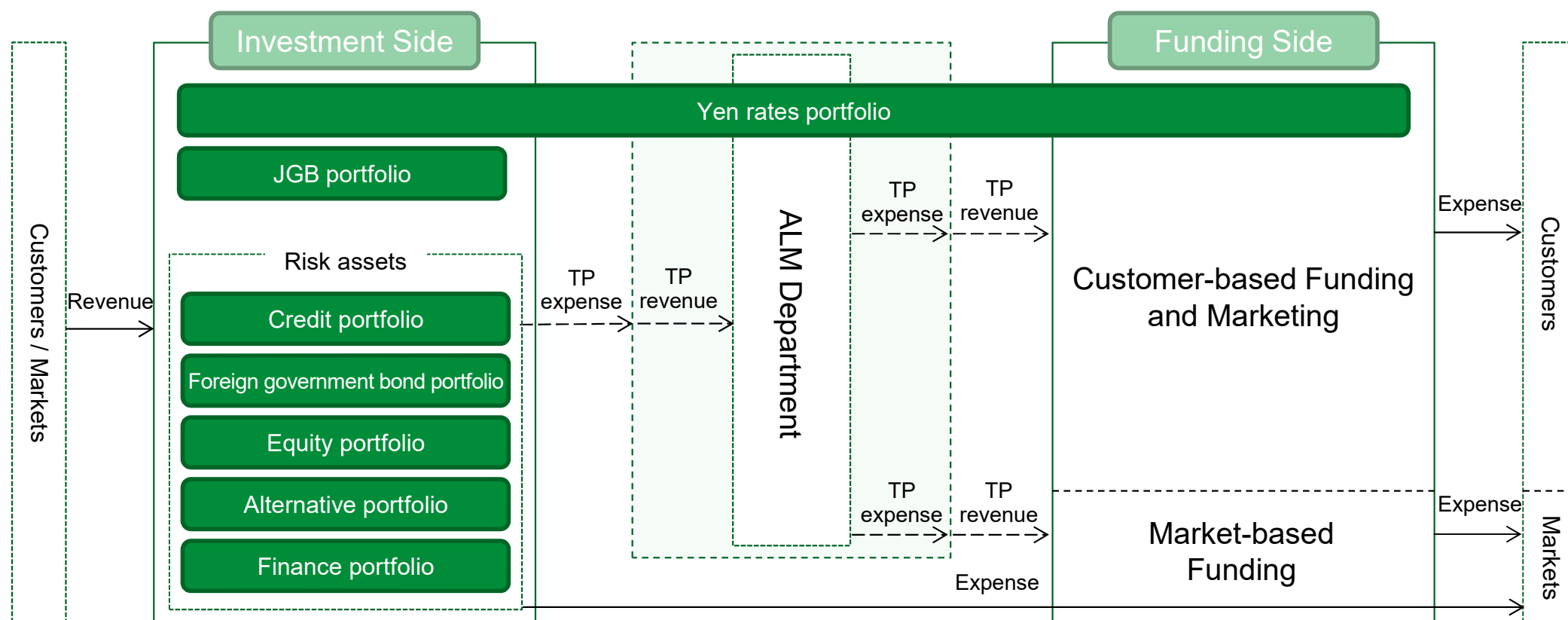
JGBs <sup>1</sup>	88.0%	40.1%	26.0%
Foreign Securities <sup>4</sup>	0.1%	22.1%	30.8%

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. Net interest income for FY2019/9 is annualized.
7. 10 year JGB yield is the average of the fiscal year. Figures are rounded.

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

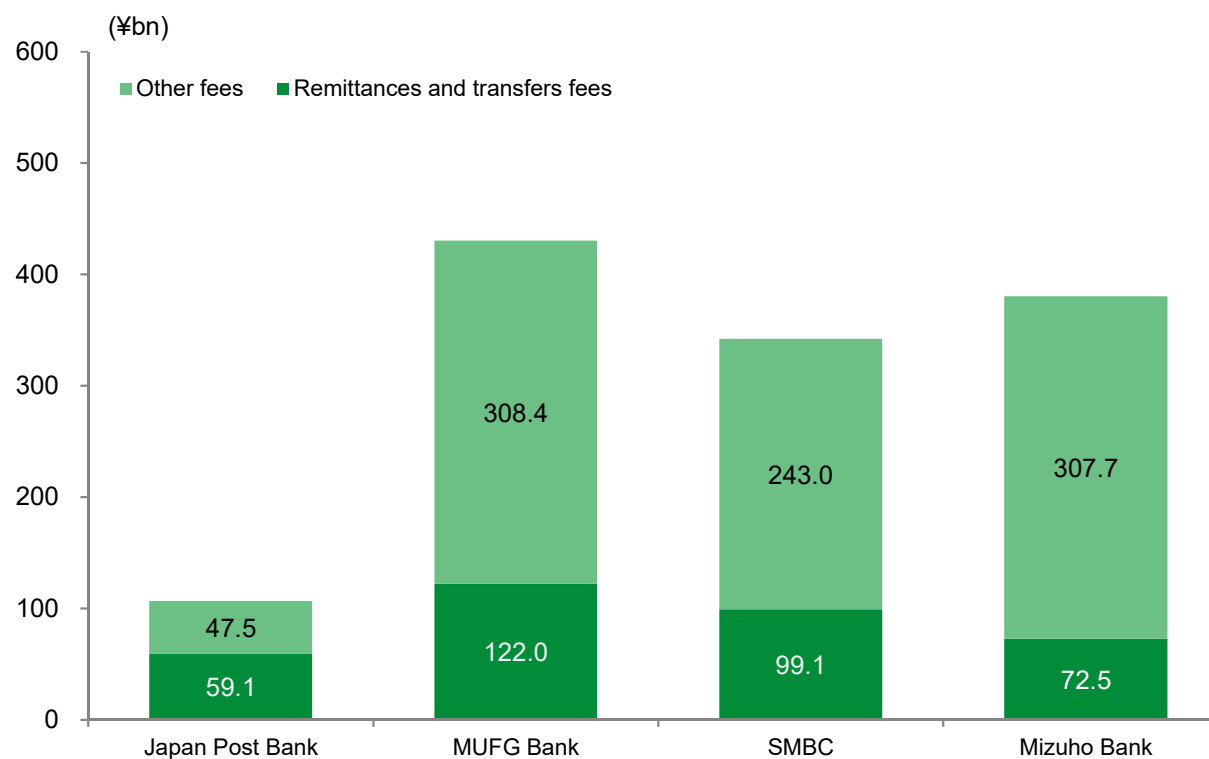


1. Transfer Price (TP): Transfer pricing was established for internal transactions using internal rates based on market interest rates.

# 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 (FY2019/3)



Source: Company disclosures

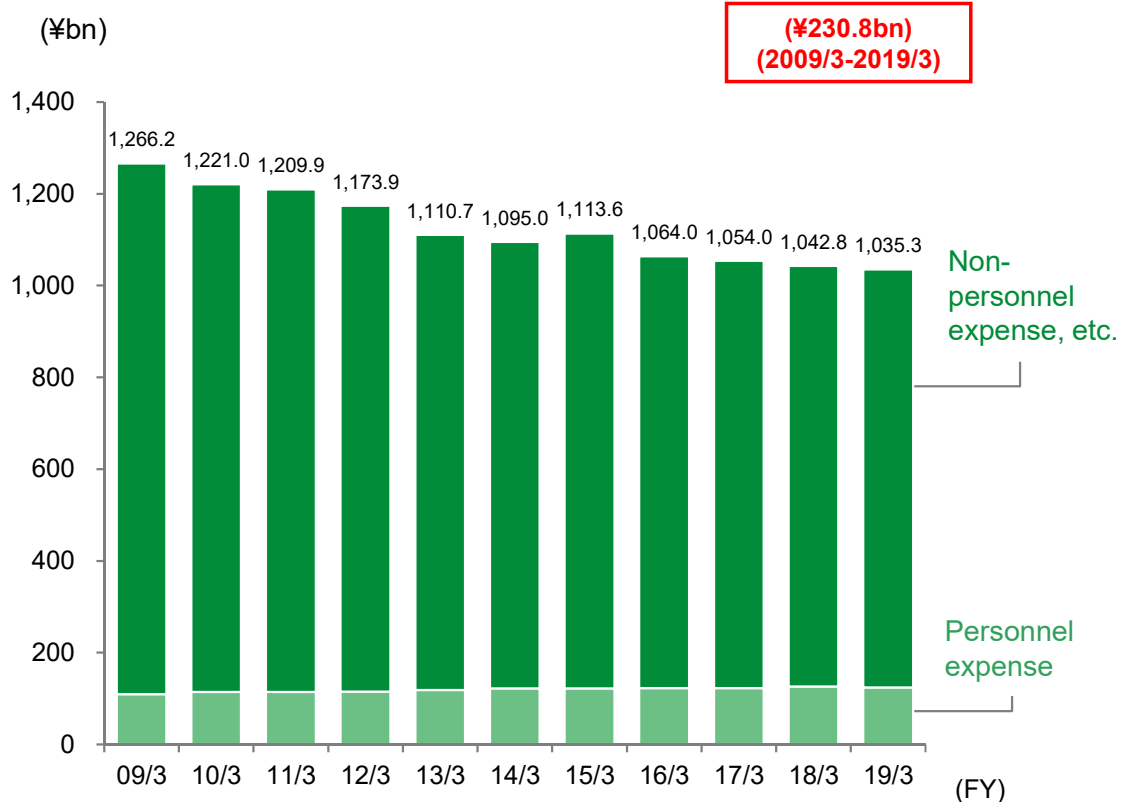
1. Fees and commission income — Fees and commission expenses.

2. Subsidiary bank non-consolidated basis.

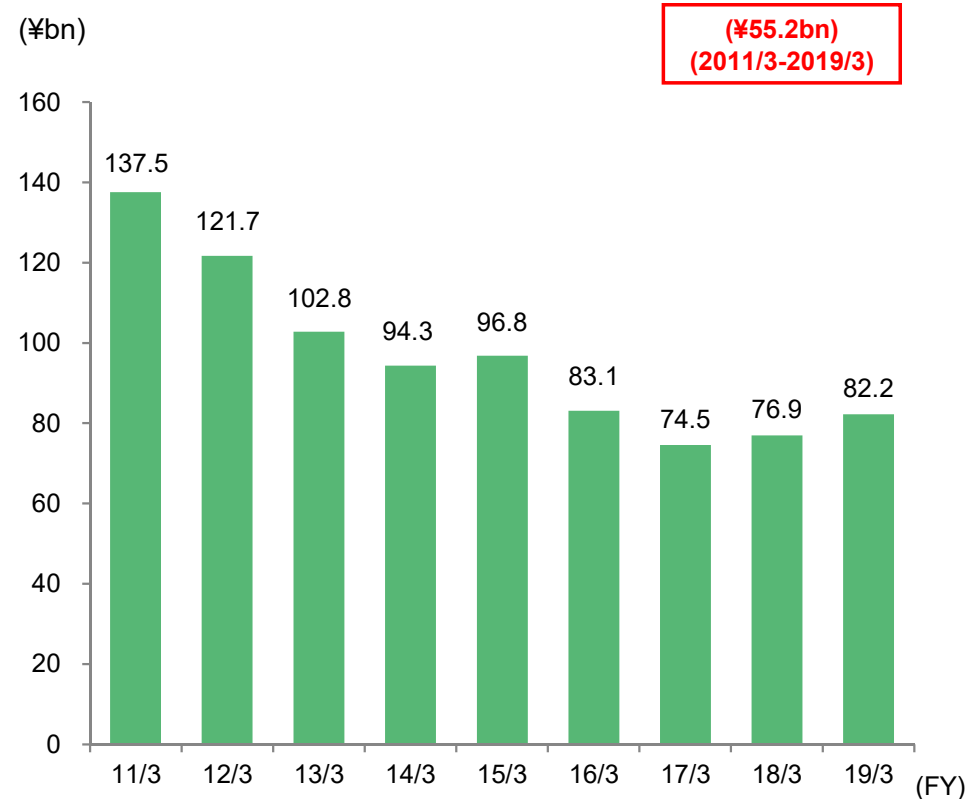
Seek to manage expenses by reducing costs through such initiatives as business process re-engineering, while maintaining the nationwide network of 24,000 post offices as our main channel

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

## G&A Expense



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



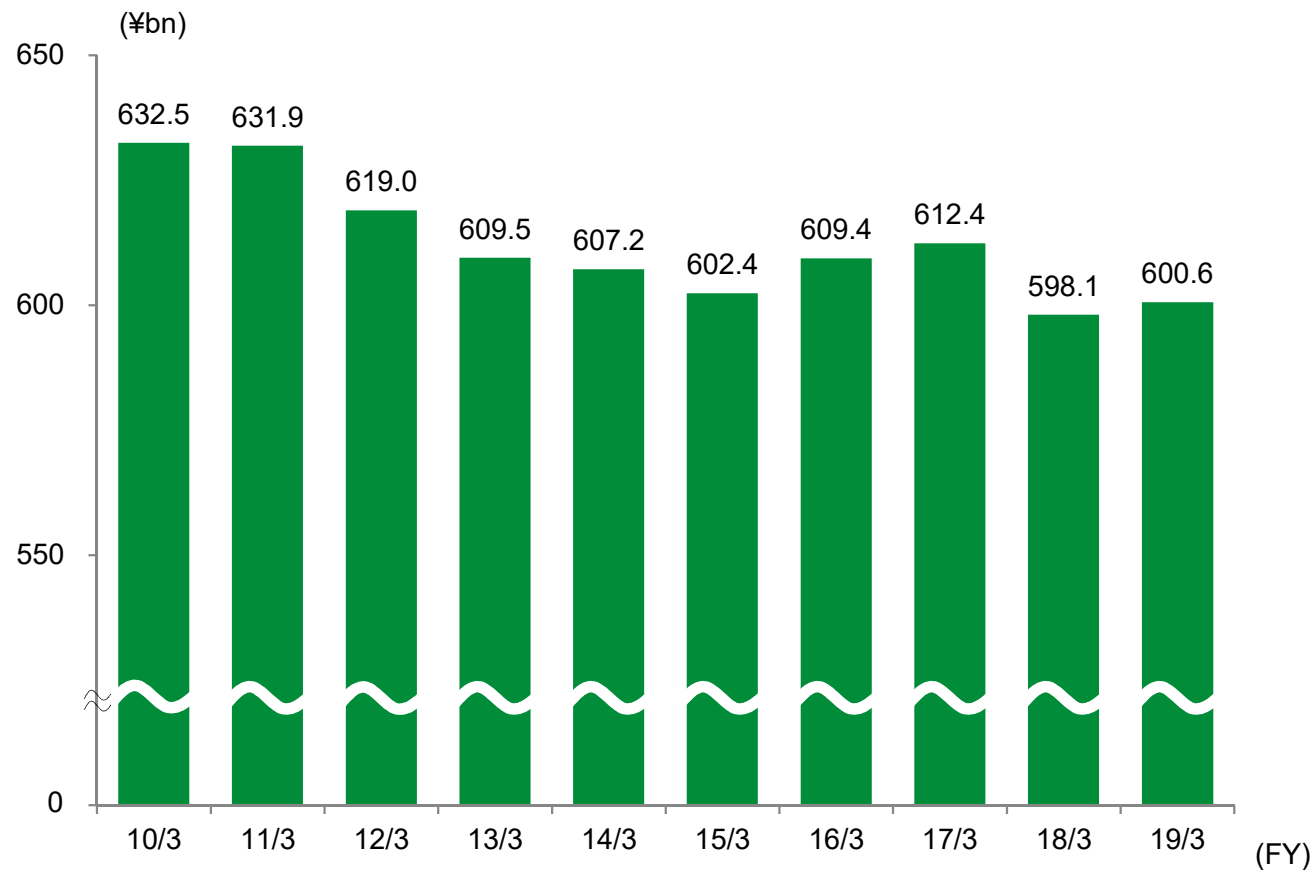
1. Management accounting basis.

# Agency Commissions 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



# 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 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

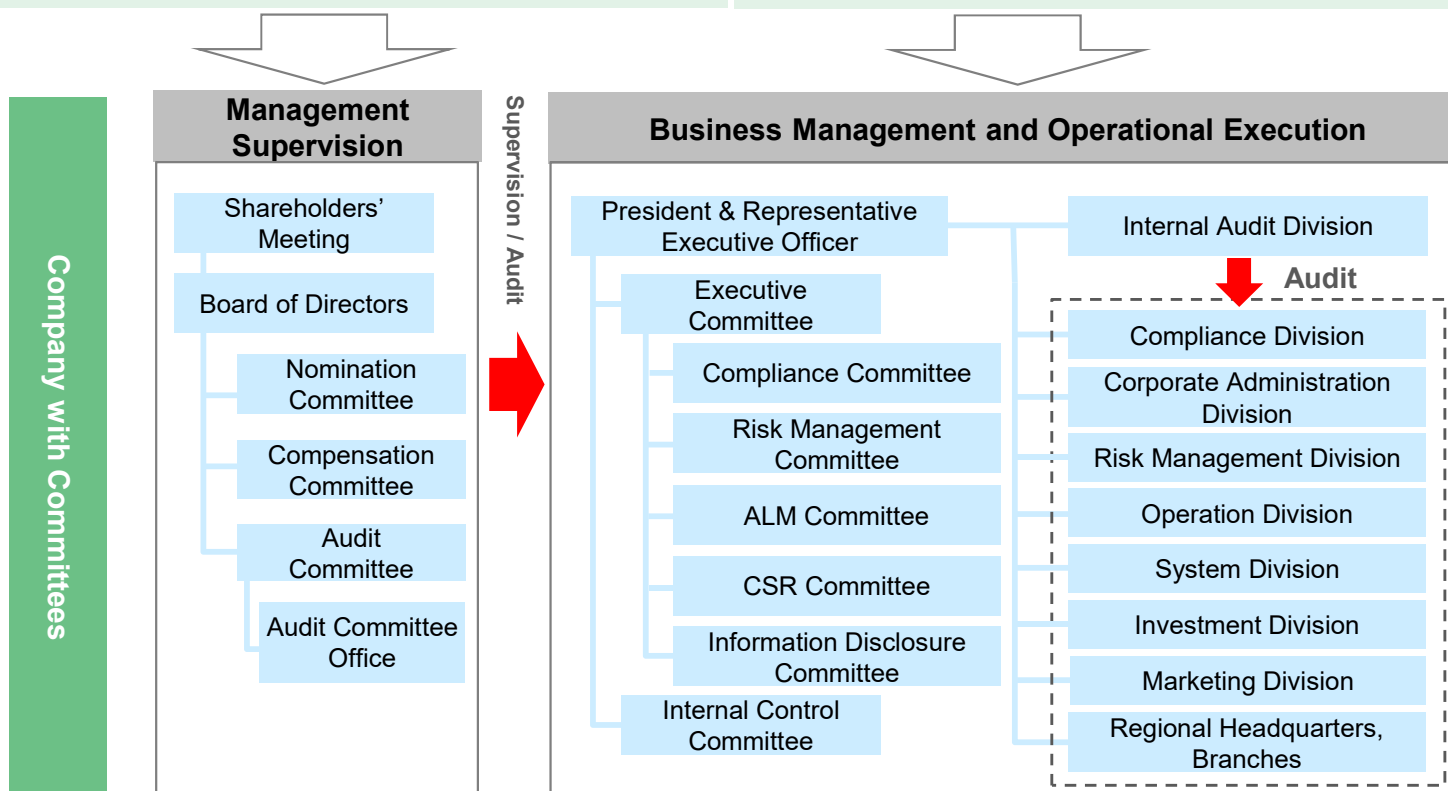
## Independence from Parent Company

- 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 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 (ordinary deposits:¥13mn/fixed-term deposits:¥13mn) are stipulated by the enforcement order of the Privatization Act</li></ul>		
<div><div></div><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:<div><div>(1) The date when Japan Post Holdings disposes of all its interest in Japan Post Bank</div><div>(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></div></div></div>				
New Business requiring approvals (Example)		<ul style="list-style-type: none"><li>■ Bi-lateral loans to corporations</li><li>■ Loans to individuals</li></ul>		<ul style="list-style-type: none"><li>■ Establishment/acquisition of subsidiaries with certain businesses</li><li>■ Merger, transfer of business, etc.</li></ul>



## <Disclaimer>

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Any uncertainties, risks and other factors that may cause such a situation to arise include, but are not limited to, risks related to the effectiveness of risk management policies and procedures; risks related to business strategy and management planning such as market risk, market liquidity risk, credit risk and operational risk; risks related to the expansion of the scope of operations; risks related to the business environment; and other various risks. Please also see the Securities Report and the latest quarterly financial report for material facts that Japan Post Bank recognizes as potentially affecting the Group’s actual results, performance or financial position. The Group’s actual results, performance or financial position may be materially different from those expressed or implied by such forward-looking statements.

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