

Company name: JAPAN POST BANK Co., Ltd.  
 Representative: Masatsugu Nagato, Director, President and Representative Executive Officer  
 (Securities Code: 7182 Tokyo Stock Exchange)

## **Earnings Forecasts for the Fiscal Year Ending March 31, 2016**

JAPAN POST BANK Co., Ltd. (“the Bank”) has announced its earnings forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016, “FY2016/3”), with details as follows.

**【Non-consolidated】** (Millions of yen, except for per share data and percentages)

Fiscal period Item	FY2016/3 (forecast)		Q1 FY2016/3 (actual)	FY2015/3 (actual)
		Change from the previous fiscal year		
Net ordinary income	¥ 460,000	(19.2%)	¥ 113,888	¥ 569,489
Net income	¥ 320,000	(13.3%)	¥ 79,270	¥ 369,434
Net income per share	¥ 85.34		¥ 21.14	¥ 89.58
Dividend per share	¥ 25.00		—	¥ 49.26

**Notes:**

1. Net income per share for the fiscal year ended March 31, 2015 (actual) and the three months ended June 30, 2015 (actual) are calculated based on the average number of issued shares during the period. Net income per share for the fiscal year ending March 31, 2016 (forecast) is calculated based on the projected average number of issued shares during the period.
2. The Bank conducted a 30-for-1 stock split of its common stock on August 1, 2015. In the table above, net income per share and dividend per share are calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2015.
3. Through the year ending March 31, 2018, the Bank aim to pay a stable per-share dividend by maintaining a dividend payout ratio of approximately 50% or more of the Bank net income for the relevant fiscal year. With respect to annual dividends for the year ending March 31, 2016, as the period between the expected date of the listing of the Bank shares and the record date for such annual dividends will be less than six months, the Bank intend to pay annual dividends in an amount of approximately 25% or more of the Bank net income for the same year.
4. The Bank does not prepare consolidated financial statements because it does not have any subsidiaries.

## 【Assumptions for Earnings Forecasts for the Fiscal Year Ending March 31, 2016】

The Bank has adopted a business model focused on being (1) a retail financial institution that caters to all segments of society and (2) one of the largest institutional investors in Japan. Accordingly, the Bank's core business has two main dimensions. The first is to provide financial services that contribute to the daily lives and asset formation needs of around 120 million individual customers through the Bank's main marketing channel—the post office network of JAPAN POST Co., Ltd. The second is to invest its customers' deposits in securities. Given the characteristics of this business, the Bank is susceptible to the impact of trends in market interest rates. The Bank will be striving to secure stable profit even under the severe business environment, by placing top priority on “increase assets under management,” “diversification and sophistication of investment,” “increase in fees and commissions” and “cost reduction”.

(Earnings Forecasts for the Fiscal Year Ending March 31, 2016)

For management accounting purposes, the Bank's earnings comprise two main components: (1) net interest income, etc. and (2) net fees and commissions. Net ordinary income represents these two earnings components less (3) general and administrative expenses.

(1) Net interest income, etc. is calculated as “(interest income - interest expenses) + (other operating income - other operating expenses) + (gains on money held in trust - losses on money held in trust).”

(2) Net fees and commissions are calculated as “fees and commissions income - fees and commissions expenses.”

Forecasts of each of these items for the fiscal year ending March 31, 2016 are as follows. For the purposes of our earnings forecasts, we have not assumed any easing of regulations governing the Bank based on the Postal Services Privatization Act or the Bank obtaining regulatory approval for any new services.

(1) Net Interest Income, etc.

The Bank's asset-liability management (ALM) framework classifies assets under management into two categories: a base portfolio and a satellite portfolio. The base portfolio is designed to generate stable income through investment in Japanese Government Bonds (JGBs) and other securities, while managing interest and liquidity risk. Meanwhile, the satellite portfolio seeks to generate income mainly by assuming credit and market risk. Specifically, this involves investment primarily in corporate bonds, foreign securities, and stocks (money held in trust).

For the fiscal year ending March 31, 2016, the Bank is forecasting net interest income, etc. of ¥896,000 million from the base portfolio, a decrease of 20% from the previous fiscal year. This forecast reflects the fact that the high-yield assets acquired by the Bank in the past are now maturing and will be successively replaced by low-yield assets amid the projected continuation of a historically low interest rate environment. Meanwhile, in order to offset the projected decline in income from the base portfolio, the Bank will increase the satellite portfolio balance, centered on foreign securities, while managing risk appropriately in tandem with monitoring market trends and other factors. Through these efforts, the Bank will aim to achieve the targeted satellite portfolio balance of ¥60 trillion as of March 31, 2018 under the Japan Post Group Medium-Term Management Plan. For the fiscal year ending March 31, 2016, the Bank is forecasting net interest income, etc. of ¥548,000 million from the satellite portfolio, an increase of 17% from the previous fiscal year. Consequently, overall net interest income, etc. is forecast at ¥1,444,000 million, a decrease of 9% from the previous fiscal year.

These earnings forecasts assume that that JGB yields and U.S. Treasury yields will track the implied forward rates as of December 31, 2014. The forecasts also assume that share prices and exchange rates will remain constant at the levels prevailing as of December 31, 2014. Based on these assumptions, the Bank has made the following assumptions regarding the financial market environment as of March 31, 2016:

10-year JGB yield: 0.47%

10-year U.S. Treasury yield: 2.70%

TOPIX: 1,407 points

Exchange rate (USD/JPY): \$1=¥120

## (2) Net Fees and Commissions

The Bank expects sales of investment trusts to increase 11% year on year to ¥420,000 million, based on training, staff increases, and other initiatives targeting sales consultant personnel. Combined with measures to enhance the convenience of ATMs and increase their usage, net fees and commissions are projected to increase 3% year on year to ¥92,000 million. Moreover, a new asset management company that the Bank will jointly establish with Sumitomo Mitsui Trust Bank, Limited, Nomura Holdings, Inc. and JAPAN POST Co., Ltd. will develop new products and commence sales via the Bank and JAPAN POST Co., Ltd. (post offices) from February 2016 onward. Accordingly, the Bank expects the new company to have a negligible impact on earnings for the fiscal year ending March 31, 2016.

### (3) General and Administrative Expenses

Deposit insurance expenses paid to Deposit Insurance Corporation of Japan and other related expenses are projected to decrease by ¥48,000 million in line with a reduction in the deposit insurance premium rate from 0.07% to 0.042%.

Commissions on bank agency services paid to JAPAN POST Co., Ltd. are projected to increase 0.4% year on year to ¥605,000 million, mainly reflecting the impact of increases in deposits and sales of investment trusts.

Coupled with efforts to reduce expenses, the Bank is forecasting general and administrative expenses of ¥1,075,000 million, a decrease of 3% from the previous fiscal year.

As a result of the above, for the fiscal year ending March 31, 2016, the Bank is forecasting net ordinary income of ¥460,000 million, a decrease of 19% year on year, and net income of ¥320,000 million, a decrease of 13% year on year.

#### (Cautionary Statement on Forward-looking Statements)

This press release contains forward-looking statements including the Bank's earnings forecasts. These statements are based on information currently available to the Bank and certain assumptions judged to be reasonable at the time of this document's publication. Actual results may differ materially from those described in this press release due to various factors, including fluctuations in market interest rates, foreign exchange rates and general market and economic conditions.