

# **Selected Financial Information**

## **For the Nine Months Ended December 31, 2016**



**JAPAN POST BANK Co., Ltd.**  
**February 14, 2017**

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

## Financial Highlights

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# 1. Overview of FY2017/3 3Q Results

- Gross operating profit for the nine months ended December 31, 2016 decreased by ¥68.8 bn year-on-year to ¥1,069.1 bn. Net interest income decreased by ¥99.3 bn year-on-year, mainly due to a decrease in interest on Japanese government bonds. Net fees and commissions decreased by ¥4.8 bn year-on-year. Net other operating income increased by ¥35.3 bn year-on-year, due to an increase in gains (losses) on foreign exchanges, etc.
- General and administrative expenses decreased by ¥4.9 bn year-on-year to ¥796.1 bn.
- In the adverse business environment with interest rates remained at a low level, net operating profit decreased by ¥63.9 bn year-on-year to ¥272.9 bn.
- Non-recurring gains (losses) decreased by ¥12.5 bn year-on-year, due to a decrease in gains (losses) on money held in trust, etc. Net ordinary income decreased by ¥76.4 bn year-on-year to ¥312.5 bn.
- Net income decreased by ¥43.1 bn year-on-year to ¥222.9 bn, which equated to 74.3% of the earnings forecasts of ¥300.0 bn in net income for the fiscal year ending March 31, 2017, generally in accordance with the Bank's plan.

## Results of Operations

(¥bn, %)

	For the nine months ended December 31, 2016
Ordinary income	1,405.9
Increase (decrease) from the nine months ended December 31, 2015	(100.1) (6.6)%
Net ordinary income	312.5
Increase (decrease) from the nine months ended December 31, 2015	(76.4) (19.6)%
Net income	222.9
Increase (decrease) from the nine months ended December 31, 2015	(43.1) (16.2)%

(¥bn, %)

	Earnings forecasts for the fiscal year ending March 31, 2017	Progress
Net ordinary income	420.0	74.4%
Net income	300.0	74.3%

# 1. Overview of FY2017/3 3Q Results

## Results of Operations

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Gross operating profit	<b>1,069.1</b>	1,137.9	(68.8)
Net interest income	<b>961.4</b>	1,060.7	(99.3)
Net fees and commissions	<b>65.8</b>	70.7	(4.8)
Net other operating income (loss)	<b>41.8</b>	6.5	35.3
Gains (losses) on foreign exchanges	<b>42.0</b>	6.6	35.3
Gains (losses) on bonds	<b>(1.9)</b>	(0.1)	(1.8)
General and administrative expenses (*)	<b>796.1</b>	801.1	(4.9)
Provision for general reserve for possible loan losses	<b>0.0</b>	(0.0)	0.0
Net operating profit	<b>272.9</b>	336.9	(63.9)
Non-recurring gains (losses)	<b>39.6</b>	52.1	(12.5)
Gains (losses) on money held in trust	<b>40.0</b>	49.1	(9.1)
Net ordinary income	<b>312.5</b>	389.0	(76.4)
Net income	<b>222.9</b>	266.0	(43.1)
ROE (**) (***)	<b>2.54%</b>	3.08%	(0.53)%
OHR (****)	<b>74.46%</b>	70.39%	4.07 %

## Financial Condition

	As of		
	December 31, 2016 (A)	March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Assets	<b>210,192.0</b>	207,056.0	3,136.0
Cash and due from banks	<b>49,416.9</b>	45,895.0	3,521.8
Call loans	<b>510.0</b>	978.8	(468.8)
Receivables under securities borrowing transactions	<b>8,239.9</b>	7,923.2	316.6
Money held in trust	<b>3,754.3</b>	3,561.1	193.2
Securities	<b>142,016.4</b>	144,076.8	(2,060.3)
Loans	<b>3,789.3</b>	2,542.0	1,247.2
Liabilities	<b>198,463.8</b>	195,547.8	2,915.9
Deposits	<b>180,082.8</b>	177,871.9	2,210.8
Payables under securities lending transactions	<b>13,420.8</b>	13,123.5	297.3
Net assets	<b>11,728.1</b>	11,508.1	220.0
Total shareholders' equity	<b>8,640.2</b>	8,605.2	35.0
Total valuation and translation adjustments	<b>3,087.9</b>	2,902.8	185.0

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

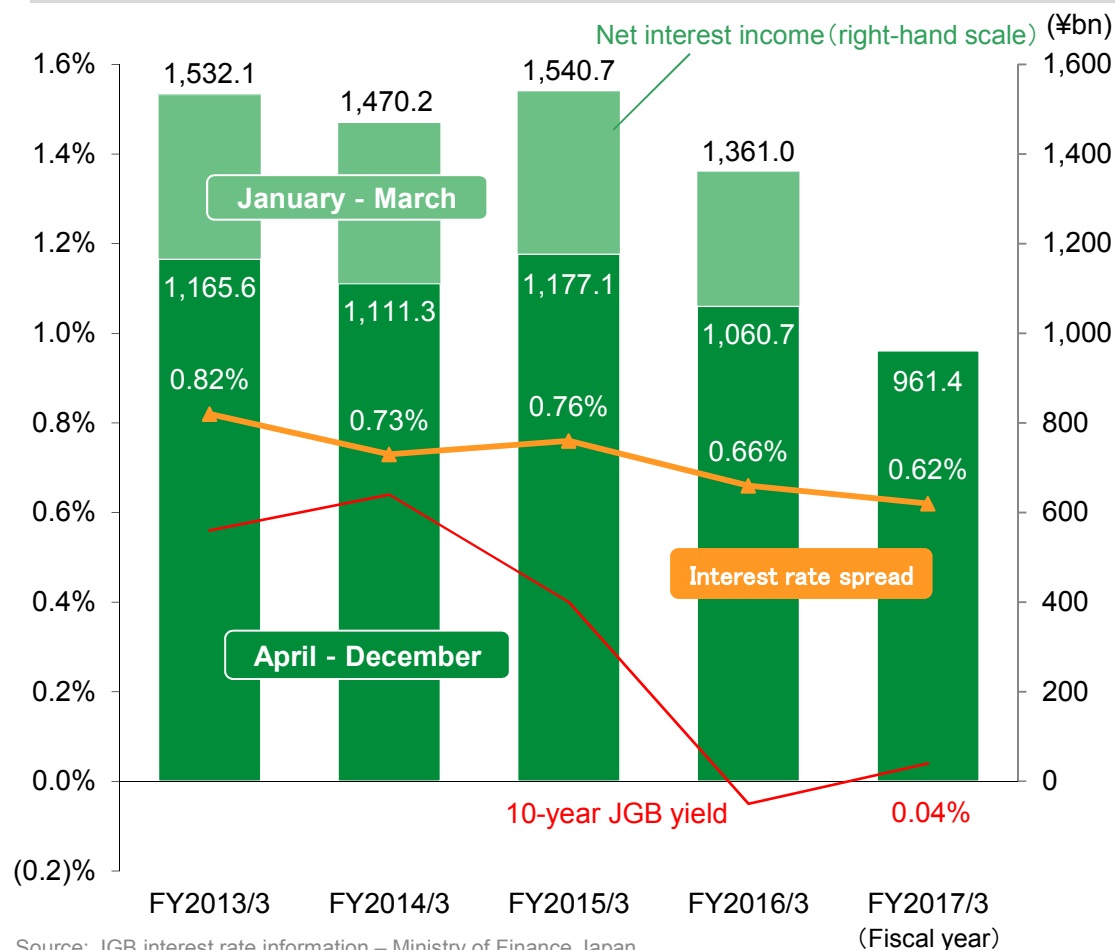
\*\* ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100

\*\*\* ROE is annualized.

\*\*\*\* OHR = (general and administrative expenses / gross operating profit) x 100

## 2. Trend of Net Interest Income and Interest Rate Spread

■ Net interest income was ¥961.4 bn and interest rate spread was 0.62% for the nine months ended December 31, 2016.



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 FY2013/3 – FY2016/3 are the figures for the relevant fiscal years, while interest rate spread of FY2017/3 is the figure for the nine months ended December 31, 2016. Interest rate spread of FY2017/3 is annualized.

Domestic (¥bn)			
	For the nine months ended		Increase (Decrease)
	December 31, 2016 (A)	December 31, 2015 (B)	(A) – (B)
Net interest income	638.7	763.9	(125.2)
Interest income	823.1	973.8	(150.6)
Interest income on Japanese government bonds	614.4	746.3	(131.9)
Interest expenses	184.4	209.8	(25.3)

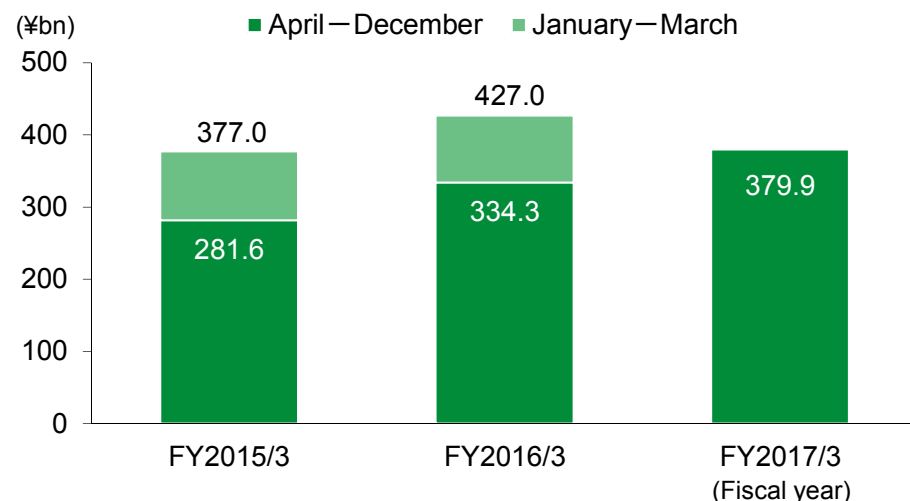
Overseas (¥bn)			
	For the nine months ended		Increase (Decrease)
	December 31, 2016 (A)	December 31, 2015 (B)	(A) – (B)
Net interest income	322.7	296.7	25.9
Interest income	467.5	425.4	42.1
Interest income on foreign securities	466.5	421.5	45.0
Interest expenses	144.8	128.6	16.1

Total (¥bn)			
	For the nine months ended		Increase (Decrease)
	December 31, 2016 (A)	December 31, 2015 (B)	(A) – (B)
Net interest income	961.4	1,060.7	(99.3)
Interest income	1,216.9	1,338.5	(121.6)
Interest expenses	255.5	277.8	(22.3)

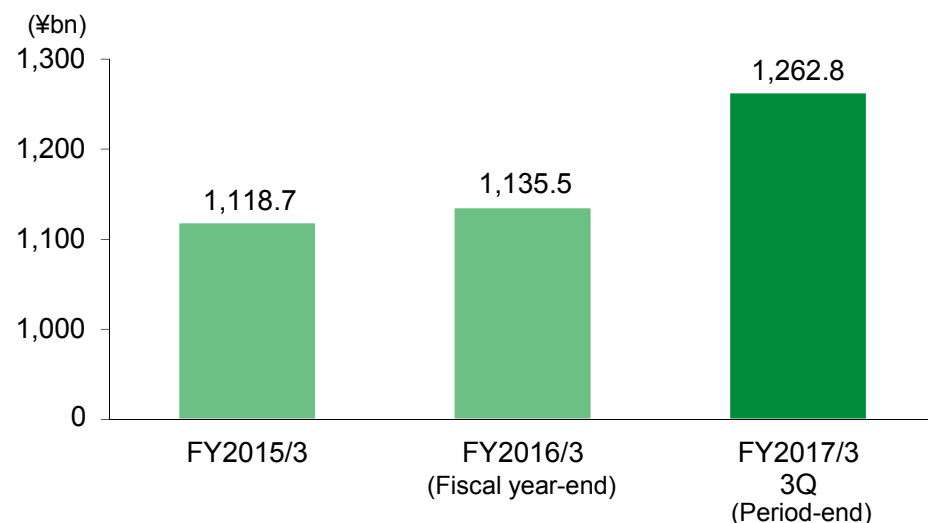
### 3. Net Fees and Commissions

■ Net fees and commissions for the nine months ended December 31, 2016 decreased by ¥4.8 bn year-on-year to ¥65.8 bn.

#### Trend of Investment Trusts Sales



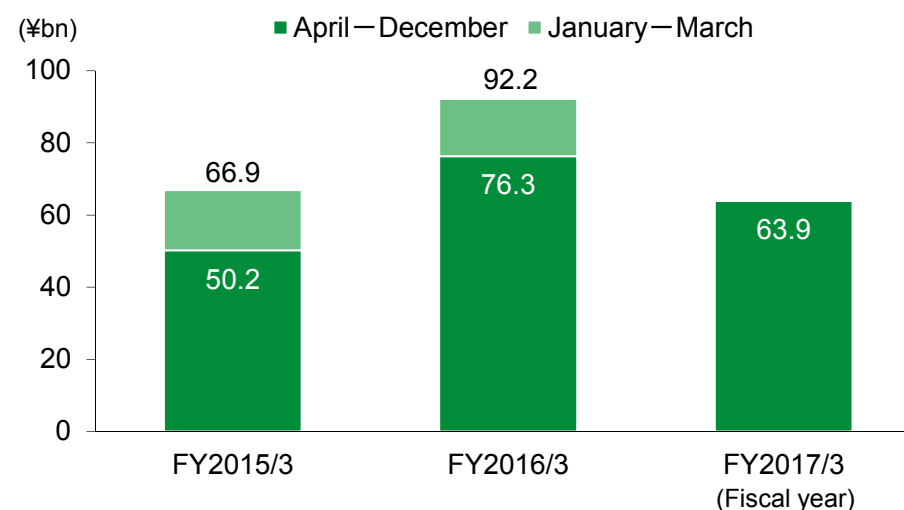
#### Trend of Net Assets of Investment Trusts



(¥bn)

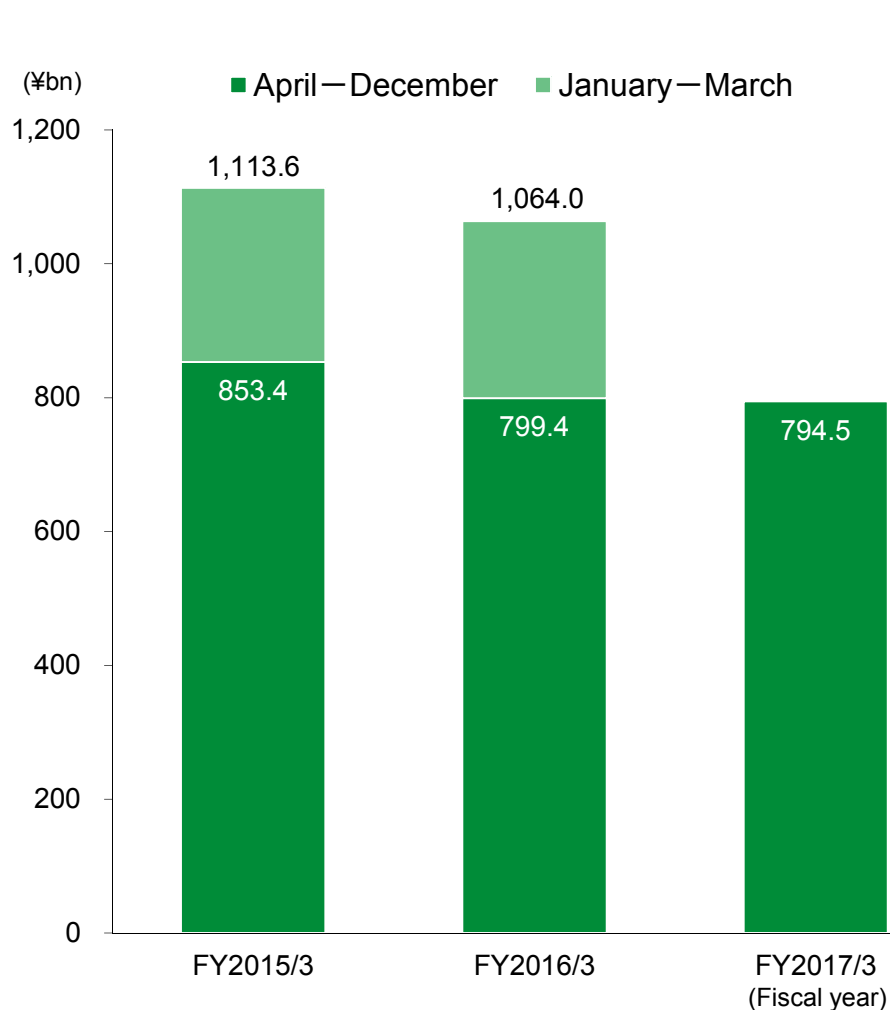
	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Net fees and commissions relating to	65.8	70.7	(4.8)
Exchange and settlement transactions	45.1	45.5	(0.3)
ATMs	5.5	5.7	(0.2)
Investment trusts	7.7	10.4	(2.7)
Others	7.4	8.9	(1.4)

#### Trend of Variable Annuities Policies Sales



## 4. Trend of General and Administrative Expenses

■ General and administrative expenses for the nine months ended December 31, 2016 decreased by ¥4.8 bn year-on-year to ¥794.5 bn.



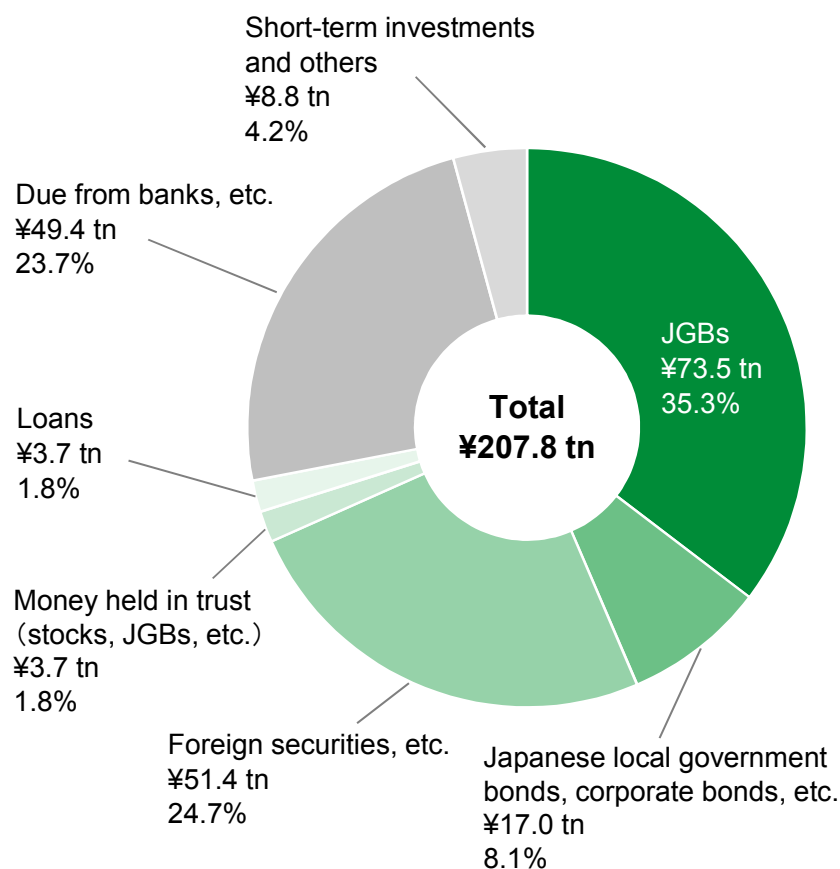
	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Personnel expenses (*)	93.2	91.9	1.3
Salaries and allowances	76.7	75.8	0.8
Non-personnel expenses	643.2	650.5	(7.2)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	462.5	460.8	1.6
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.	6.2	7.3	(1.1)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	49.6	48.3	1.2
Taxes and dues	58.0	56.9	1.0
Total	794.5	799.4	(4.8)

\* Personnel expenses include non-recurring losses.



## 5. Asset Management Status

■ Included in investment assets as of December 31, 2016, JGBs were ¥73.5 tn and foreign securities, etc. were ¥51.4 tn.



(¥bn)					
Categories	As of December 31, 2016 (A)	%	As of March 31, 2016 (B)	%	Increase (Decrease) (A) – (B)
Securities	142,016.4	68.3	144,076.8	70.3	(2,060.3)
Japanese government bonds	73,500.0	35.3	82,255.6	40.1	(8,755.5)
Japanese local government bonds, corporate bonds, etc. (*)	17,038.0	8.1	16,425.6	8.0	612.3
Foreign securities, etc.	51,478.4	24.7	45,395.5	22.1	6,082.8
Foreign bonds	21,236.7	10.2	19,829.5	9.6	1,407.2
Investment trusts	30,193.1	14.5	25,520.9	12.4	4,672.2
Money held in trust (stocks, JGBs, etc.)	3,754.3	1.8	3,561.1	1.7	193.2
Domestic stocks	2,093.6	1.0	1,878.6	0.9	215.0
Loans	3,789.3	1.8	2,542.0	1.2	1,247.2
Due from banks, etc. (**)	49,425.7	23.7	45,769.1	22.3	3,656.6
Short-term investments and others (***)	8,853.3	4.2	8,927.5	4.3	(74.2)
Total	207,839.1	100.0	204,876.6	100.0	2,962.5

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

\*\* "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

\*\*\* "Short-term investments and others" consists of call loans and receivables under securities borrowing transactions, etc.

## 5. Asset Management Status

- Net unrealized gains on available-for-sale securities after taking into consideration of gains (losses) from hedge accounting were ¥4,452.6 bn as of December 31, 2016 (before application of tax effect accounting).

(¥bn)

	As of December 31, 2016		As of March 31, 2016	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Held-to-maturity securities	42,842.9	1,580.9	52,052.5	2,208.3

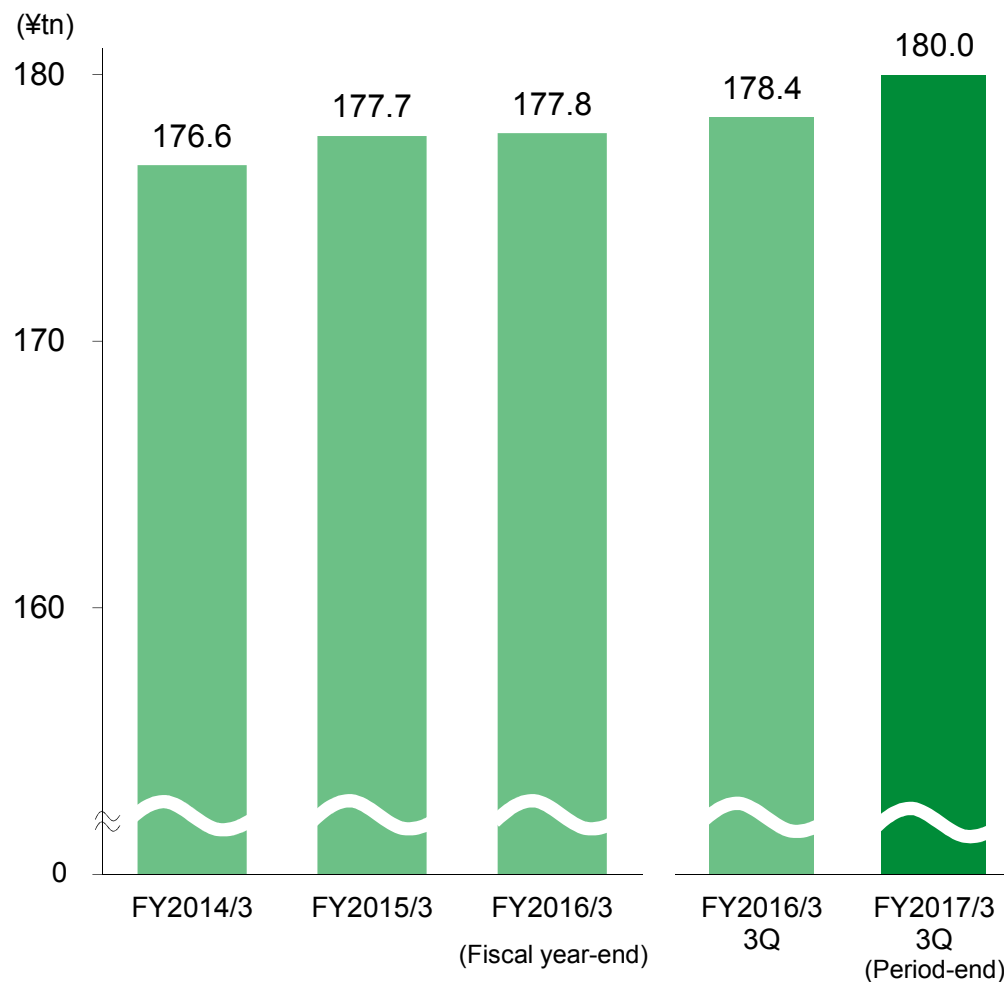
(¥bn)

	As of December 31, 2016		As of March 31, 2016	
	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	103,123.8	4,783.7	95,847.5	4,791.7
Available-for-sale securities (*) (A)	99,371.3	3,893.2	92,286.3	3,872.4
Japanese government bonds	33,858.9	1,394.8	34,358.2	1,744.7
Foreign bonds	21,158.9	1,992.0	19,732.7	1,967.8
Investment trusts	30,114.3	290.1	25,520.9	(128.0)
Others	14,239.1	216.1	12,674.4	287.9
Effect of fair value hedge accounting (B)		(196.7)		35.3
Money held in trust (*) (C)	3,752.5	1,087.1	3,561.1	883.8
Domestic stocks	2,093.6	1,045.5	1,878.6	829.8
Others	1,658.8	41.6	1,682.4	54.0
Derivatives for which deferred hedge accounting is applied (D)	7,888.0	(331.0)	7,719.8	(605.3)
Total (A) + (B) + (C) + (D)		4,452.6		4,186.4

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

## 6. Trend of Deposit Balance

■ Deposit balance as of December 31, 2016 was ¥180.0 tn, which remained stable.



	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Liquid deposits	67.2	63.8	3.4
Transfer deposits	12.8	13.8	(1.0)
Ordinary deposits, etc.	54.0	49.5	4.4
Savings deposits	0.3	0.3	0.0
Fixed-term deposits	112.7	113.8	(1.1)
Time deposits	10.3	11.4	(1.0)
TEIGAKU deposits, etc.	102.3	102.4	(0.0)
Other deposits	0.1	0.1	(0.0)
Total	180.0	177.8	2.2

(¥tn)

## 7. Trend of Capital Adequacy Ratio

■ Capital adequacy ratio (non-consolidated, domestic standard) was 22.22% as of December 31, 2016.



	As of December 31, 2016 (A)	As of March 31, 2016 (B)	(¥bn, %) Increase (Decrease) (A) – (B)
Total capital (a)	8,628.3	8,499.3	129.0
Total amount of risk-weighted assets (b)	38,814.7	32,218.5	6,596.2
Credit risk-weighted assets	35,898.6	29,253.2	6,645.4
Capital adequacy ratio (a) / (b)	22.22%	26.38%	(4.15)%

## Financial Data

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# 1. Summarized Balance Sheets

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
<b>Total assets</b>	<b>210,192,072</b>	<b>207,056,039</b>	<b>3,136,032</b>
Cash and due from banks	49,416,930	45,895,068	3,521,861
Call loans	510,000	978,837	(468,837)
Receivables under securities borrowing transactions	8,239,900	7,923,229	316,670
Monetary claims bought	214,885	178,509	36,376
Trading account securities	44	187	(142)
Money held in trust	3,754,357	3,561,110	193,246
Securities	142,016,474	144,076,834	(2,060,359)
Loans	3,789,308	2,542,049	1,247,258
Foreign exchanges	40,261	25,328	14,932
Other assets	1,987,175	1,573,316	413,858
Tangible fixed assets	179,906	182,733	(2,826)
Intangible fixed assets	43,934	44,865	(931)
Customers' liabilities for acceptances and guarantees	—	75,000	(75,000)
Reserve for possible loan losses	(1,105)	(1,030)	(75)

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
<b>Total liabilities and net assets</b>	<b>210,192,072</b>	<b>207,056,039</b>	<b>3,136,032</b>
<b>Total liabilities</b>	<b>198,463,879</b>	<b>195,547,888</b>	<b>2,915,990</b>
Deposits	180,082,834	177,871,986	2,210,848
Call money	47,178	22,536	24,642
Payables under repurchase agreements	923,677	554,522	369,155
Payables under securities lending transactions	13,420,859	13,123,558	297,301
Foreign exchanges	336	338	(1)
Other liabilities	2,546,857	2,532,920	13,936
Reserve for bonuses	1,520	6,020	(4,499)
Reserve for employees' retirement benefits	152,179	149,720	2,459
Reserve for management board benefit trust	43	—	43
Deferred tax liabilities	1,288,390	1,211,286	77,104
Acceptances and guarantees	—	75,000	(75,000)
<b>Total net assets</b>	<b>11,728,193</b>	<b>11,508,150</b>	<b>220,042</b>
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,144,400	2,108,969	35,430
Treasury stock	(1,300,411)	(1,299,999)	(411)
<b>Total shareholders' equity</b>	<b>8,640,274</b>	<b>8,605,256</b>	<b>35,018</b>
Net unrealized gains (losses) on available-for-sale securities	3,317,591	3,322,827	(5,235)
Net deferred gains (losses) on hedges	(229,672)	(419,932)	190,259
<b>Total valuation and translation adjustments</b>	<b>3,087,918</b>	<b>2,902,894</b>	<b>185,023</b>

(Millions of yen)

## 2. Income Analysis

	For the nine months ended		(A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Gross operating profit	1,069,131	1,137,978	(68,846)
Net interest income	961,418	1,060,726	(99,308)
Net fees and commissions	65,850	70,706	(4,856)
Net other operating income (loss)	41,863	6,545	35,318
Gains (losses) on foreign exchanges	42,004	6,622	35,382
Gains (losses) on bonds	(1,980)	(114)	(1,865)
General and administrative expenses	(796,164)	(801,104)	4,939
Personnel expenses	(94,867)	(93,593)	(1,273)
Non-personnel expenses	(643,254)	(650,524)	7,269
Taxes and dues	(58,042)	(56,986)	(1,056)
Operating profit (before provision for general reserve for possible loan losses)	272,967	336,873	(63,906)
Provision for general reserve for possible loan losses	(0)	28	(29)
<b>Net operating profit</b>	<b>272,966</b>	<b>336,902</b>	<b>(63,935)</b>
Non-recurring gains (losses)	39,601	52,113	(12,512)
Gains (losses) related to stocks	—	3,232	(3,232)
Gains (losses) on money held in trust	40,005	49,140	(9,135)
<b>Net ordinary income</b>	<b>312,567</b>	<b>389,015</b>	<b>(76,448)</b>

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥1,590 million and ¥1,638 million recorded as profits for the nine months ended December 31, 2016 and 2015, 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.

(Millions of yen)

	For the nine months ended		(A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Extraordinary income (loss)	(467)	(868)	400
Gains (losses) on sales and disposals of fixed assets	(437)	(867)	430
Losses on impairment of fixed assets	(30)	(0)	(29)
<b>Income before income taxes</b>	<b>312,100</b>	<b>388,147</b>	<b>(76,047)</b>
Income taxes – current	(93,318)	(135,781)	42,463
Income taxes – deferred	4,123	13,684	(9,561)
<b>Total income taxes</b>	<b>(89,195)</b>	<b>(122,096)</b>	<b>32,901</b>
<b>Net income</b>	<b>222,904</b>	<b>266,050</b>	<b>(43,146)</b>
Gains (losses) on money held in trust	40,005	49,140	(9,135)
Dividends and interest income	29,485	31,879	(2,393)
Gains (losses) on sales of stocks	18,979	24,424	(5,445)
Impairment losses	(2,425)	(1,186)	(1,238)
Withholding income tax, etc.	(6,034)	(5,976)	(57)
Credit-related expenses	5	18	(12)
Provision for general reserve for possible loan losses	5	18	(12)
Write-off of loans	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Recoveries of written-off loans	—	—	—

### 3. Selected Ratios

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Net income to assets (ROA)	0.14%	0.16%	(0.02)%
Net income to equity (ROE)	2.54	3.08	(0.53)
Overhead ratio (OHR)	74.46	70.39	4.07
Expense-to-deposit ratio	0.59	0.59	(0.00)

Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the period) / 2] x 100  
 2. ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100  
 3. OHR = (general and administrative expenses / gross operating profit) x 100  
 4. Expense-to-deposit ratio = (general and administrative expenses / average deposit balances) x 100  
 5. ROA, ROE and Expense-to-deposit ratio are annualized.

### 4. Interest Rate Spread

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Yield on interest-earning assets (a)	0.80%	0.88%	(0.07)%
Total cost of funding (including general and administrative expenses) (b)	0.73	0.75	(0.01)
Interest rate on interest-bearing liabilities (c)	0.17	0.19	(0.01)
Overall interest rate spread (a) - (b)	0.07	0.13	(0.05)
Interest rate spread (a) - (c)	0.62	0.69	(0.06)

Note: All numbers are annualized.



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

### (1) Domestic

(Millions of yen, %)

		For the nine months ended						Increase (Decrease) (A) – (B)
		December 31, 2016 (A)			December 31, 2015 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		193,712,774	823,157	0.56%	192,018,870	973,840	0.67%	(0.10)%
	Loans	2,754,820	13,657	0.65	2,691,425	19,198	0.94	(0.28)
	Securities	94,144,825	716,104	1.00	112,423,398	860,511	1.01	(0.00)
	Receivables under securities borrowing transactions	8,229,085	1,100	0.01	8,599,323	6,493	0.10	(0.08)
	Due from banks, etc.	47,452,668	18,593	0.05	37,193,614	26,984	0.09	(0.04)
Interest-bearing liabilities		184,601,870	184,451	0.13	184,079,210	209,846	0.15	(0.01)
	Deposits	178,994,365	154,007	0.11	177,786,270	176,624	0.13	(0.01)
	Payables under securities lending transactions	8,253,236	605	0.00	8,677,529	6,053	0.09	(0.08)

### (2) Overseas

(Millions of yen, %)

		For the nine months ended						Increase (Decrease) (A) – (B)
		December 31, 2016 (A)			December 31, 2015 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		47,177,477	467,515	1.31%	39,730,750	425,409	1.42%	(0.10)%
	Loans	2,856	7	0.35	2,388	8	0.44	(0.09)
	Securities	47,029,905	466,599	1.31	38,724,978	421,551	1.44	(0.12)
	Receivables under securities borrowing transactions	—	—	—	—	—	—	—
	Due from banks, etc.	79,047	707	1.18	946,780	3,713	0.52	0.66
Interest-bearing liabilities		46,455,468	144,803	0.41	36,991,856	128,676	0.46	(0.04)
	Deposits	—	—	—	—	—	—	—
	Payables under securities lending transactions	4,654,349	28,734	0.81	5,622,771	17,258	0.40	0.41

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

(3) Total

(Millions of yen, %)

		For the nine months ended						Increase (Decrease) (A) – (B)
		December 31, 2016 (A)			December 31, 2015 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	
Interest-earning assets		199,801,288	1,216,972	0.80%	200,638,746	1,338,597	0.88%	(0.07)%
	Loans	2,757,676	13,665	0.65	2,693,813	19,206	0.94	(0.28)
	Securities	141,174,731	1,182,704	1.11	151,148,376	1,282,062	1.12	(0.01)
	Receivables under securities borrowing transactions	8,229,085	1,100	0.01	8,599,323	6,493	0.10	(0.08)
	Due from banks, etc.	47,531,716	19,300	0.05	38,140,394	30,698	0.10	(0.05)
Interest-bearing liabilities		189,968,376	255,554	0.17	189,960,192	277,870	0.19	(0.01)
	Deposits	178,994,365	154,007	0.11	177,786,270	176,624	0.13	(0.01)
	Payables under securities lending transactions	12,907,585	29,340	0.30	14,300,301	23,312	0.21	0.08

- 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 (nine months ended December 31, 2016, ¥2,645,968 million; nine months ended December 31, 2015, ¥2,398,217 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (nine months ended December 31, 2016, ¥2,645,968 million; nine months ended December 31, 2015, ¥2,398,217 million) and the corresponding interest (nine months ended December 31, 2016, ¥4,746 million; nine months ended December 31, 2015, ¥4,675 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 ¥900 million for the nine months ended December 31, 2016 (¥37,386 million for the nine months ended December 31, 2015).
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.

## 6. Asset Management Status

(Millions of yen, %)

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Due from banks, etc.	49,425,738	23.78	45,769,105	22.33	3,656,632
Call loans	510,000	0.24	978,837	0.47	(468,837)
Receivables under securities borrowing transactions	8,239,900	3.96	7,923,229	3.86	316,670
Money held in trust	3,754,357	1.80	3,561,110	1.73	193,246
Domestic stocks	2,093,672	1.00	1,878,626	0.91	215,046
Foreign stocks	0	0.00	0	0.00	(0)
Domestic bonds	1,277,126	0.61	1,293,411	0.63	(16,285)
Securities	142,016,474	68.32	144,076,834	70.32	(2,060,359)
Japanese government bonds	73,500,054	35.36	82,255,654	40.14	(8,755,599)
Japanese local government bonds	6,071,482	2.92	5,856,509	2.85	214,973
Commercial paper	204,998	0.09	204,995	0.10	3
Japanese corporate bonds	10,760,133	5.17	10,362,715	5.05	397,418
Japanese stocks	1,390	0.00	1,390	0.00	—
Other securities	51,478,414	24.76	45,395,569	22.15	6,082,845
Foreign bonds	21,236,760	10.21	19,829,503	9.67	1,407,256
Investment trusts	30,193,181	14.52	25,520,966	12.45	4,672,214
Loans	3,789,308	1.82	2,542,049	1.24	1,247,258
Others	103,415	0.04	25,516	0.01	77,898
Total	207,839,194	100.00	204,876,683	100.00	2,962,510

Notes: 1. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.

2. Investment trusts are mainly invested in foreign bonds.

## 7. Unrealized Gains (Losses) on Financial Assets

### (1) Held-to-maturity Securities

(Millions of yen)

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Japanese government bonds	39,641,152	1,482,551	47,897,398	2,063,032	(8,256,245)	(580,480)
Japanese local government bonds	121,300	653	341,147	3,954	(219,847)	(3,301)
Japanese corporate bonds	3,002,664	81,132	3,717,263	110,702	(714,598)	(29,570)
Others	77,834	16,635	96,744	30,670	(18,910)	(14,034)
Foreign bonds	77,834	16,635	96,744	30,670	(18,910)	(14,034)
Total	42,842,952	1,580,972	52,052,553	2,208,359	(9,209,601)	(627,386)

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

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

(Millions of yen)

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Bonds	47,771,551	1,613,646	46,724,064	2,037,834	1,047,486	(424,188)
Japanese government bonds	33,858,902	1,394,872	34,358,255	1,744,753	(499,353)	(349,880)
Japanese local government bonds	5,950,182	102,816	5,515,361	125,743	434,820	(22,927)
Commercial paper	204,998	—	204,995	—	3	—
Japanese corporate bonds	7,757,468	115,956	6,645,451	167,337	1,112,017	(51,380)
Others	51,599,804	2,279,611	45,562,334	1,834,648	6,037,470	444,962
Foreign bonds	21,158,925	1,992,061	19,732,759	1,967,868	1,426,166	24,192
Investment trusts	30,114,387	290,192	25,520,966	(128,070)	4,593,421	418,263
Total	99,371,355	3,893,257	92,286,398	3,872,483	7,084,956	20,774

Notes: 1. Securities shown above include "securities," negotiable certificates of deposit, which is recorded under "cash and due from banks," and "monetary claims bought."

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

3. Of net unrealized gains (losses) shown above, ¥196,701 million profit and ¥35,341 million losses were included in the statements of income for the nine months ended December 31, 2016 and the fiscal year ended March 31, 2016, respectively, because of the application of fair value hedge accounting.

4. Investment trusts are mainly invested in foreign bonds.

5. No impairment losses were recognized on available-for-sale securities for the nine months ended December 31, 2016 and the fiscal year ended March 31, 2016.

## 7. Unrealized Gains (Losses) on Financial Assets

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

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Money held in trust classified as available-for-sale	3,752,529	1,087,158	3,561,110	883,889	191,419	203,269
Domestic stocks	2,093,672	1,045,511	1,878,626	829,857	215,046	215,654
Foreign stocks	0	(0)	0	(0)	(0)	(0)
Domestic bonds	1,277,126	41,647	1,293,411	54,032	(16,285)	(12,384)

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

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

3. Impairment losses on money held in trust which is classified as available-for-sale for the nine months ended December 31, 2016 and the fiscal year ended March 31, 2016 amounted to ¥2,425 million and ¥1,588 million, respectively.

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

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)	
	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)
Interest rate swaps	4,609,002	(210,949)	3,987,422	(409,837)	621,580	198,888
Currency swaps	3,218,367	(106,895)	3,651,466	(182,201)	(433,098)	75,306
Foreign exchange forward contracts	60,676	(13,212)	80,937	(13,267)	(20,261)	54
Total	7,888,046	(331,057)	7,719,826	(605,306)	168,220	274,249

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

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

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

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Total net unrealized gains (losses)	4,452,658	4,186,407	266,251

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.

## 8. General and Administrative Expenses

(Millions of yen, %)

	For the nine months ended				Increase (Decrease) (A) – (B)
	December 31, 2016 (A)		December 31, 2015 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	93,277	11.73	91,955	11.50	1,322
Salaries and allowances	76,710	9.65	75,814	9.48	895
Others	16,567	2.08	16,140	2.01	426
Non-personnel expenses	643,254	80.95	650,524	81.36	(7,269)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	462,557	58.21	460,891	57.64	1,665
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (*)	6,278	0.79	7,396	0.92	(1,118)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	49,624	6.24	48,349	6.04	1,275
Rent for land, buildings and others	9,320	1.17	8,916	1.11	403
Expenses on consigned businesses	38,211	4.80	39,124	4.89	(913)
Depreciation and amortization	26,274	3.30	27,251	3.40	(976)
Communication and transportation expenses	14,547	1.83	14,776	1.84	(229)
Maintenance expenses	9,305	1.17	9,278	1.16	27
IT expenses	11,899	1.49	16,397	2.05	(4,498)
Others	15,234	1.91	18,140	2.26	(2,906)
Taxes and dues	58,042	7.30	56,986	7.12	1,056
Total	794,574	100.00	799,465	100.00	(4,891)

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

## 9. Loans by Industry

(Millions of yen, %)

	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Domestic (excluding Japan Offshore Market accounts)	3,789,308	100.00	2,538,749	100.00	1,250,558
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	—	—	51,808	2.04	(51,808)
Utilities, information/communications, and transportation	88,274	2.32	83,769	3.29	4,505
Wholesale and retail	—	—	—	—	—
Finance and insurance	1,444,110	38.11	1,525,987	60.10	(81,877)
Construction and real estate	14,074	0.37	12,112	0.47	1,962
Services and goods rental/leasing	26,019	0.68	26,132	1.02	(112)
Central and local governments	2,043,618	53.93	638,140	25.13	1,405,478
Others	173,209	4.57	200,799	7.90	(27,589)
Overseas and Japan Offshore Market accounts	—	—	3,300	100.00	(3,300)
Governments	—	—	—	—	—
Financial institutions	—	—	—	—	—
Others	—	—	3,300	100.00	(3,300)
Total	3,789,308	—	2,542,049	—	1,247,258

Notes: 1. “Domestic” represents loans to residents of Japan, while “overseas” represents loans to non-residents of Japan.

2. Of “Finance and insurance,” loans to the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency, were ¥1,083,926 million and ¥1,216,710 million as of December 31, 2016 and March 31, 2016, respectively.

## 10. Balances by Type of Deposit

(Millions of yen, %)					
	As of December 31, 2016 (A)		As of March 31, 2016 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Liquid deposits	67,253,320	37.34	63,834,943	35.88	3,418,377
Transfer deposits	12,836,700	7.12	13,874,601	7.80	(1,037,901)
Ordinary deposits, etc.	54,024,187	29.99	49,571,866	27.86	4,452,321
Savings deposits	392,432	0.21	388,475	0.21	3,957
Fixed-term deposits	112,718,659	62.59	113,852,874	64.00	(1,134,215)
Time deposits	10,398,176	5.77	11,441,153	6.43	(1,042,977)
TEIGAKU deposits, etc.	102,320,483	56.81	102,410,683	57.57	(90,200)
Other deposits	110,854	0.06	184,168	0.10	(73,313)
Subtotal	180,082,834	100.00	177,871,986	100.00	2,210,848
Negotiable certificates of deposit	—	—	—	—	—
Total	180,082,834	100.00	177,871,986	100.00	2,210,848
Deposits including accrued interest	181,484,603		179,307,785		2,176,818

Notes: 1. Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits

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

2. Fixed-term deposits = Time deposits + TEIGAKU deposits, etc. + Special deposits (Education installment savings equivalent)

TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)

3. Special deposits, which represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, correspond to postal savings that were passed on to the organization by Japan Post Corporation.

4. Special deposits (equivalent to ordinary savings) are the portion of deposits received from the Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing installments, and education installment savings that had reached full term and were passed on to the organization by Japan Post Corporation.

5. TEIGAKU deposits are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime six months after the initial deposit. The interest rates on such deposits rise every six months in a staircase pattern, with duration of up to three years. After three years, the interest is compounded using fixed interest rates until the maturity of 10 years.



## 11. Problem Assets Disclosed under the Financial Reconstruction Act

(Millions of yen, %)

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—	—
Loans to borrowers classified as doubtful	—	—	—
Loans requiring close monitoring	—	—	—
Subtotal (a)	—	—	—
Loans to borrowers classified as normal	3,833,523	2,645,437	1,188,086
Total (b)	3,833,523	2,645,437	1,188,086
Non-performing loan ratio (a) / (b)	—%	—%	—%

## 12. Capital

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

(Millions of yen, %)

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Core Capital: instruments and reserves (a)	8,640,553	8,511,796	128,756
Core Capital: regulatory adjustments (b)	12,193	12,471	(277)
Total capital (a) - (b) = (c)	8,628,359	8,499,325	129,033
Total amount of risk-weighted assets (d)	38,814,730	32,218,529	6,596,201
Credit risk-weighted assets	35,898,680	29,253,213	6,645,467
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,916,050	2,965,316	(49,266)
Capital adequacy ratio (c) / (d)	22.22%	26.38%	(4.15)%
Total capital requirements	1,552,589	1,288,741	263,848

Note: Total capital requirements: Denominator of capital adequacy ratio x 4%

## 13. Selected Business Results

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

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Number of contracts (thousands)	907	862	45
Sales amount (millions of yen)	379,954	334,387	45,567

	As of December 31, 2016 (A)	As of December 31, 2015 (B)	Increase (Decrease) (A) – (B)
Number of investment trust accounts (thousands)	735	689	46
Net assets (millions of yen)	1,262,864	1,145,726	117,137

### (2) Variable Annuities Policies

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Number of policies	12,363	14,122	(1,759)
Sales amount (millions of yen)	63,986	76,322	(12,336)

	As of December 31, 2016 (A)	As of December 31, 2015 (B)	Increase (Decrease) (A) – (B)
Number of policies (cumulative)	95,139	79,678	15,461
Sales amount (cumulative) (millions of yen)	501,708	421,775	79,933

## 13. Selected Business Results

### (3) Credit Cards

(Thousands)

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Number of cards issued	48	49	(1)

	As of December 31, 2016 (A)	As of December 31, 2015 (B)	Increase (Decrease) (A) – (B)
Number of cards issued (cumulative) (outstanding)	1,111	1,307	(195)

### (4) Mortgage Loans (as Intermediary)

(Millions of yen)

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2016 (A)	December 31, 2015 (B)	
Amount of new credit extended	28,354	24,743	3,610

	As of December 31, 2016 (A)	As of December 31, 2015 (B)	Increase (Decrease) (A) – (B)
Amount of new credit extended (cumulative)	371,705	331,725	39,979

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

# (Reference) Asset Balance by Portfolio

(Billions of yen)

	As of December 31, 2016 (A)	As of March 31, 2016 (B)	Increase (Decrease) (A) – (B)
Base Portfolio (*)	131,959.7	136,388.7	(4,428.9)
Short-term assets	52,598.7	47,708.0	4,890.7
Japanese government and government backed bonds	78,106.8	87,266.3	(9,159.4)
Loans (**)	1,254.1	1,414.3	(160.1)
Satellite Portfolio (*)	68,817.1	61,563.6	7,253.4
Japanese local government bonds	6,071.4	5,856.5	214.9
Japanese corporate bonds, etc.	7,592.8	6,848.1	744.7
Foreign securities, etc. (****)	51,530.8	45,446.3	6,084.5
Loans (***)	1,086.7	1,127.7	(41.0)
Money held in trust (stocks), etc.	2,535.1	2,284.9	250.2

\* Base Portfolio is the Bank's fundamental portfolio, which the Bank manages with the aim to ensure stable income by investing mostly in Japanese government bonds while managing interest rate and liquidity risks. Satellite Portfolio is designed to achieve higher returns by primarily bearing credit and market risks. Satellite Portfolio is invested in corporate bonds, foreign securities, stocks, which are included in money held in trust, and other instruments.

\*\* Loans in the Base Portfolio are mainly loans to the Management Organization for Postal Savings and Postal Life Insurance (including loans to the Japanese local governments which were loaned before the privatization of the Bank on October 1, 2007).

\*\*\* Loans in the Satellite Portfolio are mainly syndicated loans and loans to the Japanese local governments which were loaned after the privatization of the Bank on October 1, 2007.

\*\*\*\* Foreign securities, etc. include foreign currency-denominated monetary claims bought.

# (Reference) Securitized Products Exposure

As of December 31, 2016 and December 31, 2015, the Bank held the following securitized products and other products.

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 December 31, 2016				As of December 31, 2015			
		Acquisition cost (A)	Net unrealized gains (losses) (B)	(B) / (A)	Credit ratings	Acquisition cost (A)	Net unrealized gains (losses) (B)	(B) / (A)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBS)	1,310.0	45.4	3.46%	AAA	1,198.9	54.4	4.54%	AAA~AA
	Subprime loan related	—	—	—	—	—	—	—	—
	Collateralized loan obligations (CLO)	94.1	1.9	2.11	AA~A	94.2	3.0	3.20	AA~A
	Other securitized products	68.1	(0.0)	(0.05)	AAA	26.2	0.0	0.00	AAA
	Commercial mortgage-backed securities (CMBS)	—	—	—	—	—	—	—	—
	Collateralized debt obligations (CDO)	2.1	0.1	5.37	AAA	3.2	0.1	5.25	AAA
	Subtotal	1,474.4	47.4	3.21		1,322.6	57.6	4.36	
Overseas	Residential mortgage-backed securities (RMBS)	250.8	(8.7)	(3.50)	AAA	292.1	8.3	2.87	AAA
	Subprime loan related	—	—	—	—	—	—	—	—
	Collateralized loan obligations (CLO)	87.4	7.5	8.66	AAA	—	—	—	—
	Subtotal	338.2	(1.2)	(0.35)		292.1	8.3	2.87	
Total		1,812.7	46.2	2.55		1,614.7	66.0	4.09	

Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.

2. No hedging activities against credit risks were made.

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

4. Other securitized products are securitized products of which underlying assets are auto loan claims and lease payments, etc.

5. The above table does not include U.S. government sponsored enterprises, etc. (GSEs) related products.

## (2) Structured investment vehicles (SIVs)

There were no investments in SIVs.

## (3) Leveraged loans

There were no outstanding leveraged loans.

## (4) Monoline insurer related products

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

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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 the Bank recognizes as potentially affecting its actual results, performance or financial position. The Bank'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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