

Selected Financial Information

For the Six Months Ended September 30, 2017

JAPAN POST BANK Co., Ltd.
November 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

1. Overview of FY2018/3 H1 Results

- Gross operating profit for the six months ended September 30, 2017 increased by ¥41.4 bn year on year to ¥757.7 bn. Net interest income decreased by ¥11.2 bn year on year, mainly due to a decrease in interest on Japanese government bonds. Net fees and commissions increased by ¥4.1 bn year on year. Net other operating income increased by ¥48.5 bn year on year, due to an increase in gains (losses) on foreign exchanges, etc.
- General and administrative expenses decreased by ¥8.7 bn year on year to ¥522.2 bn.
- Despite the adverse business environment with yen interest rates remained at a low level, net operating profit increased by ¥50.1 bn year on year to ¥235.4 bn.
- Non-recurring gains (losses) decreased by ¥5.4 bn year on year, due to a decrease in gains (losses) on money held in trust, etc. Net ordinary income increased by ¥44.7 bn year on year to ¥257.1 bn.
- Net income increased by ¥ 30.5 bn year on year to ¥181.5 bn, which equated to 51.8% of the earnings forecasts of ¥350.0 bn in net income for the fiscal year ending March 31, 2018, generally in accordance with the Bank's plan.

Results of Operations

(¥bn, %)

	For the six months ended September 30, 2017
Ordinary income	977.2
Increase (decrease) from the six months ended September 30, 2016	43.0 4.6%
Net ordinary income	257.1
Increase (decrease) from the six months ended September 30, 2016	44.7 21.0%
Net income	181.5
Increase (decrease) from the six months ended September 30, 2016	30.5 20.2%

(¥bn, %)

	Earnings forecasts for the fiscal year ending March 31, 2018	Progress
Net ordinary income	490.0	52.4%
Net income	350.0	51.8%

1. Overview of FY2018/3 H1 Results

Results of Operations

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
	(¥bn, %)		
Gross operating profit	757.7	716.3	41.4
Net interest income	618.0	629.3	(11.2)
Net fees and commissions	47.1	42.9	4.1
Net other operating income (loss)	92.5	44.0	48.5
Gains (losses) on foreign exchanges	87.7	39.0	48.7
Gains (losses) on bonds	3.0	4.0	(1.0)
General and administrative expenses (*)	522.2	530.9	(8.7)
Provision for general reserve for possible loan losses	0.0	(0.0)	0.0
Net operating profit	235.4	185.3	50.1
Non-recurring gains (losses)	21.6	27.1	(5.4)
Gains (losses) on money held in trust	23.9	25.3	(1.4)
Net ordinary income	257.1	212.4	44.7
Net income	181.5	150.9	30.5
ROE (**) (***)	3.06%	2.60%	0.45 %
OHR (****)	68.92%	74.12%	(5.20)%

Financial Condition

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

* General and administrative expenses exclude non-recurring losses.

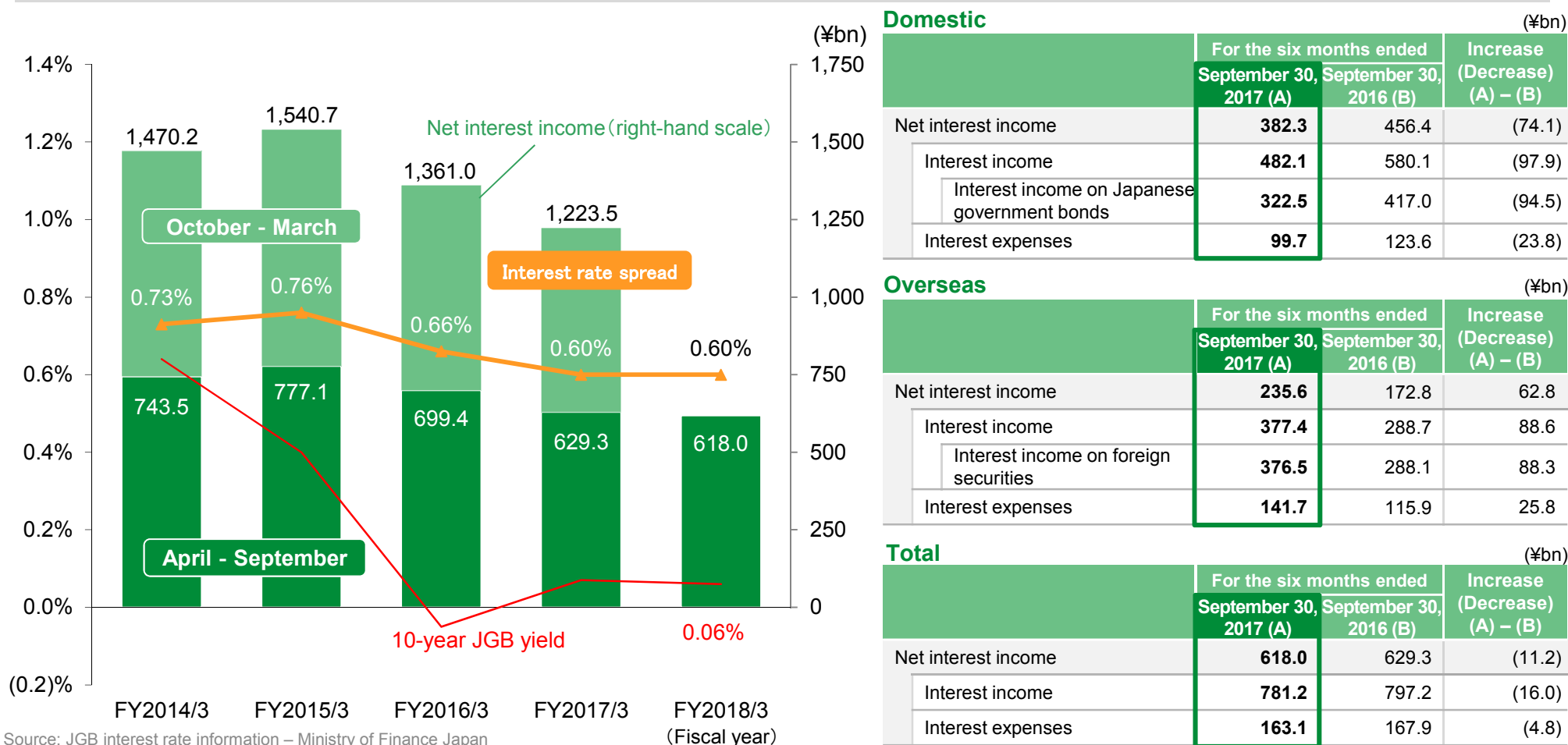
** ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100

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



Source: JGB interest rate information – Ministry of Finance Japan

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

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

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

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

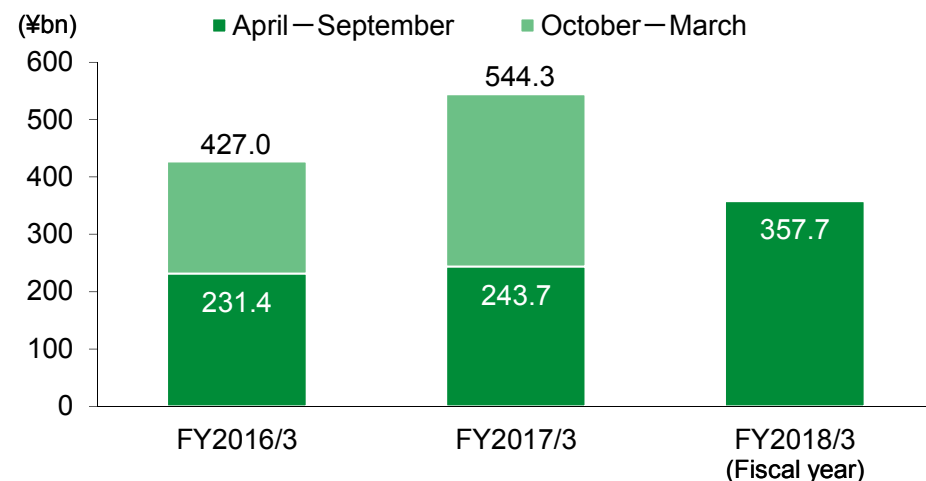
Overseas		For the six months ended		Increase
		September 30,	September 30,	(Decrease)
		2017 (A)	2016 (B)	(A) – (B)
Net interest income		235.6	172.8	62.8
Interest income		377.4	288.7	88.6
Interest income on foreign securities		376.5	288.1	88.3
Interest expenses		141.7	115.9	25.8

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

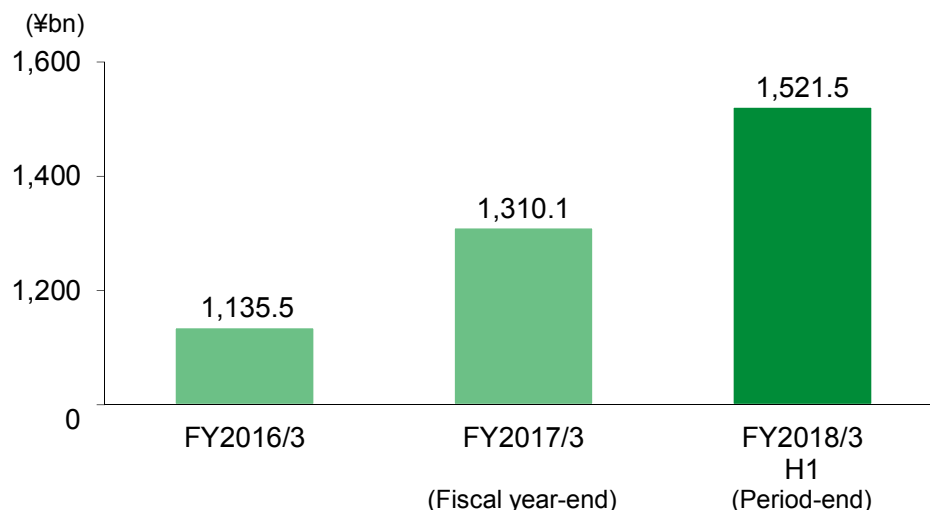
3. Net Fees and Commissions

■ Net fees and commissions for the six months ended September 30, 2017 increased by ¥4.1 bn year on year to ¥47.1 bn.

Trend of Investment Trusts Sales

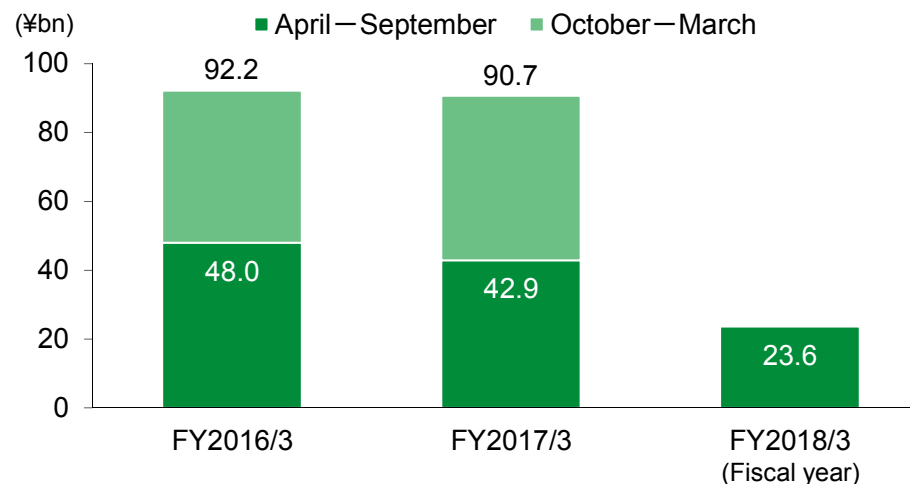


Trend of Net Assets of Investment Trusts



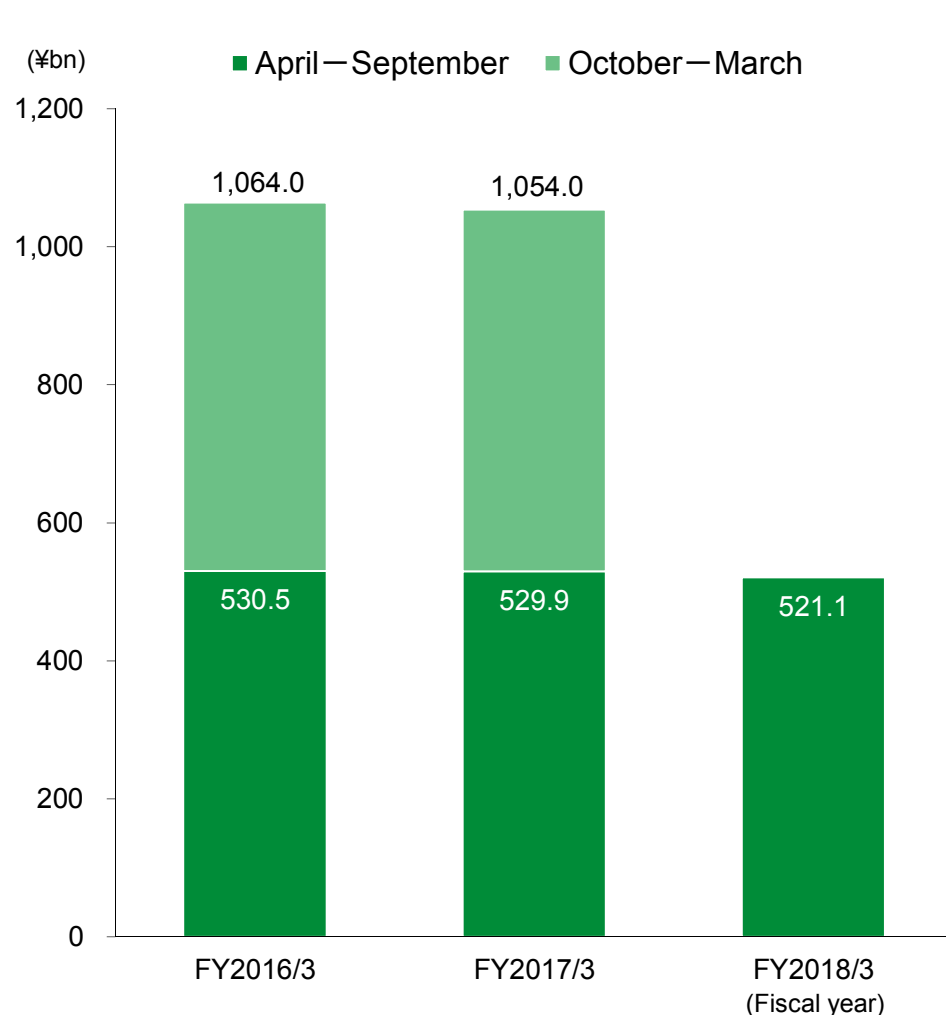
	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Net fees and commissions relating to	47.1	42.9	4.1
Exchange and settlement transactions	29.6	29.3	0.2
ATMs	3.8	3.5	0.2
Investment trusts	9.3	5.0	4.3
Others	4.2	4.9	(0.7)

Trend of Variable Annuities Policies Sales



4. Trend of General and Administrative Expenses

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

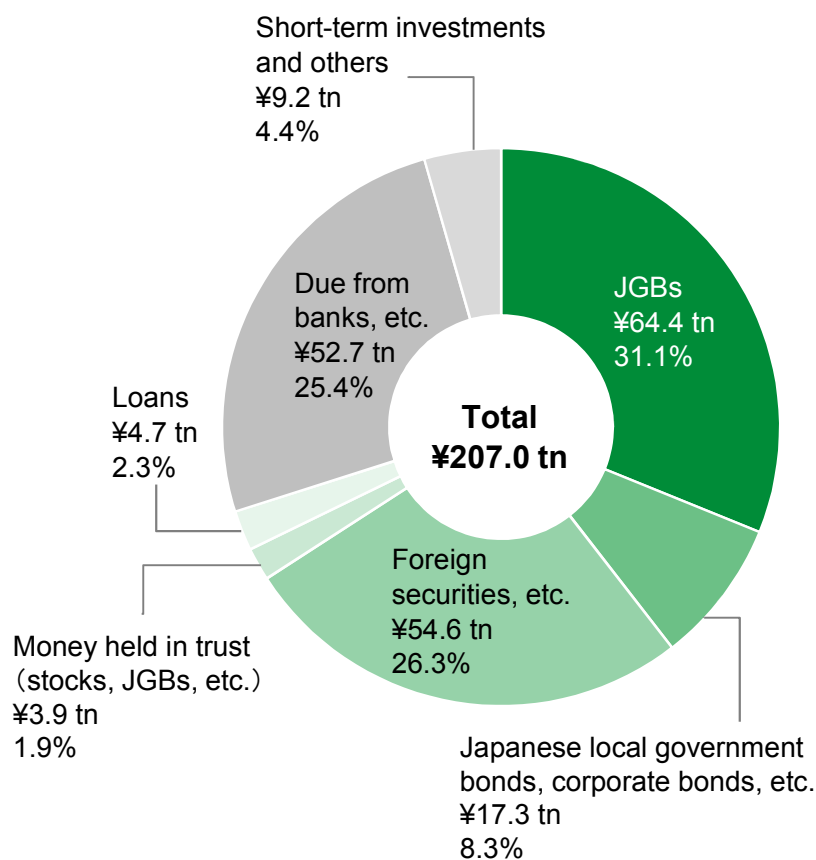


	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Personnel expenses (*)	62.9	62.2	0.6
Salaries and allowances	51.5	51.2	0.2
Non-personnel expenses	419.6	428.7	(9.1)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	301.8	309.0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

* Personnel expenses include non-recurring losses.

5. Asset Management Status

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



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

* “Japanese local government bonds, corporate bonds, etc.” consists of Japanese local government bonds, commercial paper, Japanese corporate bonds and Japanese stocks.

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

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

5. Asset Management Status

- Net unrealized gains on available-for-sale securities after taking into consideration of gains (losses) from hedge accounting were ¥4,424.1 bn as of September 30, 2017 (before application of tax effect accounting).

(¥bn)

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

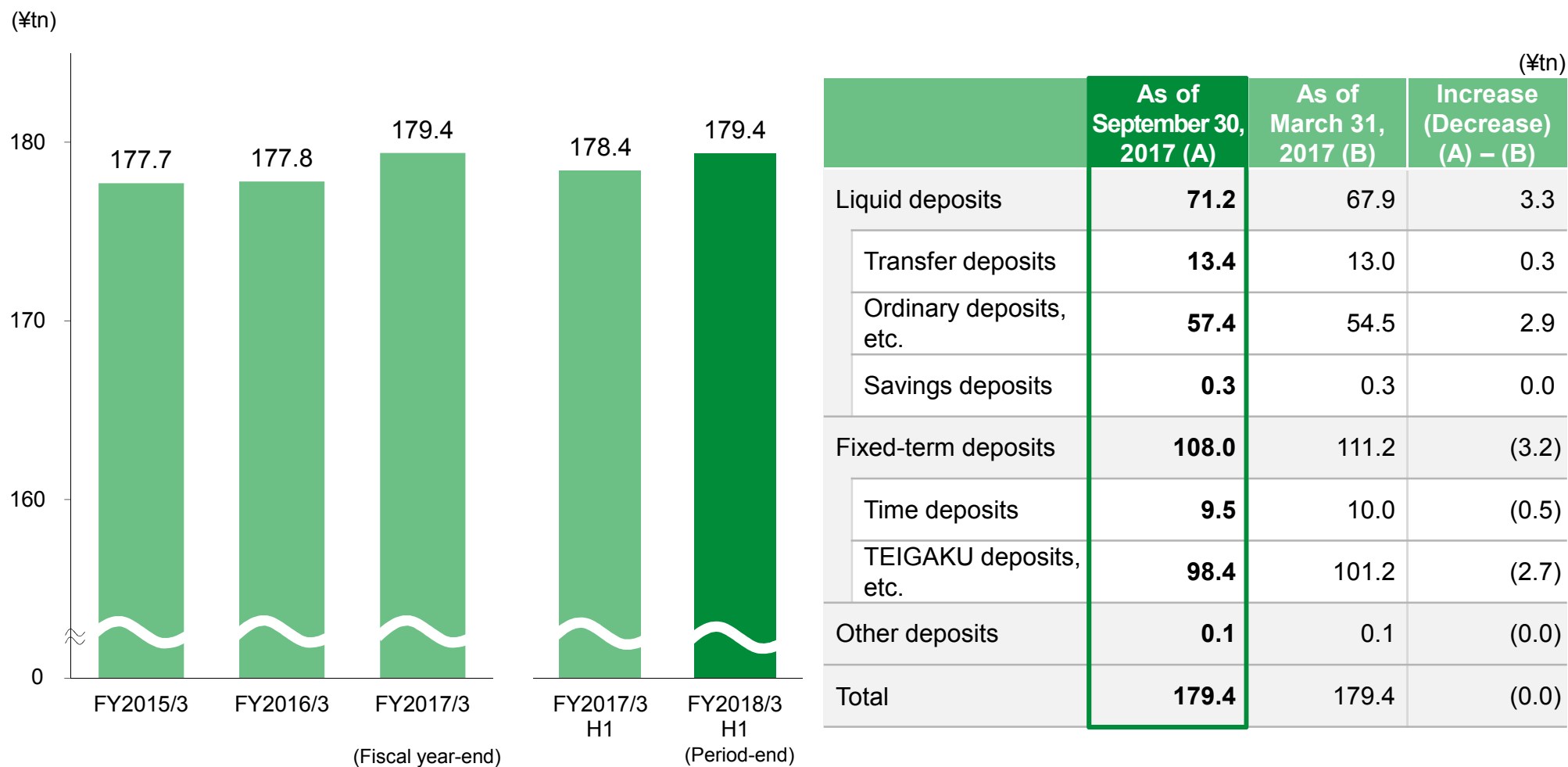
(¥bn)

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

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

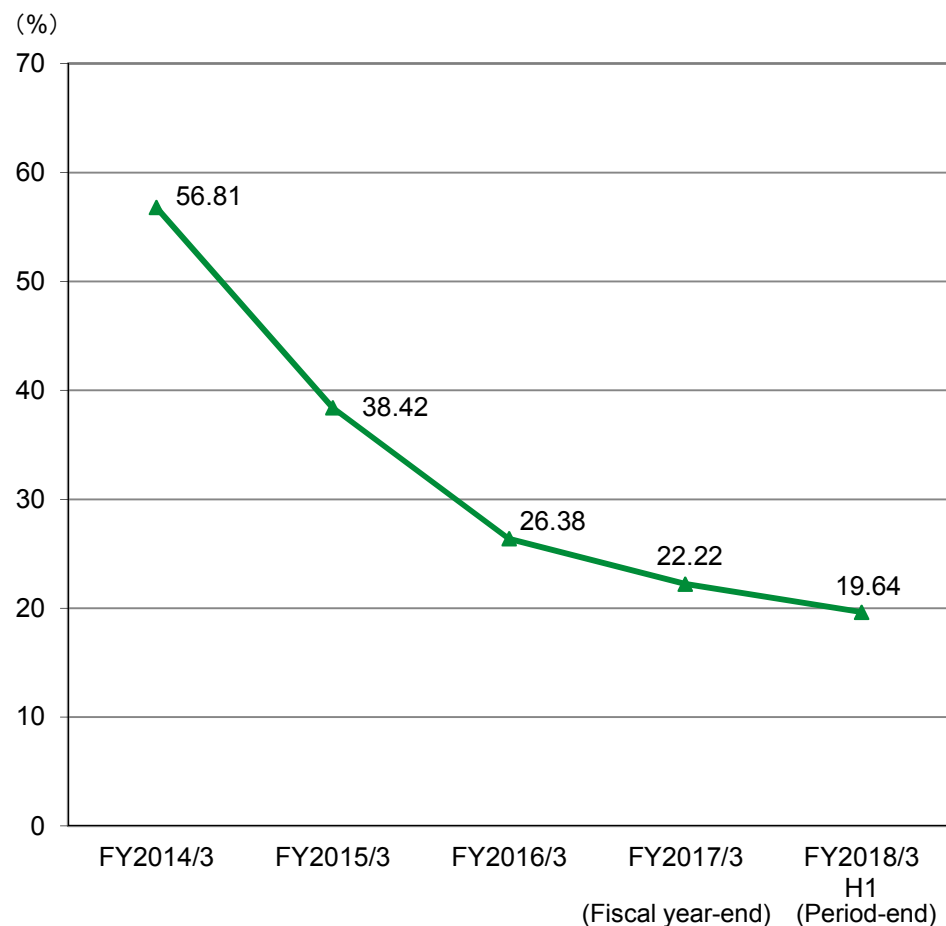
6. Trend of Deposit Balance

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



7. Trend of Capital Adequacy Ratio

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



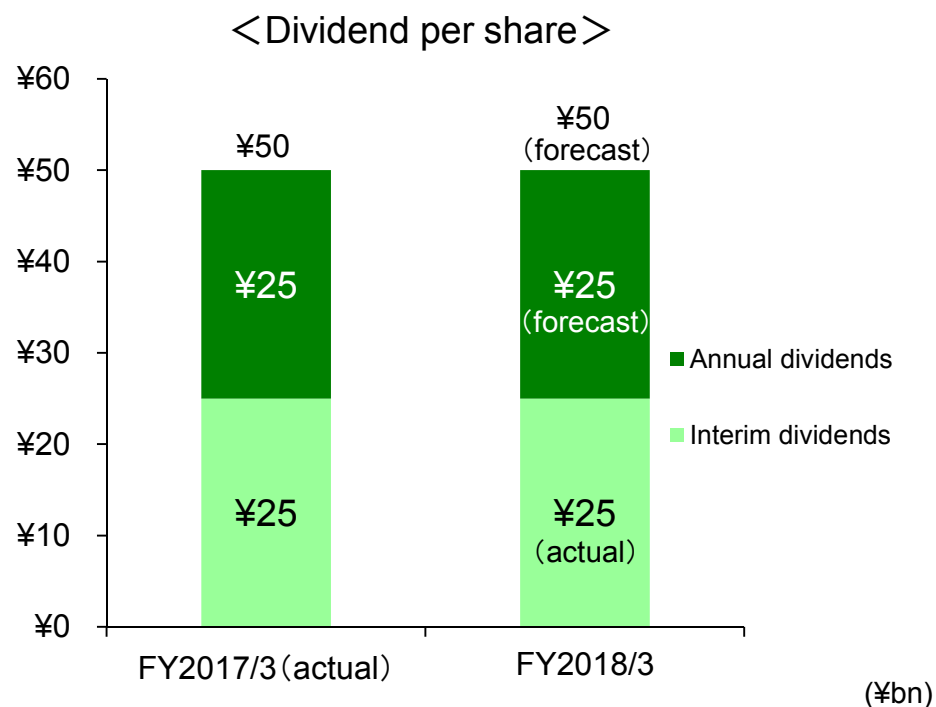
	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total capital (a)	8,703.3	8,616.9	86.4
Total amount of risk-weighted assets (b)	44,308.9	38,779.8	5,529.1
Credit risk-weighted assets	41,475.7	35,906.5	5,569.1
Capital adequacy ratio (a) / (b)	19.64%	22.22%	(2.57)%

(¥bn, %)

8. Dividends

■ Interim dividend per share is ¥25. Dividend forecast for the fiscal year ending March 31, 2018 is unchanged i.e. ¥50.

Actual result and forecast of dividends



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

Dividend policy (until March 31, 2018)

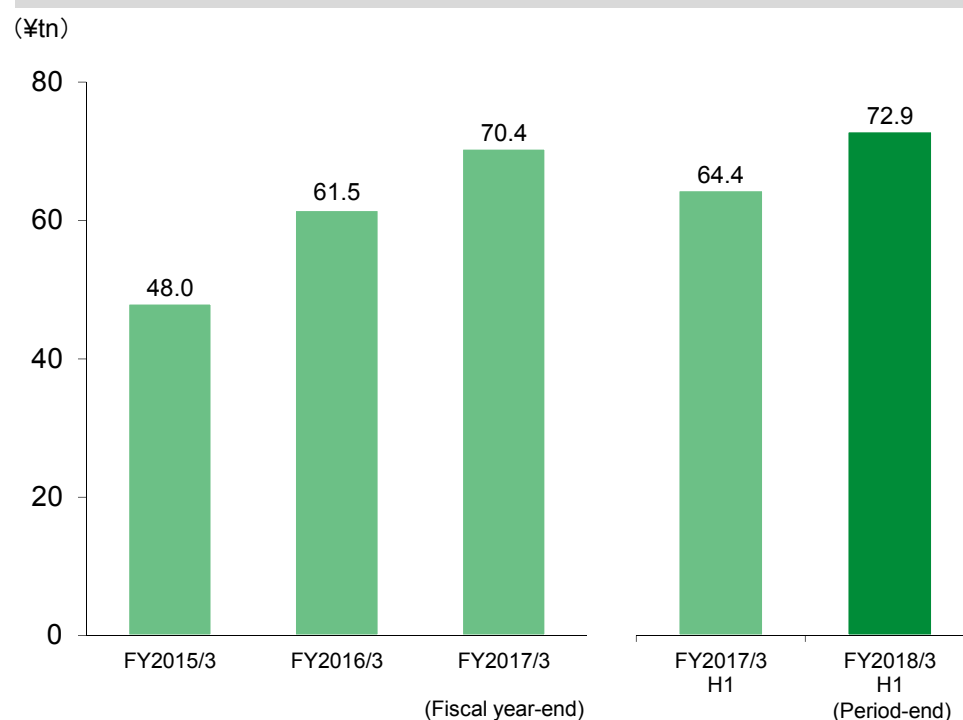
1. The Bank aims to maintain a dividend payout ratio of approximately 50% or more of the Bank's net income for the relevant fiscal year.
2. The Bank aims to pay a stable per-share dividend.
3. The Bank shall also consider additional shareholder return, while taking into account developments on regulations,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

(Reference) Portfolio Management Status

Asset Balance by Portfolio

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Base Portfolio (*)	126,745.6	129,098.1	(2,352.5)
Short-term assets	56,903.2	54,646.0	2,257.2
Japanese government bonds and government guaranteed bonds	68,719.3	73,314.5	(4,595.1)
Loans (**)	1,122.9	1,137.5	(14.5)
Satellite Portfolio (*)	72,911.7	70,452.6	2,459.0
Japanese local government bonds	6,330.0	6,082.2	247.8
Japanese corporate bonds, etc.	8,009.5	7,719.1	290.4
Foreign securities (****)	53,862.0	52,374.8	1,487.2
Loans (***)	1,155.6	1,069.5	86.1
Money held in trust (stocks), etc.	2,718.4	2,599.6	118.8
Alternative assets (*****)	836.0	607.3	228.6

Trend of Satellite Portfolio Balance



* 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 include foreign currency-denominated monetary claims bought.

***** Alternative assets are Private Equity Funds, Real Estate Funds and Hedge Funds.

Financial Data

1. Summarized Balance Sheets

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

(Millions of yen)

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

2. Income Analysis

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

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

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

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

(Millions of yen)

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

3. Selected Ratios

	For the six months ended		Increase (Decrease) (A) – (B)
	September 30, 2017 (A)	September 30, 2016 (B)	
Net income to assets (ROA)	0.17%	0.14%	0.02%
Net income to equity (ROE)	3.06	2.60	0.45
Overhead ratio (OHR)	68.92	74.12	(5.20)
Expense-to-deposit ratio	0.57	0.59	(0.01)

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

Note: All numbers are annualized.

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

(1) Domestic

(Millions of yen, %)

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

(2) Overseas

(Millions of yen, %)

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

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

(3) Total

(Millions of yen, %)

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

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

2. Income and expenses for money held in trust are included in “other ordinary income” and “other ordinary expenses,” respectively. Accordingly, the average balance of money held in trust (six months ended September 30, 2017, ¥2,742,475 million; six months ended September 30, 2016, ¥2,647,805 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (six months ended September 30, 2017, ¥2,742,475 million; six months ended September 30, 2016, ¥2,647,805 million) and the corresponding interest (six months ended September 30, 2017, ¥4,728 million; six months ended September 30, 2016, ¥4,745 million) are excluded from interest-bearing liabilities.

3. For investment trusts, the distribution of profits, which was deducted from the book value as the repayment of principal, was ¥4,644 million for the six months ended September 30, 2017 (¥426 million for the six months ended September 30, 2016).

4. Average balance and interest on transactions between “domestic” and “overseas” are offset to calculate totals.

5. “Due from banks, etc.” consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

6. Earnings yield is annualized.

6. Asset Management Status

(Millions of yen, %)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Due from banks, etc.	52,713,467	25.45	51,213,391	24.71	1,500,075
Call loans	551,273	0.26	470,000	0.22	81,273
Receivables under securities borrowing transactions	8,464,850	4.08	8,718,905	4.20	(254,055)
Money held in trust	3,969,430	1.91	3,817,908	1.84	151,521
Domestic stocks	2,182,067	1.05	2,079,290	1.00	102,776
Foreign stocks	0	0.00	0	0.00	0
Domestic bonds	1,263,701	0.61	1,274,178	0.61	(10,477)
Securities	136,412,090	65.87	138,792,448	66.98	(2,380,357)
Japanese government bonds	64,475,275	31.13	68,804,989	33.20	(4,329,713)
Japanese local government bonds	6,330,063	3.05	6,082,225	2.93	247,838
Commercial paper	237,994	0.11	233,998	0.11	3,995
Japanese corporate bonds	10,762,712	5.19	10,752,831	5.18	9,881
Japanese stocks	1,390	0.00	1,390	0.00	—
Other securities	54,604,653	26.36	52,917,013	25.53	1,687,639
Foreign bonds	21,106,683	10.19	20,143,467	9.72	963,216
Investment trusts	33,491,008	16.17	32,726,722	15.79	764,285
Loans	4,796,252	2.31	4,064,120	1.96	732,132
Others	185,236	0.08	116,718	0.05	68,518
Total	207,092,600	100.00	207,193,492	100.00	(100,892)

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

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

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

(Millions of yen)

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

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

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

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

4. Investment trusts are mainly invested in foreign bonds.

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

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 September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Money held in trust classified as available-for-sale	3,903,988	1,193,709	3,803,267	1,098,661	100,720	95,047
Domestic stocks	2,182,067	1,161,585	2,079,290	1,058,661	102,776	102,924
Foreign stocks	0	0	0	(0)	0	0
Domestic bonds	1,263,701	32,123	1,274,178	40,000	(10,477)	(7,877)

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

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

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

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

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

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

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

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

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

Note: Total net unrealized gains (losses) exclude gains (losses) which are included in the statements of income because of the application of fair value hedge accounting.

8. General and Administrative Expenses

(Millions of yen, %)

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

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

9. Loans

(1) Loans by Industry

(Millions of yen, %)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Domestic (excluding Japan Offshore Market accounts)	4,791,252	100.00	4,064,120	100.00	727,132
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	—	—	—	—	—
Utilities, information/communications, and transportation	76,201	1.59	75,811	1.86	390
Wholesale and retail	10,456	0.21	10,518	0.25	(62)
Finance and insurance	1,282,263	26.76	1,311,274	32.26	(29,011)
Construction and real estate	24,039	0.50	14,062	0.34	9,976
Services and goods rental/leasing	22,781	0.47	23,044	0.56	(262)
Central and local governments	3,192,090	66.62	2,440,005	60.03	752,085
Others	183,420	3.82	189,404	4.66	(5,983)
Overseas and Japan Offshore Market accounts	5,000	100.00	—	—	5,000
Governments	—	—	—	—	—
Financial institutions	—	—	—	—	—
Others	5,000	100.00	—	—	5,000
Total	4,796,252		4,064,120		732,132

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 ¥942,595 million and ¥951,200 million as of September 30, 2017 and March 31, 2017, respectively.

(2) Loans to Individuals

(Millions of yen, %)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total loans (a)	4,796,252	4,064,120	732,132
Loans to individuals (b)	183,420	189,404	(5,983)
(b) / (a)	3.82%	4.66%	(0.83)%

10. Balances by Type of Deposit

(1) Ending Balances

(Millions of yen, %)

	As of September 30, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Liquid deposits	71,297,787	39.73	67,994,923	37.89	3,302,863
Transfer deposits	13,410,607	7.47	13,052,115	7.27	358,492
Ordinary deposits, etc.	57,493,310	32.04	54,550,845	30.40	2,942,465
Savings deposits	393,868	0.21	391,963	0.21	1,905
Fixed-term deposits	108,010,025	60.19	111,280,733	62.01	(3,270,708)
Time deposits	9,551,007	5.32	10,065,156	5.60	(514,148)
TEIGAKU deposits, etc.	98,459,017	54.87	101,215,576	56.40	(2,756,559)
Other deposits	111,568	0.06	159,029	0.08	(47,460)
Subtotal	179,419,380	100.00	179,434,686	100.00	(15,305)
Negotiable certificates of deposit	—	—	—	—	—
Total	179,419,380	100.00	179,434,686	100.00	(15,305)
Deposits including accrued interest	180,491,334		180,781,785		(290,450)

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.

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.

10. Balances by Type of Deposit

(2) Average Balances

(Millions of yen, %)

	For the six months ended				Increase (Decrease) (A) – (B)
	September 30, 2017 (A)		September 30, 2016 (B)		
	Amount	%	Amount	%	Amount
Liquid deposits	70,158,867	38.93	64,843,135	36.25	5,315,731
Transfer deposits	13,429,489	7.45	13,257,314	7.41	172,175
Ordinary deposits, etc.	56,336,998	31.26	51,197,303	28.62	5,139,694
Savings deposits	392,380	0.21	388,518	0.21	3,861
Fixed-term deposits	109,876,279	60.97	113,818,347	63.64	(3,942,068)
Time deposits	9,798,752	5.43	11,092,242	6.20	(1,293,489)
TEIGAKU deposits, etc.	100,077,526	55.54	102,725,221	57.44	(2,647,695)
Other deposits	153,950	0.08	169,452	0.09	(15,502)
Subtotal	180,189,097	100.00	178,830,935	100.00	1,358,161
Negotiable certificates of deposit	—	—	—	—	—
Total	180,189,097	100.00	178,830,935	100.00	1,358,161
Deposits including accrued interest	181,413,597		180,274,424		1,139,172

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. Deferred Tax Assets/Liabilities

(Millions of yen)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Deferred tax assets	184,681	134,770	49,911
Reserve for possible loan losses	64	87	(23)
Reserve for employees' retirement benefits	45,817	45,586	230
Depreciation	9,187	8,463	723
Accrued interest on deposits	333	427	(93)
Unrealized losses of money held in trust	2,687	2,642	45
Net deferred losses on hedges	101,583	51,461	50,121
Accrued enterprise taxes	4,275	3,101	1,174
Other	20,732	22,998	(2,266)
Deferred tax liabilities	(1,462,810)	(1,405,320)	(57,489)
Net unrealized gains on available-for-sale securities	(1,456,920)	(1,399,193)	(57,727)
Other	(5,889)	(6,127)	237
Net deferred tax assets (liabilities)	(1,278,129)	(1,270,550)	(7,578)

12. Problem Assets Disclosed under the Financial Reconstruction Act

(Millions of yen, %)

	As of September 30, 2017 (A)	As of March 31, 2017 (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	4,873,299	4,145,468	727,830
Total (b)	4,873,299	4,145,468	727,830
Non-performing loan ratio (a) / (b)	–%	–%	–%

13. Reserve for Possible Loan Losses

(Millions of yen)

	As of September 30, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total	1,108	1,096	11
General reserve for possible loan losses	272	267	5
Specific reserve for possible loan losses	835	829	6

14. Capital

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

(Millions of yen, %)

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

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

(Billions of yen, %)

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

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

15. Selected Business Results

(1) Investment Trusts Sales (Contract Basis)

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

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

(2) Variable Annuities Policies

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

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

15. Selected Business Results

(3) Credit Cards

(Thousands)

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

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

(4) Mortgage Loans (as Intermediary)

(Millions of yen)

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

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

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

This presentation contains forward-looking statements including forecasts, targets and plans. These statements are based on estimates at the time in light of the information currently available to the Bank. The statements and assumptions may prove to be incorrect and may not be realized in the future.

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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