

April 19, 2017

Company Name: JAPAN POST BANK Co., Ltd.
Representative: Norito Ikeda, Director, President and Representative Executive Officer
(Securities Code: 7182, Tokyo Stock Exchange First Section)

Notice of Filing for Regulatory Approval of New Services

JAPAN POST BANK Co., Ltd. (Chiyoda-ku, Tokyo; Director, President and Representative Executive Officer Norito Ikeda) filed for regulatory approval of the following service with the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications pursuant to the provisions of Article 110, Paragraph 1 of the Postal Service Privatization Act (Act No. 97 of 2005) on March 31, 2017.

In conjunction with this, the Bank withdrew its filing for regulatory approval made on September 3, 2012.

Current filing for regulatory approval

- Account overdraft lending services
- Asset management-related business
- Other services incidental to banking services

The Bank believes that the abovementioned services are necessary primarily from the perspectives of enhancing customer convenience, ensuring stable management of the Bank, and strengthening cooperation with regional financial institutions. The Bank wishes to obtain regulatory approval at the earliest opportunity by gaining the understanding of related parties.

Please refer to the attachment for details.

[Attachment]

Overview of Regulatory Approval Filing

1. Services Filed for Regulatory Approval

The following service, among those service for which the obtainment of regulatory approval is necessary under Article 110, Paragraph 1 of the Postal Service Privatization Act (hereinafter, the “PSP Act”):

(1) Account overdraft lending services

Services to establish an overdraft loan limit in advance and provide unsecured loans to fulfill any requests for payments exceeding the deposit balance up to the overdraft loan limit, for individuals holding a designated deposit account with the Bank who are deemed be qualified based on required screening (Article 10, Paragraph 1, Item 2 of the Banking Act (Act No. 59 of 1981). These services are included in the services set forth in Article 110, Paragraph 1, Item 2 of the PSP Act.

(2) Asset management-related business

- a. Services to lend funds to the Government of Japan (Article 10, Paragraph 1, Item 2 of the Banking Act), included in the services set forth in Article 110, Paragraph 1, Item 2 of the PSP Act, and services set forth in Article 10, Paragraph 2, Item 16 of the Banking Act, which are included in the services set forth in Article 110, Paragraph 1, Item 3 of the PSP Act.
- b. Services (Article 10, Paragraph 2, Items 12 and 14 of the Banking Act) set forth in Article 3, Paragraph 1, Items 9 and 10 of the “Order on Limitation on Business During the Transition Period Pertaining to Japan Post Bank and Japan Post Insurance Company” (Item 3 of the Cabinet Office and the Ministry of Internal Affairs and Communications Order of 2006; hereinafter the “Privatization Order”) based on Article 110, Paragraph 1, Item 6 of the PSP Act.

(3) Other services incidental to banking services

- a. Services set forth in Article 3, Paragraph 1, Item 6 of the Privatization Order
(Excluding services that have not received regulatory approval under Article 110, Paragraph 1 of the PSP Act (excluding services provided by the Bank based on the action plan related to the succession of the services of JAPAN POST) provided as an agent or as an intermediary.)
(Article 10, Paragraph 2, Item 8 of the Banking Act)
- b. Services set forth in Article 3, Paragraph 1, Item 11 of the Privatization Order (Excluding services incidental to services that have not received regulatory approval under Article 110, Paragraph 1 of the PSP Act (excluding services provided by the Bank based on the action plan related to the succession of the services of JAPAN POST) (the main paragraph of Article 10, Paragraph 2 of the Banking Act))

2. Rationale

Aiming to further enhance its corporate value, the Bank has devised its future business expansion plans based on the following themes: “Provide high-quality financial services focused on customers,” “Facilitate fund circulation in communities,” and “Promote increasingly sophisticated and diversified asset management.” Execution of this business expansion will require the Bank to push ahead with upgrading and expanding settlement services, fostering cooperation with regional financial institutions and other partners, and spreading its risk exposure and diversifying its revenue sources. Accordingly, the Bank has decided to file for regulatory approval of the following service:

(1) Account overdraft lending services

In order to provide high-quality financial services focused on customers, the Bank is implementing measures to enhance customer convenience such as upgrading and enhancing settlement services as part of its management strategy. Accordingly, the Bank wishes to provide account overdraft lending services that will address any sudden expenditures and temporary funding needs of customers, with a view to augmenting its settlement services and improving customer convenience.

The account overdraft lending services will be structured as follows. First, the Bank will receive applications for the service from individual ordinary deposit holders. If the applicant is found to be qualified based on a screening of repayment ability and other factors, the Bank will establish an overdraft loan limit and will provide unsecured loans to fulfill any requests for payments exceeding the outstanding balance of the ordinary deposit up to the overdraft loan limit.

(2) Asset management-related business

As part of its management strategy, the Bank is working to promote increasingly sophisticated and diversified asset management in the quest for further investment returns while maintaining Japanese government bonds as the base of its investment portfolio. In the current low-interest rate environment, the Bank believes it is crucial to undertake dynamic and flexible asset management by further promoting increasingly sophisticated and diversified asset management, in order to generate stable returns.

(3) Other services incidental to banking services

As part of its management strategy, the Bank seeks to promote collaborative and cooperative relationships with regional financial institutions and other partners. To this end, as the social and economic environment continues to change going forward, the Bank believes it is essential to flexibly address the needs of regional financial institutions and other partners in conjunction with providing services that make effective use of the Bank’s other resources.

The Bank believes that the aforementioned services are consistent with the direction laid out in the “Opinion of the Postal Privatization Committee Concerning the Promotion of Future Postal Services Privatization,” issued by the Postal Privatization Committee in December 2015.

3. Service Methodology and Description

(1) Account overdraft lending services

a. Outline of services

In order to provide high-quality financial services focused on customers, the Bank is implementing measures to enhance customer convenience such as upgrading and enhancing settlement services as part of its management strategy. Accordingly, the Bank wishes to provide account overdraft lending services that will address any sudden expenditures and temporary funding needs of customers, with a view to augmenting its settlement services and improving customer convenience.

The account overdraft lending services will be structured as follows. First, the Bank will receive applications for the service from individual ordinary deposit holders. If the applicant is found to be qualified based on a screening of repayment ability and other factors, the Bank will establish an overdraft loan limit and will provide unsecured loans to fulfill any requests for payments exceeding the outstanding balance of the ordinary deposit up to the overdraft loan limit.

If regulatory approval is granted, the Bank plans to commence these services at the earliest opportunity from January 2019 onward.

b. Implementation system

The Bank plans to accept applications for the service through the branches of the Bank and post offices. The Bank will put a system in place for managing the subsequent screening and credit management operations at head office. In regard to risk management and legal compliance, the relevant head office divisions will undertake appropriate management of branches, post offices and other sites. In addition, internal control will be ensured through audits by the Internal Audit Division.

The account overdraft lending services will constitute the Bank's first full-fledged lending services. Therefore, by the time it commences these services, the Bank will have developed an implementation system with particularly close attention to the following points.

- The Bank will develop a system for appropriately managing outsourcing partners involved in administrative work and screening activities.
- In regard to collaboration with JAPAN POST Co., Ltd., the Bank will develop a system for ensuring sound and appropriate business management pertaining to bank agency operators as their affiliated bank.
- The Bank will secure personnel through mid-career recruitment and human resources development supported by training and other programs, and will continuously provide the necessary training even after the start of services.
- The Bank will develop a system for taking appropriate action from the standpoint of preventing excessive borrowing by customers through means including refraining from any advertising that shows a lack of consideration for customers in this respect. In parallel, in the course of screening, the Bank will verify not only repayment ability, but also the status of borrowing from other financial institutions and lenders, among other factors, and regularly verify the status of borrowing after loan execution.

In addition to the foregoing, in the course of implementing these services, management and head office divisions will verify the status of operations, and take any necessary measures.

c. Risk management systems

The Bank undertakes risk management based on both quantitative and qualitative approaches under an integrated risk management framework. The Bank has set up special advisory committees to the Executive Committee: the Risk Management Committee and the ALM Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

In the course of implementing the account overdraft lending services, the Bank will develop risk management systems with particularly close attention to the following risks:

- Credit risk management will increase due to the implementation of the account overdraft lending services. The Bank will undertake credit risk management through both individual account management and portfolio management. In individual account management, the Bank will determine whether to accept or deny an application following screening by a guarantee company and the Bank's internal screening process. In addition, the Bank will regularly verify the guarantee company's ability to fulfill its guarantee obligations. In portfolio management, the Bank will implement monitoring and management by quantitatively measuring the credit risk amount using statistical methods. The Bank will also develop a system to appropriately undertake credit management and asset assessments.
- Operational risk management will also increase due to the implementation of the account overdraft lending services. The Bank will undertake operational risk management according to risk characteristics by appropriately carrying out risk recognition, evaluation and related activities. In regard to managing contractors, the Bank will develop a system for appropriately managing various risks associated with customer protection at the head office and outsourcing. In regard to collaboration with JAPAN POST Co., Ltd., the Bank will also develop a system for ensuring sound and appropriate business management pertaining to bank agency operators as their affiliated bank.

d. Customer protection management system

The Bank will develop a system for taking appropriate action from the standpoint of preventing excessive borrowing by customers through means including refraining from any advertising that shows a lack of consideration for customers in this respect. In parallel, in the course of screening, the Bank will verify not only repayment ability, but also the status of borrowing from other financial institutions and lenders, among other factors, and regularly verify the status of borrowing after loan execution.

The Bank will develop a system to respond appropriately in case it receives consultations or requests for a change in lending conditions or related matters.

The Bank will establish a customer protection management policy and a policy on privacy protection with respect to these services, and will endeavor to ensure appropriate customer and privacy protection through such means as fulfilling its accountability to customers and preventing any prohibited actions pursuant to the Banking Act.

e. Business management system

The account overdraft lending services will constitute the Bank's first full-fledged lending services. Therefore, management will work to devise a management strategy and a business implementation policy in line with the goal of providing high-quality financial services focused on customers, along with ensuring rigorous legal compliance.

The Executive Committee and other bodies will appropriately monitor and manage the status of progress on developing systems during the preparation period leading up to the start of these services. Even after the start of these services, the Executive Committee and other bodies will also appropriately monitor and manage the operational status of these services.

(2) Asset management-related business

a. Outline of services

As part of its management strategy, the Bank is proactively shifting its investment portfolio from investments centered on Japanese government bonds to diversified investments in global assets by promoting increasingly sophisticated and diversified asset management. The Bank has been working to develop asset management and risk management systems and accumulate expertise through such means as recruiting skilled personnel from outside the Bank and strengthening human resources development. Considering the status of development of these systems, if regulatory approval is granted, the Bank plans to further promote increasingly sophisticated and diversified asset management.

b. Implementation system

In the course of implementing this asset management-related business, the Bank will implement the services based on the same system as other asset management activities, namely by setting up independent front, middle and back offices. The Bank will develop systems, rules and other matters as needed according to changes in the business environment going forward.

In the course of undertaking asset management, the Bank will implement asset management based on a Basic ALM Plan (annual) and a monthly policy (prepared based on the Basic ALM Plan), as it does with other asset management activities.

In the course of implementing this asset management-related business, the Bank will give due consideration to the market environment so as to avoid causing any unforeseen disruptions in the financial markets.

c. Risk management systems

The Bank undertakes risk management based on both quantitative and qualitative approaches under an integrated risk management framework. The Bank has set up special advisory committees to the Executive Committee: the Risk Management Committee and the ALM Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

With regard to market risk and credit risk management, the Bank uses the VaR statistical method to quantitatively measure the amounts of each type of risk. The Bank establishes,

monitors and manages risk limit amounts in order to ensure that the amount of risk does not exceed allocated risk capital, which is determined based on measures of the Bank's financial strength, including capital.

With respect to liquidity risk management, the Bank establishes, monitors and manages standards and indicators related to market liquidity risk and funding liquidity risk.

With respect to operational risk management, the Bank manages operational risk according to risk characteristics through means including appropriately identifying and evaluating risks.

d. Business management system

In light of the management strategy of promoting increasingly sophisticated and diversified asset management, management will verify the operational status of services in conjunction with ensuring rigorous legal compliance.

As before, the Executive Committee and other bodies will appropriately monitor and manage the operational status of services.

(3) Other services incidental to banking services

a. Outline of services

As part of its management strategy, the Bank seeks to promote collaborative and cooperative relationships with regional financial institutions and other partners. To this end, as the social and economic environment continues to change going forward, the Bank believes it is essential to flexibly address the needs of regional financial institutions and other partners in conjunction with providing services that make effective use of the Bank's other resources.

b. Implementation system

When implementing these services, the Bank will develop new systems as necessary, while making effective use of existing systems. In the process, the Bank will pay close attention to risk management, customer protection and other factors to ensure appropriate operational management.

In the course of implementing these services, legal checks will be performed within the Bank to confirm whether the Bank may provide the services within the scope permitted by the Banking Act and the PSP Act.

c. Risk management systems

In the course of implementing these services, the Bank will monitor the risks associated with the services and develop systems for appropriately managing those risks.

d. Business management system

In light of management strategies such as "Provide high-quality financial services focused on customers," "Facilitate fund circulation in communities," and "Promote increasingly sophisticated and diversified asset management," management will verify the operational status of services in conjunction with ensuring rigorous legal compliance.