

Selected Financial Information

For the Nine Months Ended December 31, 2017

JAPAN POST BANK Co., Ltd.
February 14, 2018

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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 3Q Results

- Gross operating profit for the nine months ended December 31, 2017 increased by ¥93.1 bn year on year to ¥1,162.2 bn. Net interest income decreased by ¥48.6 bn year on year, mainly due to a decrease in interest on Japanese government bonds. Net fees and commissions increased by ¥6.6 bn year on year. Net other operating income increased by ¥135.1 bn year on year, due to an increase in gains (losses) on foreign exchanges, etc.
- General and administrative expenses decreased by ¥10.5 bn year on year to ¥785.5 bn.
- Despite the adverse business environment with yen interest rates remained at a low level, net operating profit increased by ¥103.7 bn year on year to ¥376.6 bn.
- Non-recurring gains (losses) decreased by ¥18.3 bn year on year, due to a decrease in gains (losses) on money held in trust, etc. Net ordinary income increased by ¥85.4 bn year on year to ¥397.9 bn.
- Net income increased by ¥59.1 bn year on year to ¥282.0 bn, which equated to 80.5% 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 nine months ended December 31, 2017
Ordinary income	1,537.6
Increase (decrease) from the nine months ended December 31, 2016	131.7 9.3%
Net ordinary income	397.9
Increase (decrease) from the nine months ended December 31, 2016	85.4 27.3%
Net income	282.0
Increase (decrease) from the nine months ended December 31, 2016	59.1 26.5%

(¥bn, %)

	Earnings forecasts for the fiscal year ending March 31, 2018	Progress
Net ordinary income	490.0	81.2%
Net income	350.0	80.5%

1. Overview of FY2018/3 3Q Results

Results of Operations

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Gross operating profit	1,162.2	1,069.1	93.1
Net interest income	912.8	961.4	(48.6)
Net fees and commissions	72.5	65.8	6.6
Net other operating income (loss)	176.9	41.8	135.1
Gains (losses) on foreign exchanges	178.4	42.0	136.4
Gains (losses) on bonds	(3.0)	(1.9)	(1.0)
General and administrative expenses (*)	785.5	796.1	(10.5)
Provision for general reserve for possible loan losses	0.0	0.0	0.0
Net operating profit	376.6	272.9	103.7
Non-recurring gains (losses)	21.2	39.6	(18.3)
Gains (losses) on money held in trust	28.1	40.0	(11.8)
Net ordinary income	397.9	312.5	85.4
Net income	282.0	222.9	59.1
ROE (**) (***)	3.16%	2.54%	0.61 %
OHR (****)	67.58%	74.46%	(6.87)%

Financial Condition

	As of		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	March 31, 2017 (B)	
Assets	211,079.7	209,568.8	1,510.8
Cash and due from banks	50,173.1	51,281.9	(1,108.7)
Call loans	580.0	470.0	110.0
Receivables under securities borrowing transactions	8,409.0	8,718.9	(309.9)
Money held in trust	4,212.1	3,817.9	394.2
Securities	139,013.6	138,792.4	221.2
Loans	5,614.4	4,064.1	1,550.3
Liabilities	199,180.4	197,788.7	1,391.6
Deposits	181,060.8	179,434.6	1,626.1
Payables under securities lending transactions	13,179.4	13,694.2	(514.8)
Net assets	11,899.2	11,780.0	119.2
Total shareholders' equity	8,823.9	8,729.6	94.3
Total valuation and translation adjustments	3,075.3	3,050.4	24.9

* General and administrative expenses exclude non-recurring losses.

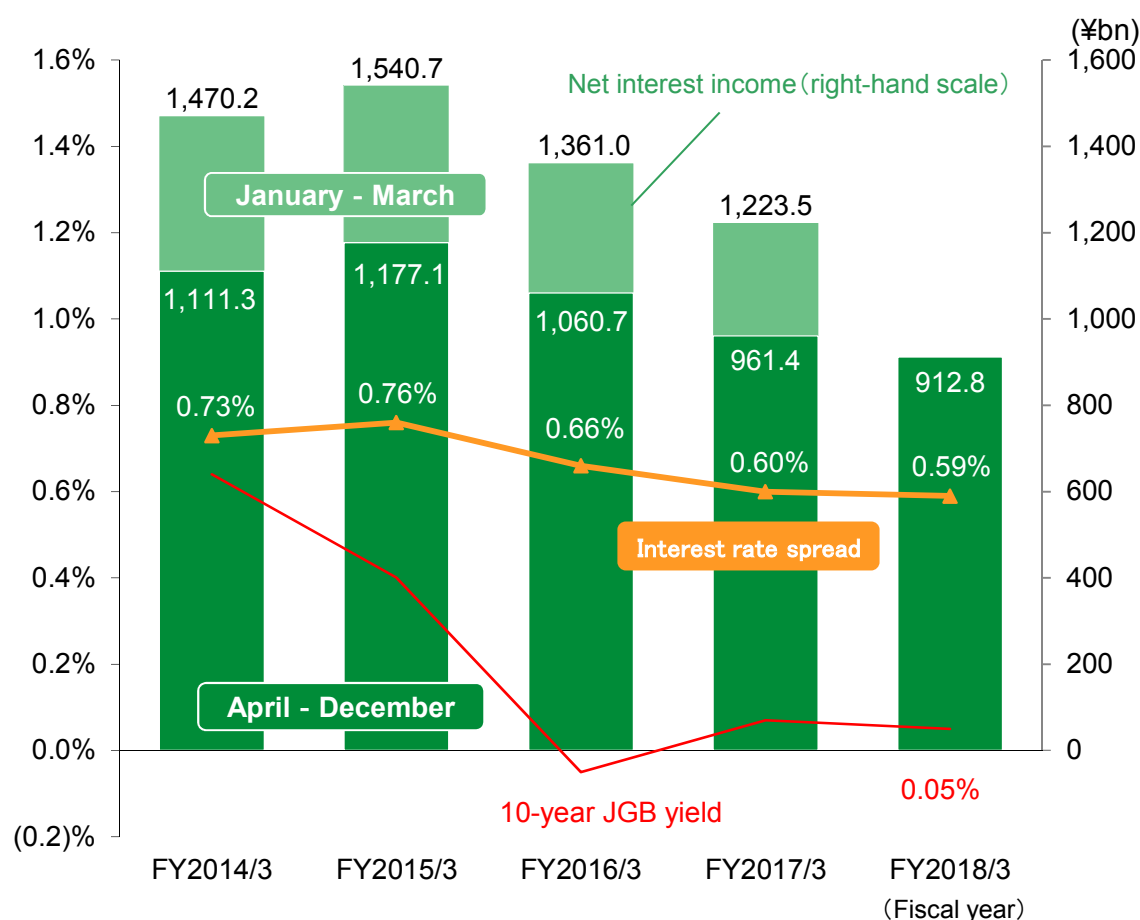
** ROE = net income / [(sum of total net assets at the beginning and the end of the period) / 2] x 100

*** 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 ¥912.8 bn and interest rate spread was 0.59% for the nine months ended December 31, 2017.



Domestic		For the nine months ended		Increase (Decrease) (A) – (B)
		December 31, 2017 (A)	December 31, 2016 (B)	
Net interest income		526.0	638.7	(112.6)
Interest income		671.2	823.1	(151.8)
Interest income on Japanese government bonds		470.2	614.4	(144.1)
Interest expenses		145.2	184.4	(39.2)

Overseas		For the nine months ended		Increase (Decrease) (A) – (B)
		December 31, 2017 (A)	December 31, 2016 (B)	
Net interest income		386.7	322.7	64.0
Interest income		569.1	467.5	101.6
Interest income on foreign securities		567.8	466.5	101.2
Interest expenses		182.4	144.8	37.6

Total		For the nine months ended		Increase (Decrease) (A) – (B)
		December 31, 2017 (A)	December 31, 2016 (B)	
Net interest income		912.8	961.4	(48.6)
Interest income		1,160.3	1,216.9	(56.6)
Interest expenses		247.5	255.5	(8.0)

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").

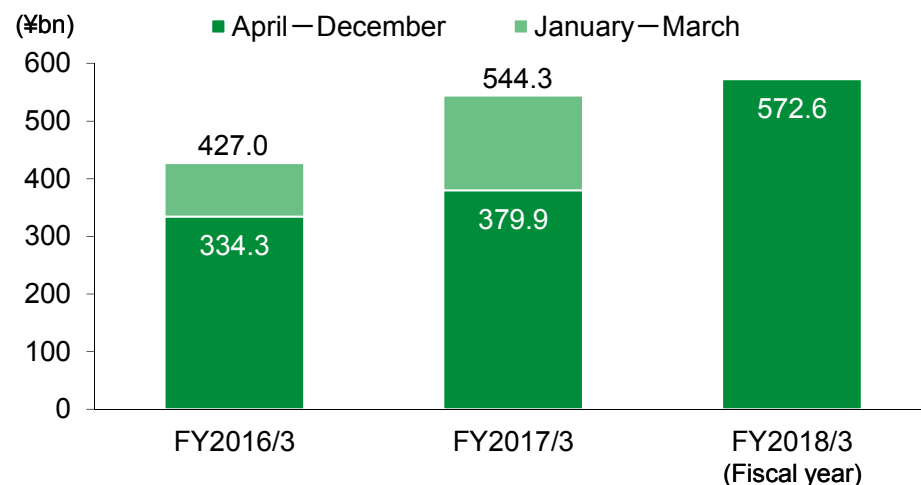
2. For a part of interest income and expenses, transactions between "domestic" and "overseas" are offset to calculate totals. As a result, the total of each account may not be equal to the combined total of "domestic" and "overseas" of each item.

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 nine months ended December 31, 2017. Interest rate spread of FY2018/3 is annualized.

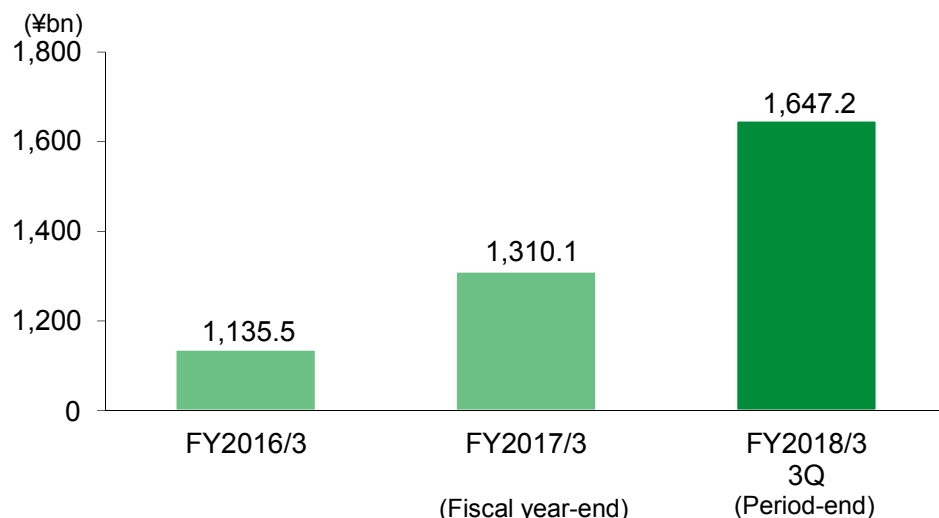
3. Net Fees and Commissions

■ Net fees and commissions for the nine months ended December 31, 2017 increased by ¥6.6 bn year on year to ¥72.5 bn.

Trend of Investment Trusts Sales



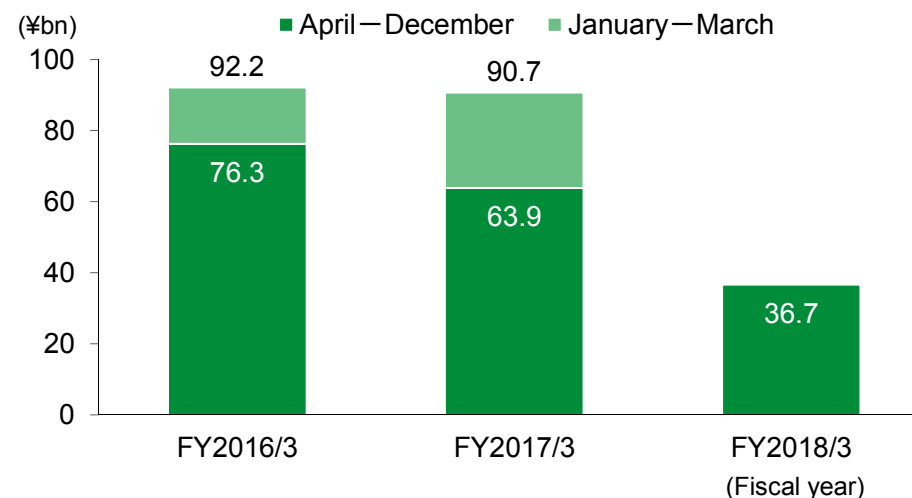
Trend of Net Assets of Investment Trusts



(¥bn)

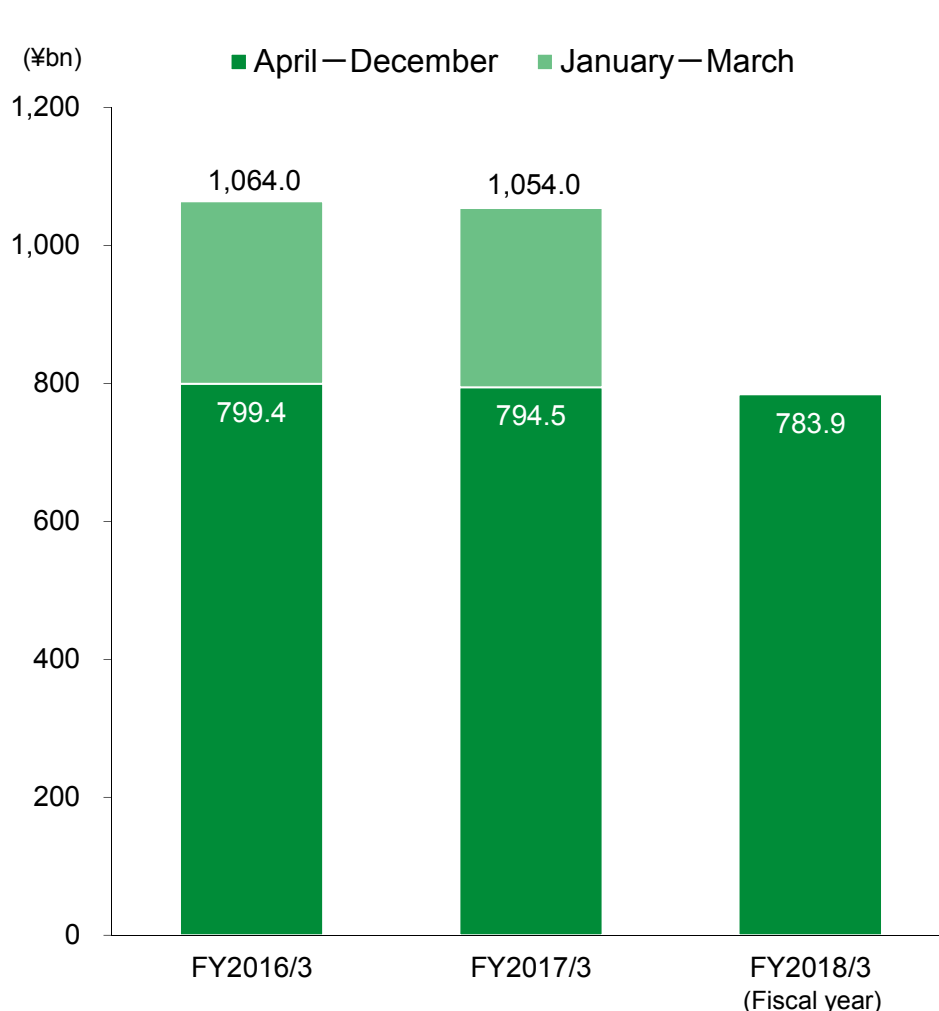
	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Net fees and commissions relating to	72.5	65.8	6.6
Exchange and settlement transactions	45.3	45.1	0.1
ATMs	6.2	5.5	0.6
Investment trusts	14.5	7.7	6.8
Others	6.3	7.4	(1.0)

Trend of Variable Annuities Policies Sales



4. Trend of General and Administrative Expenses

■ General and administrative expenses for the nine months ended December 31, 2017 decreased by ¥10.6 bn year on year to ¥783.9 bn.

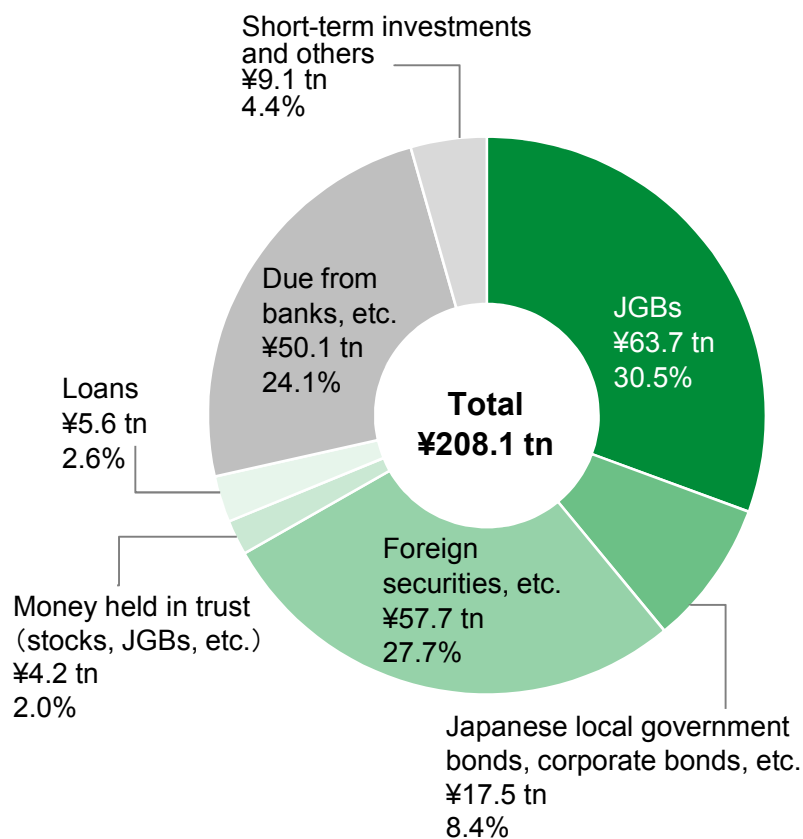


	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Personnel expenses (*)	93.9	93.2	0.6
Salaries and allowances	76.9	76.7	0.2
Non-personnel expenses	631.7	643.2	(11.5)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	451.7	462.5	(10.7)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.	4.2	6.2	(2.0)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	45.4	49.6	(4.2)
Taxes and dues	58.3	58.0	0.2
Total	783.9	794.5	(10.6)

* Personnel expenses include non-recurring losses.

5. Asset Management Status

■ Included in investment assets as of December 31, 2017, JGBs were ¥63.7 tn and foreign securities, etc. were ¥57.7 tn.



(¥bn)					
Categories	As of December 31, 2017 (A)	%	As of March 31, 2017 (B)	%	Increase (Decrease) (A) – (B)
Securities	139,013.6	66.7	138,792.4	66.9	221.2
Japanese government bonds	63,704.1	30.5	68,804.9	33.2	(5,100.8)
Japanese local government bonds, corporate bonds, etc. (*)	17,539.2	8.4	17,070.4	8.2	468.8
Foreign securities, etc.	57,770.2	27.7	52,917.0	25.5	4,853.1
Foreign bonds	20,938.1	10.0	20,143.4	9.7	794.7
Investment trusts	36,823.2	17.6	32,726.7	15.7	4,096.4
Money held in trust (stocks, JGBs, etc.)	4,212.1	2.0	3,817.9	1.8	394.2
Domestic stocks	2,411.1	1.1	2,079.2	1.0	331.8
Loans	5,614.4	2.6	4,064.1	1.9	1,550.3
Due from banks, etc. (**)	50,186.8	24.1	51,213.3	24.7	(1,026.5)
Short-term investments and others (***)	9,166.6	4.4	9,305.6	4.4	(139.0)
Total	208,193.7	100.0	207,193.4	100.0	1,000.2

* "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.

6. Unrealized Gains (Losses) on Financial Instruments

- Net unrealized gains on financial instruments (available-for-sale) after taking into consideration of gains (losses) from hedge accounting were ¥4,433.1 bn as of December 31, 2017 (before application of tax effect accounting).

(¥bn)

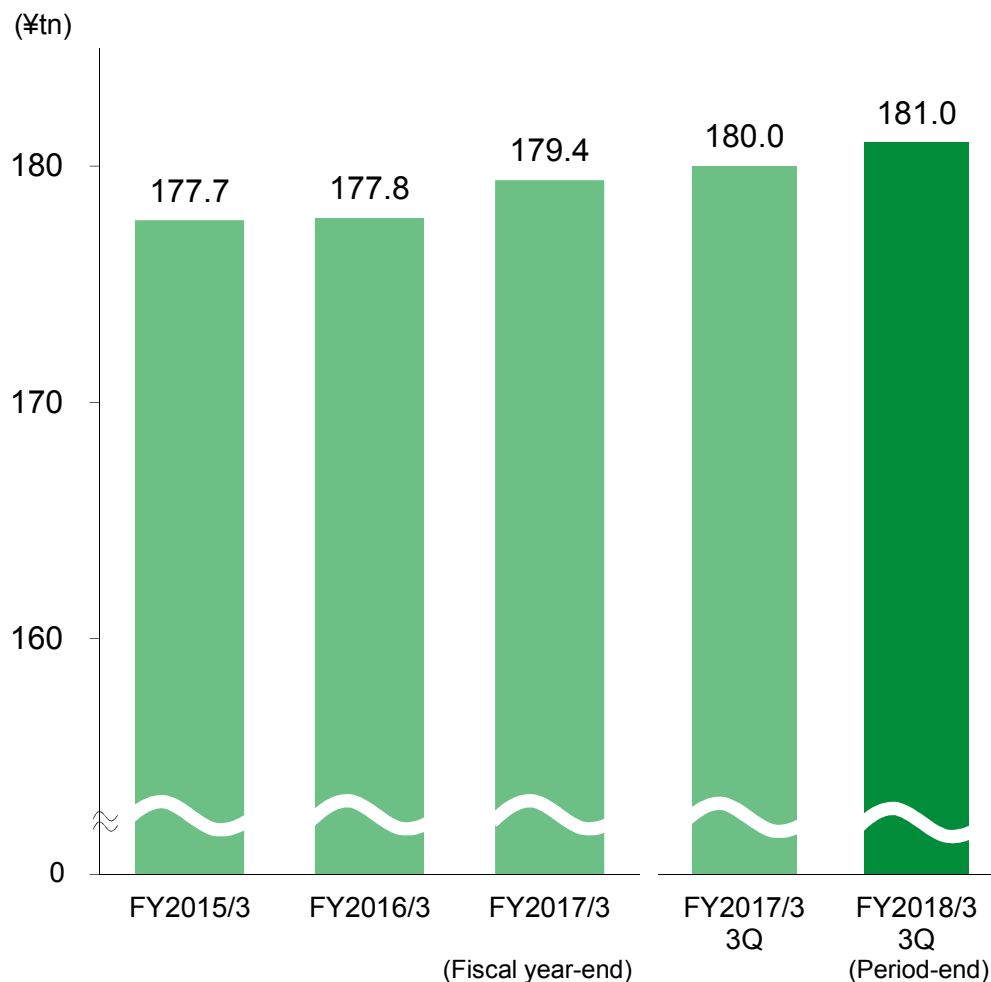
	As of December 31, 2017		As of March 31, 2017	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Held-to-maturity securities	33,096.7	1,092.8	38,316.9	1,456.5

(¥bn)

	As of December 31, 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	110,420.1	4,763.5	104,609.2	4,566.1
Securities (A)	106,238.1	3,315.4	100,791.3	3,282.1
Japanese government bonds	33,204.1	1,152.0	33,487.5	1,320.7
Foreign bonds	20,905.7	1,493.1	20,078.5	1,335.1
Investment trusts	36,823.2	519.8	32,726.7	435.0
Others	15,305.0	150.4	14,498.5	191.1
Effect of fair value hedge accounting (B)		27.6		185.3
Money held in trust (C)	4,182.0	1,420.4	3,817.9	1,098.6
Domestic stocks	2,411.1	1,390.8	2,079.2	1,058.6
Others	1,770.8	29.6	1,738.6	40.0
Derivatives for which deferred hedge accounting is applied (D)	10,383.2	(330.4)	7,553.3	(168.0)
Total (A) + (B) + (C) + (D)		4,433.1		4,398.1

7. Trend of Deposit Balance

■ Deposit balance as of December 31, 2017 was ¥181.0 tn, which remained stable.

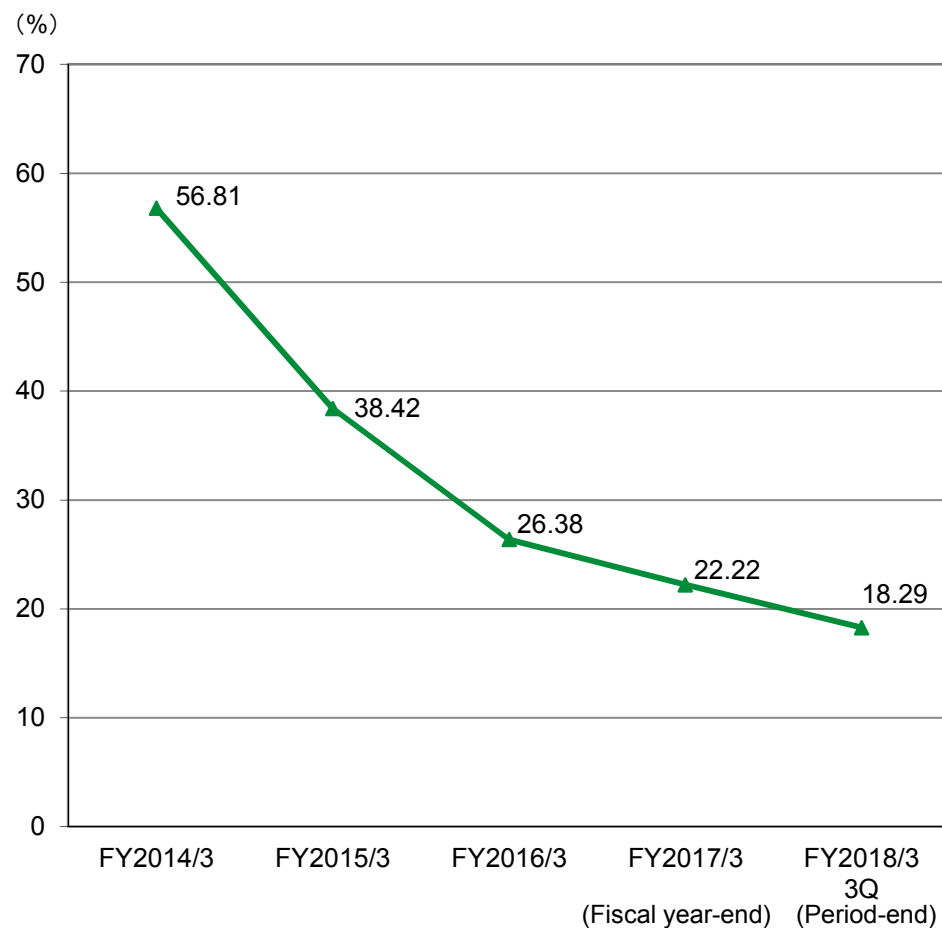


	As of December 31, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Liquid deposits	73.4	67.9	5.4
Transfer deposits	14.0	13.0	1.0
Ordinary deposits, etc.	58.9	54.5	4.3
Savings deposits	0.3	0.3	0.0
Fixed-term deposits	107.4	111.2	(3.7)
Time deposits	9.0	10.0	(0.9)
TEIGAKU deposits, etc.	98.3	101.2	(2.8)
Other deposits	0.1	0.1	0.0
Total	181.0	179.4	1.6

(¥tn)

8. Trend of Capital Adequacy Ratio

■ Capital adequacy ratio (non-consolidated, domestic standard) was 18.29% as of December 31, 2017.



	As of December 31, 2017 (A)	As of March 31, 2017 (B)	(¥bn, %) Increase (Decrease) (A) – (B)
Total capital (a)	8,803.6	8,616.9	186.7
Total amount of risk-weighted assets (b)	48,114.1	38,779.8	9,334.2
Credit risk-weighted assets	45,280.8	35,906.5	9,374.3
Capital adequacy ratio (a) / (b)	18.29%	22.22%	(3.92)%

(Reference) Portfolio Management Status

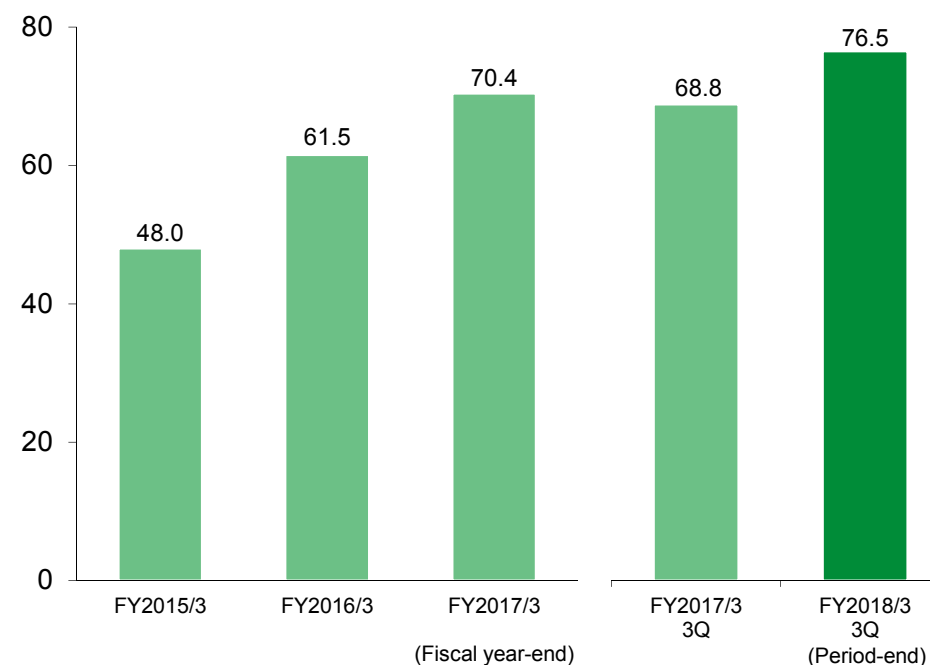
Asset Balance by Portfolio

(¥bn)

	As of December 31, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Base Portfolio (*)	124,417.6	129,098.1	(4,680.4)
Short-term assets	55,482.4	54,646.0	836.4
Japanese government bonds and government guaranteed bonds	67,949.8	73,314.5	(5,364.7)
Loans (**)	985.3	1,137.5	(152.1)
Satellite Portfolio (*)	76,563.1	70,452.6	6,110.5
Japanese local government bonds	6,453.7	6,082.2	371.5
Japanese corporate bonds, etc.	8,094.7	7,719.1	375.6
Foreign securities, etc. (****)	56,628.6	52,374.8	4,253.8
Loans (***)	1,205.9	1,069.5	136.4
Money held in trust (stocks), etc.	2,906.0	2,599.6	306.4
Alternative assets (*****)	1,273.9	607.3	666.5

Trend of Satellite Portfolio Balance

(¥tn)



* 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 December 31, 2017(A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total assets	211,079,714	209,568,820	1,510,893
Cash and due from banks	50,173,149	51,281,921	(1,108,771)
Call loans	580,000	470,000	110,000
Receivables under securities borrowing transactions	8,409,004	8,718,905	(309,900)
Monetary claims bought	257,607	252,214	5,393
Trading account securities	49	9	39
Money held in trust	4,212,140	3,817,908	394,232
Securities	139,013,655	138,792,448	221,207
Loans	5,614,481	4,064,120	1,550,361
Foreign exchanges	61,579	78,646	(17,067)
Other assets	2,522,566	1,871,733	650,833
Tangible fixed assets	187,143	175,825	11,318
Intangible fixed assets	49,471	46,183	3,287
Reserve for possible loan losses	(1,135)	(1,096)	(39)

	As of December 31, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total liabilities and net assets	211,079,714	209,568,820	1,510,893
Total liabilities	199,180,443	197,788,782	1,391,660
Deposits	181,060,824	179,434,686	1,626,138
Call money	—	45,436	(45,436)
Payables under repurchase agreements	1,198,969	960,937	238,031
Payables under securities lending transactions	13,179,493	13,694,294	(514,800)
Commercial paper	338,524	40,324	298,200
Foreign exchanges	410	407	3
Other liabilities	1,947,460	2,185,197	(237,736)
Reserve for bonuses	1,531	6,007	(4,476)
Reserve for employees' retirement benefits	150,905	148,800	2,104
Reserve for employee stock ownership plan trust	266	—	266
Reserve for management board benefit trust	106	43	62
Reserve for reimbursement of deposits	31,443	2,096	29,347
Deferred tax liabilities	1,270,507	1,270,550	(42)
Total net assets	11,899,270	11,780,037	119,232
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,328,377	2,233,759	94,617
Treasury stock	(1,300,717)	(1,300,411)	(306)
Total shareholders' equity	8,823,945	8,729,634	94,311
Net unrealized gains (losses) on available-for-sale securities	3,304,603	3,166,980	137,622
Net deferred gains (losses) on hedges	(229,278)	(116,577)	(112,700)
Total valuation and translation adjustments	3,075,324	3,050,403	24,921

2. Income Analysis

	For the nine months ended		(A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Gross operating profit	1,162,274	1,069,131	93,142
Net interest income	912,804	961,418	(48,613)
Net fees and commissions	72,504	65,850	6,654
Net other operating income (loss)	176,965	41,863	135,101
Gains (losses) on foreign exchanges	178,426	42,004	136,421
Gains (losses) on bonds	(3,038)	(1,980)	(1,058)
General and administrative expenses	(785,565)	(796,164)	10,599
Personnel expenses	(95,546)	(94,867)	(679)
Non-personnel expenses	(631,707)	(643,254)	11,546
Taxes and dues	(58,310)	(58,042)	(268)
Operating profit (before provision for general reserve for possible loan losses)	376,709	272,967	103,742
Provision for general reserve for possible loan losses	(35)	(0)	(34)
Net operating profit	376,673	272,966	103,707
Non-recurring gains (losses)	21,296	39,601	(18,305)
Gains (losses) related to stocks	(21,587)	—	(21,587)
Gains (losses) on money held in trust	28,157	40,005	(11,848)
Net ordinary income	397,969	312,567	85,402

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥1,641 million and ¥1,590 million recorded as profits for the nine months ended December 31, 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 nine months ended		(A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Extraordinary income (loss)	(588)	(467)	(120)
Gains (losses) on sales and disposals of fixed assets	(571)	(437)	(134)
Losses on impairment of fixed assets	(17)	(30)	13
Income before income taxes	397,381	312,100	85,281
Income taxes – current	(125,378)	(93,318)	(32,059)
Income taxes – deferred	10,088	4,123	5,965
Total income taxes	(115,290)	(89,195)	(26,094)
Net income	282,091	222,904	59,186
Gains (losses) on money held in trust	28,157	40,005	(11,848)
Dividends and interest income	34,165	29,485	4,679
Gains (losses) on sales of stocks	901	18,979	(18,078)
Impairment losses	(188)	(2,425)	2,237
Withholding income tax, etc.	(6,721)	(6,034)	(686)
Credit-related expenses	(11)	5	(16)
Provision for general reserve for possible loan losses	(11)	5	(16)
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, 2017 (A)	December 31, 2016 (B)	
Net income to assets (ROA)	0.17%	0.14%	0.03%
Net income to equity (ROE)	3.16	2.54	0.61
Overhead ratio (OHR)	67.58	74.46	(6.87)
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 nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Yield on interest-earning assets (a)	0.76%	0.80%	(0.04)%
Total cost of funding (including general and administrative expenses) (b)	0.71	0.73	(0.01)
Interest rate on interest-bearing liabilities (c)	0.17	0.17	(0.00)
Overall interest rate spread (a) - (b)	0.04	0.07	(0.02)
Interest rate spread (a) - (c)	0.59	0.62	(0.03)

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, 2017 (A)			December 31, 2016 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		194,872,742	671,288	0.45%	193,712,774	823,157	0.56%	(0.10)%
	Loans	4,397,638	10,677	0.32	2,754,820	13,657	0.65	(0.33)
	Securities	83,012,676	561,265	0.89	94,144,825	716,104	1.00	(0.11)
	Receivables under securities borrowing transactions	8,459,846	1,082	0.01	8,229,085	1,100	0.01	(0.00)
	Due from banks, etc.	52,412,252	18,126	0.04	47,452,668	18,593	0.05	(0.00)
Interest-bearing liabilities		186,335,741	145,248	0.10	184,601,870	184,451	0.13	(0.02)
	Deposits	180,205,742	114,955	0.08	178,994,365	154,007	0.11	(0.02)
	Payables under securities lending transactions	8,865,588	897	0.01	8,253,236	605	0.00	0.00

(2) Overseas

(Millions of yen, %)

		For the nine months ended						Increase (Decrease) (A) – (B)
		December 31, 2017 (A)			December 31, 2016 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		53,131,999	569,187	1.42%	47,177,477	467,515	1.31%	0.10%
	Loans	1,727	5	0.40	2,856	7	0.35	0.05
	Securities	52,940,160	567,835	1.42	47,029,905	466,599	1.31	0.10
	Receivables under securities borrowing transactions	—	—	—	—	—	—	—
	Due from banks, etc.	74,948	794	1.40	79,047	707	1.18	0.22
Interest-bearing liabilities		51,929,047	182,422	0.46	46,455,468	144,803	0.41	0.05
	Deposits	—	—	—	—	—	—	—
	Payables under securities lending transactions	4,096,136	40,320	1.30	4,654,349	28,734	0.81	0.48

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, 2017 (A)			December 31, 2016 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	
Interest-earning assets		201,466,328	1,160,347	0.76%	199,801,288	1,216,972	0.80%	(0.04)%
	Loans	4,399,365	10,683	0.32	2,757,676	13,665	0.65	(0.33)
	Securities	135,952,836	1,129,100	1.10	141,174,731	1,182,704	1.11	(0.00)
	Receivables under securities borrowing transactions	8,459,846	1,082	0.01	8,229,085	1,100	0.01	(0.00)
	Due from banks, etc.	52,487,200	18,921	0.04	47,531,716	19,300	0.05	(0.00)
Interest-bearing liabilities		191,726,375	247,542	0.17	189,968,376	255,554	0.17	(0.00)
	Deposits	180,205,742	114,955	0.08	178,994,365	154,007	0.11	(0.02)
	Payables under securities lending transactions	12,961,724	41,218	0.42	12,907,585	29,340	0.30	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 (nine months ended December 31, 2017, ¥2,752,567 million; nine months ended December 31, 2016, ¥2,645,968 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (nine months ended December 31, 2017, ¥2,752,567 million; nine months ended December 31, 2016, ¥2,645,968 million) and the corresponding interest (nine months ended December 31, 2017, ¥4,739 million; nine months ended December 31, 2016, ¥4,746 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 ¥5,731 million for the nine months ended December 31, 2017 (¥900 million for the nine months ended December 31, 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 December 31, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Due from banks, etc.	50,186,881	24.10	51,213,391	24.71	(1,026,510)
Call loans	580,000	0.27	470,000	0.22	110,000
Receivables under securities borrowing transactions	8,409,004	4.03	8,718,905	4.20	(309,900)
Money held in trust	4,212,140	2.02	3,817,908	1.84	394,232
Domestic stocks	2,411,185	1.15	2,079,290	1.00	331,894
Foreign stocks	0	0.00	0	0.00	0
Domestic bonds	1,259,992	0.60	1,274,178	0.61	(14,186)
Securities	139,013,655	66.77	138,792,448	66.98	221,207
Japanese government bonds	63,704,174	30.59	68,804,989	33.20	(5,100,815)
Japanese local government bonds	6,453,795	3.09	6,082,225	2.93	371,570
Commercial paper	232,996	0.11	233,998	0.11	(1,001)
Japanese corporate bonds	10,851,091	5.21	10,752,831	5.18	98,260
Japanese stocks	1,390	0.00	1,390	0.00	—
Other securities	57,770,206	27.74	52,917,013	25.53	4,853,192
Foreign bonds	20,938,178	10.05	20,143,467	9.72	794,710
Investment trusts	36,823,216	17.68	32,726,722	15.79	4,096,494
Loans	5,614,481	2.69	4,064,120	1.96	1,550,361
Others	177,603	0.08	116,718	0.05	60,885
Total	208,193,767	100.00	207,193,492	100.00	1,000,275

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 Instruments

(1) Held-to-maturity Securities

(Millions of yen)

	As of December 31, 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	30,500,051	1,039,446	35,317,430	1,373,826	(4,817,378)	(334,379)
Japanese local government bonds	—	—	44,618	115	(44,618)	(115)
Japanese corporate bonds	2,564,280	43,469	2,889,963	70,626	(325,683)	(27,156)
Others	32,433	9,897	64,911	11,981	(32,478)	(2,083)
Foreign bonds	32,433	9,897	64,911	11,981	(32,478)	(2,083)
Total	33,096,764	1,092,812	38,316,923	1,456,549	(5,220,159)	(363,736)

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

(2) Available-for-sale Securities

(Millions of yen)

	As of December 31, 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	48,177,727	1,303,687	47,622,031	1,518,522	555,695	(214,835)
Japanese government bonds	33,204,122	1,152,013	33,487,558	1,320,778	(283,436)	(168,765)
Japanese local government bonds	6,453,795	67,477	6,037,606	90,906	416,188	(23,428)
Commercial paper	232,996	—	233,998	—	(1,001)	—
Japanese corporate bonds	8,286,811	84,196	7,862,867	106,837	423,944	(22,640)
Others	58,060,386	2,011,810	53,169,322	1,763,647	4,891,064	248,163
Foreign bonds	20,905,745	1,493,125	20,078,556	1,335,157	827,188	157,967
Investment trusts	36,823,216	519,876	32,726,722	435,050	4,096,494	84,826
Total	106,238,113	3,315,497	100,791,353	3,282,169	5,446,759	33,328

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

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

3. Of net unrealized gains (losses) shown above, ¥27,601million and ¥185,342 million losses were included in the statements of income for the nine months ended December 31, 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 nine months ended December 31, 2017 and the fiscal year ended March 31, 2017.

7. Unrealized Gains (Losses) on Financial Instruments

(3) Money Held in Trust Classified as Available-for-sale

(Millions of yen)

	As of December 31, 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	4,182,060	1,420,492	3,817,908	1,098,661	364,151	321,831
Domestic stocks	2,411,185	1,390,805	2,079,290	1,058,661	331,894	332,143
Foreign stocks	0	0	0	(0)	0	0
Domestic bonds	1,259,992	29,715	1,274,178	40,000	(14,186)	(10,285)

Notes: 1. Net unrealized gains (losses) shown above are calculated by deducting the acquisition cost from the amount on the balance sheet.

2. Impairment losses on money held in trust which is classified as available-for-sale for the nine months ended December 31, 2017 and the fiscal year ended March 31, 2017 amounted to ¥188 million and ¥3,734 million, respectively.

(4) Derivatives under Hedge Accounting (Deferred Hedge Accounting)

(Millions of yen)

	As of December 31, 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	5,984,715	(164,782)	4,498,510	(195,410)	1,486,204	30,627
Currency swaps	4,312,326	(159,379)	2,971,988	37,723	1,340,337	(197,102)
Foreign exchange forward contracts	86,161	(6,327)	82,803	(10,351)	3,358	4,024
Total	10,383,202	(330,490)	7,553,302	(168,039)	2,829,900	(162,451)

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

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

Total (2) + (3) + (4)

(Millions of yen)

	As of December 31, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Total net unrealized gains (losses)	4,433,102	4,398,134	34,967

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, 2017 (A)		December 31, 2016 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	93,905	11.97	93,277	11.73	627
Salaries and allowances	76,992	9.82	76,710	9.65	282
Others	16,912	2.15	16,567	2.08	345
Non-personnel expenses	631,707	80.58	643,254	80.95	(11,546)
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	451,774	57.62	462,557	58.21	(10,783)
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (*)	4,259	0.54	6,278	0.79	(2,018)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	45,404	5.79	49,624	6.24	(4,220)
Rent for land, buildings and others	9,522	1.21	9,320	1.17	202
Expenses on consigned businesses	40,769	5.20	38,211	4.80	2,558
Depreciation and amortization	29,876	3.81	26,274	3.30	3,601
Communication and transportation expenses	14,111	1.80	14,547	1.83	(436)
Maintenance expenses	8,288	1.05	9,305	1.17	(1,017)
IT expenses	12,433	1.58	11,899	1.49	534
Others	15,267	1.94	15,234	1.91	32
Taxes and dues	58,310	7.43	58,042	7.30	268
Total	783,923	100.00	794,574	100.00	(10,650)

* 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, 2017 (A)		As of March 31, 2017 (B)		Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Domestic (excluding Japan Offshore Market accounts)	5,609,481	100.00	4,064,120	100.00	1,545,361
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	—	—	—	—	—
Utilities, information/communications, and transportation	86,663	1.54	75,811	1.86	10,852
Wholesale and retail	25,161	0.44	10,518	0.25	14,642
Finance and insurance	1,181,831	21.06	1,311,274	32.26	(129,443)
Construction and real estate	24,026	0.42	14,062	0.34	9,963
Services and goods rental/leasing	22,747	0.40	23,044	0.56	(296)
Central and local governments	4,110,087	73.27	2,440,005	60.03	1,670,082
Others	158,963	2.83	189,404	4.66	(30,440)
Overseas and Japan Offshore Market accounts	5,000	100.00	—	—	5,000
Governments	—	—	—	—	—
Financial institutions	—	—	—	—	—
Others	5,000	100.00	—	—	5,000
Total	5,614,481		4,064,120		1,550,361

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 ¥829,243 million and ¥951,200 million as of December 31, 2017 and March 31, 2017, respectively.

10. Balances by Type of Deposit

	As of December 31, 2017 (A)		As of March 31, 2017 (B)		(Millions of yen, %) Increase (Decrease) (A) – (B)
	Amount	%	Amount	%	Amount
Liquid deposits	73,404,400	40.54	67,994,923	37.89	5,409,477
Transfer deposits	14,081,544	7.77	13,052,115	7.27	1,029,429
Ordinary deposits, etc.	58,925,227	32.54	54,550,845	30.40	4,374,381
Savings deposits	397,629	0.21	391,963	0.21	5,666
Fixed-term deposits	107,487,055	59.36	111,280,733	62.01	(3,793,677)
Time deposits	9,091,673	5.02	10,065,156	5.60	(973,482)
TEIGAKU deposits, etc.	98,395,382	54.34	101,215,576	56.40	(2,820,194)
Other deposits	169,368	0.09	159,029	0.08	10,338
Subtotal	181,060,824	100.00	179,434,686	100.00	1,626,138
Negotiable certificates of deposit	—	—	—	—	—
Total	181,060,824	100.00	179,434,686	100.00	1,626,138
Deposits including accrued interest	182,050,284		180,781,785		1,268,498

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.

11. Problem Assets Disclosed under the Financial Reconstruction Act

(Millions of yen, %)

	As of December 31, 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	5,679,284	4,145,468	1,533,815
Total (b)	5,679,284	4,145,468	1,533,815
Non-performing loan ratio (a) / (b)	—%	—%	—%

12. Capital

Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

(Millions of yen, %)

	As of December 31, 2017 (A)	As of March 31, 2017 (B)	Increase (Decrease) (A) – (B)
Core Capital: instruments and reserves (a)	8,824,248	8,636,164	188,083
Core Capital: regulatory adjustments (b)	20,594	19,224	1,370
Total capital (a) - (b) = (c)	8,803,653	8,616,940	186,712
Total amount of risk-weighted assets (d)	48,114,104	38,779,806	9,334,297
Credit risk-weighted assets	45,280,869	35,906,558	9,374,311
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,833,234	2,873,248	(40,014)
Capital adequacy ratio (c) / (d)	18.29%	22.22%	(3.92)%
Total capital requirements	1,924,564	1,551,192	373,371

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, 2017 (A)	December 31, 2016 (B)	
Number of contracts (thousands)	1,095	907	188
Sales amount (millions of yen)	572,622	379,954	192,668

	As of December 31, 2017 (A)	As of December 31, 2016 (B)	Increase (Decrease) (A) – (B)
Number of investment trust accounts (thousands)	843	735	107
Net assets (millions of yen)	1,647,255	1,262,864	384,390

(2) Variable Annuities Policies

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Number of policies	7,591	12,363	(4,772)
Sales amount (millions of yen)	36,712	63,986	(27,273)

	As of December 31, 2017 (A)	As of December 31, 2016 (B)	Increase (Decrease) (A) – (B)
Number of policies (cumulative)	108,098	95,139	12,959
Sales amount (cumulative) (millions of yen)	565,147	501,708	63,438

13. Selected Business Results

(3) Credit Cards

(Thousands)

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Number of cards issued	47	48	(0)

	As of December 31, 2017 (A)	As of December 31, 2016 (B)	Increase (Decrease) (A) – (B)
Number of cards issued (cumulative) (outstanding)	1,085	1,111	(26)

(4) Mortgage Loans (as Intermediary)

(Millions of yen)

	For the nine months ended		Increase (Decrease) (A) – (B)
	December 31, 2017 (A)	December 31, 2016 (B)	
Amount of new credit extended	26,922	28,354	(1,431)

	As of December 31, 2017 (A)	As of December 31, 2016 (B)	Increase (Decrease) (A) – (B)
Amount of new credit extended (cumulative)	410,181	371,705	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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