

Selected Financial Information

For the Six Months Ended September 30, 2018



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

Contents

Financial Highlights

1. Overview of FY2019/3 H1 Results	Non-consolidated/ Consolidated	••P. 2
2. Trend of Net Interest Income and Interest Rate Spread	Non-consolidated	••P. 4
3. Net Fees and Commissions	Non-consolidated	••P. 5
4. Trend of General and Administrative Expenses	Non-consolidated	••P. 6
5. Asset Management Status	Non-consolidated	••P. 7
6. Unrealized Gains (Losses) on Financial Instruments	Non-consolidated	••P. 8
7. Trend of Deposit Balance	Non-consolidated	••P. 9
8. Trend of Capital Adequacy Ratio	Non-consolidated/ Consolidated	••P.10
9. Dividends	Consolidated	••P.11
(Reference) Portfolio Management Status	Non-consolidated	••P.12

Financial Data

1. Summarized Balance Sheets	Non-consolidated	••P.14
2. Income Analysis	Non-consolidated	••P.15
3. Selected Ratios	Non-consolidated	••P.16
4. Interest Rate Spread	Non-consolidated	••P.16
5. Average Balance, Interest, and Earnings Yield of Interest-Earning Assets and Interest-Bearing Liabilities	Non-consolidated	••P.17
6. Asset Management Status	Non-consolidated	••P.19
7. Unrealized Gains (Losses) on Financial Instruments	Non-consolidated	••P.20
8. General and Administrative Expenses	Non-consolidated	••P.22
9. Loans	Non-consolidated	••P.23
10. Balances by Type of Deposit	Non-consolidated	••P.24
11. Deferred Tax Assets/Liabilities	Non-consolidated	••P.25
12. Problem Assets Disclosed under the Financial Reconstruction Act	Non-consolidated	••P.26
13. Reserve for Possible Loan Losses	Non-consolidated	••P.26
14. Capital	Non-consolidated/ Consolidated	••P.27

Notes: 1. All Japanese yen figures in the financial statements of JAPAN POST BANK Co., Ltd. (the “Bank”) and its consolidated subsidiaries (the “Group”) have been rounded down.

Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Since the Bank prepares its quarterly consolidated financial statements from the three months ended June 30, 2018, consolidated amount for the six months ended September 30, 2017 and the increase (decrease) were not disclosed.

Financial Highlights

1. Overview of FY2019/3 H1 Results

- Gross operating profit for the six months ended September 30, 2018 decreased by ¥37.4 bn year on year to ¥720.2 bn.
Net interest income decreased by ¥68.9 bn year on year, mainly due to a decrease in interest on Japanese government bonds.
Net fees and commissions increased by ¥5.8 bn year on year.
Net other operating income increased by ¥25.5 bn year on year, due to an increase in gains (losses) on foreign exchanges, etc.
- General and administrative expenses decreased by ¥0.2 bn year on year to ¥521.9 bn.
- In the adverse business environment with yen interest rates remained at a low level, net operating profit decreased by ¥37.1 bn year on year to ¥198.3 bn.
- Net ordinary income decreased by ¥33.7 bn year on year to ¥223.4 bn.
- Net income decreased by ¥22.2 bn year on year to ¥159.2 bn.
- Net income attributable to owners of parent was ¥159.2 bn, which equated to 61.2% of the earnings forecasts of ¥260.0 bn in net income attributable to owners of parent for the fiscal year ending March 31, 2019.

Note: ■ indicate non-consolidated amount, and □ indicates consolidated amount.

【Consolidated subsidiaries, etc.】

Consolidated subsidiaries	3 companies (Principal company: Japan Post Investment Corporation)
Affiliates accounted for by the equity method	SDP CENTER Co., Ltd. , ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd.

Results of Operations (FY2019/3 H1) (¥bn, %)

Non-consolidated	
Ordinary income	965.3
Increase (decrease) from the six months ended September 30, 2017	(11.9) (1.2)%
Net ordinary income	223.4
Increase (decrease) from the six months ended September 30, 2017	(33.7) (13.1)%
Net income	159.2
Increase (decrease) from the six months ended September 30, 2017	(22.2) (12.2)%
Consolidated	
Net ordinary income	223.3
Net income attributable to owners of parent	159.2

Earnings forecasts (FY2019/3) (¥bn, %)

	Earnings forecasts	Progress
Consolidated		
Net ordinary income	370.0	60.3%
Net income attributable to owners of parent	260.0	61.2%

1. Overview of FY2019/3 H1 Results

Non-consolidated

Results of Operations

	For the six months ended		(¥bn, %)
	September 30, 2017 (A)	September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Gross operating profit	757.7	720.2	(37.4)
Net interest income	618.0	549.1	(68.9)
Net fees and commissions	47.1	52.9	5.8
Net other operating income (loss)	92.5	118.1	25.5
Gains (losses) on foreign exchanges	87.7	132.8	45.0
Gains (losses) on bonds	3.0	(17.5)	(20.6)
General and administrative expenses (*)	522.2	521.9	(0.2)
Provision for general reserve for possible loan losses	0.0	—	(0.0)
Net operating profit	235.4	198.3	(37.1)
Non-recurring gains (losses)	21.6	25.1	3.4
Gains (losses) on money held in trust	23.9	26.6	2.7
Net ordinary income	257.1	223.4	(33.7)
Net income	181.5	159.2	(22.2)

Selected Ratios

ROE (**) (***)	3.06%	2.78%	(0.27)%
OHR (****)	68.92%	72.46%	3.54 %

Financial Condition

	As of		(¥bn)
	March 31, 2018 (A)	September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Assets	210,630.6	208,377.8	(2,252.7)
Cash and due from banks	49,288.3	48,464.7	(823.5)
Call loans	480.0	420.0	(60.0)
Receivables under securities borrowing transactions	8,224.1	7,719.1	(504.9)
Money held in trust	4,241.5	4,448.9	207.4
Securities	139,201.2	137,759.7	(1,441.4)
Loans	6,145.5	6,380.2	234.6
Liabilities	199,117.4	197,105.8	(2,011.5)
Deposits	179,882.7	180,374.9	492.2
Payables under securities lending transactions	13,812.1	11,164.0	(2,648.0)
Net assets	11,513.1	11,271.9	(241.2)
Total shareholders' equity	8,894.5	8,959.9	65.3
Total valuation and translation adjustments	2,618.5	2,311.9	(306.5)

* 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

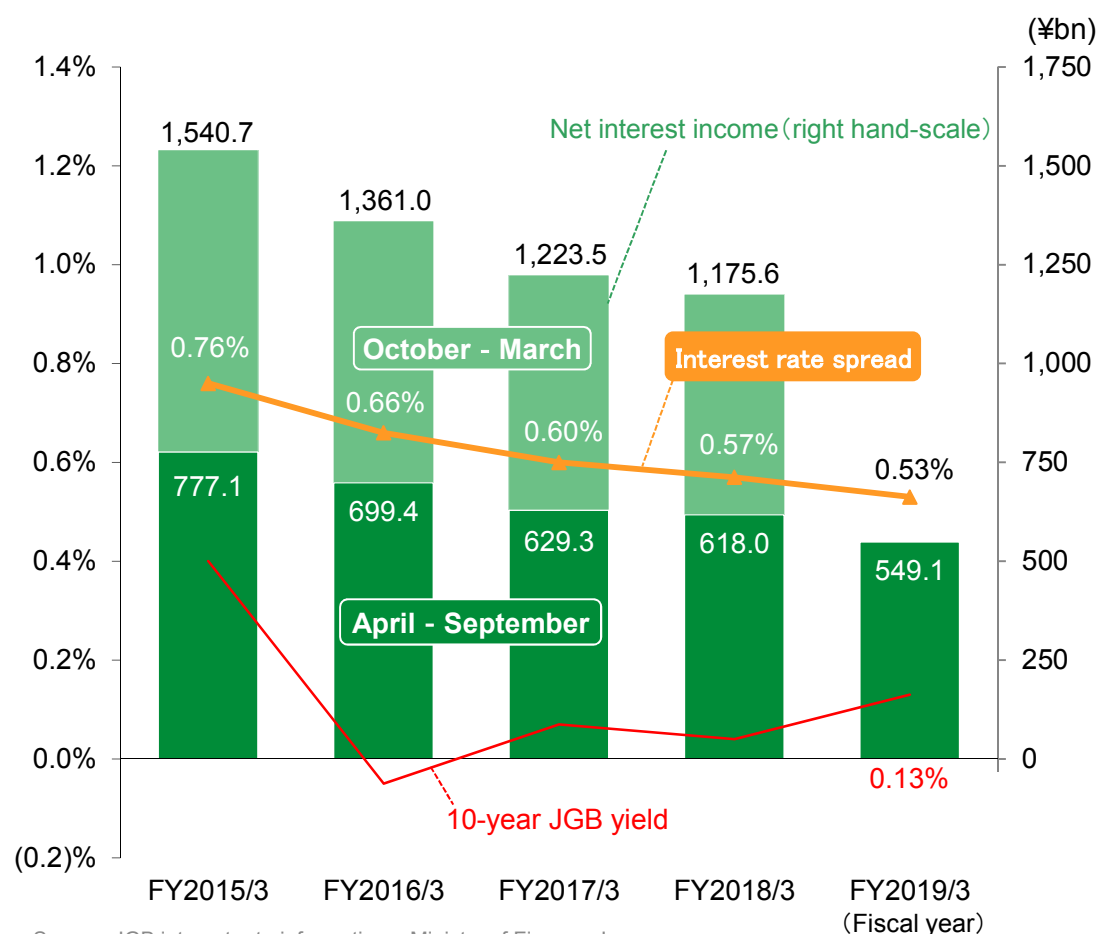
*** ROE is annualized.

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

2. Trend of Net Interest Income and Interest Rate Spread

Non-consolidated

■ Net interest income was ¥549.1 bn and interest rate spread was 0.53% for the six months ended September 30, 2018.



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 FY2015/3 – FY2018/3 are the figures for the relevant fiscal years, while interest rate spread of FY2019/3 is the figure for the six months ended September 30, 2018. Interest rate spread of FY2019/3 is annualized.

Domestic		For the six months ended		Increase (Decrease)
		September 30, 2017 (A)	September 30, 2018 (B)	(B) – (A)
Net interest income		382.3	370.5	(11.8)
Interest income		482.1	434.3	(47.7)
Interest income on Japanese government bonds		322.5	271.7	(50.7)
Interest expenses		99.7	63.8	(35.9)

Overseas		For the six months ended		Increase (Decrease)
		September 30, 2017 (A)	September 30, 2018 (B)	(B) – (A)
Net interest income		235.6	178.5	(57.0)
Interest income		377.4	372.7	(4.6)
Interest income on foreign securities		376.5	372.0	(4.4)
Interest expenses		141.7	194.1	52.3

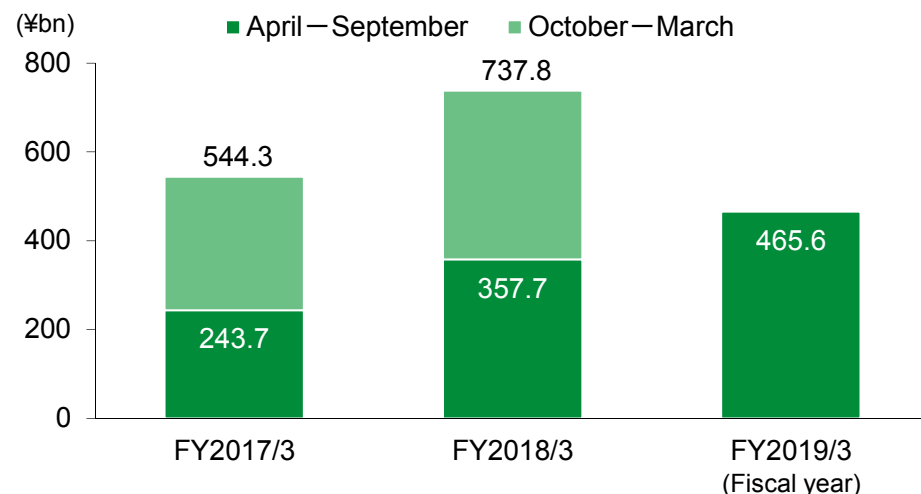
Total		For the six months ended		Increase (Decrease)
		September 30, 2017 (A)	September 30, 2018 (B)	(B) – (A)
Net interest income		618.0	549.1	(68.9)
Interest income		781.2	716.1	(65.1)
Interest expenses		163.1	166.9	3.8

3. Net Fees and Commissions

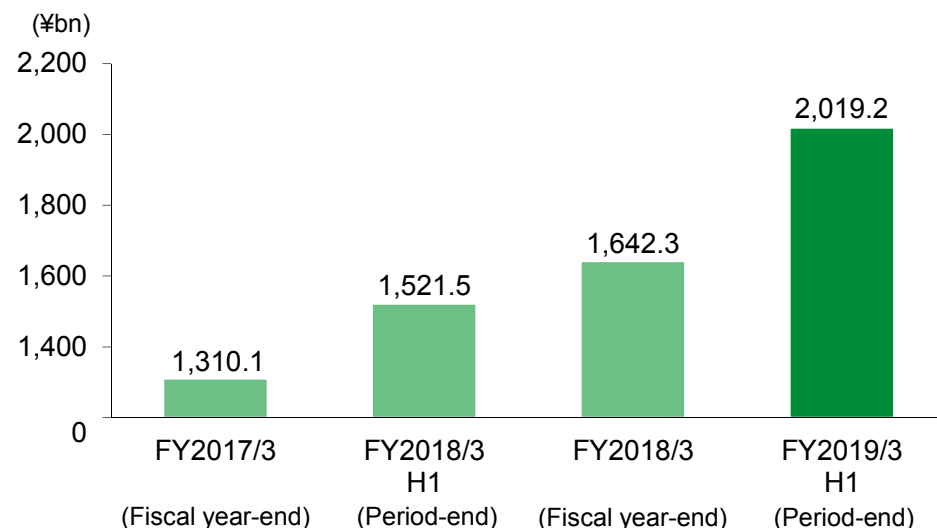
Non-consolidated

■ Net fees and commissions for the six months ended September 30, 2018 increased by ¥5.8 bn year on year to ¥52.9 bn.

Trend of Investment Trusts Sales



Trend of Net Assets of Investment Trusts



Breakdown of Net Fees and Commissions

	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Net fees and commissions relating to	47.1	52.9	5.8
Exchange and settlement transactions	29.6	30.2	0.6
ATMs	3.8	6.9	3.0
Investment trusts	9.3	11.1	1.8
Others	4.2	4.6	0.3

Results of Investment Trusts Sales (Contract Basis)

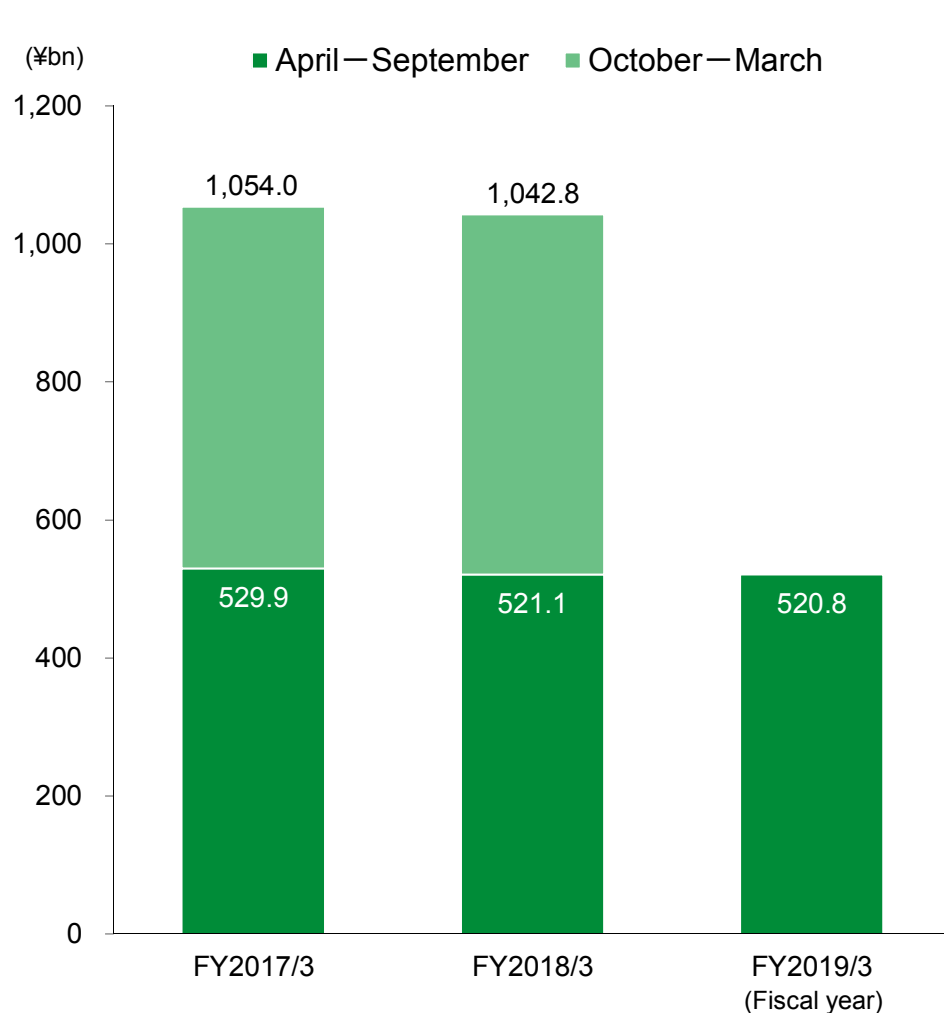
	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Number of contracts (thousands)	699	1,028	329
Sales amount (billions of yen)	357.7	465.6	107.9

	As of September 30, 2017 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Number of investment trust accounts (thousands)	807	969	161
Net assets (billions of yen)	1,521.5	2,019.2	497.7

4. Trend of General and Administrative Expenses

Non-consolidated

■ General and administrative expenses for the six months ended September 30, 2018 decreased by ¥0.2 bn year on year to ¥520.8 bn.



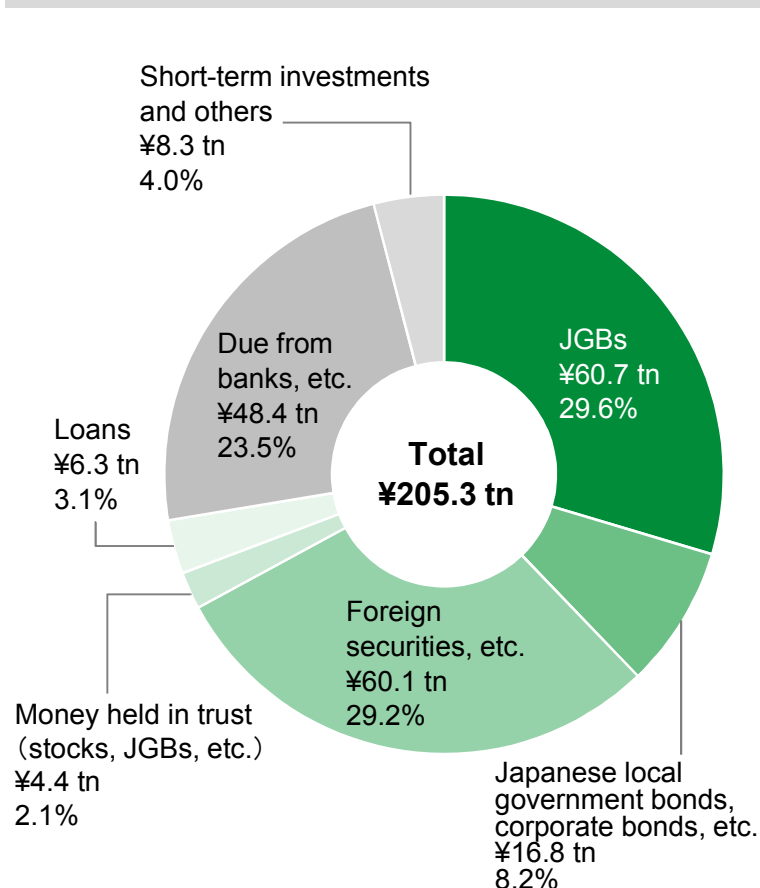
	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Personnel expenses (*)	62.9	62.0	(0.8)
Salaries and allowances	51.5	51.0	(0.5)
Non-personnel expenses	419.6	422.2	2.5
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	301.8	303.6	1.8
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd.	2.8	0.8	(2.0)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	30.2	29.8	(0.4)
Taxes and dues	38.5	36.6	(1.9)
Total	521.1	520.8	(0.2)

* Personnel expenses include non-recurring losses.

5. Asset Management Status

Non-consolidated

■ Included in investment assets as of September 30, 2018, JGBs were ¥60.7 tn and foreign securities, etc. were ¥60.1 tn.



(¥bn)					
Categories	As of March 31, 2018 (A)	%	As of September 30, 2018 (B)	%	Increase (Decrease) (B) – (A)
Securities	139,201.2	67.0	137,759.7	67.0	(1,441.4)
Japanese government bonds	62,749.7	30.2	60,799.9	29.6	(1,949.7)
Japanese local government bonds, corporate bonds, etc. (*)	17,152.6	8.2	16,853.8	8.2	(298.8)
Foreign securities, etc.	59,298.8	28.5	60,105.9	29.2	807.1
Foreign bonds	20,244.3	9.7	21,550.8	10.4	1,306.4
Investment trusts (**)	39,042.6	18.7	38,530.9	18.7	(511.6)
Money held in trust (stocks, JGBs, etc.)	4,241.5	2.0	4,448.9	2.1	207.4
Domestic stocks	2,286.1	1.1	2,335.1	1.1	48.9
Loans	6,145.5	2.9	6,380.2	3.1	234.6
Due from banks, etc. (***)	49,314.6	23.7	48,426.2	23.5	(888.3)
Short-term investments and others (****)	8,830.6	4.2	8,327.2	4.0	(503.3)
Total	207,733.5	100.0	205,342.5	100.0	(2,391.0)

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

** Investment trusts are mainly invested in foreign bonds.

*** “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

Non-consolidated

- Net unrealized gains on financial instruments (available-for-sale) after taking into consideration of gains (losses) from hedge accounting were ¥3,332.5 bn as of September 30, 2018 (before application of tax effect accounting).

(¥bn)

	As of March 31, 2018		As of September 30, 2018	
	Amount on the balance sheet	Net unrealized gains (losses)	Amount on the balance sheet	Net unrealized gains (losses)
Held-to-maturity securities	31,458.9	1,003.5	29,726.4	795.6

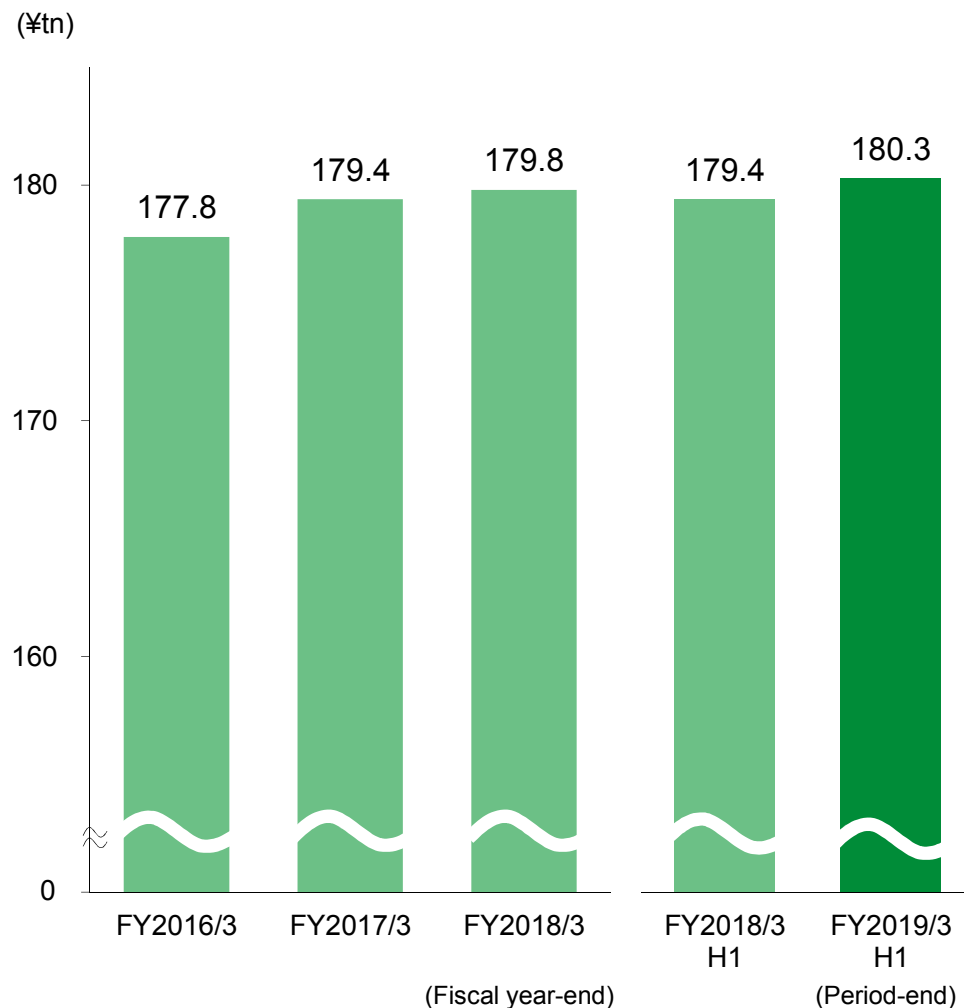
(¥bn)

	As of March 31, 2018		As of September 30, 2018	
	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	112,245.7	3,769.9	112,714.4	3,485.9
Securities (A)	108,083.5	1,912.0	108,345.2	2,107.6
Japanese government bonds	33,645.7	1,129.9	33,379.7	885.5
Foreign bonds	20,211.9	375.3	21,518.4	967.3
Investment trusts	39,042.6	265.8	38,530.9	147.7
Others	15,183.1	140.8	14,916.0	106.9
Effect of fair value hedge accounting (B)		568.7		46.0
Money held in trust (C)	4,162.2	1,289.2	4,369.2	1,332.2
Domestic stocks	2,286.1	1,262.0	2,335.1	1,312.0
Others	1,876.1	27.1	2,034.0	20.2
Derivatives for which deferred hedge accounting is applied (D)	11,326.5	4.4	13,835.0	(153.4)
Total (A) + (B) + (C) + (D)		3,774.4		3,332.5

7. Trend of Deposit Balance

Non-consolidated

■ Deposit balance as of September 30, 2018 was ¥180.3 tn, which remained stable.



	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Liquid deposits	73.7	77.0	3.2
Transfer deposits	14.4	15.4	0.9
Ordinary deposits, etc. (*)	58.9	61.2	2.2
Savings deposits	0.3	0.3	0.0
Fixed-term deposits	105.9	103.2	(2.7)
Time deposits	8.6	7.8	(0.8)
TEIGAKU deposits	97.2	95.3	(1.9)
Other deposits	0.1	0.1	(0.0)
Total	179.8	180.3	0.4

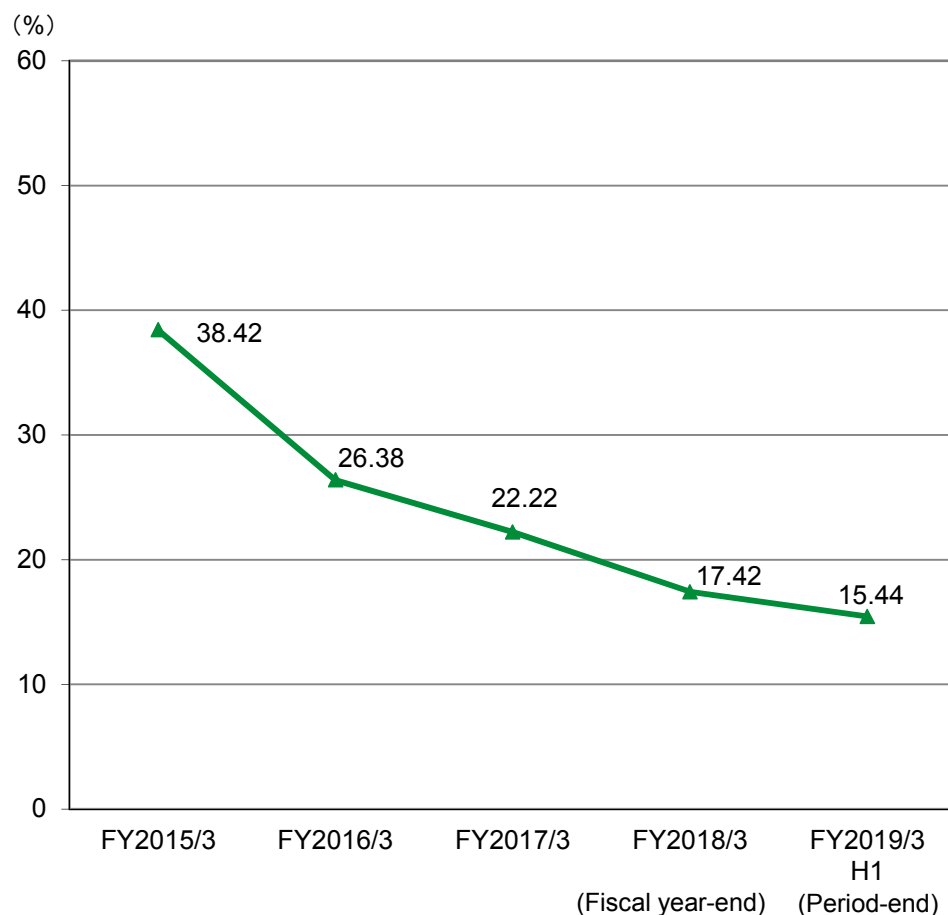
* Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

8. Trend of Capital Adequacy Ratio

Non-consolidated
Consolidated

■ Capital adequacy ratio (non-consolidated, domestic standard) was 15.44% as of September 30, 2018.

【Non-consolidated】



【Non-consolidated】

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,772.0	8,838.0	65.9
Total amount of risk-weighted assets (b)	50,343.5	57,227.7	6,884.2
Credit risk-weighted assets	47,574.7	54,469.0	6,894.3
Capital adequacy ratio (a) / (b)	17.42%	15.44%	(1.98)%

【Consolidated】

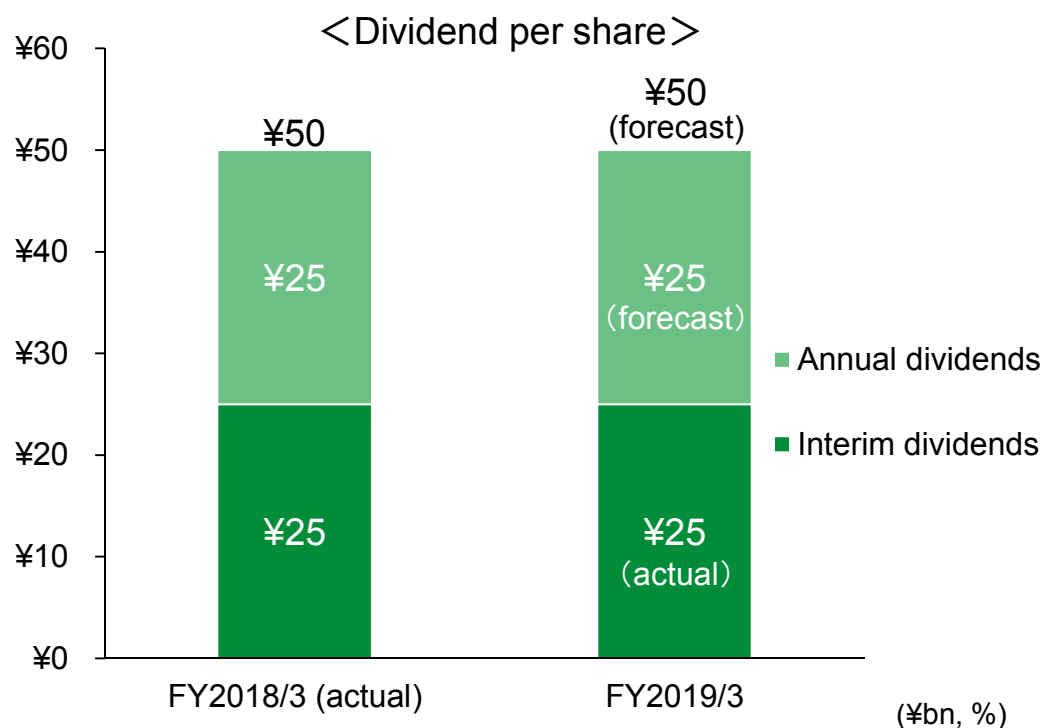
	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total capital (a)	8,778.8	8,846.7	67.9
Total amount of risk-weighted assets (b)	50,342.2	57,193.1	6,850.8
Credit risk-weighted assets	47,573.4	54,434.4	6,860.9
Capital adequacy ratio (consolidated) (a) / (b)	17.43%	15.46%	(1.97)%

9. Dividends

Consolidated

■ Interim dividend per share is ¥25. Dividend forecast for the fiscal year ending March 31, 2019 is unchanged i.e. ¥50.

Actual result and forecast of dividends



	For the fiscal year	
	ended March 31, 2018 (actual)	ending March 31, 2019 (forecast)
Total dividend payment	187.4	187.4
Dividend payout ratio	53.1%	72.0%

Dividend policy (until March 31, 2021)

1. The Bank aims to secure dividends of ¥50 per share.
2. The Bank aims to maintain stable dividends per share.
3. The Bank shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves.

(Reference) Portfolio Management Status

Non-consolidated

(¥bn)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Yen interest rates assets	121,549.6	118,509.2	(3,040.3)
Short-term assets	54,848.9	54,230.1	(618.7)
Japanese government bonds and government guaranteed bonds	66,700.6	64,279.0	(2,421.5)
Risk assets	79,034.5	80,039.4	1,004.8
Japanese local government bonds	6,405.1	6,543.6	138.4
Japanese corporate bonds, etc.	7,994.4	7,814.5	(179.9)
Foreign securities, etc.	57,931.2	58,003.1	71.8
Loans	2,211.8	2,175.5	(36.3)
Money held in trust (stocks), etc.	2,854.1	3,018.3	164.1
Strategic investment areas	1,637.6	2,484.1	846.5

Notes: 1. Since these figures are calculated on management accounting basis, they are not equal to the figures for balance of each categories on page 7, and also the sum of “Yen interest rates assets” and “Risk assets” is not equal to the “Total” on page 7.

2. “Strategic investment areas” is Alternative assets (Private Equity Funds, Hedge Funds and Real Estate Funds (Equity)), Real Estate Funds (Debt) and Direct Lending Funds.

Financial Data

1. Summarized Balance Sheets

Non-consolidated

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total assets	210,630,601	208,377,817	(2,252,784)
Cash and due from banks	49,288,314	48,464,755	(823,558)
Call loans	480,000	420,000	(60,000)
Receivables under securities borrowing transactions	8,224,153	7,719,159	(504,993)
Monetary claims bought	278,566	257,978	(20,587)
Trading account securities	32	29	(2)
Money held in trust	4,241,524	4,448,964	207,439
Securities	139,201,254	137,759,782	(1,441,472)
Loans	6,145,537	6,380,233	234,696
Foreign exchanges	87,487	102,848	15,361
Other assets	2,442,328	2,574,362	132,033
Tangible fixed assets	190,098	199,471	9,373
Intangible fixed assets	52,372	51,219	(1,152)
Reserve for possible loan losses	(1,066)	(988)	77

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total liabilities and net assets	210,630,601	208,377,817	(2,252,784)
Total liabilities	199,117,450	197,105,890	(2,011,560)
Deposits	179,882,759	180,374,985	492,225
Payables under repurchase agreements	1,985,285	2,688,582	703,296
Payables under securities lending transactions	13,812,123	11,164,093	(2,648,030)
Commercial paper	191,481	74,100	(117,380)
Borrowed money	2,400	3,700	1,300
Foreign exchanges	309	454	144
Other liabilities	1,950,331	1,638,074	(312,256)
Reserve for bonuses	7,879	7,375	(504)
Reserve for employees' retirement benefits	147,095	147,702	607
Reserve for employee stock ownership plan trust	809	480	(329)
Reserve for management board benefit trust	144	159	15
Reserve for reimbursement of deposits	86,114	87,744	1,629
Deferred tax liabilities	1,050,715	918,437	(132,278)
Total net assets	11,513,151	11,271,927	(241,224)
Capital stock	3,500,000	3,500,000	—
Capital surplus	4,296,285	4,296,285	—
Retained earnings	2,399,031	2,464,586	65,555
Treasury stock	(1,300,717)	(1,300,926)	(209)
Total shareholders' equity	8,894,599	8,959,945	65,345
Net unrealized gains (losses) on available-for-sale securities	2,615,432	2,418,411	(197,020)
Net deferred gains (losses) on hedges	3,119	(106,430)	(109,549)
Total valuation and translation adjustments	2,618,551	2,311,981	(306,570)

2. Income Analysis

Non-consolidated

(Millions of yen)

	For the six months ended		(B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Gross operating profit	757,756	720,278	(37,477)
Net interest income	618,062	549,135	(68,926)
Net fees and commissions	47,127	52,994	5,867
Net other operating income (loss)	92,566	118,148	25,581
Gains (losses) on foreign exchanges	87,779	132,846	45,066
Gains (losses) on bonds	3,042	(17,568)	(20,610)
General and administrative expenses	(522,253)	(521,976)	276
Personnel expenses	(64,056)	(63,158)	897
Non-personnel expenses	(419,629)	(422,213)	(2,584)
Taxes and dues	(38,568)	(36,604)	1,963
Operating profit (before provision for general reserve for possible loan losses)	235,503	198,301	(37,201)
Provision for general reserve for possible loan losses	(5)	—	5
Net operating profit	235,497	198,301	(37,195)
Non-recurring gains (losses)	21,686	25,176	3,489
Gains (losses) related to stocks	84	193	109
Gains (losses) on money held in trust	23,947	26,698	2,751
Net ordinary income	257,184	223,478	(33,705)

	For the six months ended		(B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Extraordinary income (loss)	(512)	(370)	142
Gains (losses) on sales and disposals of fixed assets	(511)	(347)	163
Losses on impairment of fixed assets	(1)	(22)	(20)
Income before income taxes	256,671	223,107	(33,563)
Income taxes – current	(75,143)	(60,763)	14,380
Income taxes – deferred	27	(3,052)	(3,080)
Total income taxes	(75,115)	(63,815)	11,300
Net income	181,555	159,291	(22,263)
Gains (losses) on money held in trust	23,947	26,698	2,751
Dividends and interest income	27,859	33,754	5,895
Gains (losses) on sales of stocks	0	270	270
Unrealized gains (losses)	24	(825)	(849)
Impairment losses	(147)	(1,010)	(863)
Withholding income tax, etc.	(3,789)	(5,490)	(1,700)
Credit-related expenses	(5)	6	11
Provision for general reserve for possible loan losses	(5)	6	11
Write-off of loans	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Recoveries of written-off loans	—	—	—

Notes: 1. General and administrative expenses exclude non-recurring losses related to retirement benefit costs (¥1,082 million and ¥1,094 million recorded as profits for the six months ended September 30, 2018 and 2017, 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.

3. Selected Ratios

Non-consolidated

	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Net income to assets (ROA)	0.17%	0.15%	(0.02)%
Net income to equity (ROE)	3.06	2.78	(0.27)
Overhead ratio (OHR)	68.92	72.46	3.54
Expense-to-deposit ratio	0.57	0.57	(0.00)

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

4. Interest Rate Spread

Non-consolidated

	For the six months ended		Increase (Decrease) (B) – (A)
	September 30, 2017 (A)	September 30, 2018 (B)	
Yield on interest-earning assets (a)	0.77%	0.71%	(0.06)%
Total cost of funding (including general and administrative expenses) (b)	0.71	0.71	0.00
Interest rate on interest-bearing liabilities (c)	0.16	0.17	0.00
Overall interest rate spread (a) - (b)	0.06	(0.00)	(0.06)
Interest rate spread (a) - (c)	0.60	0.53	(0.06)

Note: All numbers are annualized.

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

Non-consolidated

(1) Domestic

(Millions of yen, %)

		For the six months ended						Increase (Decrease) (B) – (A)
		September 30, 2017 (A)			September 30, 2018 (B)			
		Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets		194,888,309	482,155	0.49%	194,287,761	434,376	0.44%	(0.04)%
	Loans	4,051,668	7,239	0.35	6,540,168	6,259	0.19	(0.16)
	Securities	83,794,070	384,237	0.91	78,738,136	321,288	0.81	(0.10)
	Receivables under securities borrowing transactions	8,484,357	732	0.01	7,562,691	640	0.01	(0.00)
	Due from banks, etc.	53,043,130	11,552	0.04	49,858,459	15,124	0.06	0.01
Interest-bearing liabilities		186,230,810	99,762	0.10	186,503,726	63,836	0.06	(0.03)
	Deposits	180,189,097	80,980	0.08	180,944,300	47,152	0.05	(0.03)
	Payables under securities lending transactions	8,773,692	529	0.01	8,341,119	644	0.01	0.00

(2) Overseas

(Millions of yen, %)

(2) Overseas

	For the six months ended						Increase (Decrease) (B) – (A)
	September 30, 2017 (A)			September 30, 2018 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	51,892,842	377,452	1.45%	57,362,740	372,777	1.29%	(0.15)%
Loans	81	0	0.40	5,000	10	0.41	0.01
Securities	51,709,631	376,557	1.45	57,245,971	372,096	1.29	(0.15)
Due from banks, etc.	79,637	537	1.34	14,023	121	1.73	0.38
Interest-bearing liabilities	50,719,964	141,783	0.55	56,639,738	194,182	0.68	0.12
Payables under securities lending transactions	4,075,448	25,561	1.25	2,859,308	29,769	2.07	0.82

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

Non-consolidated

(3) Total

(Millions of yen, %)

	For the six months ended						Increase (Decrease) (B) – (A)
	September 30, 2017 (A)			September 30, 2018 (B)			
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield	Earnings yield
Interest-earning assets	201,314,127	781,220	0.77%	200,097,163	716,116	0.71%	(0.06)%
Loans	4,051,750	7,239	0.35	6,545,168	6,269	0.19	(0.16)
Securities	135,503,701	760,795	1.11	135,984,108	693,384	1.01	(0.10)
Receivables under securities borrowing transactions	8,484,357	732	0.01	7,562,928	640	0.01	(0.00)
Due from banks, etc.	53,122,767	12,090	0.04	49,872,483	15,245	0.06	0.01
Interest-bearing liabilities	191,483,750	163,158	0.16	191,590,127	166,981	0.17	0.00
Deposits	180,189,097	80,980	0.08	180,944,300	47,152	0.05	(0.03)
Payables under securities lending transactions	12,849,140	26,090	0.40	11,200,427	30,414	0.54	0.13

- 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, 2018, ¥3,005,541 million; six months ended September 30, 2017, ¥2,742,475 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (six months ended September 30, 2018, ¥3,005,541 million; six months ended September 30, 2017, ¥2,742,475 million) and the corresponding interest (six months ended September 30, 2018, ¥5,307 million; six months ended September 30, 2017, ¥4,728 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 ¥29,461 million for the six months ended September 30, 2018 (¥4,644 million for the six months ended September 30, 2017).
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

Non-consolidated

(Millions of yen, %)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)
	Amount	%	Amount	%	Amount
Due from banks, etc.	49,314,634	23.73	48,426,251	23.58	(888,383)
Call loans	480,000	0.23	420,000	0.20	(60,000)
Receivables under securities borrowing transactions	8,224,153	3.95	7,719,159	3.75	(504,993)
Money held in trust	4,241,524	2.04	4,448,964	2.16	207,439
Domestic stocks	2,286,148	1.10	2,335,114	1.13	48,966
Domestic bonds	1,256,039	0.60	1,247,417	0.60	(8,621)
Securities	139,201,254	67.00	137,759,782	67.08	(1,441,472)
Japanese government bonds	62,749,725	30.20	60,799,939	29.60	(1,949,785)
Japanese local government bonds	6,405,190	3.08	6,543,661	3.18	138,471
Commercial paper	229,998	0.11	235,997	0.11	5,999
Japanese corporate bonds	10,486,327	5.04	9,988,884	4.86	(497,442)
Japanese stocks	31,167	0.01	85,310	0.04	54,142
Other securities	59,298,846	28.54	60,105,988	29.27	807,142
Foreign bonds	20,244,358	9.74	21,550,844	10.49	1,306,485
Investment trusts	39,042,659	18.79	38,530,991	18.76	(511,667)
Loans	6,145,537	2.95	6,380,233	3.10	234,696
Others	126,472	0.06	188,127	0.09	61,655
Total	207,733,576	100.00	205,342,518	100.00	(2,391,057)

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

Non-consolidated

(1) Held-to-maturity Securities

(Millions of yen)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)	
	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	29,103,961	958,146	27,420,170	764,581	(1,683,790)	(193,565)
Japanese local government bonds	—	—	261,708	(763)	261,708	(763)
Japanese corporate bonds	2,322,529	37,283	2,012,169	23,864	(310,359)	(13,418)
Others	32,433	8,144	32,433	7,972	—	(171)
Foreign bonds	32,433	8,144	32,433	7,972	—	(171)
Total	31,458,923	1,003,574	29,726,482	795,654	(1,732,441)	(207,919)

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 March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)	
	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 stocks	28,790	396	82,933	2,566	54,142	2,170
Bonds	48,444,750	1,273,206	47,874,434	989,956	(570,315)	(283,250)
Japanese government bonds	33,645,763	1,129,996	33,379,768	885,553	(265,995)	(244,442)
Japanese local government bonds	6,405,190	62,426	6,281,953	45,669	(123,237)	(16,757)
Commercial paper	229,998	—	235,997	—	5,999	—
Japanese corporate bonds	8,163,797	80,783	7,976,715	58,733	(187,082)	(22,050)
Others	59,609,979	638,419	60,387,858	1,115,165	777,878	476,746
Foreign bonds	20,211,925	375,390	21,518,411	967,387	1,306,485	591,996
Investment trusts	39,042,659	265,830	38,530,991	147,776	(511,667)	(118,053)
Total	108,083,520	1,912,022	108,345,226	2,107,688	261,705	195,666

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, ¥46,013 million and ¥568,753 million losses were included in the statements of income for the six months ended September 30, 2018 and the fiscal year ended March 31 2018, 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, 2018 and the fiscal year ended March 31, 2018.

7. Unrealized Gains (Losses) on Financial Instruments

Non-consolidated

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

(Millions of yen)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)	
	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	4,162,251	1,289,201	4,369,202	1,332,273	206,950	43,071
Domestic stocks	2,286,148	1,262,041	2,335,114	1,312,021	48,966	49,979
Domestic bonds	1,256,039	27,061	1,247,417	21,040	(8,621)	(6,021)

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 six months ended September 30, 2018 and the fiscal year ended March 31, 2018 amounted to ¥1,010 million and ¥1,088 million, respectively.

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

(Millions of yen)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)	
	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)	Notional amount	Net deferred gains (losses)
Interest rate swaps	6,341,492	(110,021)	7,734,865	(38,533)	1,393,373	71,487
Currency swaps	4,925,816	117,531	5,984,731	(114,666)	1,058,915	(232,198)
Foreign exchange forward contracts	59,257	(3,014)	115,470	(211)	56,212	2,802
Total	11,326,565	4,495	13,835,067	(153,412)	2,508,501	(157,908)

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 March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total net unrealized gains (losses)	3,774,473	3,332,563	(441,910)

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

Non-consolidated

(Millions of yen, %)

	For the six months ended				Increase (Decrease) (B) – (A)
	September 30, 2017 (A)		September 30, 2018 (B)		
	Amount	%	Amount	%	Amount
Personnel expenses	62,961	12.08	62,076	11.91	(885)
Salaries and allowances	51,544	9.89	51,029	9.79	(514)
Others	11,417	2.19	11,046	2.12	(371)
Non-personnel expenses	419,629	80.51	422,213	81.05	2,584
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	301,824	57.91	303,689	58.30	1,865
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (*)	2,839	0.54	809	0.15	(2,030)
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	30,269	5.80	29,827	5.72	(442)
Rent for land, buildings and others	6,336	1.21	6,549	1.25	213
Expenses on consigned businesses	25,694	4.93	32,243	6.18	6,548
Depreciation and amortization	19,575	3.75	15,791	3.03	(3,784)
Communication and transportation expenses	9,212	1.76	9,484	1.82	272
Maintenance expenses	5,557	1.06	5,905	1.13	347
IT expenses	8,075	1.54	7,945	1.52	(130)
Others	10,243	1.96	9,967	1.91	(276)
Taxes and dues	38,568	7.40	36,604	7.02	(1,963)
Total	521,158	100.00	520,894	100.00	(263)

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

9. Loans

Non-consolidated

(Millions of yen, %)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)
	Amount	%	Amount	%	Amount
Domestic (excluding Japan Offshore Market accounts)	6,140,537	100.00	6,375,233	100.00	234,696
Agriculture, forestry, fisheries, and mining	—	—	—	—	—
Manufacturing	15,524	0.25	15,521	0.24	(2)
Utilities, information/communications, and transportation	92,162	1.50	100,961	1.58	8,799
Wholesale and retail	25,094	0.40	35,436	0.55	10,341
Finance and insurance	1,121,062	18.25	1,017,923	15.96	(103,138)
Construction and real estate	24,013	0.39	4,000	0.06	(20,013)
Services and goods rental/leasing	22,837	0.37	28,863	0.45	6,025
Central and local governments	4,667,184	76.00	5,009,630	78.57	342,445
Others	172,658	2.81	162,896	2.55	(9,762)
Overseas and Japan Offshore Market accounts	5,000	100.00	5,000	100.00	—
Governments	—	—	—	—	—
Financial institutions	—	—	—	—	—
Others	5,000	100.00	5,000	100.00	—
Total	6,145,537		6,380,233		234,696

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 ¥721,849 million and ¥829,243 million as of September 30, 2018 and March 31, 2018, respectively.

3. “Others” in “Domestic” represents loans to individuals.

10. Balances by Type of Deposit

Non-consolidated

(Millions of yen, %)

	As of March 31, 2018 (A)		As of September 30, 2018 (B)		Increase (Decrease) (B) – (A)
	Amount	%	Amount	%	Amount
Liquid deposits	73,765,405	41.00	77,031,459	42.70	3,266,054
Transfer deposits	14,437,576	8.02	15,423,949	8.55	986,373
Ordinary deposits, etc.	58,931,564	32.76	61,208,504	33.93	2,276,939
Savings deposits	396,265	0.22	399,006	0.22	2,741
Fixed-term deposits	105,989,336	58.92	103,216,001	57.22	(2,773,334)
Time deposits	8,696,122	4.83	7,893,829	4.37	(802,293)
TEIGAKU deposits	97,293,213	54.08	95,322,172	52.84	(1,971,041)
Other deposits	128,017	0.07	127,523	0.07	(493)
Subtotal	179,882,759	100.00	180,374,985	100.00	492,225
Negotiable certificates of deposit	—	—	—	—	—
Total	179,882,759	100.00	180,374,985	100.00	492,225
Deposits including accrued interest	180,746,866		180,931,417		184,551

Notes: 1. Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

2. 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.

3. 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

Non-consolidated

(Millions of yen)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Deferred tax assets	112,074	155,838	43,763
Reserve for possible loan losses	14	0	(14)
Reserve for employees' retirement benefits	45,047	45,233	185
Accrued enterprise taxes	5,783	3,599	(2,184)
Reserve for reimbursement of deposits	26,372	26,871	499
Depreciation	7,758	8,549	790
Net deferred losses on hedges	—	46,982	46,982
Other	27,097	24,602	(2,495)
Deferred tax liabilities	(1,162,790)	(1,074,275)	88,514
Net unrealized gains on available-for-sale securities	(1,154,545)	(1,067,573)	86,971
Net deferred gains on hedges	(1,376)	—	1,376
Other	(6,868)	(6,702)	166
Net deferred tax assets (liabilities)	(1,050,715)	(918,437)	132,278

12. Problem Assets Disclosed under the Financial Reconstruction Act

Non-consolidated

(Millions of yen, %)			
	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—	—
Loans to borrowers classified as doubtful	0	0	(0)
Loans requiring close monitoring	—	—	—
Subtotal (a)	0	0	(0)
Loans to borrowers classified as normal	6,237,528	6,487,219	249,691
Total (b)	6,237,528	6,487,219	249,691
Non-performing loan ratio (a) / (b)	0.00%	0.00%	(0.00)%

13. Reserve for Possible Loan Losses

Non-consolidated

(Millions of yen)			
	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Total	1,066	988	(77)
General reserve for possible loan losses	278	254	(23)
Specific reserve for possible loan losses	787	733	(54)

14. Capital

Non-consolidated

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

(Millions of yen, %)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,801,141	8,866,463	65,322
Core Capital: regulatory adjustments (b)	29,070	28,431	(638)
Total capital (a) - (b) = (c)	8,772,071	8,838,032	65,960
Total amount of risk-weighted assets (d)	50,343,515	57,227,775	6,884,260
Credit risk-weighted assets	47,574,709	54,469,063	6,894,353
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,768,805	2,758,712	(10,093)
Capital adequacy ratio (c) / (d)	17.42%	15.44%	(1.98)%

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

(Billions of yen, %)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Amount of loss (a)	998.0	988.5	(9.4)
Japanese yen	162.3	188.1	25.7
U.S. dollars	721.9	695.4	(26.5)
Capital (b)	8,772.0	8,838.0	65.9
Loss-to-capital ratio (a) / (b)	11.37%	11.18%	(0.19)%

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.

14. Capital

Consolidated

(3) Capital Adequacy Ratio (Consolidated, Domestic Standard)

(Millions of yen, %)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Core Capital: instruments and reserves (a)	8,807,898	8,875,209	67,311
Core Capital: regulatory adjustments (b)	29,075	28,437	(638)
Total capital (a) - (b) = (c)	8,778,822	8,846,771	67,949
Total amount of risk-weighted assets (d)	50,342,277	57,193,112	6,850,835
Credit risk-weighted assets	47,573,471	54,434,400	6,860,928
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,768,805	2,758,712	(10,093)
Capital adequacy ratio (consolidated) (c) / (d)	17.43%	15.46%	(1.97)%

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

(Billions of yen, %)

	As of March 31, 2018 (A)	As of September 30, 2018 (B)	Increase (Decrease) (B) – (A)
Amount of loss (a)	998.0	988.5	(9.4)
Japanese yen	162.3	188.1	25.7
U.S. dollars	721.9	695.4	(26.5)
Capital (b)	8,772.0	8,838.0	65.9
Loss-to-capital ratio (a) / (b)	11.37%	11.18%	(0.19)%

Notes: 1. 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.

2. Figures shown above are non-consolidated amount because the amount of assets held by consolidated subsidiaries used for the calculation of loss-to-capital ratio under the outlier framework is small.

This presentation contains forward-looking statements including forecasts, targets and plans of the Group. 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 the Group's actual results, performance or financial position. The Group's actual results, performance or financial position may be materially different from those expressed or implied by such forward-looking statements.

The statements in this document are current as of the date of the document or the date otherwise specified, and the Bank has no obligation or intent to keep this information up to date.

The information concerning companies or parties other than the Group and the Japan Post Group is based on publicly available and other information as cited, and the Bank has neither independently verified the accuracy and appropriateness of, nor makes any warranties with respect to, such information. The information of the document may be revised without prior notice.