

UNOFFICIAL TRANSLATION

Although the "Bank" pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

Medium-term Management Plan

(Fiscal Year 2019/3 to Fiscal Year 2021/3)

JAPAN POST BANK Co., Ltd. May 15, 2018



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Numerical Targets

Income targets

- O **Net ordinary income** (consolidated basis)
 - ⇒[FY2021/3] 390 billion yen
- O Net income attributable to owners of parent (consolidated basis)
 - ⇒[FY2021/3] 280 billion yen

Sales

- O Assets under management
 - ⇒[3 years] Around +1.8 trillion yen
- O Investment trusts balance
 - ⇒[3 years] Around +1.7 trillion yen ([End of FY2028/3]balance: 10 trillion yen)
 - * Cumulative total of "sales-cancellations" over 3 years (different from market value basis)
- O Net fees and commissions
 - \Rightarrow [FY2021/3] +30% (compared to FY2018/3)

Investments

- Balance of risk assets*
 - ⇒ [End of FY2021/3] Around 87 trillion yen
 - * Balance other than interest-bearing yen assets (JGBs, etc.) (Existing Satellite Portfolio (SP) +Base Portfolio (BP) loans)
- Balance of strategic investment area*
 - ⇒ [End of FY2021/3] Around 8.5 trillion yen
 - * Existing alternatives (PE, HF, real estate funds (equity))
 - + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds

Expenses

- O Predetermined expenses
 - \Rightarrow [FY2021/3] \triangle 30 billion yen (compared to FY2018/3)
 - * Excluding expenses pertaining to the consumption tax rate increase and the allocation of resources to growth areas

The Bank aims to decrease general and administrative expenses as a whole compared to FY2017 while allocating resources to growth areas that contribute to the improvement of customer convenience and the increase of future income.

- O Improvement of operating efficiency
 - ⇒[3 years] Equivalent to ▲2 thousand employees
 - * Equivalent to about ▲10% of the number of employees in FY2018/3 (including non-regular employees)

Shareholder returns

- O Dividends per share
 - ⇒[3 years] Secure 50 yen per year
 - *considered the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves

Capital adequacy ratio

- O Capital adequacy ratio
 - ⇒ Level to be kept is set at around 10%

(after consideration of strengthening of financial regulations)

Build JP Bank's brand even amid changes in the environment

Decreasing population (super-aging society)



Shrinking local economies

Concentration on Tokyo Metropolitan Area Diversification of and changes in customer needs

- Free from temporal and physical constraints
- Relieve concerns about future funds

Have more people say "JP Bank, of course"

The Bank will use the post office network to continue to stand by the side of its customers, and steadfastly support each of the wide range of individuals across Japan, spanning from small children to the elderly, throughout their long lives.

Providing "new convenience" and "peace of mind" to customers

- Supporting customers' lives through the utilization of new technologies
 Contributing to high-quality asset building by customers through our engagement in consulting operations that match customers lifestyles and needs
- Realization of the enhancement and expansion of the national network (Building the "Consult JP Bank or the Post Office" brand)
- Enhancement of products and services that match customers diverse needs

Promotion of internationally diversified investments and supply of risk money to domestic industry through the effective utilization of capital

 Fully utilizing capital to take risks centered on risk assets and promote the enhancement and diversification of investments Contribution to development of the Japanese economy through vitalization of regional economies

 Creation of a new circulation of capital for local enterprises in cooperation with regional financial institutions (Enriching the lives of customers throughout Japan)

Strengthening of business management systems

- O Development of professional human resources able to meet the changing needs and expectations of customers
- O Promoting the enhancement and diversification of market investment in addition to enhancement of risk governance to secure stable earnings in the medium term and soundness of finances
- Improvements in credibility through appropriate responses to external threats (such as cyber-attacks) and financial crime (such as money laundering and the financing of terrorists)

Growth strategy seeking to "always help individual customers to live securely" + "contribute to local communities"

[The Bank's strengths]

- · High recognition, branding power and credit worthiness
- Largest number of customers among Japanese banks

[The Bank's operating base]

- · Sense of security and trust from individual customers
- · Tangible and intangible local community network

Aim to further enhance the corporate value of the Bank in three ways

Provision of High-quality Customer-oriented Financial Services

 Support of asset building Enhancement of convenience of settlement services

Diversification and Sophistication of Investment Management

 Alternative investments Utilization of derivatives

Funds Flow to Regional Communities

- O Investment in regional vitalization funds
- O Use of common administration with regional financial institutions

Consideration of capital policy and dividend policy from a medium-term perspective

Sales strategy

Support of asset building (consulting services)

Support of daily living (enhancement of settlement services)

- Expansion of assets under management (from savings to asset building)
- Customer-oriented asset building support
- Provision of new services such as account overdrafts

Diversification and sophistication of investment management

- Promotion of internationally diversified investments
- Expansion of alternative investments
- Strengthening of risk management system

Regional vitalization funds

- O Discovery of customers' needs
- Expansion of LP investments,
- participate in GP operations Business partnerships with regional financial institutions

Strengthening of Business Management Systems

Internal management stance

- Customer-oriented business operation Compliance
- Governance and business management
- Risk appetite framework(RAF)
- Human resource strategy
- Diversity O Human resource development
- Personnel strategy

Business process reform (BPR)

- Improvement of administrative flow
- O Cashless and paperless operation

Utilization of Fintech

O Payment business Opening of platform (API)

System

- Effective IT investment and utilization of Al
- Next-generation systems

4 Value Provided to Customers: Provision of High-quality Customer-oriented Financial Services

In addition to enhancement of settlement services, provide added value for customers by contributing to the building of high-quality portfolios for customers

Ensuring secure living

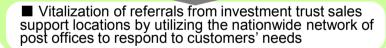
Contribution to asset building (Portfolio building)

Investment trusts



JGBs and variable annuities

- Face-to-face proposals according to the lifestyles stages of individual customers
- Asset building from a medium- to long-term perspective
- Customer-oriented product lineup
- Development and strengthening of sales system



Enhancement of products and services

(Provision of products according to customers' needs)

Enhancement of consulting according to life events such as employment, retirement and inheritance

Contribution as hub and contact point in local communities



Maintaining and utilizing local community network



Coordinating with and opening to regional financial institutions

More convenience in everyday life

Enhancement of settlement service (Provision of liquidity)

Steady provision of existing services

Teigaku deposits and time deposits

Ordinary deposits

Receipt of pension payments and transfer of wages

Automatic payments

Provision of "new convenience"

Deployment of services based on a sense of security which is the Bank's strength

Enhancement of cashless payments

Smartphone settlement

Debit cards

mijica (prepaid card)

Enhancement of product lineup

Account overdraft service

Expansion of channels

Smartphone app

Expansion of ATM network

Compact ATMs (convenience stores) E-net ATM (Fee-free within business hours)



Growth and expansion of Net fees and commissions in the medium to long term by providing added value to customers

Content of Initiatives

Further strengthening of revenue growth fields

Expansion of investment trust sales

- Promotion of consulting operations according to customers' lifestyle needs
- Increases of referrals from Investment trust sales support locations
- Improvement of marketing capability and increased operational efficiency through the utilization of tablets, robot advisors, etc.

 Investment trusts balance FY2018/3: 1.6 trillion yen
 ⇒FY2021/3: 3.4 trillion yen (FY2028/3: 10 trillion yen)

Provision of new transfer settlement services

- Deployment of services and channels according to customers' needs
- o Collaboration with Fintech companies, etc.

Enhancement of smartphone services

Account overdraft service

Expansion of ATM network

- Expansion of installation of compact ATM
- o Making E-net ATM fee-free within business hours
- No. 1 nationwide in terms of the number of ATMs
- Expansion of compact ATM installations in convenience stores
- Number of fee-free ATMs during business hours
 ⇒ 40.000 units or more
- Enhancement and improvement of functions of corporate services
- Improvements in profitability of transfer settlement operations

Review of existing payment services

Review of existing transfer settlement services

O Introduction of corporate direct

Enhancement of marketing for better understanding of customers

FY2021/3

Net fees and

commissions +30%

(Compared to

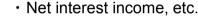
FY2018/3)

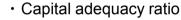
Aim to secure stable earnings in the medium to long term through promoting the diversification and sophistication of investment management

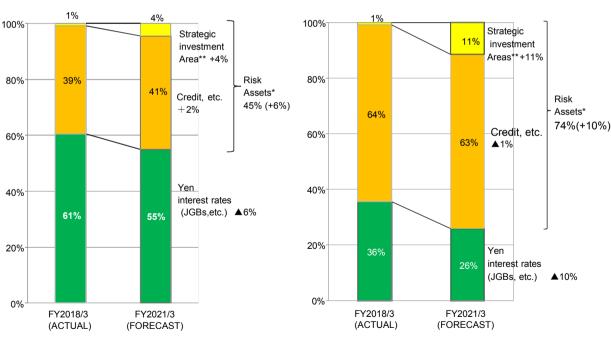
- The earnings from JGBs, etc. that accounted for a large portion of revenues initially after privatization are in significant decline due to the decrease in interest rates.
- Aim to secure stable earnings by fully utilizing capital to take risks centered on risk assets such as overseas credit and alternative investments.
- Although the capital adequacy ratio will decline with the increase in risk assets, the capital adequacy ratio will be maintained at a level that can reassure and obtain the trust of customers and shareholders.

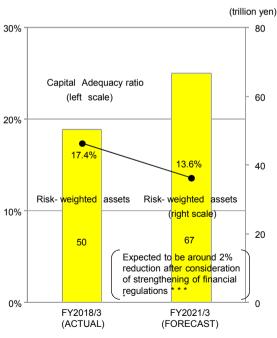
Impact on various indicators, etc.

· Portfolio assets









^{*}Assets other than yen interest rates (JGBs, etc.)(existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)

^{**} Existing alternatives (PE, HF, real estate funds (equity))+ real estate funds (debt(non-recourse loans, CMBS)), direct lending funds

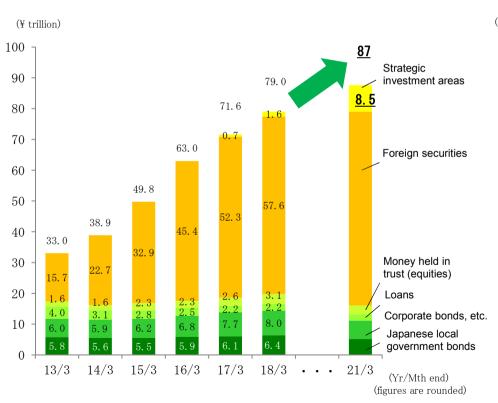
^{* * *} Review of standard methods pertaining to credit risks, etc. (Planning for January 2022 and after)

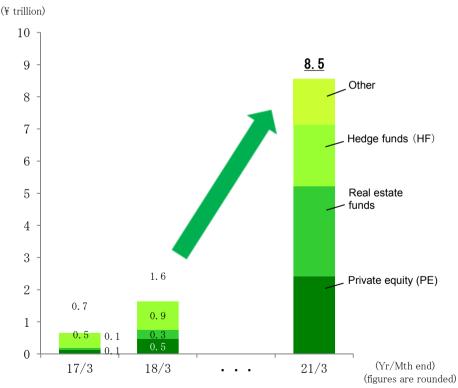
6-2 Diversification and Sophistication of Investment Management: Balance of Risk Assets

- O Promotion of diversification and sophistication of investment management to respond to the reduction of interest income from JGBs, etc.
- The balance of risk assets will increase to around 87 trillion yen by the end of FY2021/3, and the balance of strategic investment area will increase to around 8.5 trillion yen by the end of FY2021/3.

Balance of risk assets

Balance of strategic investment areas

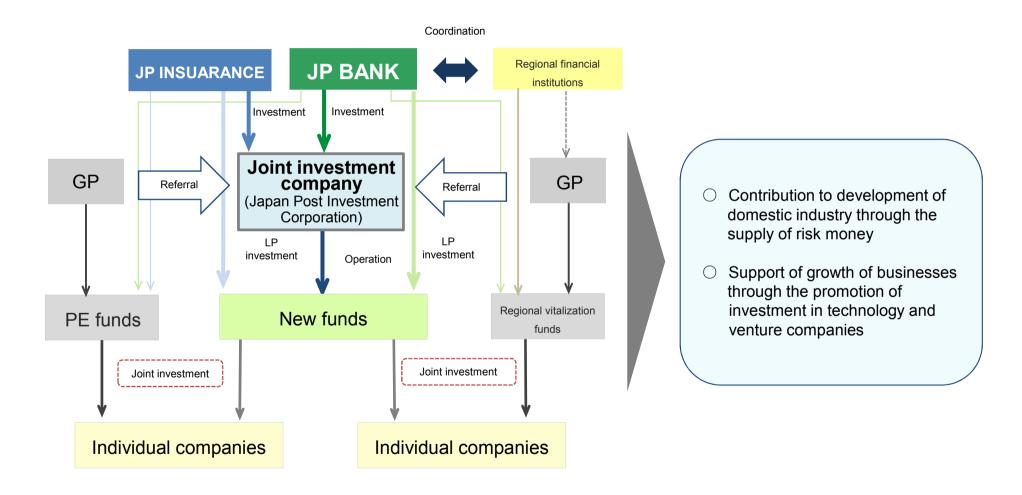




Risk assets: Assets other than interest-bearing yen assets (JGBs, etc.) (Existing SP +BP loans)

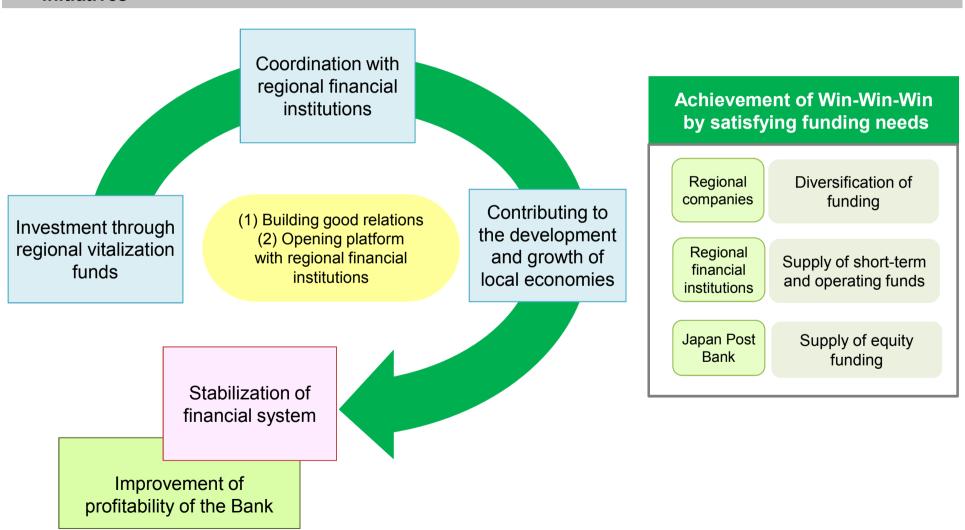
Strategic investment area: Existing alternatives (PE, HF, real estate funds (equity))
+ real estate funds (non-recourse loans, CMBS)), direct lending funds

- Aim to further expand earnings through the acquisition of private equity investment opportunities through a joint investment company
- Support the management of portfolio companies through the supply of equity funds



7 Funds Flow to Regional Communities

- Coordinate and cooperate with regional institutions through regional vitalization funds
- O Contribute to development and growth of regional economies through the supply of equity funding to regional companies
- O Contribute to the stabilization of regional financial systems in the medium to long term through such initiatives



The Bank will work to maintain and improve the quality of services and to strengthen compliance system to secure the trust of customers and shareholders in the medium to long term

Current issues Future direction Improvement of services and convenience according to customers' Initiatives and establishment of FD lifestyle needs Quantitatively ensuring that execution and improvement take place Implementation of customer- Quantitative verification of effectiveness, and mobile and flexible improvement ⇒ Establishment of KPI oriented initiatives Development from CS to CE Meeting expectations and gaining trust of customers through implementation of CE Securing stable earnings and soundness of finances through Clarification and visualization of risks through the implementation of appropriate risk taking and risk control Strengthening of risk Strengthening of internal control system based on "three lines of governance defense" Improvement of effectiveness of risk management functions - Strengthening of autonomous controls by management departments - Enhancement of monitoring functions (second line) and internal audit functions (third line) Increase of transaction volume handled while maintaining and Strengthening Establishment of appropriate internal control system improving service quality of internal ⇒ Improvement of operational efficiency and review of management according to the expansion of investment trust sales **Enhancement** control system of compliance system, etc. Occurrence of crime Prevention of Reduction of workload and improvement of effectiveness of Prevention of the occurrence of scandals by effective risk control scandals front line Strengthening of defenses in light of the development of digital Increase of threats related to cyber security Defense from external threats technology and the increased sophistication of cyber attacks Strengthening responses to Strengthening of responses to financial crimes (measures Performance of social responsibility as a financial institution responding against money laundering, funding of terrorism, etc.) financial crimes and antisocial to financial globalization Strengthening of responses to antisocial forces forces Corporate Appropriate disclosure of governance system conscious of "investor • Strengthening of governance contributing to enhancement of viewpoint" and "sustainable development" sustainability corporate value

Head office

International Sophistication of asset diversified investment

- Hiring of external personnel
- Accumulation of knowledge and know-how from recruited investment professionals through OJT and participation in training sponsored by asset management companies, etc.
- Participation in **GP** operations
- Practical training through dispatch of personnel to fund investment and management companies
- Familiarity with information on local companies through coordination with local financial institutions ⇒ contribution to local communities

management

Reallocate management resources to create added value for customers and the Group and to strengthen the corporate structure

Promotion of smartphone services

- o Implementation of cashless and paperless operations
- o Reduction of workload for transaction operations in manned branches

Promotion of automation through the utilization of RPA, etc

- o Improvements in efficiency of back-office work (centered around Operation Support Centers (JC))
- Reduction of monitoring operations

Improvements in efficiency of internal management through utilization of Al

- o Improvements in efficiency of telephone operations
- o Improvements in efficiency of monitoring (PTC)

Focus on system investment

- o Focused investment on digital channels and external coordination (API, etc.), etc.
- o Full utilization of growth areas and software assets
 - ⇒ Selective investment Effective execution of system investment

Improvements in operational efficiency and productivity (image of utilization of human resources)

Effective

utilization

Improvements

in efficiency and

productivity

Front operations Consulting services

Transaction operations

Back office operations (JC, PTC, etc.)

· Creation of added value Reduction as a total Contribution to local communities

Consulting services

Transaction operations

Back office operations (JC, PTC, etc.)

Improvement in operational efficiency and productivity

Decrease around 2,000 employees

Effective utilization of human resources

From transaction operations to consulting services

Resource allotment to growing field

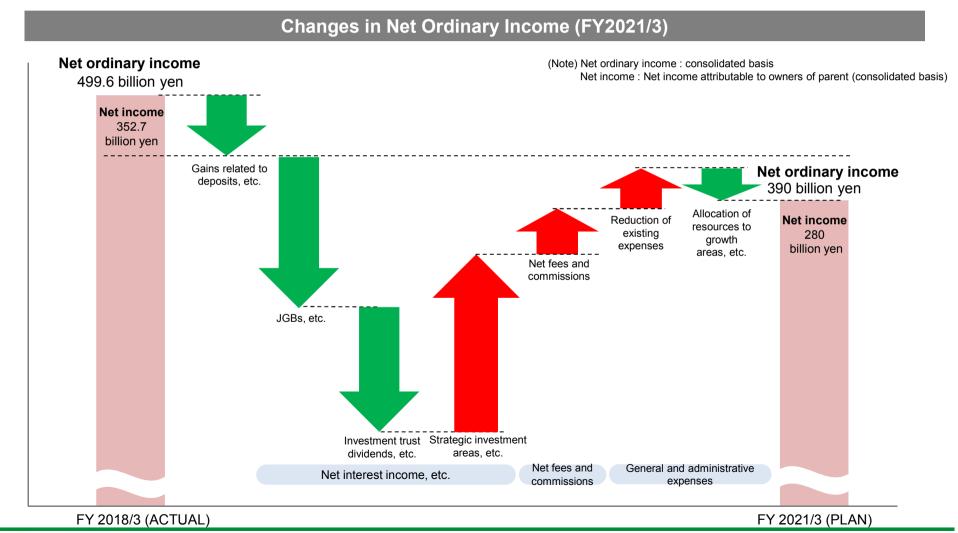
Increase around 800 employees

Reduction of total number of personnel

Reduction in the total number of personnel through reducing the number of new hires*and improving operational efficiency

* From FY2020/3

- In Net interest income, the reduction of interest income from JGBs, etc. is covered by risk assets.
- Aiming for +30% in Net fees and commissions compared to FY2018/3 through investment trusts and ATM alliances, etc.
- Aiming to achieve Net ordinary income 390 billion yen and Net income 280 billion yen.



12 Capital Policy

- O The Bank will maintain the current level of dividends (securing 50 yen dividend per share) throughout the duration of the Medium-term Management Plan.
- O The dividend policy will be determined by considering factors such as the importance of returns for shareholders, implementation of stable dividends, enhancement of capital adequacy to promote diversification and sophistication of investment management, trends in international financial regulations, and the level of earnings.
- O In order to secure enough dividend capital to maintain stable payment of dividend, and to ensure the flexibility and mobility of future capital policy, the Bank will reduce the amount of legal capital surplus and transfer the same amount to other capital surplus (Proposal submissions to the 12th General Meeting of Shareholders)

Shareholder returns

- The Bank will provide stable dividends while securing the capital required for maintaining growth and soundness
- · Specifically:
- Secure dividends of 50 yen per share

Soundness

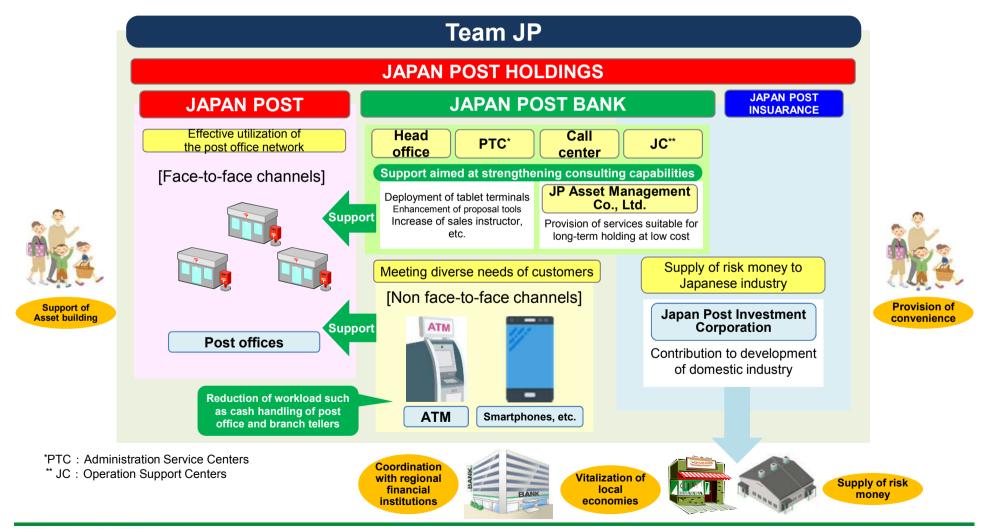
• The level of the capital adequacy ratio that should be kept is set at 10% from the perspective of soundness of finances (after consideration of strengthening of financial regulations)

Growth

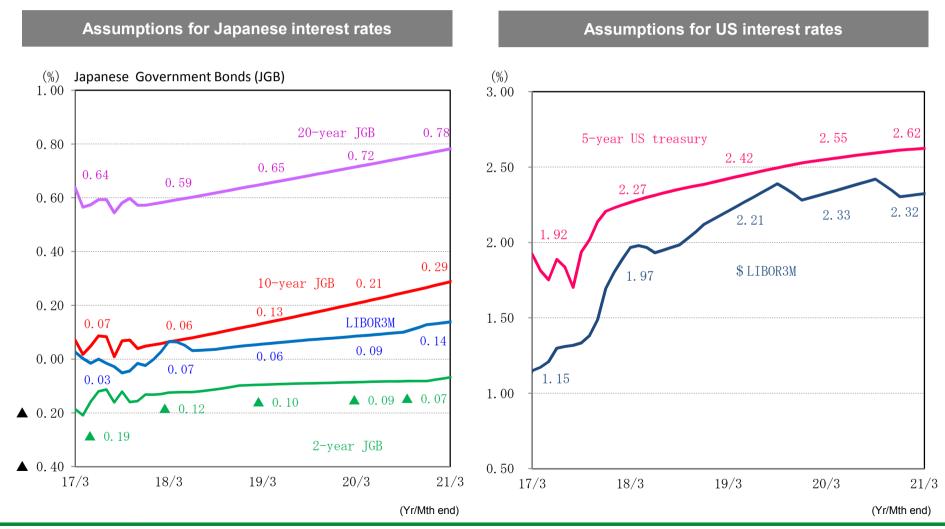
Sustained improvement of corporate value through operations effectively utilizing capital and the expansion of Net fees and commissions while strengthening governance

■ Shareholder return policy (Summary)

- As a Member of Team JP, the Bank will:
 - · introduce and utilize new technology as much as possible,
 - · provide "new convenience" and "peace of mind" to customers; and
 - · implement support aimed at improving consulting capabilities and reducing administrative workload.
 - ⇒Contribute to the ensuring of universal services by supporting the stable and efficient operations of the post office network



- Interest rates shown for Japan and overseas are IFR (Implied Forward Rate) as of December 31, 2017
- The exchange rates and share prices are fixed as of December 31, 2017 (USD 1: JPY 113.00; EUR1: JPY134.94; TOPIX: 1,817.56 pts)
- ○The consumption tax rate to be raised from the current 8% to 10% in October 2019



(Reference) Glossary

	Page	Term	Meaning
1	1,6,7	CMBS	Securitized products used as collateral for the bundling of loans taken out on commercial real estate (such as hotels and offices)
2	1,6	Capital adequacy ratio (Domestic standard)	An important indicator of soundness of management using the ratio calculated with core capital as the numerator and a figure indicating the size of the risk of assets held, etc. (credit risk and operational risk in the Bank) as the denominator.
3	3	BPR	Abbreviation of Business Process Re-engineering. A corporate reform method for increasing the efficiency of business by fundamentally reviewing existing organizations and operations, and redesigning the duties, operational flow, etc. from the perspective of processes.
4	3,8	LP	Abbreviation of Limited Partner. An investor in a fund (fund operation is delegated to the GP). The Bank obtains a variety of knowhow as a step leading to investment as a GP through observer participation, etc. in investment committees of funds.
5	3,8,11	GP	Abbreviation of General Partner. The entity operating a fund that selects deals and makes investment decisions. Has unlimited liability to creditors that is not restricted to the amount of its investment.
6	3,10	RAF	Abbreviation of Risk Appetite Framework. The framework for management using risk appetite* as a common term within the bank in relation to general risk taking policies including the distribution of capital and the maximization of earnings. * Type and total amount of risk that should be accepted for the achievement of business plans based on the distinctiveness of the Bank's business model.
7	3,11,12	Al	Abbreviation of Artificial Intelligence. Using a computer to realize the intellectual activity of a human.
8	3,12	API	Abbreviation of Application Programming Interface. A program enabling people outside the bank to connect to the bank's systems to use their functions. Of these, "open APIs" are those for which the bank provides an API to Fintech companies and allows access to the bank's systems based on customer consent.
9	10	FD	Abbreviation of Fiduciary Duty. Customer-oriented business operation. It refers to each employee seriously thinking "What can I do for the customer" and acting accordingly to provide the very best service for each customer in all operations.
10	10	CE	Abbreviation of Customer Experience. The expected level of customer satisfaction.
11	12	RPA	Abbreviation of Robotic Process Automation. Automation of formulaic tasks such as document preparation and data entry by utilizing artificial intelligence, etc

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