

# Operations of Japan Post Bank Co.



## Norito Ikeda

Director, President and  
Representative Executive Officer  
Japan Post Bank Co., Ltd.



### Review of the Fiscal Year Ended March 31, 2018

During the fiscal year ended March 31, 2018, which was the final year of our previous Medium-term Management Plan, we steadfastly implemented the plan and promoted business with a focus on three areas: Provision of high-quality customer-oriented financial services, Diversification and sophistication of investment management, and Funds flow to regional communities. These three pillars, announced at the end of March 2017, represent our vision to tackle the environment that we currently face. Amid such an adverse business environment, we carried out our business while leveraging our unique characteristics, such as the extensive customer base built upon the nationwide post office network and diverse human resources, and posted a net operating profit of ¥417.3 billion and net ordinary income of ¥499.6 billion. Meanwhile, net income amounted to ¥352.7 billion, exceeding our earnings forecasts of ¥350.0 billion by 0.7%.

### Strategy and Policy for the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, the three pillars will continue to be the foundation of the Bank's business model. Our efforts will be geared toward three goals: providing "new convenience" and "peace of mind" to customers; promotion of internationally diversified investments and supply of risk money to domestic industry through the effective utilization of capital; and contribution to development of the Japanese economy through vitalization of regional economies.

#### • Provision of High-quality Customer-oriented Financial Services

To support customers' asset-building efforts, we are increasing the number of, and nurturing, financial consultants. As of April 1, 2018, their numbers have grown to 1,600. We will also respond to customer needs through close collaboration with post offices. As one effort, the Bank's sales instructors have been supporting the

education and training of post office employees. Additionally, we will enhance our settlement services to provide greater convenience to customers. Furthermore, we continue to promote the use of immediate transfer services and settlements of the prepaid Visa card called "mijica," and we are preparing for the introduction of new services, including overdraft services linked to ordinary deposit accounts and "Yucho Pay", a smartphone settlement service.

#### • Funds Flow to Regional Communities

As of March 31, 2018, the regional vitalization funds we have invested in have increased to 12 funds. Along with promoting such investment, we will strengthen collaborative relationships with regional financial institutions through the joint use of our ATM network and common administration processes in order to contribute to the growth of regional economies.

#### • Diversification and Sophistication of Investment Management

Due to persistent low yen interest rates, interest income from Japanese government bonds is expected to decline sharply. Instead, we will seek stable earnings by promoting internationally diversified investments through the effective utilization of capital, increasing investment in risk assets and making use of derivatives and other transactions to improve profitability.

Japan Post Investment Corporation, a joint venture with Japan Post Insurance Co., will supply risk money mainly to buyouts (including business realignment, succession and rehabilitation) in Japan via funds it has established, and contribute to the development of domestic industries.

Even though an increase in risk assets is expected to result in a lower capital adequacy ratio, we intend to maintain at least a ratio of 10% to ensure financial soundness. In addition, we will introduce a risk appetite framework into our asset liability management (ALM) and asset management operations to increase the sophistication of our management system.

#### • Strengthening Our Business Management System

We will implement thorough cost management by increasing operational efficiency and productivity through the use of Fintech and other digital technologies. By reallocating and utilizing management resources effectively, we will work to enhance our customer services.

In the meantime, we will continue our efforts to protect customers of asset management products. At the same time, we will work to fulfill our corporate social responsibility by enhancing anti-money laundering measures and combating terrorist financing.

Our new corporate slogan, "Have more people say 'JP Bank, of course!'," reflects our aspiration to establish a business model to be implemented by Japan Post Bank Co. so that we can always help customers to live securely and walk hand-in-hand towards the future while continuing to grow sustainably. Following this slogan, we will concentrate our strengths on achieving our targets and pursue even greater corporate value.

## Japan Post Bank Co. (Non-consolidated)

### Ordinary income

Year ended March 31, 2018

**¥ 2,044.8 billion**

### Net ordinary income

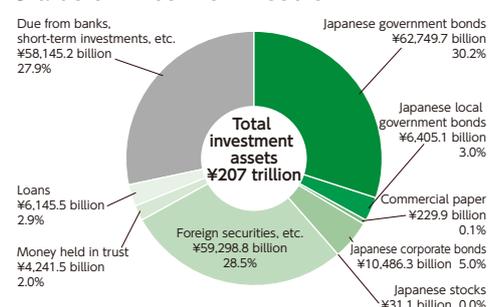
Year ended March 31, 2018

**¥ 499.6 billion**

## Financial Results for the Year Ended March 2018

In the banking business, at Japan Post Bank Co., we made efforts toward “securing the customer base and strengthening fee businesses,” “promoting sophisticated and diversified investment” and “strengthen the business foundation.” Net interest income dropped mainly due to a decrease in interest on Japanese government bonds. Meanwhile, net other operating income (loss) increased mainly owing to a rise in gains (losses) on foreign exchanges. In the adverse business environment from factors such as a low interest rate trend, ordinary income amounted to ¥2,044.8 billion (up ¥147.5 billion year-on-year), net ordinary income amounted to ¥499.6 billion (up ¥57.5 billion year-on-year), and net income amounted to ¥352.7 billion (up ¥40.4 billion year-on-year).

### Status of Investment Assets



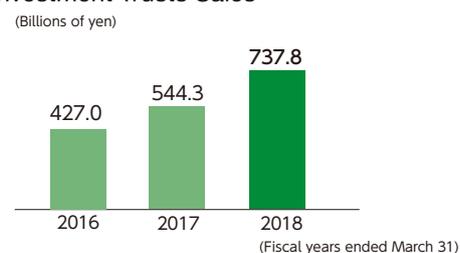
## Initiatives in the Year Ended March 2018

### Strengthening consulting operations

Amid the trend from savings toward asset-building, customers’ asset-building needs are clearly increasing. At Japan Post Bank Co., we have been nurturing the investment trust sales business as a major source of revenue. In the fiscal year ended March 31, 2018, we expanded our sales structure by collaborating more closely with Japan Post Co.

Investment trust sales in the fiscal year ended March 31, 2018 amounted to ¥737.8 billion, a record-high since privatization. As a result, net assets of investment trusts currently stand at ¥1,642.3 billion.

### Investment Trusts Sales



### Diversification and Sophistication of Investment Management

We mainly operate a “base portfolio” that seeks to secure stable earnings by investing mainly in Japanese government bonds, and a “satellite portfolio” that pursues higher returns predominantly through the allocation of global assets. In the fiscal year ended March 31, 2018, we continued to reorganize our overall portfolio based on these two pillars to achieve diversification and sophistication of investment management as well as respond to the changing market environment. Specifically, to compensate for a decline in earnings from our base portfolio caused by persistently low yen interest rates, we increased investment in foreign securities and alternative areas in the satellite portfolio. By implementing appropriate ALM and risk management, we have been working to further diversify revenue sources.

### Annualized

