



# Annual Report 2018

Year ended March 31, 2018



 **JAPAN POST BANK**

## Management Philosophy

# JAPAN POST BANK aims to become “the most the needs and expectations of our customers.



We comply with laws, regulations, and other standards of behavior and value trusted relationships with customers, markets, shareholders, and employees and consistently serve as a responsible corporate citizen.



We work sincerely to improve our management and business operations in response to requests from customers and changes in the business environment.

## Corporate Profile

Corporate name	JAPAN POST BANK Co., Ltd.
Date of establishment	September 1, 2006
Representative Executive Officer	Norito Ikeda
Address of head office	1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8798, Japan OTEMACHI PLACE WEST TOWER, 2-3-1 Otemachi, Chiyoda-ku, Tokyo 100-8793, Japan (Plans to progressively relocate from November 5, 2018)
Total assets	¥210,630 billion
Total net assets	¥11,513 billion
Capital	¥3,500 billion
Number of employees*	13,009

\* The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figure does not include short-term contract and part-time employees.

## Referenced Guidelines

- *International Integrated Reporting Framework*, International Integrated Reporting Council (IIRC)
- *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation*, Ministry of Economy, Trade and Industry

## Editorial Policy

To foster a deeper understanding of JAPAN POST BANK's corporate value among shareholders, investors and stakeholders, for this Annual Report we produced an integrated report that offers extensive information on management strategy and environmental, social and governance (ESG) as well as financial information.

## Period Covered

Operating performance for the period from April 1, 2017 to March 31, 2018. The report also includes some activities outside this period.

This report is not a solicitation for the shares or other securities of the JAPAN POST GROUP. Furthermore, this report contains forward-looking statements, such as the Bank's forecasts and targets. These statements were written according to the Bank's judgment based on information available, forecasts, and assumptions made at the time when the report was created; they therefore encompass risks and uncertainties, and are not a guarantee of future results. You should bear in mind that actual business results may differ from those described in this report, because they are subject to a wide range of risks and factors such as changes in the assumed conditions relating to the business environment, economic and business trends, changes in laws and regulations, the occurrence of major disasters, fluctuations in the value of assets held by the Bank, and the impact of rumor and hearsay. The Bank undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events. All figures and percentages in this report are rounded down for presentation, and therefore the totals may not be equal to the sum of the presented figures. The figures and percentages are information as of March 31, 2018, unless separately noted. Unless the context states otherwise, references in this report to "we," "us," "our," the "Bank" or similar terms are to JAPAN POST BANK.

Unless otherwise individually noted, this integrated report contains non-consolidated numerical values.

# accessible and trustworthy bank in Japan,“ guided by



We pursue improvements in speed and efficiency of our management and business operations in order to provide customer-oriented financial instruments and services.



We continually strive to strengthen our expertise for the aim of services meeting the expectations of our customers.

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### Corporate Data

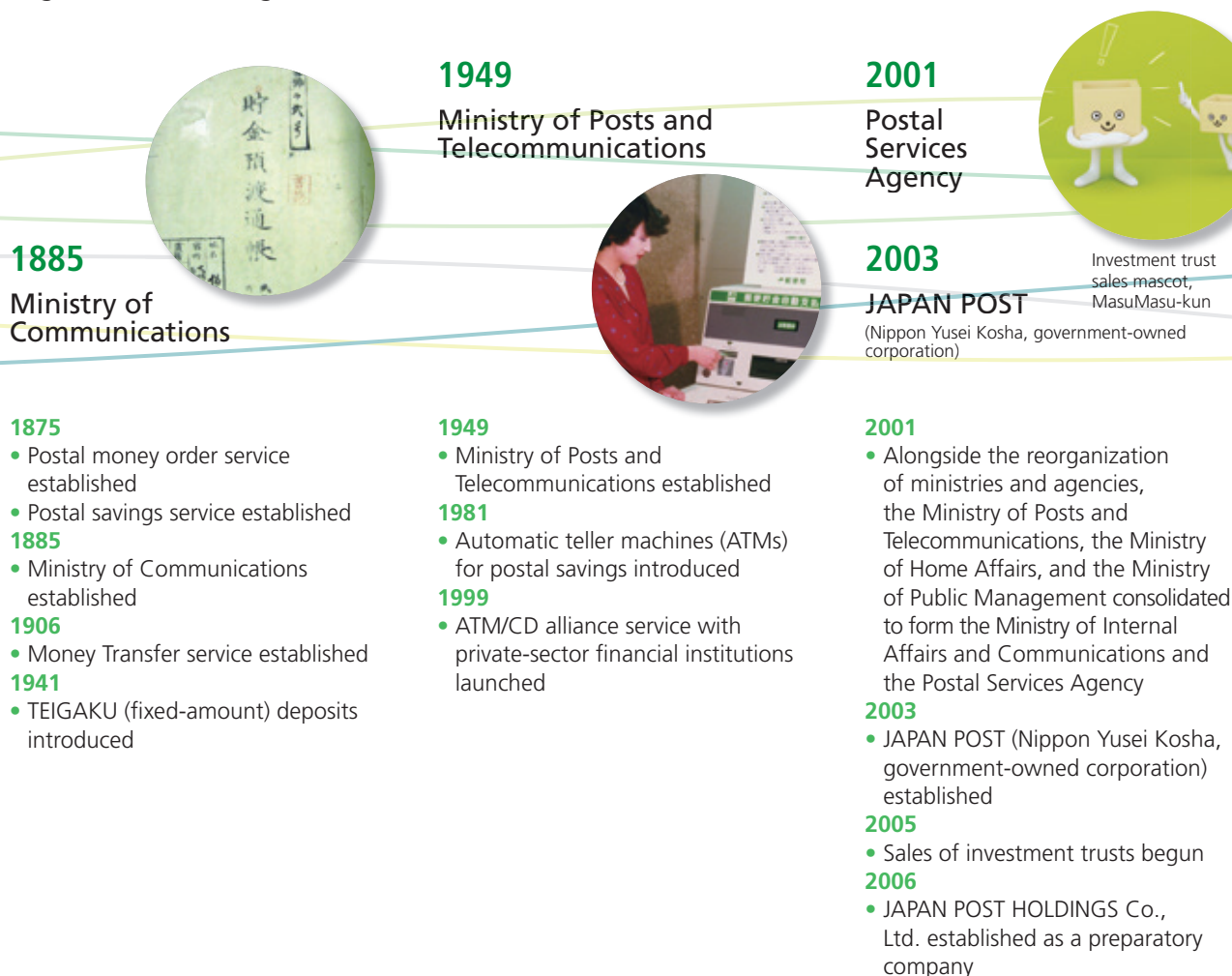
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# About JAPAN POST BANK

## The Path Taken by JAPAN POST BANK

The history of JAPAN POST BANK extends back over 140 years. From a state-owned organization to a privately owned organization, the Bank has changed along with the times, though we have never wavered from our commitment to meet the expectation of our customers as the most accessible and trustworthy bank in Japan. With customers around the country using our services, we remain committed to maintaining the current value creation process and will continue to promote stable economic growth and the stable formation of assets for our customers.

### Organizational Changes



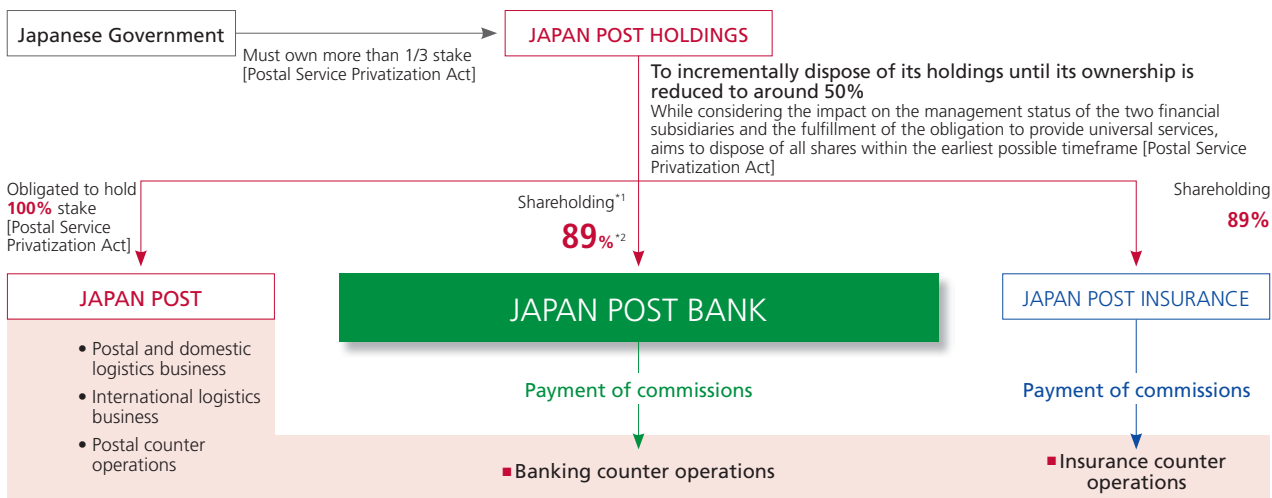
#### ► Financial Developments

► **1996**  
Japan's version of financial Big Bang

► **2005**  
Transition to limited deposit guarantee "payoff" scheme in Japan

► **2008**  
Collapse of Lehman Brothers

## Current JAPAN POST GROUP Structure



\*1: Shareholding of JAPAN POST HOLDINGS more than 50%  
 → New services: licensing system  
 50% or less  
 → New services: notification system

\*2: Shareholding relating to shares with voting rights excluding treasury stock



## 2018 Medium-term Management Plan announced (FY2019/3 to FY2021/3)

## 2007 JAPAN POST BANK (Privatized)



- 2007**
  - JAPAN POST GROUP established
  - Approval granted for new services in connection with investment target liberalization
- 2008**
  - Approval granted for new services (credit cards, agency sales of variable annuities policies for individuals and the intermediation of loans for individuals)
  - Investment in SDP CENTER Co., Ltd.
  - Launch of "JP BANK CARD"
  - Launched the intermediation of loans for individuals
  - Launched agency sales of variable annuities policies for individuals
- 2009**
  - Online connection to the Zengin Data Telecommunication System (Zengin System) established allows transfers to and from other financial institutions

- 2013**
  - Investment in ATM Japan Business Service, Ltd.
- 2015**
  - JAPAN POST BANK Co., Ltd. listed its shares on the First Section of the Tokyo Stock Exchange
  - Investment in JP Asset Management Co., Ltd.
- 2016**
  - JAPAN POST HOLDINGS Co., Ltd. and FamilyMart Co., Ltd. reached a basic agreement on a business tie-up
  - Invested in the first regional vitalization fund
  - Issuance of regional prepaid VISA card, "mijica"

- June 2017**
  - Established the basic policy of customer-oriented business operations
  - Approval granted for new services (overdraft service, operations related to cooperation with regional financial institutions, etc., market investment-related business)
- January 2018**
  - In some time bands, eliminated fees when using our cash cards on E-net ATMs
- February**
  - Start of online application for "mijica"
  - Established Japan Post Investment Corporation
  - Established the Policy for Coordination and Collaboration with Settlement Agents for Electronic Settlement Systems
- March**
  - Contract signed covering installation of Japan Post Bank ATM in Aozora Bank branches

▶ **2013**  
Bank of Japan introduces "quantitative and qualitative monetary easing"

▶ **2013**  
Phased transition to Basel III

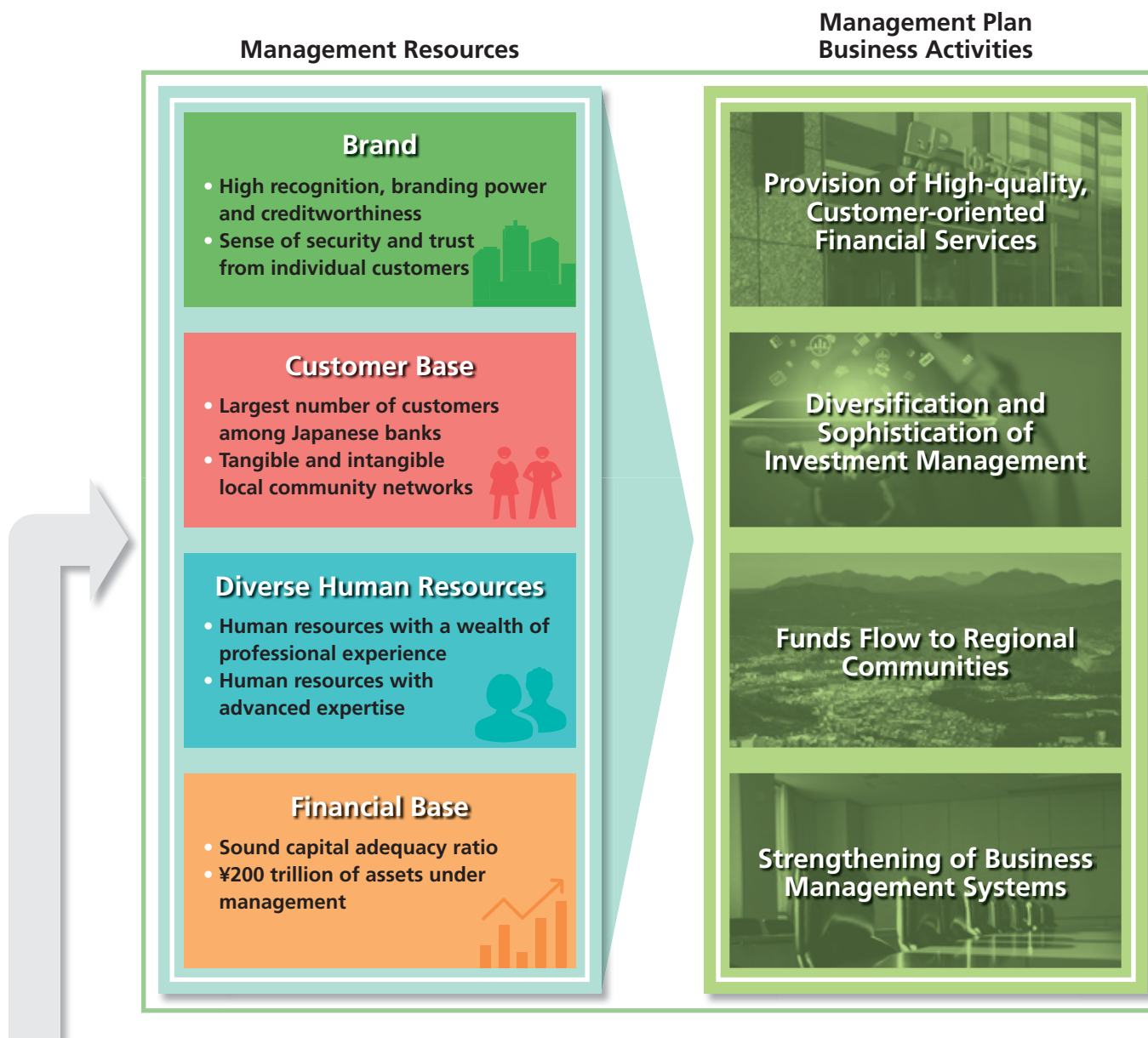
▶ **2014**  
Nippon Individual Savings Account (NISA) launched

▶ **2016**  
Bank of Japan introduces negative interest rate policy

# Value Creation Process

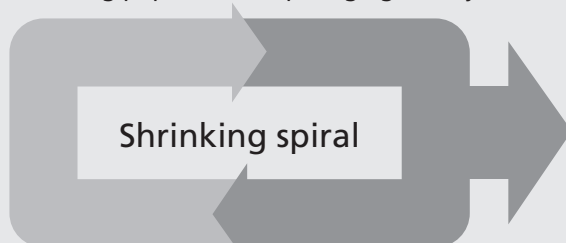
## Realization of its goals

Have more people say “JP Bank, of course”



### Management Environment Facing Us

Decreasing population (super-aging society)



Concentration on Tokyo Metropolitan Area

Shrinking local economies

#### Diversification of and changes in customer needs

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

## Value Creation

JAPAN POST BANK will use the post office network to



Providing “new convenience” and “peace of mind” to customers

continue to stand by the side of its customers,



and steadfastly support

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

each of the wide range of individuals across Japan,



spanning from small children to the elderly,

Contribution to development of the Japanese economy through vitalization of regional economies

throughout their long lives and push forward



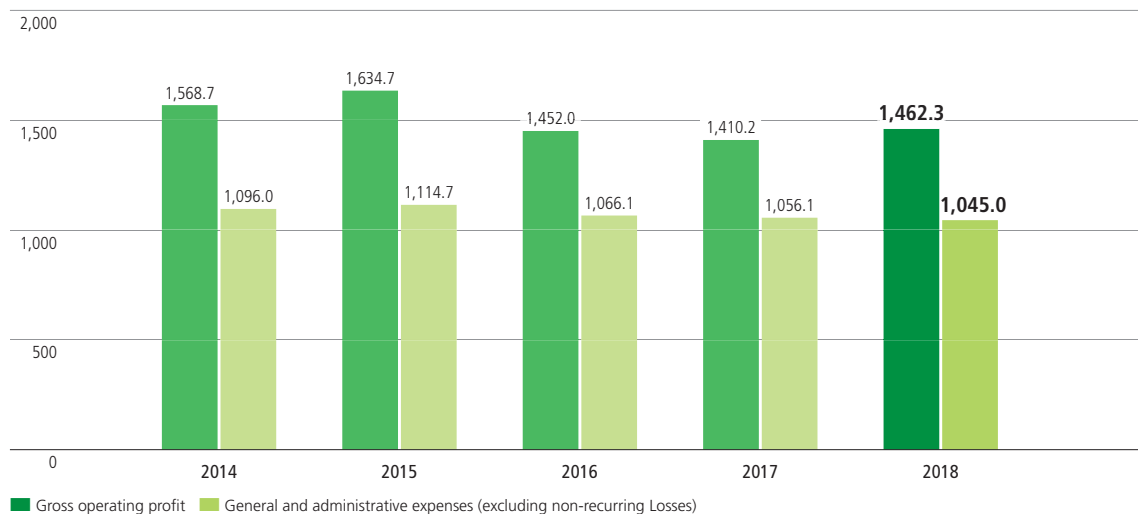
toward the realization of its goals.



# Financial Highlights (Non-Consolidated)

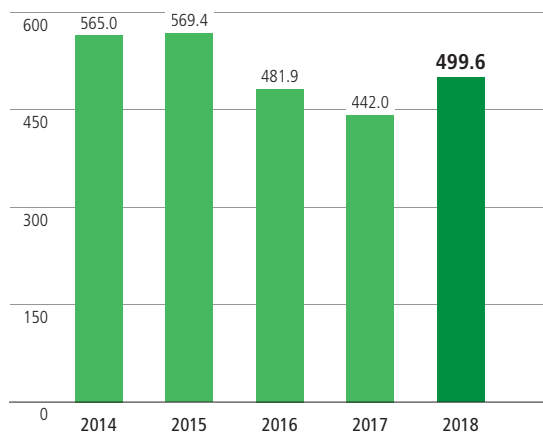
## Gross Operating Profit/General and Administrative Expenses

For the fiscal year ended March 31,  
(¥ billion)



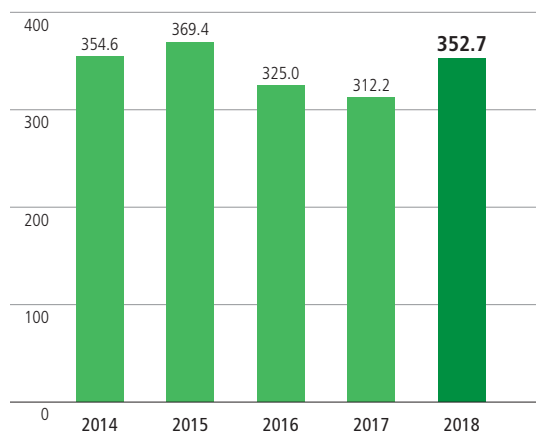
## Net Ordinary Income

For the fiscal year ended March 31,  
(¥ billion)



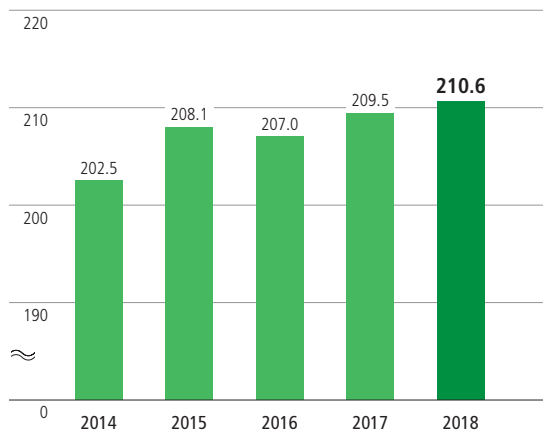
## Net Income

For the fiscal year ended March 31,  
(¥ billion)



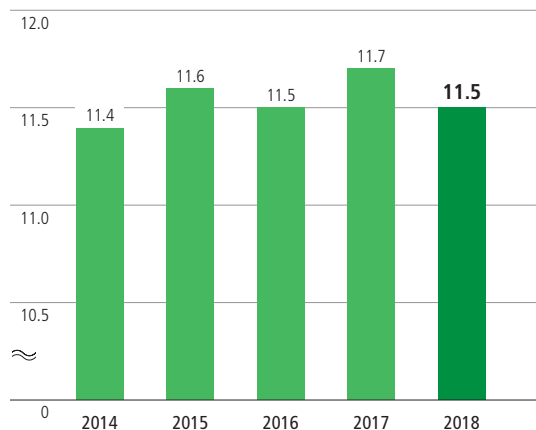
## Total Assets

As of March 31,  
(¥ trillion)



## Total Net Assets

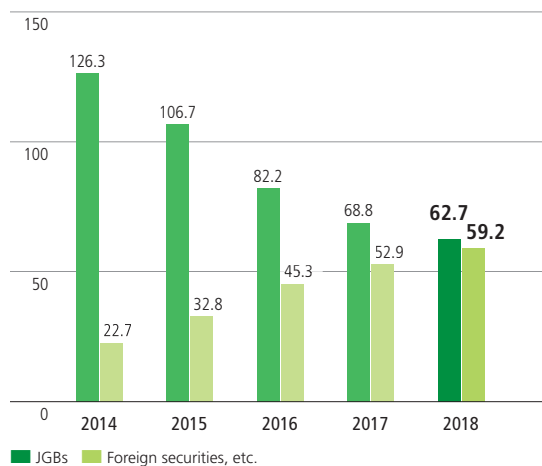
As of March 31,  
(¥ trillion)





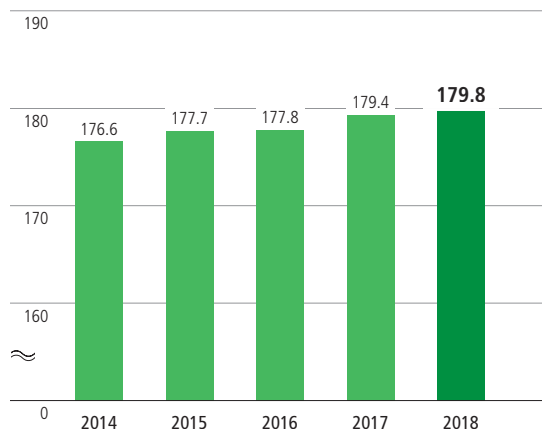
## Trend of Asset Management (Balances of Japanese Government Bonds (JGBs) and Foreign Securities, etc.)

As of March 31,  
(¥ trillion)



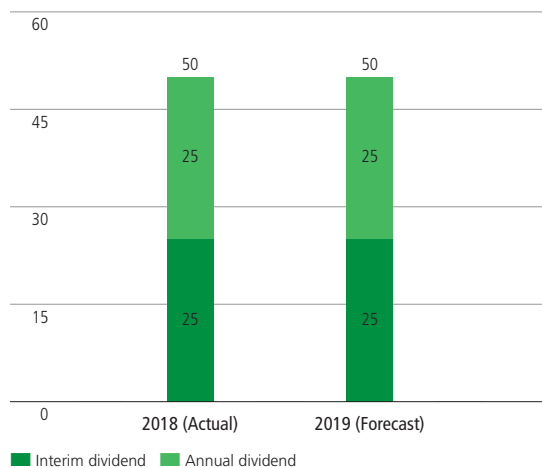
## Trend of Deposit Balance

As of March 31,  
(¥ trillion)



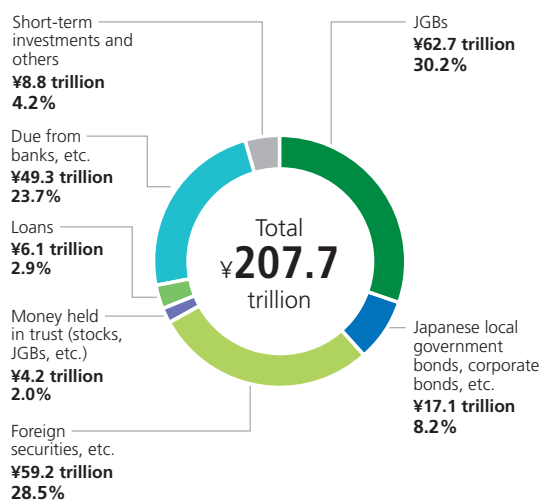
## Dividends Per Share

For the fiscal year ended March 31,  
(yen)



## Asset Management Status

As of March 31, 2018

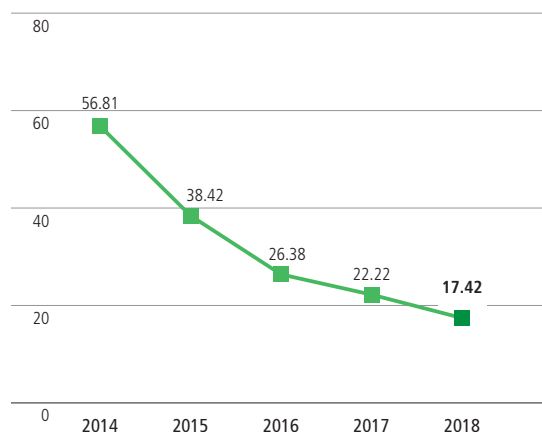


Notes:

1. "Japanese local government bonds, corporate bonds, etc." consists of Japanese local government bonds, commercial paper, Japanese corporate bonds and Japanese stocks.
2. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits and monetary claims bought.
3. "Short-term investments and others" consists of call loans and receivables under securities borrowing transactions, etc.

## Capital Adequacy Ratio (Domestic Standard)

As of March 31,  
(%)



## Credit rating (As of March 31, 2018)

	Long-term	Short-term
Moody's	A1	P-1
S&P	A+	A-1

# Nonfinancial Highlights

## Huge Nationwide Network (As of March 31, 2018)

Number of domestic outlets

**24,019**

ATMs

**28,782**

Number of partner financial institution cards usable at ATMs

Cards of approx.

**1,400** companies

### Numbers of Locations /ATMs in Japan

Regions	Number of Locations	Number of ATMs	Regions	Number of Locations	Number of ATMs
● Hokkaido Region	1,481	1,693	● Tokai Region	2,361	3,585
● Tohoku Region	2,553	2,364	● Kinki Region	3,424	4,411
● Kanto Region	2,571	3,410	● Chugoku Region	2,220	2,217
● South Kanto Region	1,028	1,515	● Shikoku Region	1,148	1,166
● Tokyo Region	1,478	2,887	● Kyushu Region	3,417	3,230
● Shinetsu Region	1,301	1,200	● Okinawa Region	195	269
● Hokuriku Region	842	835			

#### Notes

The number of locations includes the following.

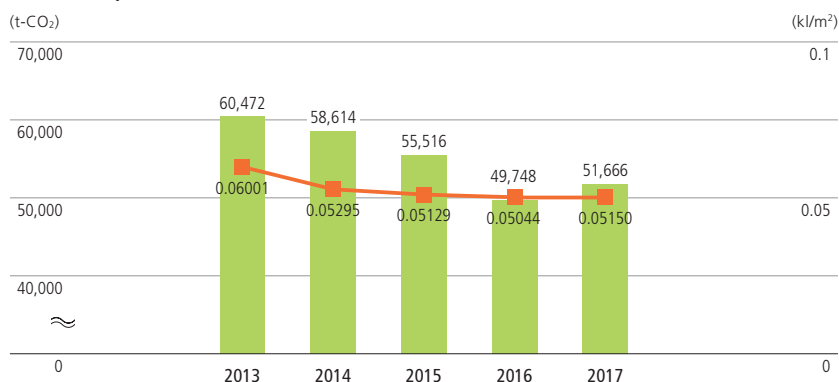
- (1) Directly managed JAPAN POST BANK locations
- (2) Post offices managed by bank agents (including sub-offices)
- (3) Contracted post offices in which JAPAN POST re-entrusts our banking agency services

### Cooperation with Other Companies



### Energy Use Data\*1

For the fiscal year ended March 31,



■ Carbon dioxide emissions from energy usage (t-CO<sub>2</sub>)\*2 (left side)

— Energy use per unit\*3 (right side)

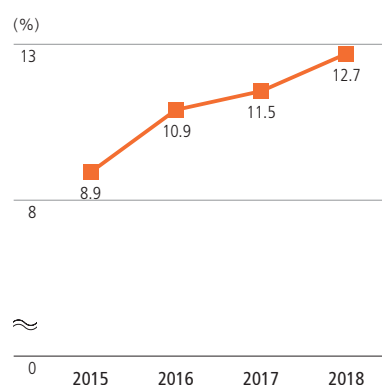
\*1 The scope of data compilation is the entire organization of JAPAN POST BANK. Calculated using the under the greenhouse-gas emissions calculation, reporting, and disclosure system, which is based on the Law Concerning Promotion of the Measures to Cope with Global Warming.

\*2 Carbon dioxide emissions is the total sum of energy usage multiplied by a pre-determined emissions index for each class of energy.

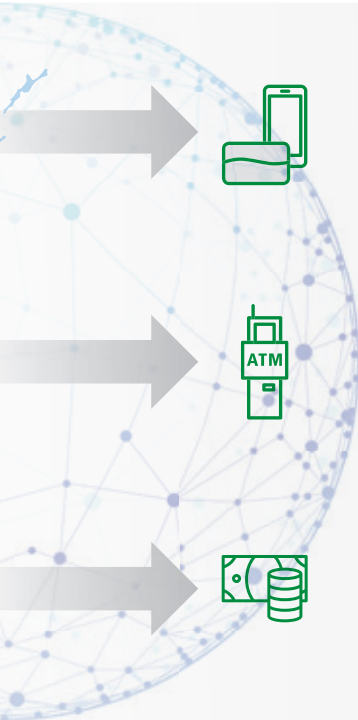
\*3 Energy usage per unit is the total crude oil equivalent of energy used divided by the total floor area utilized by JAPAN POST BANK.

### Percentage of Women in Managerial Positions

As of April 1,



# Using Tangible/Intangible Networks



## Enhancing Settlement Services

- Immediate transfer services
- Issuance of mijica

☰ For details, please refer to page 27-28

## More Convenient ATMs

- Alliances with FamilyMart, E-net, regional financial institutions

☰ For details, please refer to page 28

## Funds Flow to Regional Communities

- Participation in regional vitalization funds

☰ For details, please refer to pages 32-33

# External Assessments



### Acquired certification based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Having received certification from the Ministry of Health, Labour and Welfare as a "child rearing support company" over three terms since 2010, JAPAN POST BANK has acquired the "next generation certification mark (Kurumin Mark)."



仕事と介護の両立支援  
Nickname Tomonin

### Acquired accreditation to promote the development of "work environments that enable the balancing of work and nursing care"

We were accredited by the Ministry of Health, Labour and Welfare in November 2016.



### MSCI Japan Empowering Women Index (WIN)

JAPAN POST BANK has been selected as a constituent brand name of the MSCI Japan Empowering Women Index.

# Management Vision

## To Our Stakeholders



**Norito Ikeda**  
Director, President and  
Representative Executive Officer

### Have more people say “JP Bank, of course”

#### Vision

- 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
- Contribution to development of the Japanese economy through vitalization of regional economies

## Have more people say “JP Bank, of course”

### We Have Put in Place a New Slogan to Convey Our Aspiration to Become a Bank That Is Capable of Medium- to Long-term Sustainable Growth

As it embarks on a new Medium-term Management Plan, JAPAN POST BANK has put in place a slogan to convey its aspirations going forward. I would like to take this opportunity to briefly explain the thoughts and expectations that underpin this slogan.

Working through a network that is comprised of over 24,000 post offices and branches, JAPAN POST BANK has garnered the trust of customers nationwide. Today, the Bank is a much-needed partner to communities throughout Japan. I am convinced that this connection with its customers is our most powerful underlying strength. From a commercial perspective, there is nothing more difficult than winning over new customers. Necessarily, the first step is to ensure that the name of the company is recognized. Only by overcoming numerous trials and tribulations can a company hope to establish a relationship with its customers. This requires an enormous amount of time and effort. JAPAN POST BANK is extremely fortunate and already maintains close-knit ties with large numbers of customers all over the country. This trust and our sound reputation, which has been nurtured by our predecessors over many years, is a tremendous unmatched asset for our growth going forward. Our new slogan therefore encapsulates our aspiration to fortify our connections with customers and to become an even more trusted bank.

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The slogan, “JP Bank, of Course,” is also a rallying call that unites the values of all employees. Since its privatization in 2007, we have continued to expand our operations while undergoing major change. During this period, we have attracted large numbers of capable personnel with extensive experience from a wide range of industries. While this diversity has without a doubt provided the wellspring for our growth and evolution, it has also served as a weakness in times when employees were required to unite in the drive toward a single vision. Against the backdrop of a finance sector that is experiencing considerable volatility, we recognize the need for all employees to share a common value as a bank based on the Postal Service Privatization Act. It is vital that we boldly explore new opportunities. Only by making the most of our collective strengths in each specialist field can we secure sustainable growth.

Under the banner of our new slogan, I am committed to uniting the Bank as a single force and spearheading efforts to drive forward.

# Operating Performance for the Fiscal Year Ended March 31, 2018 (Non-Consolidated)

In the fiscal year ended March 31, 2018, the Bank worked diligently to advance its business from the perspectives of three previously announced ways that took into account operating conditions as of March 31, 2017 while steadfastly carrying out its recently completed Medium-term Management Plan. In specific terms, the Bank took steps toward the Provision of High-quality Customer-oriented Financial Services, Diversification and Sophistication of Investment Management and Funds Flow to Regional Communities. These three pillars are again central to the current Medium-term Management Plan. In this regard, I believe that the fiscal ended March 31, 2018 provided a more than adequate start in the lead-up to the start of a new plan.

## Medium-term Management Plan (FY2016/3-2018/3)

### Vision

The most accessible and trustworthy bank in Japan based on the network of approximately 24,000 post offices across Japan as our main channel to provide our customers with the highest level of services

One of the largest institutional investors in Japan, making efforts to sophisticate and diversify investment through appropriate risk management for maintaining stable profits

### Specific Strategies

- Promote retail services that contribute to the livelihoods and asset development of a customer base on the scale of 100 million people
  - Increase assets under management by securing stable client base
  - Increase fees and commissions
  - Leverage data through CRM
  - Build a structure and system that is capable of providing customer-oriented services

- Promote global asset allocation for excess return under stable funding structure

- Under the rigorous policy "Compliance First," develop a strong management systems that is appropriate for a listed company

## Results for the Fiscal Year Ended March 31, 2018 (Non-Consolidated)

For the fiscal year ended March 31, 2018, net income increased by ¥40.4 billion year on year to ¥352.7 billion. While net interest income decreased mainly due to a decrease in interest on Japanese government bonds, net fees and commissions and net other operating income increased. General and administrative expenses decreased. Despite the adverse business environment with yen interest rates remaining at a low level, the Bank's net income came in at 100.7% of our earnings forecasts of ¥350.0 billion for the fiscal year ended March 31, 2018.

### Net Ordinary Income

¥499.6 billion  
(+¥57.5 billion year on year)

### Net Income

¥352.7 billion  
(+¥40.4 billion year on year)

### Dividends per share

¥50  
(Annual dividends of ¥25)

### Dividend payout ratio

53.1%

# Medium-term Management Plan (FY2019/3 to FY2021/3)

JAPAN POST BANK's current Medium-term Management Plan was formulated looking 10 years into the future. Under this plan, we hope to support customers in their efforts to live safe and secure lives while continuing to enjoy sustainable growth, and to establish a business model that will allow us to stand side-by-side with the customers we serve over the next decade. At its core, the Plan is built on three ways that we initiated during the fiscal year ended March 31, 2018. Moving forward, we will focus on our inherent strengths as we work to achieve our established goals, and endeavor to further enhance our corporate value.

## Three ways and Initiatives



## Numerical Targets

Income targets	FY2018/3 (Actual)	FY2021/3 (Targets)
Net ordinary income (consolidated basis)	¥499.6 billion	<b>¥390.0 billion</b>
Net income attributable to owners of parent (consolidated basis)	¥352.7 billion	<b>¥280.0 billion</b>
Sales		
Assets under management	<b>[3 years] Around +¥1.8 trillion</b>	
Investment trusts balance <sup>*1</sup>	<b>[3 years] Around +¥1.7 trillion</b> ((End of FY2028/3] balance:¥10 trillion)	
Net fees and commissions	<b>[FY2021/3] +30% (compared to FY2018/3)</b>	
Investments		
Balance of risk assets <sup>*2</sup>	¥79 trillion	<b>Around ¥87 trillion</b>
Balance of strategic investment area <sup>*3</sup>	¥1.6 trillion	<b>Around ¥8.5 trillion</b>
Expenses		
Predetermined expenses	<b>[FY2021/3] -¥30 billion (compared to FY2018/3)<sup>*4</sup></b> The Bank aims to decrease general and administrative expenses as a whole compared to FY2018/3 while allocating resources to growth areas that contribute to the improvement of customer convenience and the increase of future income.	
Improvement of operating efficiency	<b>[3 years] Equivalent to -2 thousand employees<sup>*5</sup></b>	
Shareholder returns		
Dividends per share	<b>[3 years] Secure 50 yen per year</b> 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		
	<b>Level to be kept is set at around 10%</b> (after consideration of strengthening of financial regulations)	

\*1 Cumulative total of "sales-cancellations" over 3 years (different from market value basis)

\*2 Balance other than interest-bearing yen assets (JGBs, etc.) (Existing the Satellite Portfolio (SP) + the Base Portfolio (BP) loans)

\*3 Existing alternatives (private equity (PE), hedge funds (HF), real estate funds (equity)) + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds

\*4 Excluding expenses pertaining to the consumption tax rate increase and the allocation of resources to growth areas

\*5 Equivalent to about -10% of the number of employees in FY2018/3 (including non-regular employees)

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

### Supporting Customers Build Assets

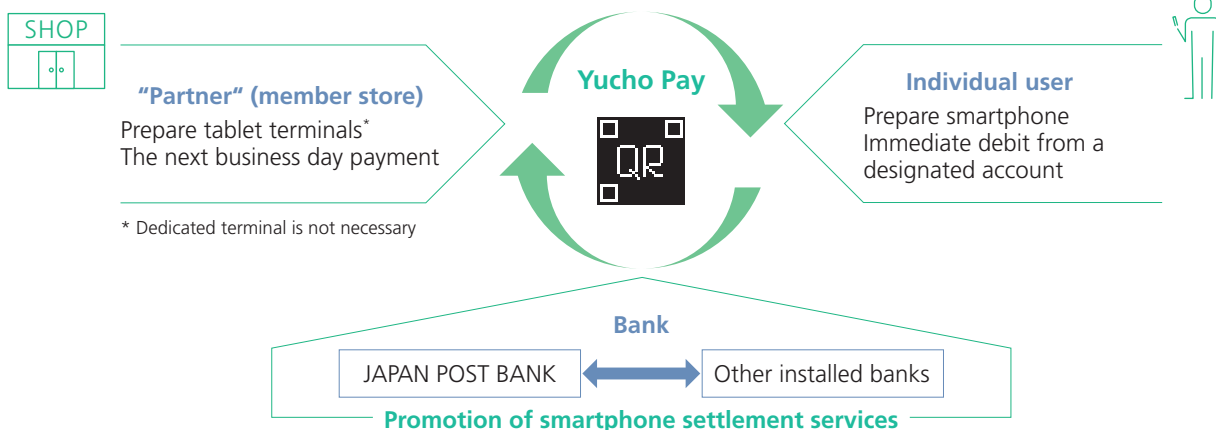
Given the general consensus that interest rates will remain at a low level, the investment needs of individual customers are projected to increase even further in the future. In order to address these needs, we will ramp up efforts to market investment products based on our close ties with the post office network. In specific terms, we are fostering and increasing the number of financial consultants. These efforts have helped expand the total number of consultants to 1,600 as of April 1, 2018. In addition, we will bolster training support for post office employees by the Bank's sales instructors in a bid to increase investment trust and other sales skills.



### Enhancement of Settlement Services

We are committed to upgrading and expanding our settlement services going forward in a bid to improve customer convenience. In addition to ongoing efforts aimed at expanding the immediate transfer services, "mijica" regional prepaid Visa card settlement, and other existing services, we are taking preparatory steps to introduce account overdraft service to help customers provide for any sudden expenditures or cover any temporary shortfalls. Partnering with GMO Payment Gateway, Inc., we will also release "Yucho Pay," a new settlement service that customers can access using their smartphone. By adopting a variety of methods that for example allows customers to use their smartphones to read QR codes, Yucho Pay facilitates the immediate transfer and payment of funds from individual accounts held with the Bank. Partner hold high expectations for this service as a low-cost settlement method that does not require the device designated by Yucho Pay. We also hold high expectations for this service as a means to address the growing demand for cashless transactions.

### How Yucho Pay Works



## Diversification and Sophistication of Investment Management

### Generating Earnings through the Diversification and Sophistication of Investment Management

At the time of our privatization, interest income from Japanese government bonds accounted for a large portion of our revenues and earnings. Given the persistently low interest rate environment, this income can be expected to decline substantially in the future. In order to address prevailing conditions, it is imperative that the Bank expands its investment in risk assets and generates earnings by increasing its level of investment management sophistication and diversification. In other words, we must accelerate the pace at which we transform the structure of the Bank's revenues and earnings during the period of the current Medium-term Management Plan.



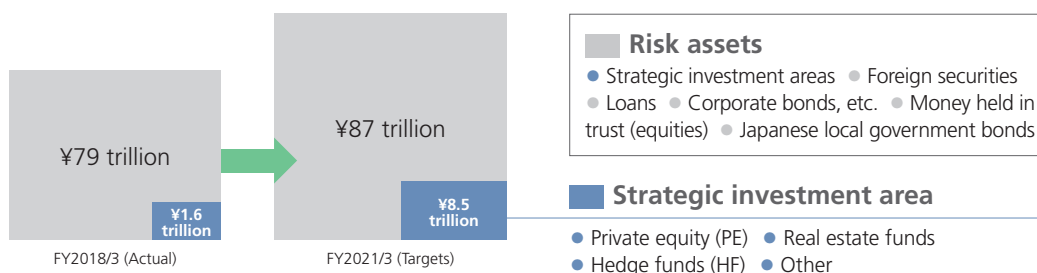
## We will transform the structure of our earnings during the period of the current Medium-term Management Plan with an unwavering resolve to overcome changes in our operating environment.

In specific terms, we intend to expand the balance of risk assets from ¥79 trillion as of March 31, 2018 to ¥87 trillion by March 31, 2021. We will also continue to actively invest in such strategic investment areas as private equity, real estate funds, and hedge funds with a view to lifting the balance held to ¥8.5 trillion by March 31, 2021, up from ¥1.6 trillion as of March 31, 2018.

In February 2018, we established Japan Post Investment Corporation, a joint undertaking with JAPAN POST INSURANCE Co., Ltd. Working through Japan Post Investment Corporation, JAPAN POST BANK will fulfill its longstanding aspiration of engaging in General Partner activities. The new company will contribute to the development of industry by establishing funds through which it will supply risk money to finance business realignment, succession, and rehabilitation as well as other buyout deals in Japan. Moreover, Japan Post Investment Corporation will support the growth of business enterprises by encouraging investment in technologies that could become Japan's core industries and in startup companies that are in a phase of full-scale business expansion.

While the finance market is exhibiting signs of saturation, ample opportunities continue to exist in the equity field. With this as a tailwind, we will bolster our ties with financial institutions in Japan and focus on identifying investment opportunities while promoting collaboration. Despite the time required to build up investment assets, we will work steadfastly to nurture new businesses that can generate earnings.

### Balance of risk assets



### Ensuring Financial Soundness

As we work to increase the previously mentioned level of investment management sophistication and diversification, international financial regulations can be expected to become increasingly stringent and our capital adequacy ratio to decline. Against this backdrop, we will keep a capital adequacy ratio of at least 10% as well as a balanced financial structure that is capable of achieving stable profits and financial soundness. We will also enhance our management system by introducing a risk appetite framework\* in our ALM and investment operations.

\* A mechanism that strengthens risk governance by clarifying appropriate types and levels of risks in the light of both ensuring earnings and achieving financial soundness, and by increasing the accountability of executives (management) and effectiveness of the supervisory function (Board of Directors).

### Funds Flow to Regional Communities

In order to encourage the flow of precious customer funds to regional communities, we coordinate with regional financial institutions and actively promote participation in regional vitalization funds for the purpose of supporting a variety of endeavors including business succession as well as the startup and establishment of new enterprises. As of March 31, 2018, the Bank's investments had increased to 12 funds. Looking ahead, we will redouble our efforts to contribute to the growth and development of regional economies and further deepen collaborative ties with regional financial institutions.

Regional financial institutions are starting to show increased awareness toward low-cost operations owing mainly to uncertainties surrounding future economic conditions. For example, regional financial institutions bear a heavy maintenance burden to ensure stable ATM operations.

For this reason, interest in utilizing the Bank's ATM network as well as common administration is extremely high. In March 2018, the Bank signed an agreement to phase out the existing branch

ATM service of Aozora Bank, Ltd. and to replace it with the Bank's ATMs. This phase-out and replacement will begin on a gradual basis from August 2018. This is the first time the Bank's ATMs will be installed in all of the branches of a financial institution. By the broadening this win-win scenario, the potential exists to leverage the inherent network strength of the Bank to put in place a nationwide financial platform.

## Human Resource Development

JAPAN POST BANK acknowledges the critical need to effectively use its human resources in order to enhance the Bank's corporate value. At the same time, we will thoroughly implement cost management by promoting greater operational efficiency and higher productivity through the use of Fintech and digital technology while reallocating management resources. Specifically, we will increase the efficiency of transaction operations (including routine services at bank counters) as well as back-office operations by introducing AI in such areas as call centers and promoting smartphone services. Moreover, we will upgrade and expand the allocation of human resources (quantity) as well as training and development (quality) in key activities including consulting.

In addition, we will work to lift the skills of each and every individual while building a workplace environment that allows employees to maximize their potential. We will continue to support the growth and career plans of not only our female employees, but also our entire workforce. Through these means, we will make every effort to secure the Bank's sustainable growth and development.

Engaging in a wide range of endeavors that include efforts to strengthen and expand activities of the JAPAN POST BANK Diversity Committee as well as the "IkuBoss\*" initiative, our goal is to help realize the growth and success of diverse employees.

- \* An IkuBoss (or "New-era" Boss) is a manager/an executive who
- a) considers his/her staff's work-life balance and supports their career.
  - b) achieves his/her organization's business targets.
  - c) enjoys his/her own life outside of work.

## Financial Strategy

The decrease in interest income from such instruments as Japanese government bonds is expected to have a major impact throughout the period of the recently formulated Medium-term Management Plan. Net ordinary income, for example, is projected to decline by around ¥100 billion. As we work through the process required to reform our business model and alleviate an over-dependence on Japanese government bonds, we recognize the critical need to secure the unwavering support of shareholders. With this in mind, we have positioned the implementation of stable dividends as an extremely important management priority and will work to ensure an annual cash dividend of ¥50 per share through to the fiscal year ending March 31, 2021. In order to secure the necessary dividend capital to maintain the stable payment of dividends, and to ensure the flexibility and mobility of our future capital policy, a resolution was passed to reduce the amount of legal capital surplus and transfer the same amount to other capital surplus at the recent Ordinary General Meeting of Shareholders.

**Breaking free from past convention, JAPAN POST BANK is going through a process of evolution. Appointed to lead the Bank through these turbulent times, I am filled with a sense of enormous pride, responsibility and determination.**



# Strengthening Our Business Foundation

## Effectiveness of the Board of Directors

JAPAN POST BANK's Board of Directors has seven outside directors with diverse backgrounds and four internal directors. By ensuring that the majority of directors are appointed from outside the Bank, positive steps have been taken to infuse the Board with views from a broad perspective and to stimulate high-quality and lively debate. Management decisions that are based on the experiences of members from a wide range of backgrounds, the ability to incorporate diverse trends, the expertise of outside directors including the skills necessary to collate extensive information, all contribute greatly to the Bank's strategic proposals.

The Bank was especially prudent when formulating its Medium-term Management Plan, undertaking lengthy discussions over medium- and long-term issues throughout the fiscal year ended March 31, 2018. In addition, the Bank has put in place a support system for outside directors to ensure the smooth operation of meetings of the Board of Directors and enhance the effectiveness of supervision by outside directors. This support system includes efforts to ensure sufficient prior explanation and time for questions at meetings of the Board of Directors.

## Strengthening the Compliance System


We recognize the critical need to ensure compliance as a management foundation. With this in mind, we will continue our efforts to promote greater awareness of compliance issues and 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.

## Together with Shareholders and Investors

I strongly believe that promoting dialogue with shareholders and investors is management's most important role. Through efforts to meet directly with investors whenever possible and promoting the active exchange of opinions, energies are being directed toward building long-term and constructive relationships. In addition to the needs of overseas investors, both I and the officers in charge of each area are vigorously conducting nationwide briefing sessions for individual investors in order to deepen understanding toward the Bank's business domains and strategies.

JAPAN POST BANK is currently in a transition phase. Breaking free from past convention, we are evolving into an entity that is capable of sustainable growth for the next 10 and 20 years. Undoubtedly, this will take us down a precipitous, difficult, and unexplored path. For this very reason, we are excited by the challenge. Appointed to lead the Bank through these turbulent times, I am filled with a sense of enormous pride, responsibility and determination. Looking ahead, I will endeavor to spearhead management to the best of my ability and in welcoming the expectations of shareholders and investors ask for their continued support and understanding.

July 2018

A vertical photograph on the left side of the page shows a person's hand with fingers spread, palm facing forward, against a blurred background. The hand is positioned as if gesturing during a presentation or meeting.

*Norito Ikeda*

**Norito Ikeda**  
Director, President and Representative Executive Officer

# Medium-term Management Plan (FY2019/3 to FY2021/3)

In the Medium-term Management Plan (FY2019/3 to FY2021/3), we have positioned the three years starting from FY2019/3 as a period in which to consolidate our management platform in a bid towards sustainable future growth as we secure stable earnings in a tough business environment. Moreover, as members of Team JP, we will use the post office network to continue to stand by the side of our customers, and steadfastly support each of the wide range of individuals across Japan, spanning from small children to the elderly, throughout their long lives.

## 1. Numerical Targets

Income targets
<p>Net ordinary income (consolidated basis)</p> <p>➡ [FY2021/3] 390 billion yen</p> <p>Net income attributable to owners of parent (consolidated basis)</p> <p>➡ [FY2021/3] 280 billion yen</p>

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

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

\* Securitized products used as collateral for the bundling of loans taken out on commercial real estate (such as hotels and offices)

Expenses
<p>Predetermined expenses</p> <p>➡ [FY2021/3] -30 billion yen (compared to FY2018/3)</p> <p>* Excluding expenses pertaining to the consumption tax rate increase and the allocation of resources to growth areas</p> <p>The Bank aims to decrease general and administrative expenses as a whole compared to FY2018/3 while allocating resources to growth areas that contribute to the improvement of customer convenience and the increase of future income.</p> <p>Improvement of operating efficiency</p> <p>➡ [3 years] Equivalent to -2 thousand employees</p> <p>* Equivalent to about -10% of the number of employees in FY2018/3 (including non-regular employees)</p>

Shareholder returns
<p>Dividends per share</p> <p>➡ [3 years] Secure 50 yen per year</p> <p>* considered the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves</p>

Capital adequacy ratio
<p>Capital adequacy ratio</p> <p>➡ Level to be kept is set at around 10%</p> <p>(after consideration of strengthening of financial regulations)</p>

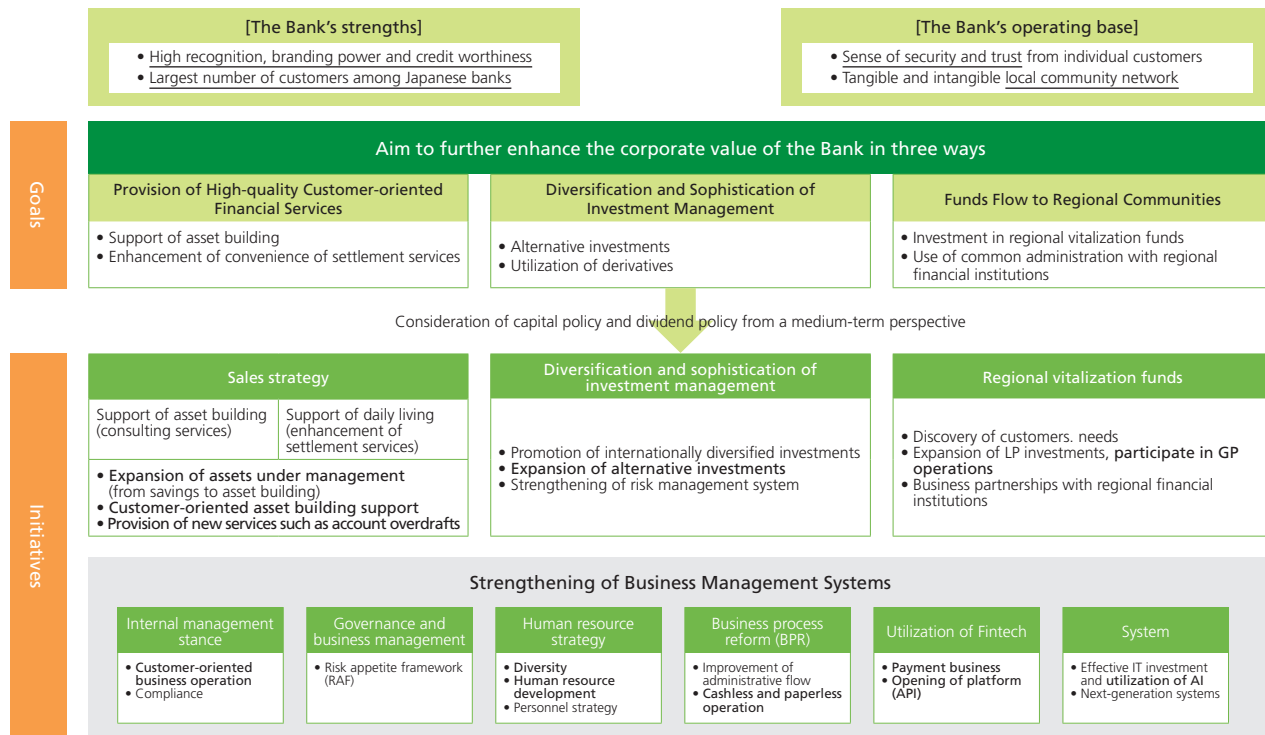
## 2. Environmental Awareness and Direction of Initiatives

Even amid changes in the environment, including a shrinking economy spiral and diversification of and changes in customer needs, we will build Japan Post Bank's brand toward "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."



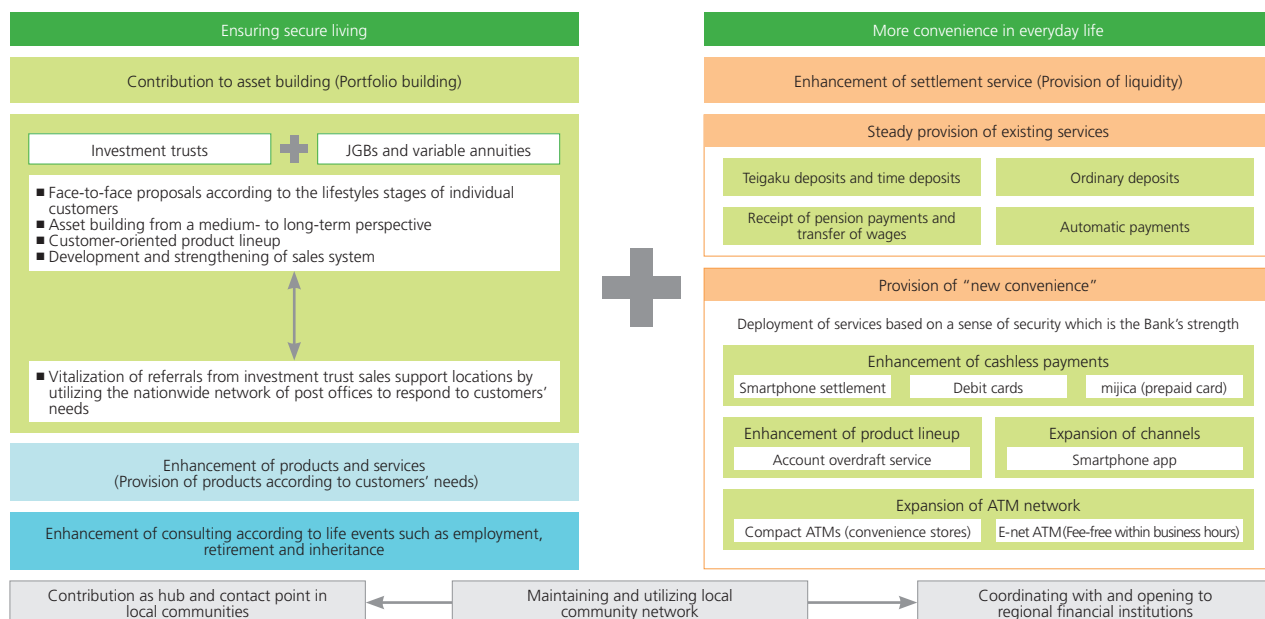
### 3. Framework of Initiatives

We will aim to further enhance the corporate value of the Bank in three ways—“provision of high-quality, customer-oriented financial services,” “diversification and sophistication of investment management” and “funds flow to regional communities”—and, through a raft of initiatives, will develop a growth strategy seeking to “always help individual customers to live securely” and “contribute to local communities.”



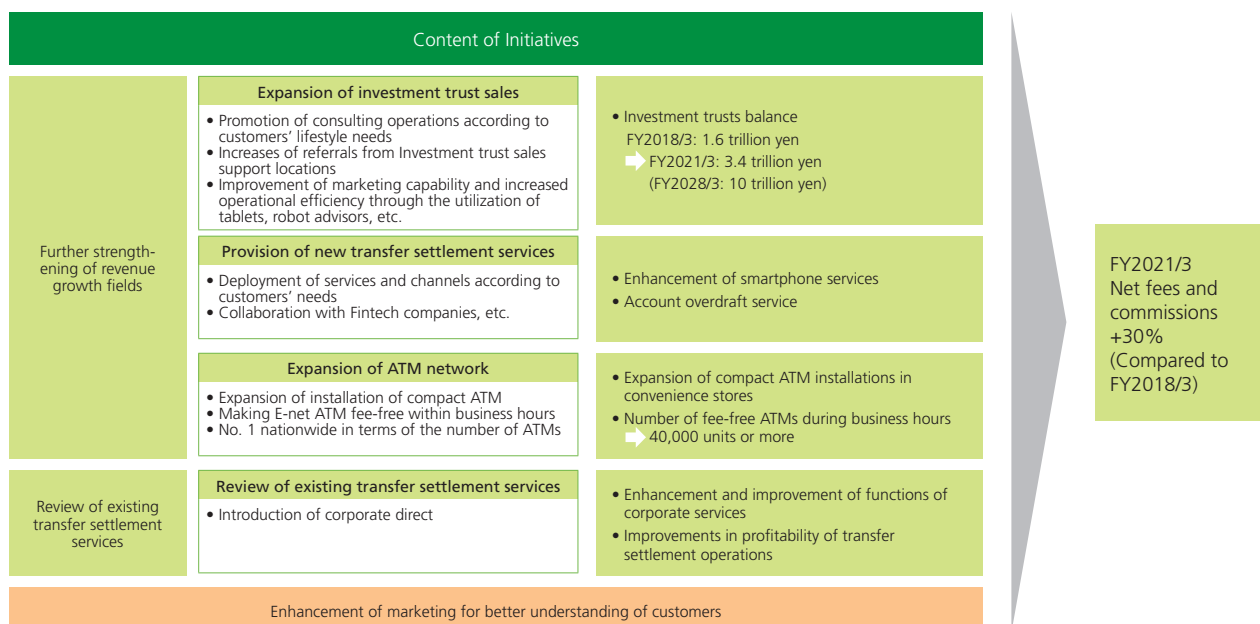
### 4. Value Provided to Customers: Provision of High-quality Customer-oriented Financial Services

In addition to enhancement of settlement services that make everyday life more convenient, we will provide added value for customers by contributing to the building of high-quality portfolios for customers to ensure secure living.



## 5. Provision of Added Value to Customers: Expansion of Non-interest Revenue

In addition to providing added value to customers through expansion of investment trust sales, provision of new transfer settlement services and expansion of the ATM network, we will further grow and expand Net fees and commissions in the medium to long term by further strengthening of revenue growth fields and review of existing payment services.



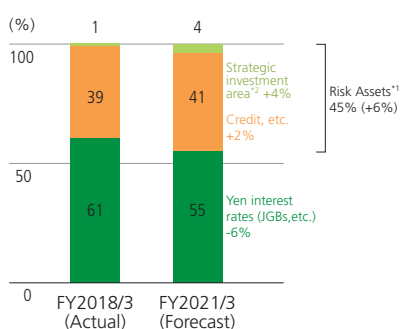
## 6-1. Diversification and Sophistication of Investment Management

Despite the tough business environment in which the Bank operates, brought about by prolonged low interest rates in Japan, we will aim to secure stable earnings in the medium to long term through promoting the diversification and sophistication of investment management by fully utilizing capital, expanding investment in risk assets, and improving earnings by substituting securities for derivatives.

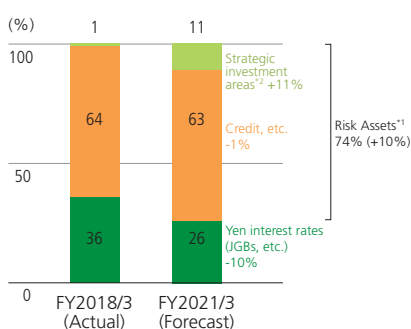
- The earnings from JGBs, etc. that accounted for a large portion of revenues initially after privatization are in significant decline due to the decrease in interest rates.
- Aim to secure stable earnings by fully utilizing capital to take risks centered on risk assets such as overseas credit and alternative 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

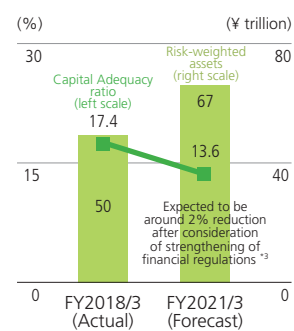


#### Net interest income, etc.



#### Capital adequacy ratio

(Non-Consolidated)



\*1 Assets other than yen interest rates (JGBs, etc.) (existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)

\*2 Existing alternatives (PE, HF, real estate funds (equity)) + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds

\*3 Review of standard methods pertaining to credit risks, etc.  
(Planning for January 2022 and after)

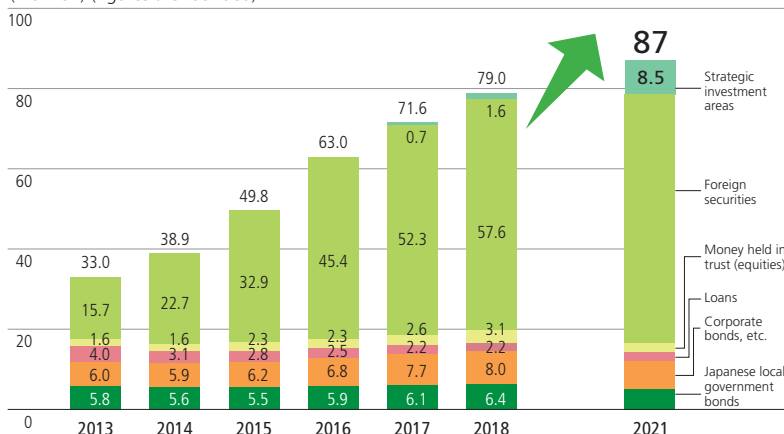
## 6-2. Diversification and Sophistication of Investment Management: Balance of Risk Assets

We will promote diversification and sophistication of investment management to respond to the reduction of interest income from JGBs, etc. By the end of FY2021/3, we will increase the balance of risk assets to around ¥87 trillion, and the balance of strategic investment areas to around ¥8.5 trillion.

### Balance of risk assets

As of March 31,

(¥ trillion) (figures are rounded)

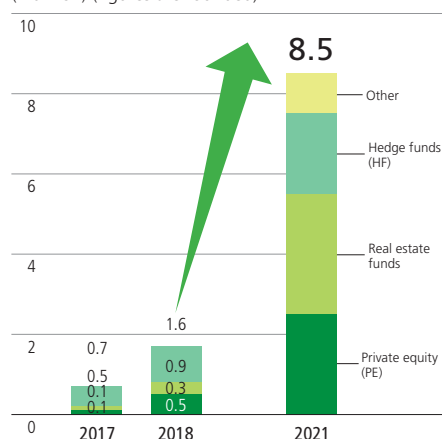


Risk assets: Assets other than interest-bearing yen assets (JGBs, etc.) (Existing SP + BP loans)

### Balance of strategic investment areas

As of March 31,

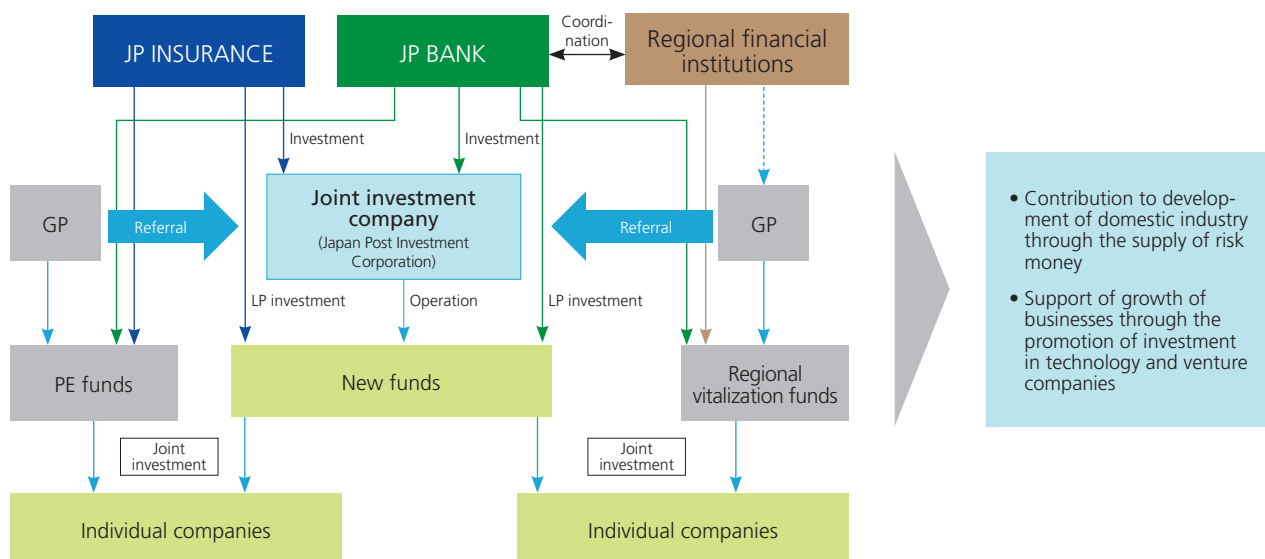
(¥ trillion) (figures are rounded)



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

## 6-3. Diversification and Sophistication of Investment Management: PE Investment through Joint Investment Company

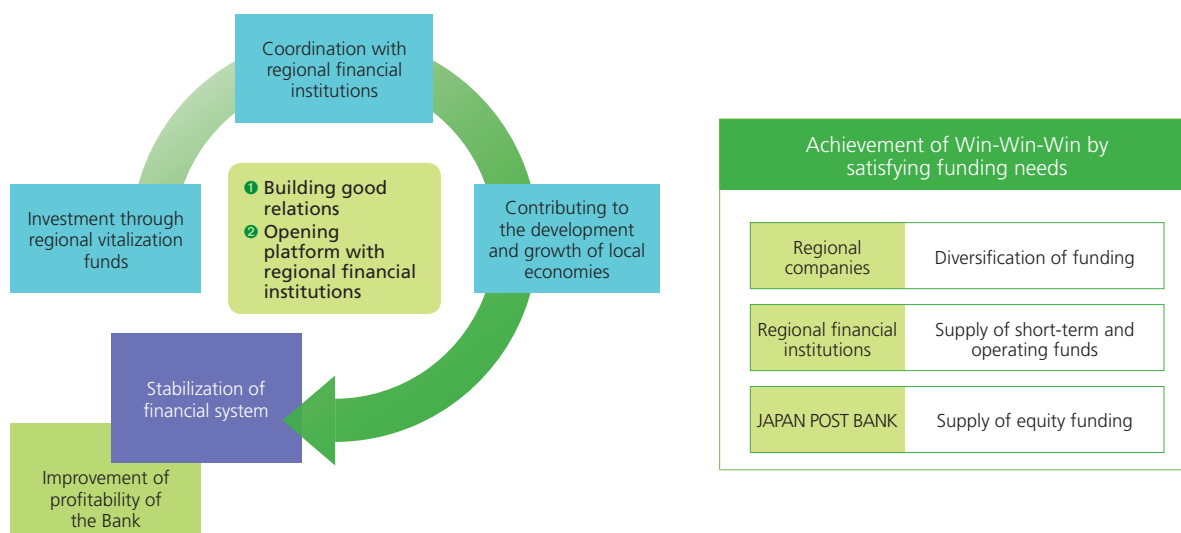
We aim to further expand earnings through the acquisition of private equity investment opportunities through a joint investment company (Japan Post Investment Corporation). In addition, we will support the management of portfolio companies through the supply of equity funds.





## 7. Funds Flow to Regional Communities

Through regional vitalization funds, we will coordinate and cooperate with regional institutions and contribute to development and growth of regional economies through the supply of equity funding to regional companies. Through such initiatives, we will contribute to the stabilization of regional financial systems in the medium to long term.



## 8. Securing the Trust of Customers and Shareholders, and Strengthening Responses to Financial Crimes and Antisocial Forces

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

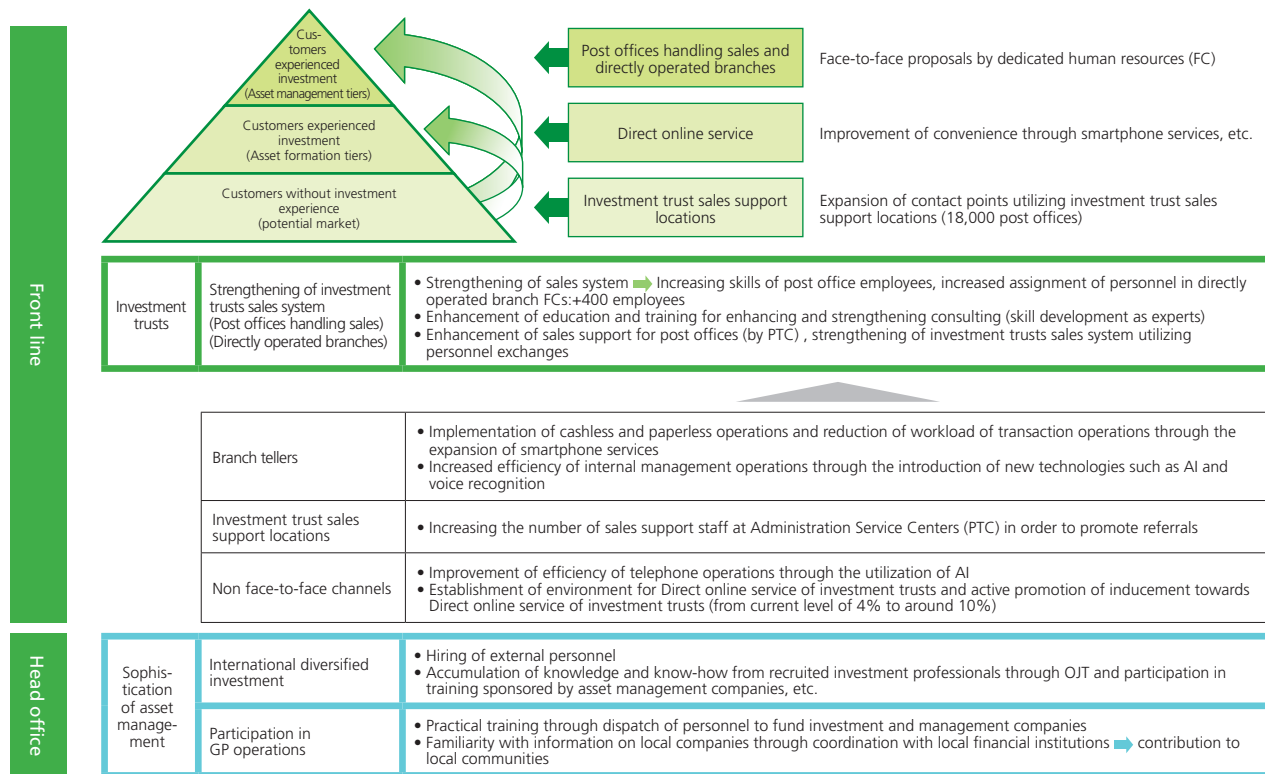
		Current issues	Future direction
Implementation of customer-oriented initiatives		<ul style="list-style-type: none"> <li>Initiatives and establishment of FD*1</li> <li>Quantitative verification of effectiveness, and mobile and flexible improvement</li> <li>Development from CS to CE*2</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of services and convenience according to customers' lifestyle needs</li> <li>Quantitatively ensuring that execution and improvement take place                             <ul style="list-style-type: none"> <li>Establishment of KPI</li> </ul> </li> <li>Meeting expectations and gaining trust of customers through implementation of CE</li> </ul>
	Strengthening of risk governance	<ul style="list-style-type: none"> <li>Securing stable earnings and soundness of finances through appropriate risk taking and risk control</li> <li>Improvement of effectiveness of risk management functions</li> </ul>	<ul style="list-style-type: none"> <li>Clarification and visualization of risks through the implementation of RAF</li> <li>Strengthening of internal control system based on "three lines of defense"                             <ul style="list-style-type: none"> <li>Strengthening of autonomous controls by management departments</li> <li>Enhancement of monitoring functions (second line) and internal audit functions (third line)</li> </ul> </li> </ul>
Enhancement of compliance system, etc.	Strengthening of internal control system	<ul style="list-style-type: none"> <li>Establishment of appropriate internal control system according to the expansion of investment trust sales</li> </ul>	<ul style="list-style-type: none"> <li>Increase of transaction volume handled while maintaining and improving service quality                             <ul style="list-style-type: none"> <li>Improvement of operational efficiency and review of management system</li> </ul> </li> </ul>
	Prevention of scandals	<ul style="list-style-type: none"> <li>Occurrence of crime</li> <li>Reduction of workload and improvement of effectiveness of front line</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of the occurrence of scandals by effective risk control</li> </ul>
Defense from external threats		<ul style="list-style-type: none"> <li>Increase of threats related to cyber security</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of defenses in light of the development of digital technology and the increased sophistication of cyber attacks</li> </ul>
Strengthening responses to financial crimes and antisocial forces		<ul style="list-style-type: none"> <li>Strengthening of responses to financial crimes (measures against money laundering, funding of terrorism, etc.)</li> <li>Strengthening of responses to antisocial forces</li> </ul>	<ul style="list-style-type: none"> <li>Performance of social responsibility as a financial institution responding to financial globalization</li> </ul>
Corporate sustainability		<ul style="list-style-type: none"> <li>Strengthening of governance contributing to enhancement of corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate disclosure of governance system conscious of "investor viewpoint" and "sustainable development"</li> </ul>

\*1 Abbreviation of Fiduciary Duty. Customer-oriented business operations.

\*2 Abbreviation of Customer Experience. The expected level of customer satisfaction.

## 9. Human Resource Development as the Creation of a Foundation for Growth

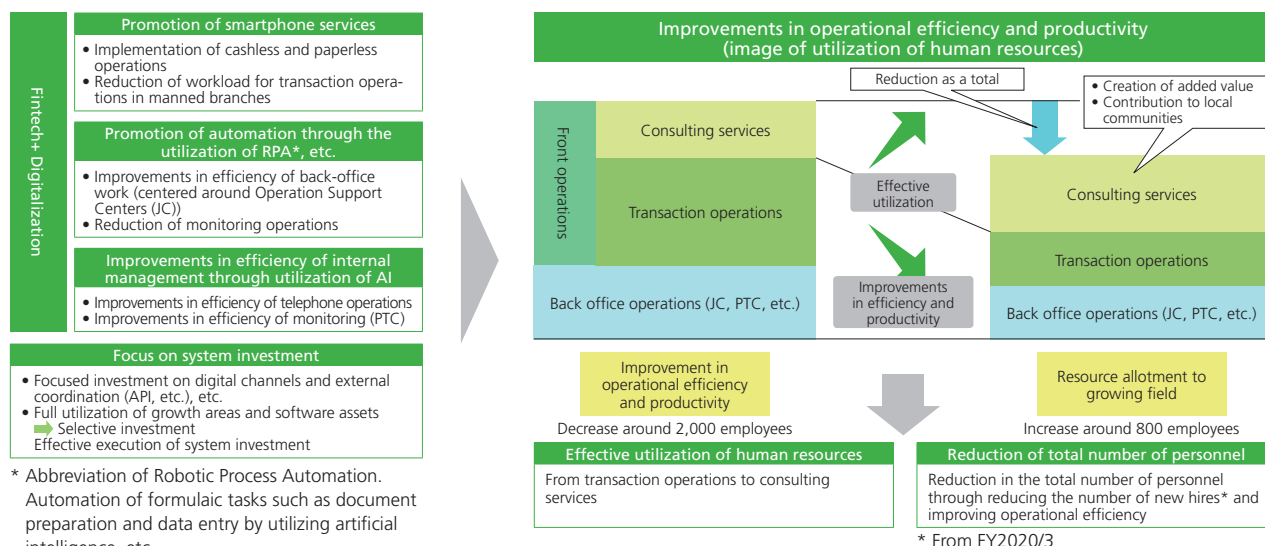
To develop human resources that achieve provision of added value for customers and contributions to local communities, we will support the growth of each employee through the enhancement of human resource development programs such as systematic training.



## 10. Ensuring Cost Management and Strengthening Structure

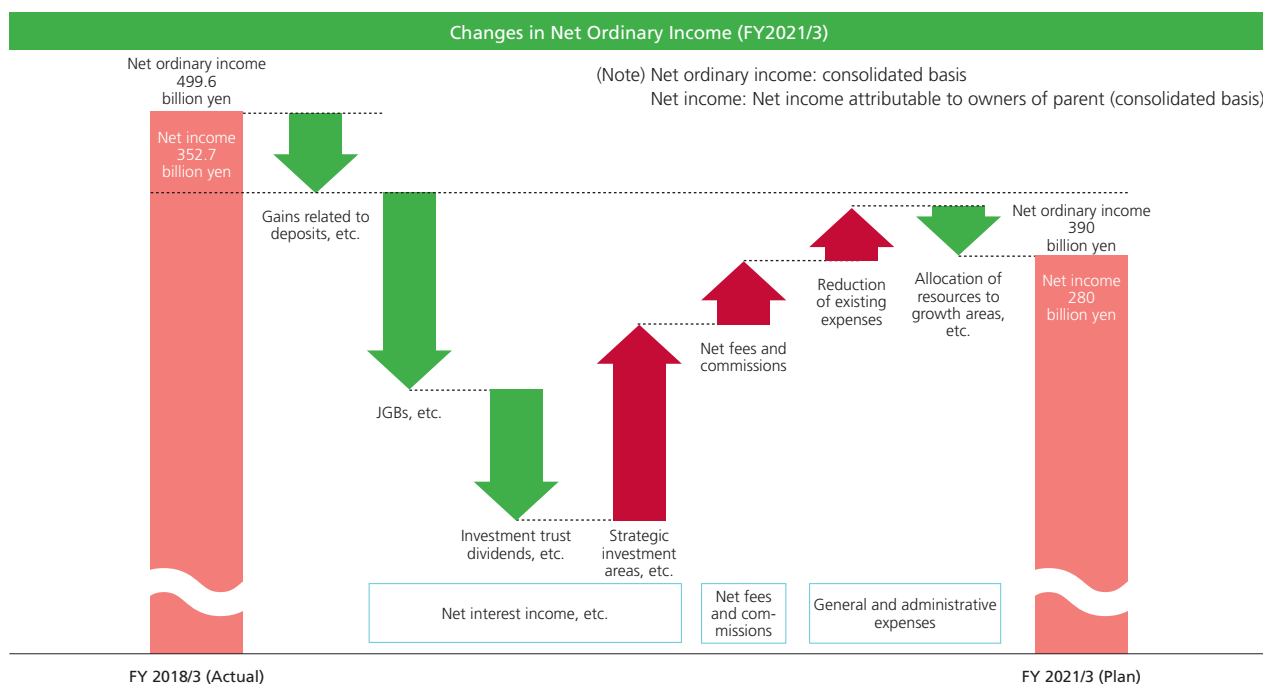
We will implement thorough cost management by improving operational efficiency and productivity through utilization of Fintech and digitalization. We will reallocate management resources from transactional operations (such as routine tasks at counters) to consulting services and make efforts to enhance customer service by promoting the effective utilization of human resources.

We will also promote the development and expansion of system infrastructure (external link infrastructure: Application Programming Interface [API]) necessary for strengthening cooperation between the Bank system and systems outside the Bank to improve customer convenience.



## 11. Changes in Net Ordinary Income (FY2021/3)

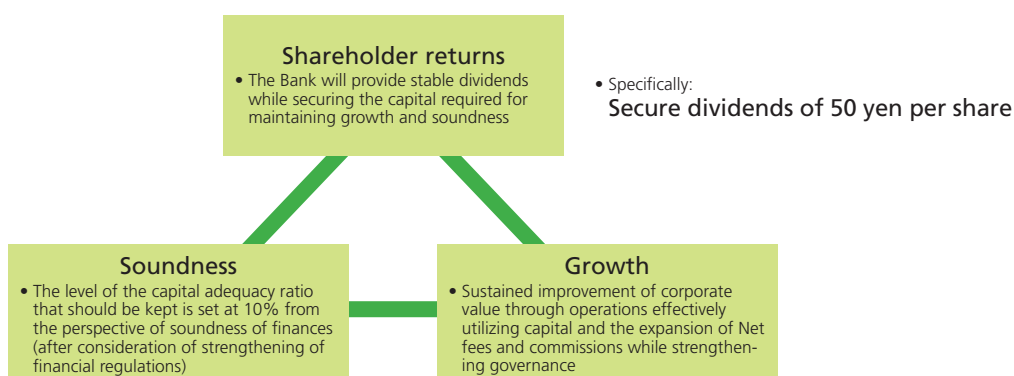
While covering the reduction of interest income from JGBs, etc., by risk assets, we aim to achieve Net ordinary income of ¥390 billion and Net income of ¥280 billion by aiming for +30% in Net fees and commissions compared to FY2018/3 through investment trusts and ATM alliances, etc.



## 12. Capital Policy

While keeping the capital necessary for maintaining growth and soundness, we will maintain the current level of dividends (securing ¥50 dividend per share). 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.

Furthermore, in order to secure enough dividend capital to maintain stable payment of dividend, and to ensure the flexibility and mobility of future capital policy, we will reduce the amount of legal capital surplus and transfer the same amount to other capital surplus.



### Shareholder return policy (Summary)

Medium-term Management Plan (FY2016/3 to FY2018/3)
<p>During the period until FY2018/3, the Bank:</p> <ul style="list-style-type: none"> <li>aimed to make the payout ratio 50% or more of net income</li> <li>aimed to maintain stable dividends per share</li> <li>shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves</li> </ul>

Medium-term Management Plan (FY2019/3 to FY2021/3)
<p>During the period until FY2021/3, the Bank:</p> <ul style="list-style-type: none"> <li>aims to <b>secure dividends of 50 yen per share</b></li> <li>aims to maintain stable dividends per share</li> <li>shall also consider the implementation of additional shareholder returns according to conditions such as future regulatory trends, income growth and adequacy of internal reserves</li> </ul>

# Business and Human Resource Strategies

## Business strategies

01

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



**Masahiro Murashima**  
Senior Managing Executive Officer

Our goal is for customers to be able to live securely, and to that end JAPAN POST BANK undertakes a variety of initiatives that contribute to asset formation over the medium and long term. To accomplish this, we foster human resources that are capable of providing consulting services in tune with the lifestyles of customers, and in alliance with the nationwide post office network, are building the “Consult JP Bank or the Post Office” brand.

We also work to adapt to the changes of the times, and so that we can provide a “new convenience” in people’s everyday lives, we are enhancing cashless payments such as “mijica,” a local prepaid Visa card. Furthermore, through ATMs, smartphones and an array of other channels, we seek to strengthen even further the contacts between customers and JAPAN POST BANK.

Our hope is that we will continue to be a bank that can always help individual customers to live securely.

### Measures Taken in the Fiscal Year Ended March 31, 2018

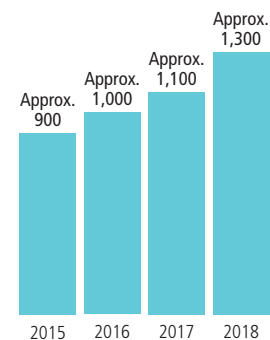
#### Strengthening Consulting Operations

##### Sales of Investment Trusts

Within the flow that is “from savings to asset building,” needs are steadily rising for the formation of customer assets. At JAPAN POST BANK, we endeavor to grow the sales of investment trusts as a pillar of our revenue.

In the fiscal year ended March 31, 2018, we worked to expand the sales structure of investment trusts by increasing the number of post offices handling investment trust sales and investment trust locations that introduce investment trusts and offer consulting for asset management. The result was 1,416 post offices handling investment trusts, and 18,298 investment trust sales support locations. In addition, we are moving forward to nurture and increase the numbers of consulting marketing personnel, and in the fiscal year ended March 31, 2018 had assigned approximately 1,300 of such staff to directly managed branches around the country. As of April 1, 2018 we had increased staffing to a robust 1,600-member strong structure.

**Consulting marketing personnel**  
For the fiscal year ended March 31,  
(People)



**No. of sites** (as of March 31, 2018)

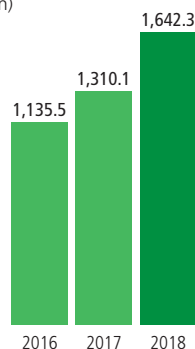
- Investment trust sales locations

**1,416**

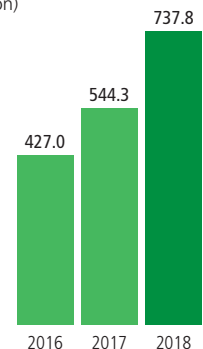
- Investment trust sales support locations

**18,298**

**Investment trusts (net asset balance)**  
As of March 31,  
(¥ billion)



**Investment trusts (sales amount)**  
For the fiscal year ended March 31,  
(¥ billion)



In the fiscal year ended March 31, 2018, JAPAN POST BANK posted investment trust sales of ¥737.8 billion, a post-privatization record. As a result, the current balance of net assets stands at ¥1,642.3 billion.

## iDeCo (individual-type Defined Contribution pension plan)

Since January 2017, basically all people between the ages of 20 and 59 are eligible to join this plan, which was an improvement as many more customers were able to participate. Together with a reduction in operational management fees in July and October 2017, a more robust product portfolio suited to long-term asset formation and a lowering of trust fees, we commenced introduction of iDeCo at 20,000 post offices (excluding simple post offices) around Japan.

iDeCo (No. of participants)  
For the fiscal year ended March 31,  
(People)



### Field Trials of Direct Consulting Service

Since May 2018, at seven post office locations\*, we have started to conduct field trials of our direct consulting service to provide briefings on participation procedures using the starter kit "iDeCo Japan Post Plan A." In tandem with carrying out this service, JAPAN POST Co., Ltd. applied to Japan's Ministry of Health, Labour and Welfare to become an operational management institution for defined contribution pension plans, and completed this registration in January 2018.

\*The seven locations: Morioka Kita Post Office, Chiba Chuo Post Office, Musashi Fuchu Post Office, Osaki Post Office, Nihonbashi Post Office, Itabashi Post Office, and Kuwana Post Office.

## Enhancing Settlement Services

### Immediate transfer services

We worked to enhance the convenience of settlements such as deposits and payment through the Internet with the aim of responding to a broad range of customer needs.

When a customer makes an advance application, immediate transfer services make possible payments, receipt of dividends, and other transactions that obviate the need for teller windows at JAPAN POST BANK or post offices, ATMs or Yucho Direct. We began an immediate transfer service in October 2014, and in January 2016, started an interactive immediate transfer service\*. We are steadily expanding the number of our alliance partners, and as of March 2018 had relationships with 18 companies.

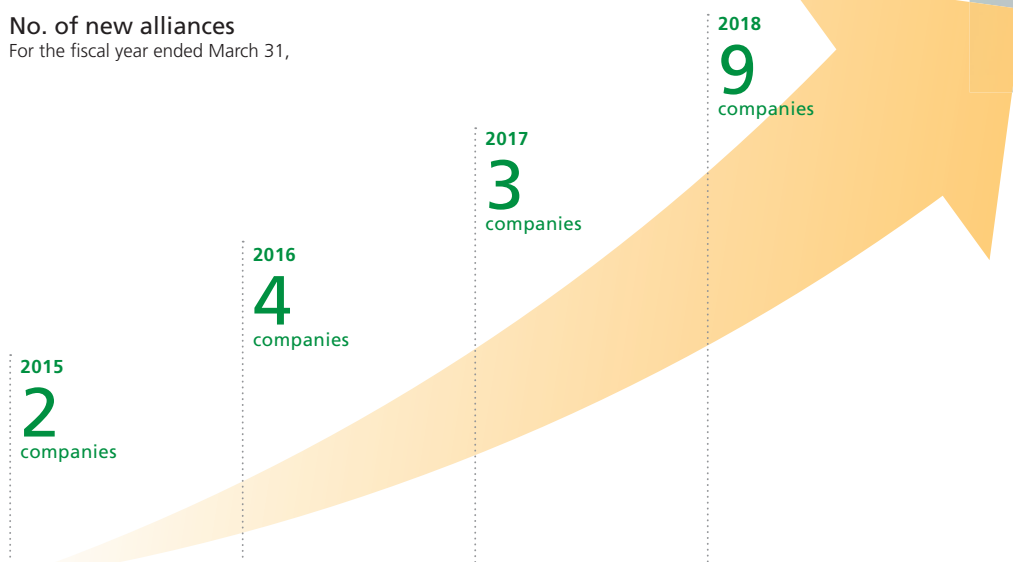
\*This service is available not only for sending money to receiving entities, but it is also possible for customer accounts to receive money that has been sent.



Partnerships  
with **18**  
companies  
(As of March 31, 2018)

### No. of new alliances

For the fiscal year ended March 31,



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

## mijica

The JAPAN POST BANK issues the prepaid Visa card “mijica” to meet the ever-increasing needs for cashless settlements and to contribute to regional economic revitalization. The prepaid mijica card can be used at merchants wherever Visa cards are accepted in and outside of Japan. See below for the new functions that were added in January 2018.

In addition, from February 2018 it became possible to apply through personal computers and smartphones, making use of mijica available to customers throughout Japan.

Another initiative being conducted is to award point advantages to users making purchases at local department stores or shopping areas, which works to contribute to regional economic revitalization. At stores that honor points, users can obtain twice the amount of points (certain stores offer three times as many) when using mijica. The card’s surface can also be adorned with local characters or logos of partnering regional authorities or other entities, which gives the card design a local feeling.



### Card designs (As of April 2, 2018)

#### Web application version



The original “mijica” character

#### Sendai City version



Musubimaru

#### Kumamoto City version



Kumamon

#### Chiba Prefecture version



CHI-BA+KUN

#### Sapporo City version



Sapporo Smile

### Addition of new functions to mijica

#### 1 Cash charging and balance withdrawals through Japan Post Bank ATMs

At our ATMs throughout Japan, mijica cards can be charged with cash. It is also possible to withdraw cash from the balance contained in the mijica cards.

#### 2 Money transfers between mijica with “Okutte mijica”

Using smartphones or other devices, it is possible for mijica members to transfer their charge balance to another member. This can be conveniently used for tasks such as collection of membership dues or providing an allowance to a child.

### ATM Business Strategy

JAPAN POST BANK has moved forward to install and change over ATMs to locations that are highly convenient so that customers can use them with greater ease. With an eye on the increase in tourists visiting Japan, since January 2017 these compact ATMs, which can be operated in 16 languages, have been rolled out to convenience stores (FamilyMart), as well as airports and other locations that serve a large number of foreign customers. In addition, as one part of an initiative taken together with FamilyMart Co., Ltd., in January 2018 we formed a business alliance with E-net Co., Ltd. which enabled customers to use our cash card free of charge, during certain time periods, at approximately 12,000 E-net ATMs installed at FamilyMart and other locations around the country.

We have also aggressively formed alliances with regional financial institutions, and in March 2018 concluded a contract to install our ATMs within all Aozora Bank branches. From August 2018, we will steadily deploy our compact ATMs to replace existing Aozora Bank ATMs.



### Compact ATM installation

As of March 31,

(units)



# Fintech

## Fintech Initiatives

### Open API

JAPAN POST BANK is proceeding with initiatives that leverage new technologies that arise due to technological advances, so as to bring new services to customers. In recent years "open APIs," or "open application programming interfaces" which a bank provides to external companies to enable access to its banking systems, have garnered increasing attention as a tool that financial institutions and Fintech companies use to develop ever-more sophisticated financial services. In February 2018 we disclosed our "Policy for Coordination and Collaboration with Settlement Agents for Electronic Settlement Systems." In accordance with this basic policy, from June 2018, for those customers who have a contract for Japan Post Bank Direct, we are maintaining an API to provide them with their balance statements (including asset balance of investment trusts) and deposit and withdrawal statements.

### App Services



#### Smartphone app for mijica

(Released January 2018)

The smartphone app for mijica enables users to confirm their charge balance, as well as to view their usage history, charges to mijica, or "Okutte mijica." These basic functions with regard to mijica can be easily used and are available at any time.

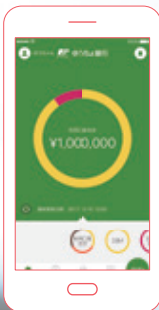


#### JAPAN POST BANK ATM Finder App

(Released September 2017)

This app enables users to easily and quickly search for the closest JAPAN POST BANK ATM, from their current, or a specified location. It also makes available an AR\* mode with a smartphone's camera function.

\*Augmented reality takes information (primarily visual information) from the real world and adds, supplements or expands information using a computer.



#### Japan Post Bank Direct Balance Inquiry App

(Released January 2018)

With this app users can conveniently view their balance statements and deposit and withdrawal statements provided by our Internet banking service Japan Post Bank Direct, and confirm their income and expenses, in graph form, for each month.

# Diversification and Sophistication of Investment Management

JAPAN POST BANK aims to secure stable earnings by further promoting the diversification and sophistication of investment management. While reducing risk through time diversification and the prudent selection of superior investment opportunities, we target a rise in the balance of risk assets to about ¥87 trillion, including an increase in the balance of strategic investments to roughly ¥8.5 trillion, by the end of the fiscal year ending March 31, 2021. As part of the strategic investment effort, we target a boost in earnings in private equity fund investments by leveraging investment opportunities at JP Investment, which manages the recently launched GP operations.

We will continue to seek out and employ specialists externally to pursue these activities and will actively develop our internal human resources with a keen eye on the future.



**Kunio Tahara**  
Senior Managing Executive Officer

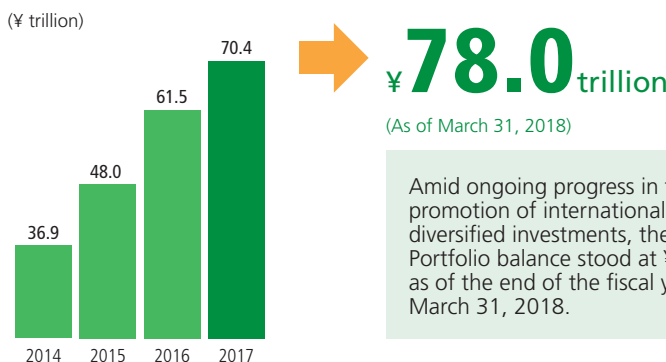
## Efforts and Initiatives in the Fiscal Year Ended March 31, 2018

### Bolstering Profitability

In the fiscal year ended March 31, 2018, we continued to rebalance our portfolios, including the Base Portfolio targeting stable earnings through Japanese government bonds and the Satellite Portfolio targeting higher returns through diversified international investment, all the time adjusting to market conditions while pursuing diversification and sophistication of investment management. More specifically, in response to a decline in the Base Portfolio revenues due to lower interest rates, we expanded investment in the Satellite Portfolio in overseas securities and improved our holdings in alternative assets. In line with prudent asset and liability management as well as risk management, we target enhanced diversification in revenue sources moving forward, including through the development of new investment areas and the leveraging of derivatives.

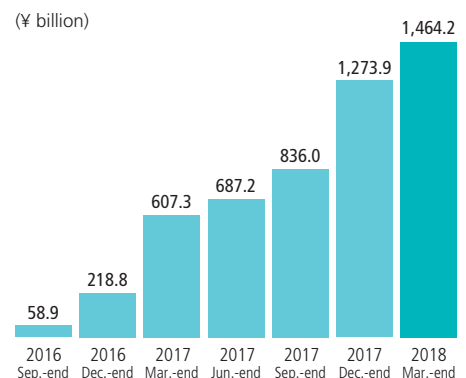
Beginning in the fiscal year ending March 31, 2019 and building on the diversification and sophistication of investment management as well as the Satellite Portfolio gains to date, we are shifting from a framework based on the Base and the Satellite Portfolio to one divided into seven portfolios, with each managed according to its specific characteristics.

**Trends in the Satellite Portfolio Balance**  
As of March 31,



Amid ongoing progress in the promotion of internationally diversified investments, the Satellite Portfolio balance stood at ¥78 trillion as of the end of the fiscal year ended March 31, 2018.

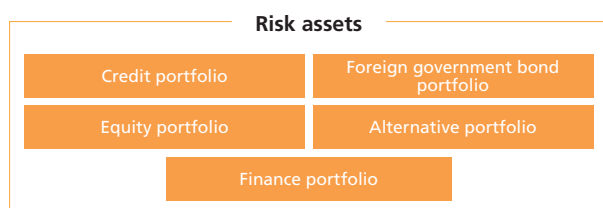
**The Status of Alternative Investments**



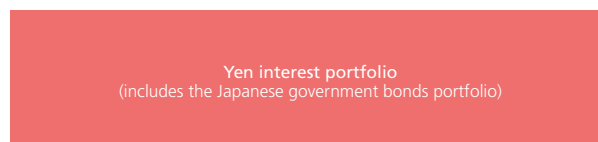


## Shifting the Portfolio Framework

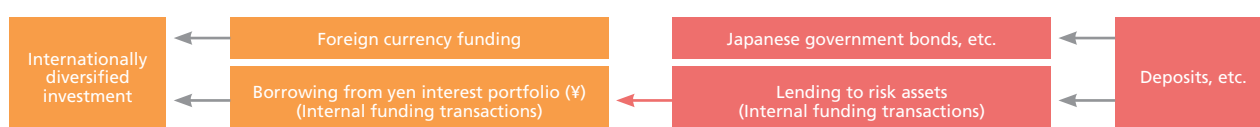
The Framework from the Fiscal Year Ending March 31, 2019



In the management of risk assets, we target improved revenue, including through the sale of assets, by managing credit and market risk through internationally diversified investment. Risk asset funding is achieved largely through yen rates portfolio borrowing.



The yen interest portfolio targets stable earnings through the management of interest rate risk via Japanese government bonds investment operations.



## Winner of the Asian Investor Institutional Excellence Awards in 2017

Asian Investor magazine presents this award each year in recognition of investment institutions that are working on improvements in operations and providing excellent services in the Asia/Pacific region.

JAPAN POST BANK received this award thanks to its efforts in the diversification and increased sophistication of its investment management and the transparency and speed in which it executes its investments. We received high praise as well for our alternative investments and accumulated investment gains.



## Establishment of Japan Post Investment Corporation

As one of our strategies aimed at increasing the sophistication of our investment operations, we are currently investing in private equity funds. In line with this effort, we joined with Japan Post Insurance to start a new company on February 9, 2018.

With the goal of improving earnings through private equity investment, the new company invests mainly in domestic companies, enacting investment decisions based on an assessment of business performance and securing the support of management at companies in which it is investing. The new company will also provide equity funding in concert with other fund managers of the highest caliber.

The new company will create new funds contributing to the development of businesses by providing them risk money for domestic buyouts, including reorganization, succession, or revitalization. The company shall also support the growth of businesses by promoting investment in venture companies in the midst of expansion and in technologies that have the capacity to become key industries in Japan.

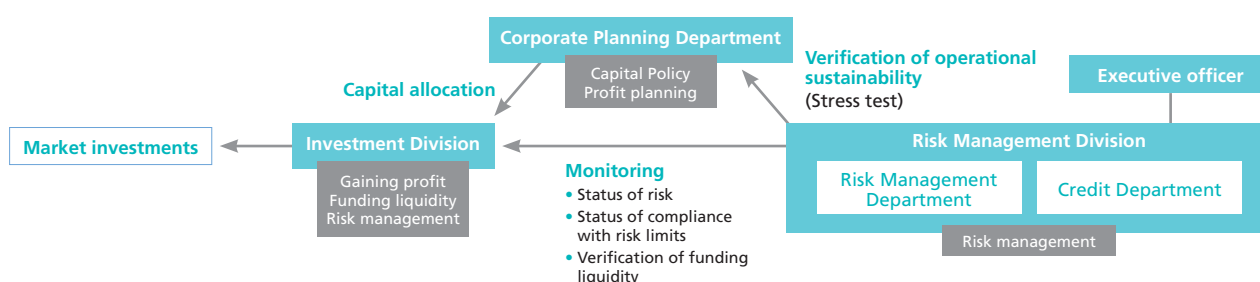
## Ensuring check system through the establishment of the Risk Management Division

### Risk Management Structure Upgrades

- (1) Enhancement of risk management structure in keeping with increased level of sophistication of investments, including alternative investments
- (2) Surveys of developments/system upgrades in response to the strengthening of financial regulations in Japan and other countries

### Increased Level of Investigation System Sophistication

- (1) Strengthening of creditworthiness evaluations and monitoring systems
- (2) Strengthening of investigation systems in accordance with increased level of investment sophistication



## 03 Funds Flow to Regional Communities

In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional vitalization funds. We will continue to contribute to the development and growth of regional economies through partnerships and collaboration with regional financial institutions. We will deepen our cooperative relationships with regional financial institutions by promoting investments in regional vitalization funds as well as through use of the ATM network and sharing of administrative work, etc.

With the aim of contributing further, we also seek to enter the field of fund management as a general partner (GP) that selects projects and makes investment decisions.



### Efforts and Initiatives in the Fiscal Year Ended March 31, 2018

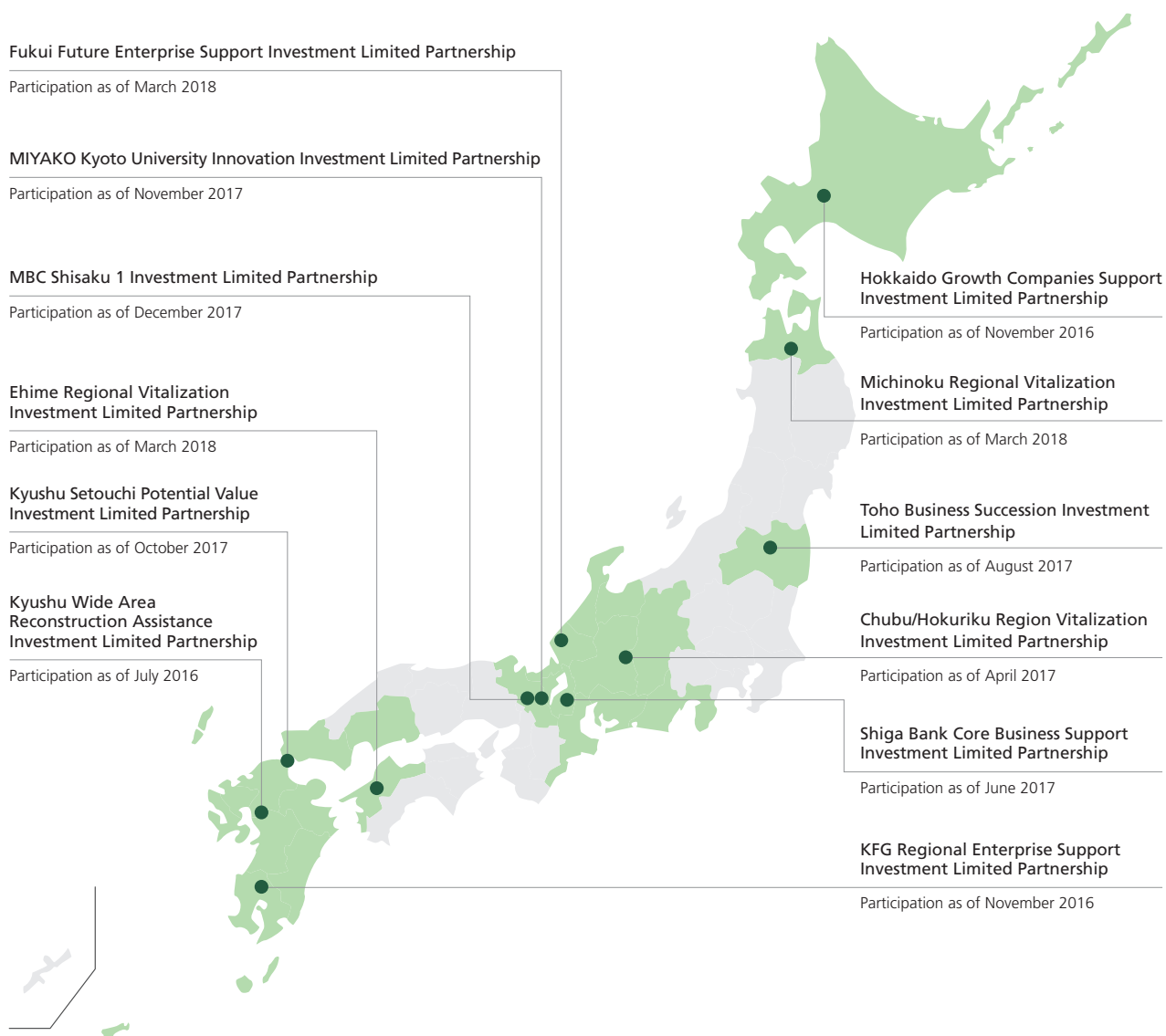
#### Participation in Local Revitalization Funds

In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional vitalization funds. We invested in nine funds, mainly focused on supporting business succession and entrepreneurship in the fiscal year ended March 31, 2018. We currently participate in twelve such funds.

Through these funds, we are working to support the vitalization of local communities, including by facilitating investment in companies offering local employment, such as staffing companies using the Internet to dispatch workers to local communities, companies restoring hotels and inns located near hot springs, and companies operating in biomass.


Our employees can also be seconded to fund management companies to acquire the knowledge and experience necessary in the business.

## Revitalization Funds Spreading across Japan



## Contributing to the Community through JP Investment

Through the establishment of JP Investment on February 9, 2018, JAPAN POST BANK is now able to invest directly in local companies. We will work with regional financial institutions moving forward to provide equity financing to these companies and through these activities cooperate with local financial institutions to make real contributions to local communities.

 For details, please see page 31.

## Developing Human Resources as a Foundation for Growth

As part of our effort to advance our business strategy aimed at achieving the develop in our Medium-term Management Plan (FY2019/3 to FY2021/3), we will continue to develop our human resources in order to best provide added value to our customers and contribute to the local communities. We will also support the professional and personal growth of our employees through an enhanced human resources system that includes systematic training.

### Developing Human Resources to Achieve Medium-term Management Plan Targets

#### Bolstering the Investment Trusts Sales System

In line with our goal of developing human resources in growth fields, we are providing support and expanding the number of employees working in consulting at directly managed outlets and post offices. While expanding the number of consulting marketing personnel to 1,600 on April 1, 2018 the Medium-term Management Plan targets an increase of over 400 consulting marketing employees over three years as well as improved skills for employees at post offices.

We are bolstering education and training in consulting to allow employees to develop skills as experts in the field, and are enhancing sales support for post offices and strengthening the investment trust sales system through personnel exchanges.

#### Diversification and Sophistication of Investment Management

We are developing human resources with specialized skills as part of our effort to promote diversification and increased sophistication of investment management through internationally diversified investment. In addition to hiring external personnel, we are focused on the accumulation of knowledge and know-how from recruited investment professionals via OJT. We are also participating in training sponsored by asset management companies and conducting study abroad and dispatching to company programs.

#### Funds Flow to Regional Communities

As part of the preparation for participation in GP operations aimed at contributing to the revitalization of local communities, JAPAN POST BANK is offering practical training through the dispatching of personnel to fund investment and management companies. We are also contributing to local communities through local revitalization funds, cooperation with local financial institutions, and the securing of personnel well versed in local businesses.

### A Human Resources Strategy That Increases Corporate Value (Diversity)

We understand the importance of diversity in human resources, including in age, gender, and lifestyle, as well as the importance of allowing each person to perform to the best of their abilities.

With this in mind, we are reviewing systems for personnel, career formation, and work styles, while simultaneously striving to create a working environment in which our employees can demonstrate their strengths.

#### Creating a Comfortable Working Environment for Our Employees

##### Efforts to Reduce Total Working Hours and Improve Productivity

Through Business Process Re-engineering (BPR), we are promoting a reduction in work loads, employees taking planned time off and at least one week of continuous time off, and "refresh days," in which employees leave at a designated time. Through these measures we aim for sharp, focused employees that can contribute to improved added value and higher productivity.

##### Introducing an Interval-based Work System

With the goal of ensuring employees get enough time for daily living and creating a healthy working environment, we implemented a system that guarantees 11-hour intervals between each day's work at the head office in the fiscal year ended March 31, 2018. We expanded implementation throughout the organization in April 2018.

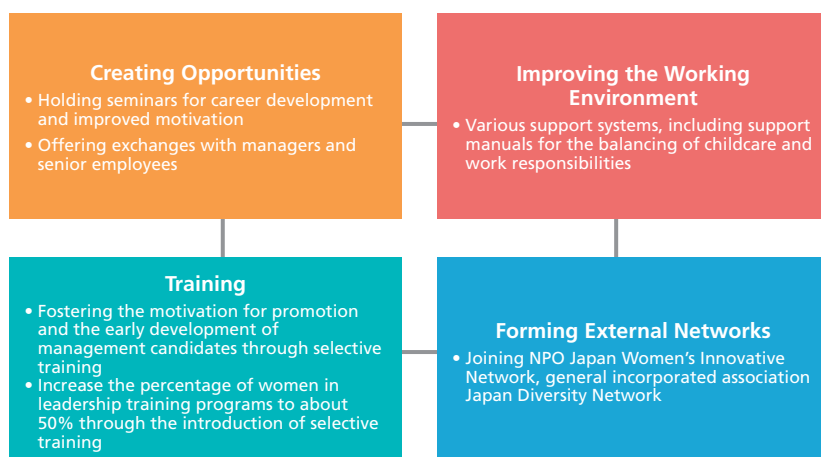
### Telecommuting (Working from Home) on a Trial Basis

With the goal of improving productivity in the business and allowing employees to continue to demonstrate their abilities, we launched on a trial basis a system for telecommuting at our head office in May 2018.

## Promoting Women in the Workplace

### Increasing the Number of Female Managers

JAPAN POST BANK has put in place a general business owner action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. We aim to increase the percentage of women in managerial positions to 14% or more by April 1, 2021 through selective leadership training.



### Reforming the Mindset of Managers and Leaders

In order to achieve a workplace where each employee can work comfortably and enjoy their experiences, we believe IkuBoss\* to be essential, with department managers and head office leaders, including the president and CEO taking the IkuBoss Declaration. We are working to promote our own "Japan Post Bank IkuBoss" program.

We are also holding the Japan Post Bank Diversity Forum in order to foster awareness of diversity and to create a comprehensive mindset focused on the future. About 300 employees of varying age, gender, and occupation participated in the forum in the fiscal year ended March 31, 2018.

\* An IkuBoss (or "New-era" Boss) is a manager/an executive who  
a) considers his/her staff's work-life balance and supports their career.  
b) achieves his/her organization's business targets.  
c) enjoys his/her own life outside of work.

## A Personnel and Operating System Supporting the Child Care and Nursing Responsibilities of Employees

So that employees can continue working during times when they are needed at home, including from pregnancy to childbirth, for childcare, and for nursing family members, JAPAN POST BANK has established a support system more than the regulations in the Child Care and Family Care Leave Act. This allows these employees to achieve a balance between life and work responsibilities.



### Ratio of female managers

As of April 1, 2018

12.7%



Target

At least

14%

by April 2021



Scene from Japan Post Bank Diversity Forum



### Rate at which childcare leave is taken by male workers

Fiscal Year Ended March 31, 2018

12.5%



Target

At least

13%

# Strengthening Our Business Foundation

## Corporate Governance

Targeting the sustainable improvement of corporate value

### Basic Stance

With a view to its sustainable growth along with improvement of its corporate value over the medium and long terms, JAPAN POST BANK establishes its corporate governance system based on the following stance.

- 1) We will engage in constant value creation by providing banking services through the distribution network based on the post office, while continuously creating new convenience for customers, in pursuit of providing higher quality of service.
- 2) Fully recognizing fiduciary responsibilities to shareholders, we will give consideration to ensure the rights and equality of shareholders in an appropriate manner.
- 3) We will value the dialogue with all stakeholders including shareholders, and seek appropriate collaboration and sustainable coexistence therewith. To this end, we will ensure management transparency and strive for disclosure and provision of adequate information.
- 4) In order to promptly adapt to changes in economic and social environment and meet the expectation of all stakeholders, we will make swift decision-making in a firm attitude and conduct businesses under the effective supervision by the Board of Directors.

### Corporate Governance System

JAPAN POST BANK has adopted the company with three statutory committees system of corporate governance in order to implement rapid decision-making and to increase management transparency. Accordingly, the Bank has established the Nomination Committee, the Compensation Committee, and the Audit Committee. In this way, the Bank has a system under which the Board of Directors and the three statutory committees can provide appropriate oversight of management.

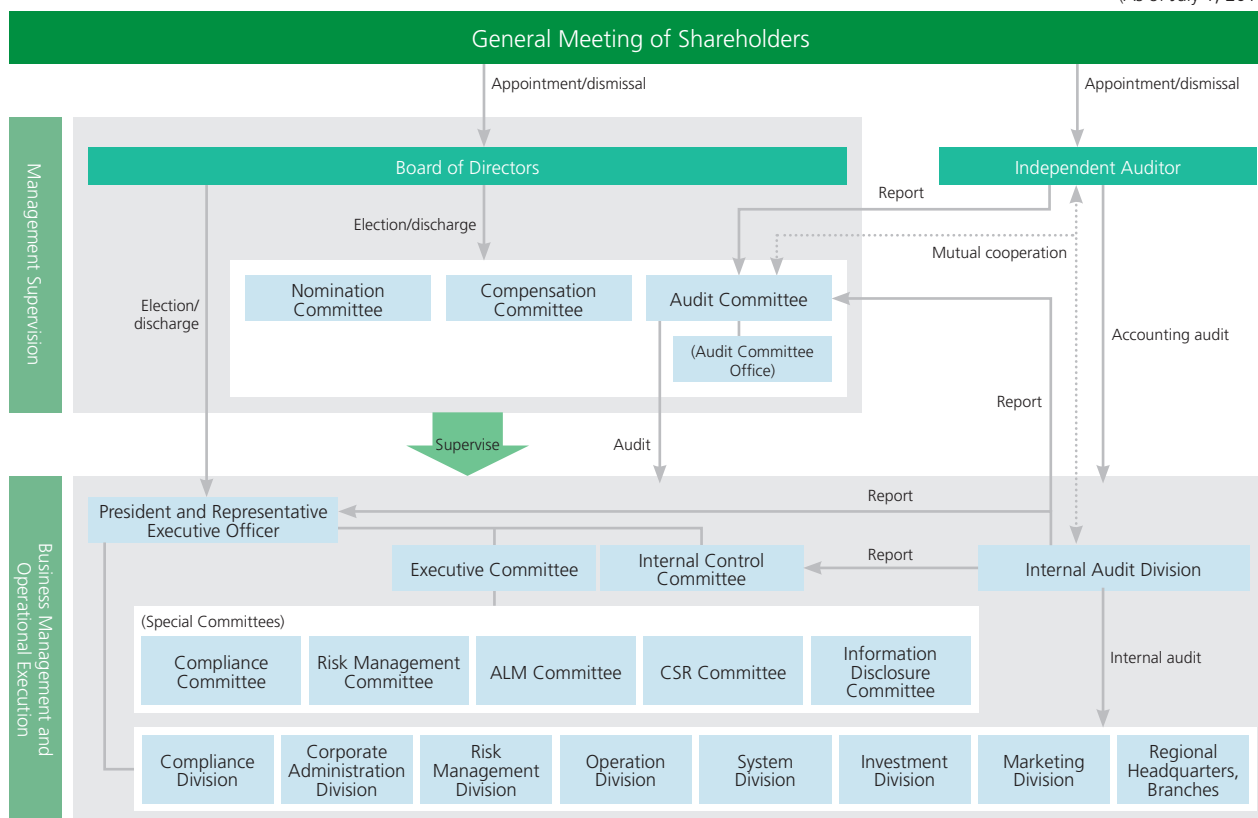
### Status of Initiatives by Board of Directors and Each Committee

	Board of Directors	Nomination Committee
<b>Main Roles</b>	The JAPAN POST BANK Board of Directors has 11 members. Two of the directors also serve as Executive Officers, and the other seven directors are Outside Directors who work to oversee the Bank's operations.	The Nomination Committee determines the criteria for selecting and removing directors. The committee also determines the contents of proposals for submission to general meetings of shareholders concerning the election and dismissal of directors.
<b>Members</b>	<p><b>Outside Directors</b></p> <p>Norito Ikeda Susumu Tanaka Masatsugu Nagato Ryoichi Nakazato</p> <p>Tomoyoshi Arita Sawako Nohara Tetsu Machida Nobuko Akashi Katsuaki Ikeda Hirofumi Nomoto Ryoji Chubachi</p>	<p><b>Chairman</b></p> <p>Masatsugu Nagato</p> <p><b>Members</b></p> <p>Tomoyoshi Arita Hirofumi Nomoto Ryoji Chubachi</p>
<b>Number of times held (Attendance rate)*</b>	12 times (98.71%)	2 times (100%)

\* Attendance rate from June 2017 to May 2018

## Corporate Governance System

(As of July 1, 2018)



(As of July 1, 2018)

### Compensation Committee

The Compensation Committee formulates compensation policies for directors and executive officers and determines detailed compensation for each individual.

**Chairman**  
Hirofumi Nomoto

**Members**  
Masatsugu Nagato  
Katsuaki Ikeda  
Ryoji Chubachi

2 times

(100%)

### Audit Committee

The Audit Committee monitors the execution of duties by executive officers and directors, prepares audit reports, determines the contents of proposals for submission to general meetings of shareholders concerning the election, dismissal and refusal to re-elect independent auditors.

**Chairman**  
Tomoyoshi Arita

**Members**  
Ryoichi Nakazato  
Sawako Nohara  
Tetsu Machida  
Katsuaki Ikeda

14 times

(98.80%)

## Executive Officers

The Executive Officers, who are selected by the Board of Directors, are responsible for conducting business operations. The President and Representative Executive Officer makes full use of the authority and responsibility delegated to him by the Board of Directors in the conduct of business operations.

We have introduced a performance-linked stock compensation system utilizing a trust as part of our compensation for our Executive Officers. The objectives of the system are to further enhance the awareness of the

Executive Officers of the Bank regarding the importance of contributing to sustainable growth and enhancing the Bank's corporate value over the medium and long terms, by clarifying the link between the Executive Officers' compensation and the share value of the Bank. Accordingly, the compensation of the Executive Officers of the Bank shall consist of a "base compensation" component as fixed compensation, and a "performance-linked stock compensation" component as variable compensation.

## Executive Committee, Internal Control Committee, and Special Committees

The Executive Committee and the Internal Control Committee have been established as advisory bodies to the President and Representative Executive Officer. The Executive Committee holds discussions on important business execution matters, and the Internal Control Committee holds discussions on legal, regulatory, and other compliance-related issues as well as other important

internal control matters. The Special Committees assist the Executive Committee in matters requiring specialized discussions.

Furthermore, we have established a system under which certain employees execute business operations by using their expertise as managing directors.

### Roles of Special Committees

#### ■ Compliance Committee

The Compliance Committee formulates compliance systems and programs and holds discussions and provides reports regarding progress in these matters.

#### ■ Risk Management Committee

The Risk Management Committee formulates risk management systems and operational policies. The committee also holds discussions and provides reports regarding progress in risk management matters.

#### ■ ALM Committee

The ALM Committee formulates basic ALM plans and operational policies, determines management items, and holds discussions and provides reports regarding progress in these matters.

#### ■ CSR Committee

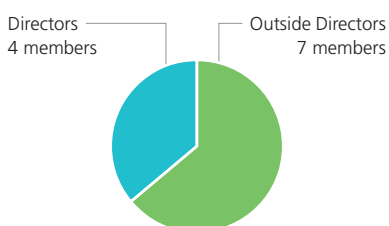
The CSR Committee formulates basic CSR policies and action plans and holds discussions and provides reports regarding progress in these matters.

#### ■ Information Disclosure Committee

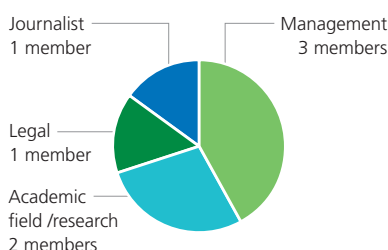
The Information Disclosure Committee formulates basic information disclosure policies, holds discussions, and provides reports on disclosure content and progress in order to ensure the appropriateness and effectiveness of information disclosure.

## Composition of Board of Directors (As of July 1, 2018)

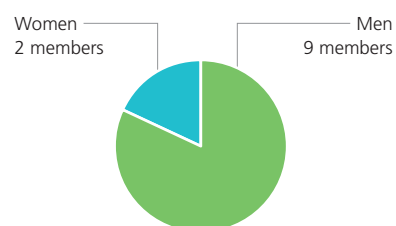
### Directors and Outside Directors



### Backgrounds of Outside Directors



### Ratio of Men to Women





## Messages from Outside Directors/Reasons for Appointment

(As of July 1, 2018)

### Tomoyoshi Arita

#### To Keep Growing

The compliance and governance system has been appropriately developed and operated and, in terms of operating results, both net ordinary income and net income are higher than the previous year. These results are thanks to the efforts of those involved in what is a difficult business environment. To ensure growth in the years ahead, I think that the promotion of business from the perspective of assisting the receipt of financial services is important.

#### Reason for Appointment

Mr. Tomoyoshi Arita has been in the legal profession for a long time, and JAPAN POST BANK expects him to fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a legal professional gained through his career. Mr. Arita previously has not been involved in corporate management except as outside officer. However, we have determined that he has the capabilities to appropriately execute duties as Outside Director due to the above reasons.

### Sawako Nohara

#### To Remain a Truly Customer-Oriented Service Provider

The current fiscal year is the first year of the Medium-term Management Plan that runs through to the end of the March 2021 fiscal year. Under the Plan, we state the "provision of high-quality, customer-oriented financial services" as the first of three key points. To be able to accurately ascertain the changing needs of customers and to truly provide customer-oriented services to each and every one of them, I would like us to pay close attention to new services, individualized service content, service provision systems and human resources.

#### Reason for Appointment

Ms. Sawako Nohara successively served as various important positions at many research centers and others, successively served as an expert member of many government committees, and has deep insights on advanced business strategies at home and abroad. As such, JAPAN POST BANK expects that, with her abundant experience and insights, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.

### Tetsu Machida

#### Closely Monitor Dividends and Universal Services

As mainstay objectives under the Medium-term Management Plan launched from this fiscal year, the JAPAN POST BANK management team has stated its intent to maintain the current level of dividends (50 yen dividend per share) and support the stable and efficient operations of the post office network to maintain universal services covering every corner of the country. Although the business environment is difficult, due to the negative interest rate policy and other factors, the policy was unavoidable for the success of privatization. As an outside director, I will continue to monitor efforts particularly closely.

#### Reason for Appointment

Mr. Tetsu Machida has engaged as a journalist after successively holding various important posts at a major newspaper company, and has deep insights on wide events surrounding corporate management such as politics and economics. As such, JAPAN POST BANK expects that with his abundant experience and insights, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors. Mr. Machida previously has not been involved in corporate management except as outside officer. However, we have determined that he has the capabilities to appropriately execute duties as Outside Director due to the above reasons.

### Nobuko Akashi

#### Strengthen Creation of a JAPAN POST BANK That Is Everyone's First Choice

As the financial institution that is in closest contact with its customers via counters in its 24,000 post offices throughout Japan, JAPAN POST BANK has to go the extra mile in terms of providing convenience for them. To that end, it is necessary to further strengthen the corporate structure for fulfilling duties in a faithful manner from the standpoint of each customer. In my capacity as an independent outside director, I would like to supervise and advise to realize these needs.

#### Reason for Appointment

Ms. Nobuko Akashi has worked as a board chairman of a non-profit organization and an expert member of government meetings, and has deep insights on events surrounding corporate management such as service improvement and gender equality. As such, JAPAN POST BANK expects that with her abundant experience and insights, she will sufficiently fulfill her role in enhancing the decision making function and supervision function of the Board of Directors.

### Katsuaki Ikeda

#### Searching for More Robust Internal Control System

It was good that the active style of management at Board of Directors' meetings in fiscal 2016 continued in fiscal 2017. With regard to the practical aspects, since my appointment I have been focusing in particular on having in place a company internal control system that presupposes "multi-store expansion by small-scale bases" in the same way as JAPAN POST BANK. At this time, a variety of measures have been taken within the scope of economic rationality, but in order to make them more robust, I think that progress in computerized technology is expected.

#### Reason for Appointment

Mr. Katsuaki Ikeda has been involved in management of financial organizations for a long time, and has deep insights as a specialist of corporate management gained through his career as well as professional knowledge on finance and accounting. As such, JAPAN POST BANK expects that with his abundant experience and insights, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### Hirofumi Nomoto

#### Fostering a Sense of Ownership

If an organization grows and people's roles become more fragmented, an individual's sense of ownership becomes diluted, which consequently leads to the feeling that large enterprise illness equals governance failure. In corporate governance, I believe it is most important for each and every employee to firmly recognize the difference between "doing right" and "doing the right thing" and to always ask themselves what is the right thing to do and what is the way something should be.

#### Reason for Appointment

Mr. Hirofumi Nomoto has been involved in corporate management of a publicly traded company for a long time, and JAPAN POST BANK expects him to fulfill his role in enhancing the decision making function and supervision function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a specialist of corporate management gained through his career.

### Ryoji Chubachi

#### Fulfilling a Social Role as a Bank

Said to be "the heart of economic society," banks have the role of supporting the development of economic society through the circulation of funds. Grateful for the opportunity, I would like to contribute as an Outside Director so that JAPAN POST BANK reliably fulfills this role and is able to gain and maintain the trust of all its stakeholders.

#### Reason for Appointment

Mr. Ryoji Chubachi has been involved in the corporate management of a publicly traded company for a long time, and JAPAN POST BANK expects him to fulfill his role in enhancing the decision making function and supervisory function of the Board of Directors as an Outside Director, based on his abundant experience and insights as a specialist of corporate management gained through his career.

## Policy for Determining Amount or Calculation Method of Compensation, etc., for Directors and Executive Officers (as of July 1, 2018)

In regard to compensation for the Bank's directors and executive officers, the Compensation Committee has prescribed the policy for determining the details of individual compensation for directors and executive officers as follows, and it determines the amount of compensation in accordance with this policy.

### 1. Compensation system

- (1) When serving concurrently as a director and executive officer, compensation shall be paid for the position of executive officer.
- (2) Compensation that directors of the Bank receive shall be paid in the form of a fixed amount of compensation corresponding to duties, in light of the scope and scale of responsibility relating to management, and the like.
- (3) Compensation that executive officers of the Bank receive shall be paid in the form of a base salary (a fixed amount of compensation) and performance-linked stock compensation, and shall function as a sound incentive for sustainable growth.

### 2. Compensation for directors

Compensation for directors shall be paid as a certain level of a fixed amount of compensation corresponding to duties, in light of the main role of supervision of

management, and the level shall be an appropriate one that takes into account the scale of duties as a director and the current situation of the Bank.

### 3. Compensation for executive officers

Compensation for executive officers shall be paid in the form of a certain level of base salary (a fixed amount of compensation), in light of differences in responsibility that varies according to the job position, and performance-linked stock compensation that reflects the state of achievement of management targets, and the like.

of management targets shall be granted every year, and shares corresponding to the points accumulated at the time of retirement from office shall be provided. However, a certain percentage of this shall be paid in the form of money obtained by converting the shares into cash.

The level of base salary shall be an appropriate one that takes into account the scale of duties of the executive officer and the current situation of the Bank.

Furthermore, in the case of a person who is an executive officer in charge of an area that requires special knowledge and skills and, based on the compensation corresponding to his/her duties, would receive a significantly lower level of compensation than what an officer in charge of such an area would generally receive at other companies, it shall be permitted to adopt compensation that refers to the level of compensation at other companies instead of compensation corresponding to duties.

In regard to stock compensation, based on the viewpoint of a sound incentive for sustainable growth, points that are calculated by multiplying the sum of basic points corresponding to separately prescribed duties and evaluation points based on individual evaluation by a coefficient that varies according to the state of achievement

## Main Topics of Discussion by the Board of Directors in FY2018/3

- Medium-term Management Plan (FY2019/3 to FY2021/3)
- Confirmation of state of progress with FY2018/3 management plan
- Evaluations of effectiveness of the Bank's Board of Directors
- Operational status of the Basic Policies for the Internal Control System
- Enhancements to management system relating to ALM and investment operations based on introduction of risk appetite framework (RAF)
- Establishment of Japan Post Investment Corporation

## Support System for Outside Directors

The Bank shall take the following actions in relation to directors to ensure the effective and smooth operation of meetings of the Board of Directors and enhance the effectiveness of supervision by outside directors, in particular.

- (1) Coordination of an annual schedule with sufficient time available
  - (2) Accurate provision of information as necessary
  - (3) Ensuring sufficient prior explanation and time for prior consideration of the content of agenda items
  - (4) Ensuring time for questions at meetings of the Board of Directors
- In addition, the Bank shall allocate sufficient staff for operational support to effectively and efficiently carry out meetings of the Board of Directors, and for communication and coordination with outside directors.

## Evaluation of Effectiveness of the Bank's Board of Directors

### Evaluation method

The Bank's Board of Directors conducts discussions based on the results of a survey regarding the effectiveness of the Board of Directors as a whole in light of a self-evaluation by each director, and conducts an analysis and evaluation of the effectiveness of the Bank's Board of Directors.

### Summary of Evaluation Results

The Board of Directors comprises a majority of Outside Directors with diverse backgrounds and extensive knowledge and experience, as well as a high degree of specialized expertise.

The directors have appropriately overseen business execution by such means as exchanging unreserved opinions with one another from their respective standpoints and by vigorously discussing important management issues.

Notably, considering that FY2018/3 was a year for management to draw up a Medium-term Management Plan, the directors worked to enhance discussions by regularly holding meetings to exchange opinions on medium- and long-term issues.

Based on the foregoing, the Board of Directors has concluded that the effectiveness of the Board of Directors as a whole has been ensured.

In light of these evaluation results, we will continue to undertake initiatives to contribute to further improvement of the effectiveness of the Board of Directors.



### Message from Outside Director

#### Contributing to JAPAN POST BANK's Sustainable Growth by Strict Oversight Function from Outside the Company

#### Recommendations that draw on experience and knowledge

Possessing the world's largest savings balance, JAPAN POST BANK is a banking giant with branches in every corner of the land. If a problem were to somehow arise due to a shortcoming in the Bank's governance or compliance, its impact on Japanese society would be serious in the extreme. As an Outside Director, I am fully aware of the weight of that responsibility and oversee JAPAN POST BANK with a stern, unwavering gaze.

JAPAN POST BANK is currently adopting its new Medium-term Management Plan and implementing management reforms at a very fast pace. With regard to investment management in particular, we are expanding investment in foreign securities and alternative investments while making changes in terms of profit structure, but these moves entail various risks, including legal risks. To minimize the risk, I intend to firmly issue recommendations that draw on my experience and knowledge at Board of Directors' meetings.

#### What to expect from JAPAN POST BANK

The market has a way of weeding out players that do not evolve. For that very reason, more than ever before I want to listen to feedback from customers, including from potential customers, and maintain an awareness of the provision of financial services that take into consideration and meet real needs. What can we use to make things more convenient for customers? What can we use to give customers more peace of mind? Maintaining this point of view, each and every employee is putting this way of thinking into practice in his or her duties on a daily basis. Building up these small increments will bring about a major evolution at JAPAN POST BANK. We Outside Directors will continue to make efforts to further foster a corporate culture from the customers' perspectives.

Tomoyoshi Arita  
Outside Director

# Board of Directors, Executive Officers and Managing Directors

(As of July 1, 2018)

## Directors



Norito Ikeda

### Biography

1970 Joined The Bank of Yokohama, Ltd. 1996 Director and General Manager, Credit Management Department of The Bank of Yokohama, Ltd. 1997 Director and General Manager, General Planning Department of The Bank of Yokohama, Ltd. 2001 Representative Director, Chief Financial Officer (CFO) of The Bank of Yokohama, Ltd. 2002 Representative Director, Chief Personnel Officer (CPO) of The Bank of Yokohama, Ltd. Jun. 2003 Director of The Bank of Yokohama, Ltd. Representative Director and Chairman of Yokohama Capital Co., Ltd. Dec. 2003 President and Representative Director of The Ashikaga Bank, Ltd. 2004 President and Chief Executive Officer (CEO) of The Ashikaga Bank, Ltd. 2008 Special Advisor of A.T. Kearney K.K. 2012 President & CEO of The Corporation of Revitalizing Earthquake affected Business. Apr. 2016 President and Representative Executive Officer of JAPAN POST BANK Co., Ltd. Jun. 2016 Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd. (current position) Director of JAPAN POST HOLDINGS Co., Ltd. (current position)



Susumu Tanaka

### Biography

1982 Joined the Ministry of Posts and Telecommunications. 2000 General Manager of International Affairs Section, Postal Bureau of the Ministry of Posts and Telecommunications. Jan. 2001 General Manager of International Planning Office, Postal Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications. Jul. 2001 General Manager of Savings and Management Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications. Jan. 2003 General Manager of Fund Management, Savings Department of Postal Services Agency. Apr. 2003 General Manager of Business Planning Division, Postal Savings Business Headquarters of Japan Post Corporation. 2004 Director of Preparatory Office for Privatization of Postal Services of the Cabinet Secretariat. 2006 General Manager of Business Planning Division, Postal Savings Business Headquarters, Financial Business Headquarters of Japan Post Corporation. 2007 Executive Officer of JAPAN POST BANK Co., Ltd. 2009 Managing Executive Officer of JAPAN POST BANK Co., Ltd. 2010 Managing Executive Officer of JAPAN POST HOLDINGS Co., Ltd. (current position) 2012 Senior Managing Executive Officer of JAPAN POST BANK Co., Ltd. 2013 Director and Executive Vice President of JAPAN POST BANK Co., Ltd. 2015 Director and Representative Executive Vice President of JAPAN POST BANK Co., Ltd. (current position)



Masatsugu Nagato

### Biography

1972 Joined The Industrial Bank of Japan, Limited. 2000 Executive Officer of The Industrial Bank of Japan, Limited. 2001 Managing Executive Officer of The Industrial Bank of Japan, Limited. 2002 Managing Executive Officer of Mizuho Bank, Ltd. 2003 Managing Executive Officer of Mizuho Corporate Bank, Ltd. 2006 Corporate Executive Vice President of Fuji Heavy Industries Ltd. 2007 Director of the Board, Corporate Executive Vice President of Fuji Heavy Industries Ltd. 2010 Representative Director of the Board & Deputy President of Fuji Heavy Industries Ltd. 2011 Director and Vice Chairman of Citibank Japan Ltd. 2012 Director and Chairman of Citibank Japan Ltd. May 2015 Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd. Jun. 2015 Director of JAPAN POST HOLDINGS Co., Ltd. Apr. 2016 Director of JAPAN POST BANK Co., Ltd. (current position) Director, Representative Executive Officer, President and CEO of JAPAN POST HOLDINGS Co., Ltd. (current position) Director of JAPAN POST Co., Ltd. (current position) Jun. 2016 Director of JAPAN POST INSURANCE Co., Ltd. (current position)



Tetsu Machida\*1

### Biography

1984 Joined Nikkei Inc. 2002 Joined Sentaku Shuppan K.K. 2004 Independent economic journalist. (current position) 2014 Director of JAPAN POST BANK Co., Ltd. (current position)



Nobuko Akashi\*1

### Biography

1979 Joined Japan Airlines Co., Ltd. 1988 Joined Temporary Center Inc. (current Pasona Inc.) 1989 Joined Image Plan Co., Ltd. 1996 Representative Director of Buraikon Y.K. (current position) 2003 Chairman and Secretary General of a non-profit organization, Japan Manners & Protocol Association. 2006 Director of General Incorporated Foundations, Hotel Barmen's Association, Japan. 2010 Board chairman of General Incorporated Foundations, Nippon Kyoiku Saisei Kiko. 2012 Board chairman of a non-profit organization, Japan Manners & Protocol Association. (current position) 2013 Expert Member of Liaison Conference for the Promotion of Gender Equality, Cabinet Office, Government of Japan. (current position) 2015 Director of JAPAN POST BANK Co., Ltd. (current position)



Katsuaki Ikeda\*1

### Biography

1974 Joined Taisho Marine & Fire Insurance Co., Ltd. 1999 General Manager of Accounting Department of Mitsui Marine & Fire Insurance Co., Ltd. 2003 Director, Executive Officer and General Manager of Accounting Department of Mitsui Sumitomo Insurance Company, Limited. 2005 Director and Managing Executive Officer (Principal Accounting Officer) of Mitsui Sumitomo Insurance Company, Limited. 2006 Director, Managing Executive Officer and General Manager of Financial Service Division (Principal Financial Officer and Principal Investment Officer) of Mitsui Sumitomo Insurance Company, Limited. 2008 Director of Mitsui Sumitomo Insurance Group Holdings, Inc. 2010 Director and Senior Executive Officer of Mitsui Sumitomo Insurance Company, Limited. Director and Executive Officer of MS&AD Insurance Group Holdings, Inc. 2011 Corporate Auditor of MS&AD Insurance Group Holdings, Inc. 2015 Director of JAPAN POST BANK Co., Ltd. (current position)

Executive Officers	President and Representative Executive Officer	Representative Executive Vice President	Executive Vice President	Senior Managing Executive Officer	Senior Managing Executive Officer
Norito Ikeda	Norito Ikeda	Susumu Tanaka	Yoshinori Hagino	Masahiro Murashima	Hiroichi Shishimi
Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer	Managing Executive Officer
Masahiro Nishimori	Masaya Aida	Harumi Yano	Harumi Yano	Suzunori Hayashi	Atsuko Onodera
Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Yoko Makino	Kunihiko Amaha	Makoto Shinmura	Makoto Shinmura	Satoru Ogata	Toshiharu Ono
Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Ikuyo Kondo	Toshiyuki Yazaki	Nobuhiro Fukuoka	Nobuhiro Fukuoka	Ryotaro Yamada	Ryotaro Yamada
Managing Directors*2	Executive Managing Director	Senior Managing Director	Senior Managing Director	Senior Managing Director	Managing Director
Taiichi Hoshino	Taiichi Hoshino	Tokihiko Shimizu	Naohide Une	Takayuki Kasama	Tatsuo Ichikawa

\*2. Managing Directors do not fall within the scope of definition of director as set forth under Japan's Companies Act.



Ryoichi Nakazato

Biography

**1977** Joined Hitachi, Ltd. **1997** General Manager, Financial Information Systems 1st Division, Financial Information Systems Department, Information System Unit of Hitachi, Ltd. **2003** General Manager, Financial Information Business 1st Division, Information and Telecommunication Business Group of Hitachi, Ltd. **2008** General Manager, Financial Information Systems Business Division, Information and Telecommunication Business Group of Hitachi, Ltd. **2009** General Manager, Financial Information Systems Business Division, Information and Telecommunication Systems Telecompany of Hitachi, Ltd. **2010** Director, Executive Officer, Information and Telecommunication Systems Company and COO, Systems Solutions Unit of Hitachi, Ltd. **2012** Director, Executive Officer, Head of Engineering and CIO, Information and Telecommunication Systems Company, Information and Communication Systems Group of Hitachi, Ltd. **2013** Senior Vice President and Executive Officer of Hitachi Solutions, Ltd. **2014** Director, Executive Vice President and Executive Officer of Hitachi Solutions, Ltd. **2016** Executive Vice President of JAPAN POST BANK Co., Ltd. **2017** Director of JAPAN POST BANK Co., Ltd. (current position)



Tomoyoshi Arita\*1

Biography

**1974** Appointed as Public Prosecutor of Kobe District Prosecutors Office. **2001** Chief Public Prosecutor of Akita District Prosecutors Office. **2002** Public Prosecutor, Supreme Public Prosecutors Office. **2004** Chief Public Prosecutor of Nagoya District Prosecutors Office. **2005** General Manager of the Public Securities Department, Supreme Public Prosecutors Office. **2007** Superintending Prosecutor of Takamatsu High Public Prosecutors Office. **2008** Superintending Prosecutor of Sendai High Public Prosecutors Office. **2009** Superintending Prosecutor of Fukuoka High Public Prosecutors Office. **Apr. 2010** Registered as Attorney-at-law. (current) **Jun. 2010** Director of JAPAN POST BANK Co., Ltd. (current position)



Sawako Nohara\*1

Biography

**1988** Joined Life Science Institute, Inc. **1995** Joined InfoCom Research, Inc. **1998** General Manager of EC Business Development Office of InfoCom Research, Inc. **2000** Director of IPSe Marketing, Y.K. **2001** President and CEO of IPSe Marketing, Inc. (current position) **2006** Outside Director of NEC Corporation. **2009** Project professor at Keio University Graduate School of Media and Governance. (current position) **2012** Outside Auditor of Sampo Japan Insurance Inc. **2013** Outside Director of NKSJ Holdings. (current Sampo Holdings, Inc.) (current position) **2014** Director of JAPAN POST BANK Co., Ltd. (current position) Outside Director of Nissha Printing Co., Ltd. (current Nissha Co., Ltd.) (current position) **2018** Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd. (current position)



Hirofumi Nomoto\*1

Biography

**1971** Joined Tokyu Corporation. **2007** Director of Tokyu Corporation. **Jan. 2008** Managing Executive Director of Tokyu Corporation. **Jun. 2008** Senior Managing Executive Director of Tokyu Corporation. **2010** Representative Director and Senior Managing Executive Director of Tokyu Corporation. **2011** President & Representative Director of Tokyu Corporation. **2015** President of Tokyu Corporation. **2017** Director of JAPAN POST BANK Co., Ltd. (current position) **2018** Chairman of the Board & Representative Director of Tokyu Corporation (current position)



Ryoji Chubachi\*1

Biography

**1977** Joined Sony Corporation. **1999** Corporate Vice President of Sony Corporation. **2002** Corporate Senior Vice President of Sony Corporation. **2003** Executive Vice President, Executive Officer of Sony Corporation. **2004** Executive Deputy President, Corporate Executive Officer and Chief Operation Officer of Sony Corporation. **Apr. 2005** Electronics Chief Executive Officer of Sony Corporation. **Jun. 2005** President and Representative Corporate Executive Officer, Member of the Board of Sony Corporation. **2009** Member of the Board, Representative Corporate Executive Officer, Vice Chairman of Sony Corporation. **2013** President of National Institute of Advanced Industrial Science and Technology (incorporated administrative agency) (current position) **2018** Director of JAPAN POST BANK Co., Ltd. (current position)

\*1. Tomoyoshi Arita, Sawako Nohara, Tetsu Machida, Nobuko Akashi, Katsuaki Ikeda, Hirofumi Nomoto and Ryoji Chubachi are outside directors as set forth under Article 2.15 of Japan's Companies Act.

Senior Managing Executive Officer

Kunio Tahara

Managing Executive Officer

Kenichi Kozuka

Managing Executive Officer

Masato Tamaki

Managing Executive Officer

Minoru Kotouda

Executive Officer

Shigeyuki Sakurai

Executive Officer

Masatoshi Ishii

Executive Officer

Takayuki Tanaka

Executive Officer

Shinobu Nagura

Managing Director

David Sancho Shimizu

Managing Director

Hideya Sadanaga

Managing Director

Kazunari Yaguchi

Managing Director

Kazuhiro Adachi

Managing Director

Mari Ishikawa

# Risk Management

We place a high priority on risk management and are taking steps to refine our sophisticated framework for risk management, including the identification and control of the risks associated with our operational activities.

Our basic policy is to appropriately manage risks in view of our management strategies and risk characteristics and most effectively utilize our capital. By doing so, we are able to increase enterprise value while maintaining sound finances and appropriate operations.

## Risk Categories and Definitions

We define our risks and classify them into the following categories, and manage these risks based on the unique characteristics of each type of risk.

Risk Category	Risk Definition
Market risk	Market risk is the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of loss resulting from changes in earnings generated from assets and liabilities.
Market liquidity risk	Market liquidity risk is the risk that a financial institution will incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like.
Funding liquidity risk	Funding liquidity risk is the risk that a financial institution will incur losses because it finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates than under normal conditions due to a mismatch between the maturities of assets and liabilities or an unexpected outflow of funds.
Credit risk	Credit risk is the risk that a financial institution will incur losses from the decline or elimination of the value of assets (including off-balance sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Operational risk	Operational risk is the risk of loss resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events.

## Risk Management System

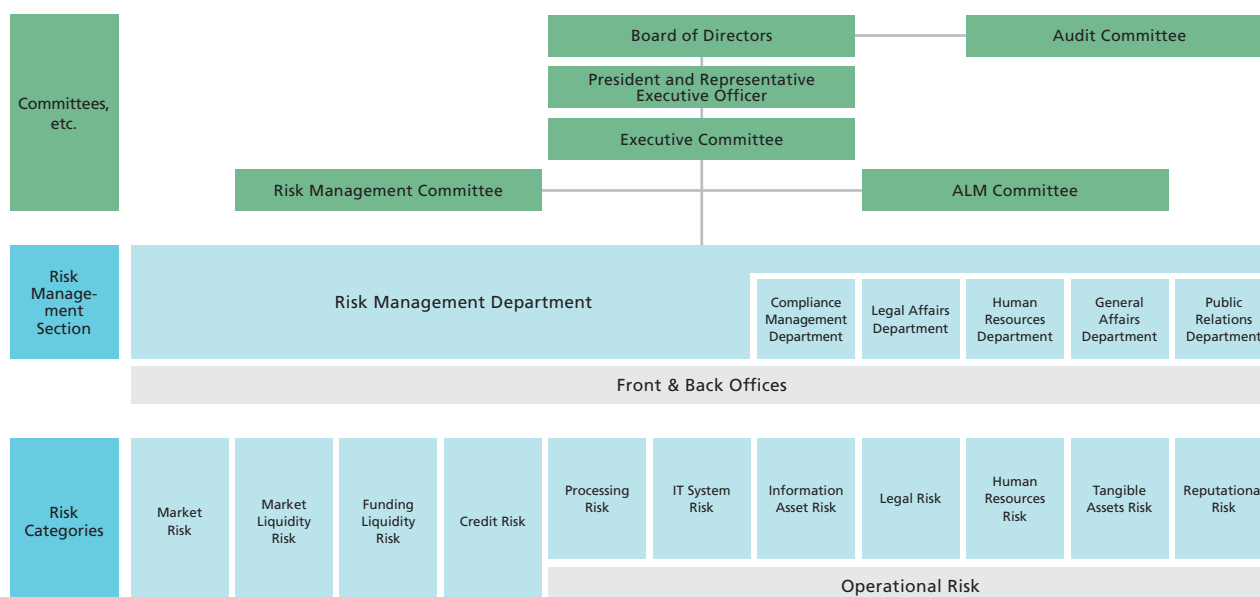
The Bank has identified certain risk categories outlined in the table below. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management Department operates independently from other departments.

We have established special advisory committees to the Executive Committee to handle risk management responsibilities: the Risk Management Committee and the ALM Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

Prior to launching new products, services, or businesses, we assess potential risks and select appropriate methods to measure risks.

### ● Risk Management System

(As of July 1, 2018)



## Integrated Risk Management

We broadly classify and define risks into five categories and manage risk by using both quantitative and qualitative approaches.

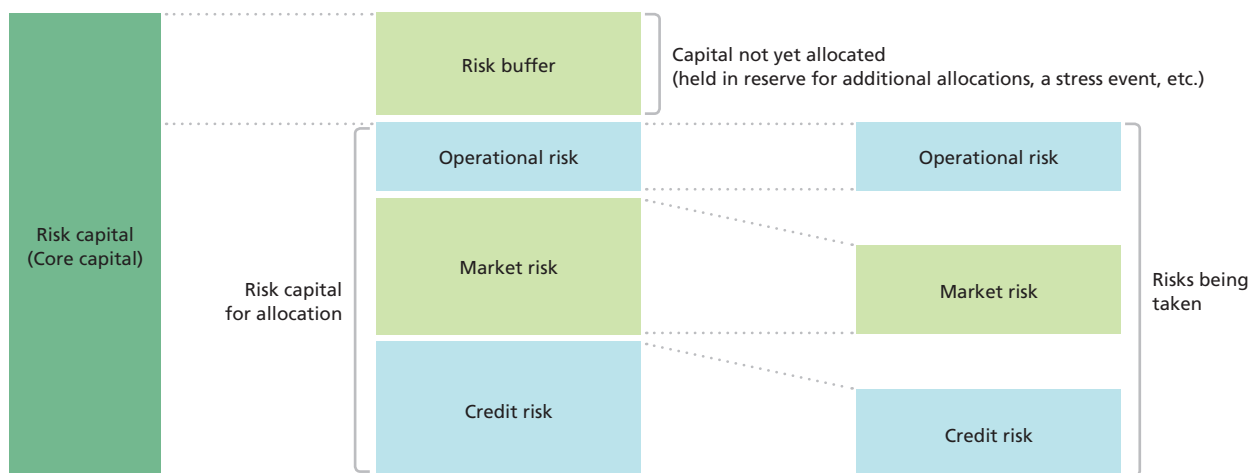
In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business (allocation of risk capital) in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk (“VaR”) techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In addition, we perform stress tests based on multiple stress scenarios

that assume deterioration in macroeconomic conditions to assess the impact on our financial condition and capital adequacy ratio, for the purpose of verifying the appropriateness of business plans from the forward-looking standpoint of business sustainability.

In our qualitative approach, which is used in conjunction with the quantitative methodology, we assess the nature of the risks. For instance, for operational risk we have established a plan, do, check, action (“PDCA”) cycle that recognizes, evaluates, manages, and mitigates risk across our business activities.

Subject to the total amount of allocated capital approved by the Board of Directors, the allocation of risk capital is determined by the president and Representative Executive officer following discussions in the ALM Committee and the Executive Committee.

### ● Risk Capital Allocation



# Compliance

## Compliance Policy

For JAPAN POST BANK, compliance comprises adherence not only to laws and regulations but also to internal rules, social standards of behavior, and corporate ethics by all directors and employees. We are striving to be the

most trustworthy bank in Japan, and consequently we view compliance as an important management issue. Accordingly, we conduct rigorous compliance activities.

## Compliance System

The Bank has established the Compliance Committee, which is composed of Executive Officers with responsibilities related to compliance issues. The committee holds discussions about important compliance-related matters and their progress reports. In addition, the Bank has established the Compliance Management Department under the leadership of the Executive Managing Officer responsible for compliance. The department formulates compliance promotion plans and manages their progress.

We have also appointed compliance officers in certain departments who are independent from business promotion and other conflicting functions. Through their activities, we monitor the progress of the implementation of compliance-related initiatives. Moreover, we have

appointed compliance managers in departments and branches who are responsible for mentoring employees and promoting compliance.

Furthermore, in the event that an employee encounters a compliance-related issue, or an act that could lead to a compliance issue, without turning a blind eye he/she must report the matter to a superior or via our Compliance Line. When the circumstances make it difficult to report to a superior or via the Compliance Line, the employee must work to prevent a compliance violation from occurring and to quickly resolve any problems that may arise by means of the whistleblower systems that have been put in place both within and outside of the Bank and that enable employees to file reports directly.

## Compliance Initiatives

Every year the Bank formulates the Compliance Program, which serves as a detailed action plan for the promotion of compliance. With this program, the Bank rigorously implements compliance-related initiatives and conducts training for employees.

With regard to anti-money laundering and combating the terrorist financing measures, we are working on improving our system so that products and services provided by JAPAN POST BANK will not be used for money laundering and terrorist financing.

In addition, to serve as a specific guide to remaining in full compliance, the Bank formulated a Compliance Manual, which brings together the Bank's approach to compliance and important action items as well as the management of conflict of interest transactions, the prohibition of acts that fall under bribery, and the other laws to be observed. Each director and employee has received the Compliance Handbook, which contains the most important, baseline compliance items from the Compliance Manual that all JAPAN POST BANK directors and employees need to be aware of. In this way, the Bank further raises compliance awareness.

### Outline of Main Measures

- Prevention of fraud
- Response to financial crime, antisocial forces, etc.
- Individual customer-oriented customer protection



## Basic Policy on Antisocial Forces

In relation to antisocial forces that threaten social order and sound corporate activities, the basic policy of the Bank, as an organization in general, is to avoid any kind of involvement in illegal behavior and antisocial behavior

and to isolate itself from and exclude relationships with antisocial forces while cooperating with external specialist organizations such as the police under normal circumstances.

### Basic Policy on Antisocial Forces

#### 1 — Response as an Organization

With regard to antisocial forces, we set out clear statements in the JAPAN POST GROUP's Charter of Corporate Conduct and internal rules, etc., and will respond for the entire organization, from senior management down. We also ensure the safety of officers and employees who respond to antisocial forces.

#### 2 — Alliances with external specialist organizations

As part of normal practice, we work to build close relationships with external specialist organizations, such as the police, the Center for Removal of Criminal Organizations and lawyers.

#### 3 — Breaking of all, including business, relationships

We do not have any relationships, including business relationships, with antisocial forces and refuse any unjust demands made by them.

#### 4 — Civil and criminal legal responses in emergencies

We will legally respond, under both civil and criminal law, to unfair demands by antisocial forces.

#### 5 — Prohibition of backroom deals and fund provision

We will never offer backroom deals or provide funds to antisocial forces.

## Privacy Protection Measures

In providing highly satisfactory services to its customers, JAPAN POST BANK recognizes that the proper protection and handling of personal information, including specific

personal information and numbers, are important themes. We have thus established and enforce a policy (privacy policy) on the protection of such personal information.

## Measures Aimed at Managing Conflicts of Interest

The JAPAN POST GROUP has released the Japan Post Group Conflicts of Interest Management Policy. This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

In line with this Policy, JAPAN POST BANK has put in place a system for the proper management of transactions

that have the potential to create conflicts of interest and to prevent customer interests from being unduly harmed. Among a host of initiatives, the Bank has set up the Compliance Management Department to assume responsibility for managing and controlling conflicts of interest.

# Internal Auditing

## Internal Auditing System

The Internal Audit Division is independent from operating divisions in the head office. The division contributes to the sound and proper conduct of the Bank's operations by inspecting and assessing the Bank's operational execution and internal control systems. In this way, the Bank collects important information about the operations of audited divisions in a timely and appropriate manner.

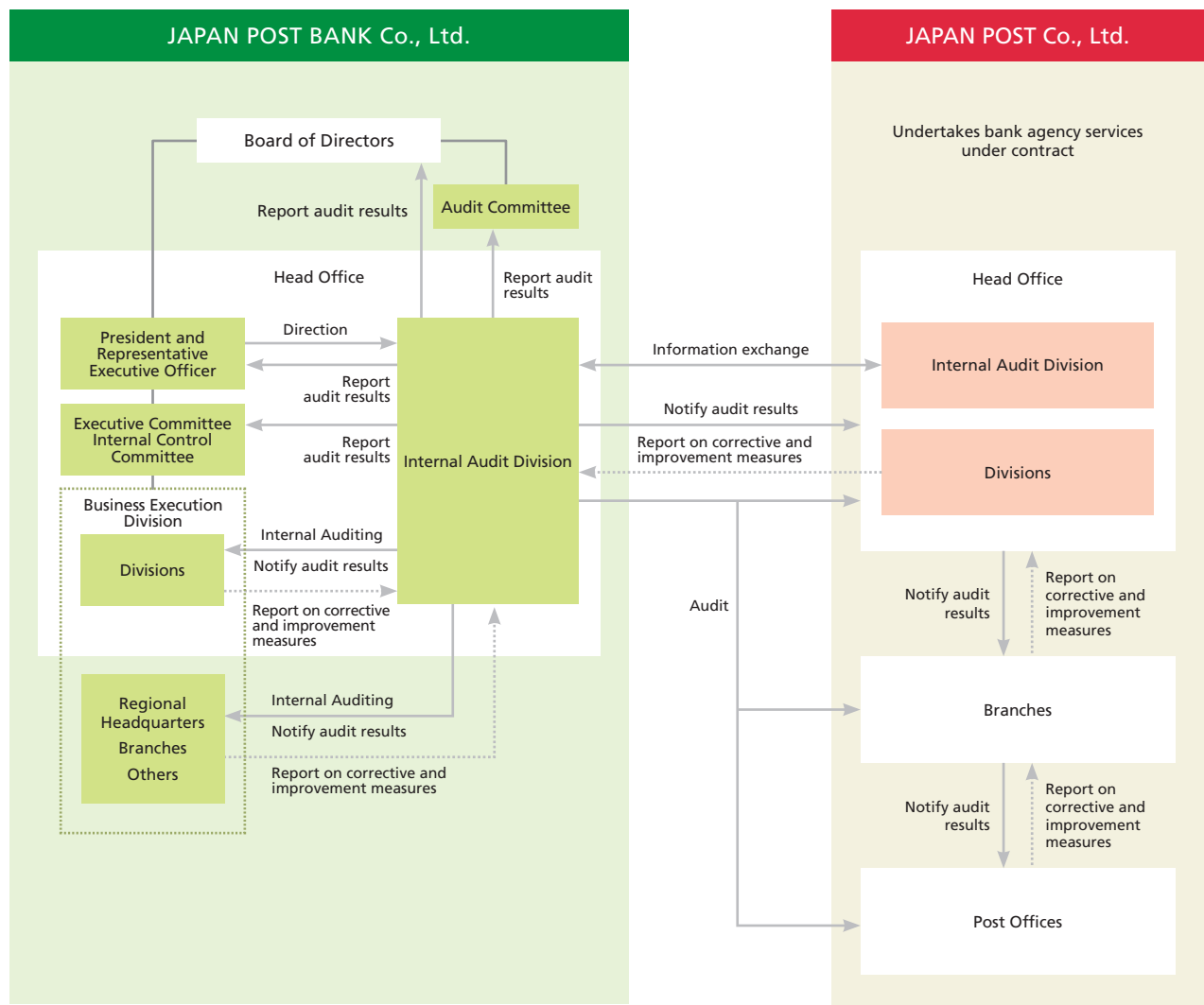
The Internal Audit Division conducts audits of the head office divisions (including overseas representative offices), Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, ATM Management Centers, Data Centers, Credit Card Collection Service Center and other work sites. Through these audits, the division verifies the appropriateness and effectiveness of operational

execution and internal control systems, including compliance and risk management.

In addition, the Internal Audit Division audits JAPAN POST, which undertakes bank agency services under contract. In these audits, the Internal Audit Division verifies the appropriateness of the internal control systems that are related to bank agency operations, including compliance and risk management.

In regard to major issues that are found in an audit, the division offers recommendations for correction and improvement, follows up on the progress of improvement measures, and provides reports to the President and Representative Executive Officer, the Board of Directors, and the Audit Committee.

### Internal Auditing System



## Dialogue with Society

JAPAN POST BANK engages in business that deeply involves its customers, shareholders and investors, business partners, local communities, society and the environment. With the cooperation of all these people, new value is being created.

We will aim to contribute to the sustainable development of society and to improve corporate value by maintaining close communications in the years to come.



### Customers

#### Fiduciary Duty (Customer-Oriented Business Operations)

In addition to providing its long-used, traditional services, such as savings and fund transfers, JAPAN POST BANK adopted the *Principles for Customer-Oriented Business Conduct*, which were published by the Financial Services Agency in March 2017, to respond positively to a wide range of customer needs by, for example, “asset formation support.” In June 2017, we officially announced our Basic Policy for Customer-Oriented Business Operations.

#### Basic Policy for Customer-Oriented Business Operations (announced June 12, 2017)

- 1 — Establishing a corporate culture focusing on customer-oriented business operations
- 2 — Developing / providing high-quality, customer-oriented financial services
- 3 — Providing customer-oriented information and consulting services
- 4 — Improving the system for managing conflict of interest
- 5 — Fostering human resources / performance evaluations
- 6 — Status updates

#### Efforts toward Customer-Oriented Business Operations

To regularly confirm the status of activities based on the Basic Policy for Customer-Oriented Business Operations, JAPAN POST BANK sets key performance indicators (KPIs) and publishes the results.

To improve the response skills, we are also working toward firmly establishing customer-oriented business operations, for example by holding “No. 1 in Customer Satisfaction” customer interaction contests, in which employees engage in role playing for customer interactions.



Scene from an All-Japan “No. 1 in Customer Satisfaction” Customer Interaction Contest

## Financial Seminars/Consultation Meetings Held

JAPAN POST BANK holds a variety of seminars to be able to respond to the diverse needs of its customers. In addition to seminars that provide information that helps customers to improve their financial and investment knowledge and their understanding of market trends, we are holding seminars in collaboration with other companies and weekend consultation meetings and seminars for customers who would find it difficult to visit a branch on a weekday or during the day. Not solely covering financial aspects, during these events we are proposing life plans that match the lifestyles of our customers, are in synch with their leisure pursuits and the milestones in their lives and thus enable them to live richer lives.

We receive very encouraging feedback from participating customers, such as "This was my first time, but the thorough explanations were easy to understand," "I found the kind responses from all the staff heartwarming," and "Next time, I'd like to talk more about what kind of products are right for me."

In the years to come, we will continue to work toward the holding of seminars and consultation meetings that better enable us to respond to customer's requests, such as the enhancement of seminar content and the development of a system for holding the events.



Scene from an asset management seminar



## Business Partners

### Measures to Support Management at SMEs

JAPAN POST BANK offers a variety of services to corporations and business owners, such as fund transfers and bill payments.

The support we offer to managers of small and medium-sized enterprises (SMEs) relates to improving the efficiency, facilitating the process, and reducing the cost of doing business, by focusing efforts on enhancing the quality of services that take advantage of our nationwide

post office and ATM network. Such services include convenient regular payments for receiving payments for goods or for collecting accounts receivable, electronic transfers, and employee salary deposits (salary payment services).

We do not provide support to management at SMEs through financing.



## Investors / Shareholders

### Dialogue with Shareholders and Investors

JAPAN POST BANK holds as many face-to-face meetings as can be possible to build long-term relationships with shareholders and investors.

Believing in the importance of providing detailed explanations of our business and future prospects, we engage in dialogues with shareholders and investors.

We held our 12th General Meeting of Shareholders on June 19, 2018, and 664 shareholders attended the meeting. We presented our business report and other statements and received valued opinions and questions from 11 shareholders.

For individual investors, we hold briefings at various locations in Japan in order to promote understanding of matters such as our main features and business strategies, as well as shareholder returns. We held 30 briefings sessions in the fiscal year ended March 31, 2018, which were attended by a total of 1,869 investors. (The president and representative executive officer hosted three of the briefings.)

For analysts and institutional investors, we explain our financial status through teleconferences held after the announcement of earnings results every quarter and

half-yearly earnings results briefings by our management. We also take part in conferences for institutional investors.

For overseas investors, the president and representative executive officer as well as other management engage in bilateral communications with overseas investors at regular intervals.

We do our best to reflect the valued opinions of these shareholders and investors in our management, in an effort to further increase our corporate value.



Scene from a General Meeting of Shareholders



## Regions / Society

### Recirculating Funds to Regional Economies

To help vitalize Japanese regional economies, JAPAN POST BANK recirculates funds to local communities by earmarking the cash deposited by local customers for local government bonds and loans to local public agencies.

### Participation in Regional Vitalization Funds

JAPAN POST BANK participates in regional investment funds with the objective of deepening ties with regional financial institutions and contributing to the development of Japanese regional economies through cooperation and collaboration. By investing in these funds, we will continue to contribute to the vitalization and development of local communities.

 For more details, please refer to pages 32–33.



## Environment

### Implementing Reductions in Environmental Impact through Business

To help to sustain and maintain a rich society, we formulated the JAPAN POST BANK Environmental Policy with the basic philosophy of striving for environment-friendly behavior. We have also created and disseminated to all organizations our Ecology Guidebook, which shows

specific ways to realize consideration to the environment. On the basis of this policy and guidebook, we are working to reduce environmental impact through business across the entire organization.

### Japan Post Bank Direct+ (plus) Non-Passbook General Account



This service is designed for customers who want smart account management by means of Internet banking and cash cards, without using paper passbooks. With no issuing of a passbook, customers use their cash cards for cash deposit and withdrawal enquiries, while current balances are obtained via Japan Post Bank Direct. Instead

of issuing passbooks, details of deposits and withdrawals can be confirmed for up to a maximum period of 15 months. Since the paper used for both conventional passbooks and for the various notifications sent to customers is unnecessary, this leads to a reduction in paper usage.

#### Donation to environmental conservation organizations (Yucho Eco-Communication)

Since paper usage is being reduced by the increasingly widespread adoption of the Japan Post Bank Direct+ service, we decided to donate and utilize an amount equivalent to the number of Japan Post Bank Direct+ accounts opened in the fiscal year ended March 31, 2018, under the title Yucho Eco-Communication, to 13 organizations across Japan that are engaged with local residents in activities that have both an environmental conservation and a social contribution aspect.

We aim to deepen mutual communications with local communities and local residents and contribute to the sustainable development of local communities.

### Implementation of Online Service for Viewing Transfer Receipt/Payment Notifications

This is a service that enables customers to check transfer receipt/payment notifications and payment handling slips from 9:00 a.m. the day after the account update on an office or home computer. The feedback we have received from customers has included comments like "Being able to confirm transfer receipt/payment notifications via the

Internet is convenient", "No longer needing to store hard copies of transfer receipt/payment notifications has made life easier." Since transactions are confirmed via an online screen instead of informing customers in writing, this is also leading to a reduction in paper usage.



For specific details on our CSR activities, please refer to our website.

# Financial Section

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The Bank has prepared its financial statements on a consolidated basis effective from the fiscal year under review (April 1, 2017 to March 31, 2018). Therefore, financial statements of the previous fiscal year, which are comparable to the financial statements of the fiscal year under review, are not presented in "Consolidated Financial Statements."

For comparative purposes, data of the fiscal year under review and the previous fiscal year are presented on a non-consolidated basis in the "Management's Discussion and Analysis of Financial Condition and Results of Operations."

# Management's Discussion and Analysis of Financial Condition and Results of Operations (Non-Consolidated)

The following section of this annual report presents management's discussion and analysis of financial condition and results of operations ("MD&A") of JAPAN POST BANK ("we," "us," "our," and similar terms). This MD&A highlights selected information and may not contain all of the information that is important to readers of this annual report. For a more complete description of events, trends, and uncertainties, as well as the capital, liquidity, and credit and market risks affecting us and our operations, readers should refer to other sections in this annual report. This section should be read in conjunction with the financial statements and notes included elsewhere in this annual report.

## RESULTS OF OPERATIONS

The following table presents information as to our income, expenses and net income for the fiscal years ended March 31, 2018 and 2017.

	Billions of yen	
	For the fiscal year ended March 31,	
	2018	2017
Interest income	¥1,502.7	¥1,567.5
Interest expenses	331.7	348.7
Net interest income	1,170.9	1,218.7
Fees and commissions income	130.0	119.4
Fees and commissions expenses	33.5	32.8
Net fees and commissions	96.4	86.6
Other operating income	211.6	114.3
Other operating expenses	21.4	14.2
Net other operating income (loss)	190.2	100.0
General and administrative expenses	1,042.8	1,054.0
Other income	200.4	95.9
Other expenses	116.2	6.7
Income before income taxes	498.9	440.5
Income taxes—current	174.2	133.2
Income taxes—deferred	(28.0)	(4.9)
Net income	¥ 352.7	¥ 312.2

### Fiscal Year Ended March 31, 2018 Compared to Fiscal Year Ended March 31, 2017

#### Net Interest Income

##### Interest Income

Our total interest income decreased by ¥64.7 billion, or 4.1%, from ¥1,567.5 billion in the fiscal year ended March 31, 2017 to ¥1,502.7 billion in the fiscal year ended March 31, 2018, mainly due to a decrease in interest and dividends on securities. Our interest and dividends on securities decreased by ¥61.6 billion, or 4.0%, to ¥1,460.3 billion in the fiscal year ended March 31, 2018. This decrease mainly reflected a decrease in interest on Japanese government bonds, despite an increase in interest on foreign securities. Our interest on loans decreased by ¥3.7 billion, or 21.0%, to ¥14.0 billion in the fiscal year ended March 31, 2018, due to a decrease in interest rates.



## Interest Expenses

Our total interest expenses decreased by ¥16.9 billion, or 4.8%, from ¥348.7 billion in the fiscal year ended March 31, 2017 to ¥331.7 billion in the fiscal year ended March 31, 2018, mainly due to a decrease in interest on deposits. Interest expenses on deposits decreased by ¥55.2 billion, or 27.5%, to ¥145.1 billion in the fiscal year ended March 31, 2018, due to a decrease in interest rates.

## Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, decreased by ¥47.8 billion, or 3.9%, from ¥1,218.7 billion in the fiscal year ended March 31, 2017 to ¥1,170.9 billion in the fiscal year ended March 31, 2018. Our interest rate spread was 0.57% for the fiscal year ended March 31, 2018, a decrease from 0.60% for the fiscal year ended March 31, 2017.

## Average Balance of, and Interest, Average Earnings Yield and Average Interest Rate on, Interest-earning Assets and Interest-bearing Liabilities

The following table shows our average asset balances and related interest and average earnings yields of our interest-earning assets for the fiscal years ended March 31, 2018 and 2017. Although we do not have any overseas branches or subsidiaries, since our operations are not divided into reportable segments, we attribute yen-denominated transactions to "domestic" and foreign currency-denominated transactions to "overseas" (except that yen-denominated transactions with non-residents of Japan are included in "overseas") and record income and expenses for each category. Accordingly, the table below shows the average asset balances and interest for "domestic" and "overseas" for the periods indicated:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2018			2017		
	Average asset balance <sup>(4)</sup>	Interest	Average earnings yield	Average asset balance <sup>(4)</sup>	Interest	Average earnings yield
<b>Interest-earning assets:<sup>(1)</sup></b>						
Loans:						
Domestic	¥ 4,765.2	¥ 14.0	0.29%	¥ 3,081.1	¥ 17.7	0.57%
Overseas	2.5	0.0	0.40	2.1	0.0	0.35
Total <sup>(2)</sup>	4,767.7	14.0	0.29	3,083.2	17.7	0.57
Securities:						
Domestic	82,402.0	730.0	0.88	92,901.3	926.6	0.99
Overseas	54,067.0	730.3	1.35	48,099.3	595.3	1.23
Total <sup>(2)</sup>	136,469.1	1,460.3	1.07	141,000.6	1,522.0	1.07
Receivables under securities borrowing transactions:						
Domestic	8,414.6	1.4	0.01	8,318.6	1.4	0.01
Overseas	—	—	—	—	—	—
Total <sup>(2)</sup>	8,414.6	1.4	0.01	8,318.6	1.4	0.01
Due from banks, etc.: <sup>(3)</sup>						
Domestic	51,583.0	25.1	0.04	47,723.0	24.9	0.05
Overseas	68.4	1.0	1.48	81.5	0.9	1.18
Total <sup>(2)</sup>	51,651.5	26.1	0.05	47,804.5	25.8	0.05
<b>Total interest-earning assets:</b>						
Domestic	195,014.3	852.0	0.43	193,991.9	1,046.5	0.53
Overseas	54,248.0	732.1	1.34	48,252.6	596.6	1.23
Total <sup>(2)</sup>	¥201,467.3	¥1,502.7	0.74%	¥200,321.0	¥1,567.5	0.78%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥2,772.8 billion for the fiscal year ended March 31, 2018 and ¥2,646.2 billion for the fiscal year ended March 31, 2017) is excluded from interest-earning assets.

(2) Average asset balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

(4) Average asset balance is calculated on a daily basis.

(5) "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").

The following table shows the average balances and related interest and average interest rates of our interest-bearing liabilities for the fiscal years ended March 31, 2018 and 2017:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2018			2017		
	Average liability balance <sup>(3)</sup>	Interest	Average interest rate	Average liability balance <sup>(3)</sup>	Interest	Average interest rate
<b>Interest-bearing liabilities:<sup>(1)</sup></b>						
Deposits:						
Domestic	¥180,316.4	¥145.1	0.08%	¥179,251.8	¥200.3	0.11%
Overseas	—	—	—	—	—	—
Total <sup>(2)</sup>	180,316.4	145.1	0.08	179,251.8	200.3	0.11
Payables under securities lending transactions:						
Domestic	8,903.8	1.2	0.01	8,385.2	0.8	0.01
Overseas	3,995.9	53.9	1.35	4,674.2	40.6	0.87
Total <sup>(2)</sup>	12,899.7	55.2	0.42	13,059.5	41.5	0.31
Total interest-bearing liabilities:						
Domestic	186,524.3	186.2	0.09	184,991.1	242.5	0.13
Overseas	53,171.6	222.2	0.41	47,375.5	177.1	0.37
Total <sup>(2)</sup>	¥191,901.0	¥327.0	0.17%	¥190,443.1	¥343.9	0.18%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥2,772.8 billion for the fiscal year ended March 31, 2018 and ¥2,646.2 billion for the fiscal year ended March 31, 2017) and the interest expenses (¥4.7 billion for the fiscal year ended March 31, 2018 and ¥4.7 billion for the fiscal year ended March 31, 2017) are excluded from interest-bearing liabilities.

(2) Average liability balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) Average liability balance is calculated on a daily basis.

(4) "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").

Our average balance of interest-earning assets increased by ¥1,146.3 billion, or 0.5%, from ¥200,321.0 billion in the fiscal year ended March 31, 2017 to ¥201,467.3 billion in the fiscal year ended March 31, 2018. Our average earnings yield on interest-earning assets decreased from 0.78% in the fiscal year ended March 31, 2017 to 0.74% in the fiscal year ended March 31, 2018. As a result, our total interest income on interest-earning assets decreased from ¥1,567.5 billion in the fiscal year ended March 31, 2017 to ¥1,502.7 billion in the fiscal year ended March 31, 2018.

Our average balance of interest-bearing liabilities increased by ¥1,457.8 billion, or 0.7%, from ¥190,443.1 billion in the fiscal year ended March 31, 2017 to ¥191,901.0 billion in the fiscal year ended March 31, 2018. Our average interest rate on interest-bearing liabilities decreased from 0.18% in the fiscal year ended March 31, 2017 to 0.17% in the fiscal year ended March 31, 2018. As a result, our total interest expenses on interest-bearing liabilities decreased from ¥343.9 billion in the fiscal year ended March 31, 2017 to ¥327.0 billion in the fiscal year ended March 31, 2018.

## Changes in Interest Income and Expenses Due to Changes in Balance and Interest Rate

The following table shows changes in our interest income allocated between changes in balance and changes in interest rate for the periods indicated:

	Billions of yen		
	For the fiscal year ended March 31, 2018 versus fiscal year ended March 31, 2017 increase (decrease) due to		
	Balance-related change <sup>(1)</sup>	Interest-related change <sup>(1)</sup>	Net change
<b>Interest income:</b>			
<b>Loans:</b>			
Domestic	¥ 7.1	¥ (10.9)	¥ (3.7)
Overseas	0.0	0.0	0.0
Total <sup>(2)</sup>	7.1	(10.9)	(3.7)
<b>Securities:</b>			
Domestic	(98.8)	(97.8)	(196.6)
Overseas	77.7	57.2	134.9
Total <sup>(2)</sup>	(48.5)	(13.1)	(61.6)
<b>Receivables under securities borrowing transactions:</b>			
Domestic	0.0	(0.0)	(0.0)
Overseas	—	—	—
Total <sup>(2)</sup>	0.0	(0.0)	(0.0)
<b>Due from banks, etc.:<sup>(3)</sup></b>			
Domestic	1.9	(1.7)	0.1
Overseas	(0.1)	0.2	0.0
Total <sup>(2)</sup>	2.0	(1.7)	0.2
<b>Total interest income:</b>			
Domestic	5.4	(199.9)	(194.5)
Overseas	78.0	57.4	135.4
Total <sup>(2)</sup>	¥ 8.9	¥ (73.6)	¥ (64.7)

Notes: (1) Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

(2) Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

(4) "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").

The following table shows changes in our interest expenses allocated between changes in balance and changes in interest rate for the periods indicated:

	Billions of yen		
	For the fiscal year ended March 31, 2018 versus fiscal year ended March 31, 2017 increase (decrease) due to		
	Balance-related change <sup>(1)</sup>	Interest-related change <sup>(1)</sup>	Net change
<b>Interest expenses:</b>			
Deposits:			
Domestic	¥ 1.1	¥(56.4)	¥(55.2)
Overseas	—	—	—
Total <sup>(2)</sup>	1.1	(56.4)	(55.2)
Payables under securities lending transactions:			
Domestic	0.0	0.3	0.4
Overseas	(6.5)	19.8	13.2
Total <sup>(2)</sup>	(0.5)	14.2	13.7
Total interest expenses:			
Domestic	1.9	(58.2)	(56.2)
Overseas	22.9	22.0	45.0
Total <sup>(2)</sup>	¥ 2.6	¥(19.5)	¥(16.9)

Notes: (1) Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

(2) Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

(3) "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").

Our interest income in the fiscal year ended March 31, 2018 decreased by ¥64.7 billion compared to the previous fiscal year primarily due to a decrease in interest income from domestic securities as a result of decreases in both balance of and interest rates on these securities, despite an increase in interest income from foreign securities as a result of increases in both balance of and interest rates on such securities.

Our interest expenses in the fiscal year ended March 31, 2018 decreased by ¥16.9 billion compared to the previous fiscal year primarily due to a decrease in interest on deposits as a result of a decrease in interest rates.

### Interest Rate Spread

The following table shows our yield on interest-earning assets, interest rates on interest-bearing liabilities and interest rate spread for the periods indicated:

	For the fiscal year ended March 31,	
	2018	2017
<b>Yield on interest-earning assets:</b>		
Domestic	0.43%	0.53%
Overseas	1.34	1.23
Total	0.74	0.78
<b>Interest rate on interest-bearing liabilities:</b>		
Domestic	0.09	0.13
Overseas	0.41	0.37
Total	0.17	0.18
<b>Interest rate spread:</b>		
Domestic	0.33	0.40
Overseas	0.93	0.86
Total	0.57%	0.60%

Note: (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").

Our interest rate spread, for the fiscal year ended March 31, 2018, decreased to 0.57% from 0.60% for the previous fiscal year. This decrease was primarily the result of decreased interest rate spread on domestic assets, reflecting yen interest rates remained at a low level.

### Net Fees and Commissions

The following table sets forth our fees and commissions income and expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2018	2017
<b>Fees and commissions income:</b>		
Fees and commissions on domestic and foreign exchanges	¥ 61.2	¥ 60.9
Other	68.7	58.4
Total	130.0	119.4
<b>Fees and commissions expenses:</b>		
Fees and commissions on domestic and foreign exchanges	4.0	3.8
Other	29.4	29.0
Total	33.5	32.8
Net fees and commissions	¥ 96.4	¥ 86.6

Net fees and commissions increased by ¥9.8 billion, or 11.3%, from ¥86.6 billion in the fiscal year ended March 31, 2017 to ¥96.4 billion in the fiscal year ended March 31, 2018. Fees and commissions income increased by ¥10.5 billion, or 8.8%, from ¥119.4 billion in the fiscal year ended March 31, 2017 to ¥130.0 billion in the fiscal year ended March 31, 2018, while fees and commissions expenses increased by ¥0.7 billion to ¥33.5 billion in the fiscal year ended March 31, 2018. This increase was primarily due to an increase in fees relating to investment trusts.

### Net Other Operating Income (Loss)

The following table sets forth our net other operating income (loss) for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2018	2017
<b>Other operating income:</b>		
Gains on foreign exchanges	¥194.9	¥ 99.3
Gains on sales of bonds	14.9	11.8
Other	1.7	3.1
Total	211.6	114.3
<b>Other operating expenses:</b>		
Losses on sales of bonds	21.4	14.2
Total	21.4	14.2
Net other operating income (loss)	¥190.2	¥100.0

Net other operating income was ¥190.2 billion in the fiscal year ended March 31, 2018 as compared to net other operating income of ¥100.0 billion in the fiscal year ended March 31, 2017. This was primarily due to an increase in the gains on foreign exchanges.

## General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2018	2017
<b>General and administrative expenses:</b>		
Personnel expenses:		
Salaries and allowances	¥ 103.3	¥ 101.1
Others	23.1	22.0
Total	126.4	123.2
Non-personnel expenses:		
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	598.1	612.4
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. <sup>(1)</sup>	5.6	8.3
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	60.5	66.1
Rent for land, buildings and others	12.6	12.3
Expenses on consigned businesses	55.6	50.7
Depreciation and amortization	37.4	35.3
Communication and transportation expenses	19.0	19.1
Maintenance expenses	11.0	12.6
IT expenses	17.6	16.3
Others	21.0	20.8
Total	838.9	854.3
Taxes and dues (consumption tax and stamp tax, etc.)	77.4	76.4
Total	¥1,042.8	¥1,054.0

Note: (1) We make subsidy payments to JAPAN POST HOLDINGS Co., Ltd. in accordance with Article 122 of the Postal Service Privatization Act.

Our general and administrative expenses decreased 1.0% from ¥1,054.0 billion in the fiscal year ended March 31, 2017 to ¥1,042.8 billion in the fiscal year ended March 31, 2018. This decrease was mainly due to a decrease in commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.

## Other Income and Expenses

The following table sets forth our other income and expenses for the periods indicated:

	Billions of yen	
	For the fiscal year ended March 31,	
	2018	2017
<b>Other income:</b>		
Gains on sales of stocks and other securities	¥ 0.4	¥ 0.0
Gains on money held in trust	51.8	83.0
Other	148.0	12.7
Total	200.4	95.9
<b>Other expenses:</b>		
Losses on sales of stocks and other securities	21.7	—
Losses on money held in trust	0.9	0.1
Other	93.5	6.6
Total	116.2	6.7
Net other income (expenses)	¥ 84.1	¥89.1

Other income increased by ¥104.4 billion, or 108.9%, from ¥95.9 billion in the fiscal year ended March 31, 2017 to ¥200.4 billion in the fiscal year ended March 31, 2018. Other expenses increased by ¥109.5 billion, or 1,620.3%, from ¥6.7 billion in the fiscal year ended March 31, 2017 to ¥116.2 billion in the fiscal year ended March 31, 2018. As a result, net other income decreased by ¥5.0 billion, or 5.6%, from ¥89.1 billion in the fiscal year ended March 31, 2017 to ¥84.1 billion in the fiscal year ended March 31, 2018. The decrease was mainly due to a decrease in gains on money held in trust as a result of a decrease in gains on the sales of equity securities, which we hold through money held in trust, and an increase in losses on sales of stocks and other securities.

Income from deposits included in other income was ¥144.6 billion, and provision for reserve for reimbursement of deposits included in other expenses was ¥84.4 billion in the fiscal year ended March 31, 2018.

### Income Taxes

The following table sets forth our income taxes for the periods indicated:

	Billions of yen, except for percentages	
	For the fiscal year ended March 31,	
	2018	2017
<b>Income taxes:</b>		
Current	¥174.2	¥133.2
Deferred	(28.0)	(4.9)
Total income taxes	¥146.1	¥128.3
Effective income tax rate	29.3%	29.1%

Current income taxes increased ¥40.9 billion, and deferred income taxes decreased ¥23.0 billion, for the fiscal year ended March 31, 2018, compared to the previous fiscal year. As a result, total income taxes for the fiscal year ended March 31, 2018, increased by ¥17.8 billion compared to the previous fiscal year primarily due to an increase in income before income taxes.

The effective income tax rate was 29.3% for the fiscal year ended March 31, 2018, 1.5 percentage points lower than the effective statutory tax rate of 30.8%. The lower effective income tax rate primarily relates to the effect of nontaxable dividends received.

### Net Income

As a result of the foregoing, net income was ¥352.7 billion in the fiscal year ended March 31, 2018 as compared to net income of ¥312.2 billion in the fiscal year ended March 31, 2017.

## FINANCIAL CONDITION

### Total Assets

As of March 31, 2018, we had total assets of ¥210,630.6 billion, an increase of ¥1,061.7 billion, or 0.5%, as compared to total assets of ¥209,568.8 billion as of March 31, 2017.

### Securities Portfolio

Our securities portfolio totaled ¥139,201.2 billion as of March 31, 2018, an increase of ¥408.8 billion, or 0.2%, from ¥138,792.4 billion as of March 31, 2017. This increase was mainly due to an increase in other securities of overseas, which mainly consisted of foreign securities, by ¥6,076.1 billion, or 11.4%, offset in part by a decrease in Japanese government bonds of ¥6,055.2 billion, or 8.8%.

The following table shows a breakdown of our securities by type of security, as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2018	2017
Domestic:		
Japanese government bonds	¥ 62,749.7	¥ 68,804.9
Japanese local government bonds	6,405.1	6,082.2
Japanese corporate bonds	10,716.3	10,986.8
Japanese stocks	31.1	1.3
Other securities	307.6	1.9
Subtotal	80,210.0	85,877.3
Overseas:		
Other securities:	58,991.2	52,915.0
Foreign bonds	20,244.3	20,143.4
Investment trusts	38,746.8	32,726.7
Subtotal	58,991.2	52,915.0
Total	¥139,201.2	¥138,792.4

Note: (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").

Our investment securities are classified into the following primary categories:

- Held-to-maturity securities, which are expected to be held to maturity, are reported at amortized cost (using the straight-line method) based on the moving average method. These securities are not reported at fair value.
- Available-for-sale securities are, as a general principle, reported at fair value, determined based upon the average market price of the final month of the fiscal year for equity securities and at the market price at the balance sheet date for other securities. Net unrealized gains (losses) (including those relating to foreign exchange fluctuations, except where fair value hedge accounting is applicable), net of applicable taxes, are reported in a separate component of net assets.



## Held-to-Maturity Securities

The following tables set forth the amounts on the balance sheet and fair values of held-to-maturity securities, and the difference of these amounts, as of the dates indicated:

Billions of yen					
As of March 31, 2018					
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥29,103.9	¥30,062.1	¥ 958.1	¥ 958.1	¥ —
Japanese local government bonds	—	—	—	—	—
Japanese corporate bonds	2,322.5	2,359.8	37.2	37.2	0.0
Others:	32.4	40.5	8.1	8.1	—
Foreign bonds	32.4	40.5	8.1	8.1	—
<b>Total</b>	<b>¥31,458.9</b>	<b>¥32,462.4</b>	<b>¥1,003.5</b>	<b>¥1,003.5</b>	<b>¥0.0</b>

Billions of yen					
As of March 31, 2017					
	Carrying amount	Fair value	Difference	Amount for which fair value exceeds carrying amount	Amount for which fair value does not exceed carrying amount
Japanese government bonds	¥35,317.4	¥36,691.2	¥1,373.8	¥1,373.8	¥—
Japanese local government bonds	44.6	44.7	0.1	0.1	—
Japanese corporate bonds	2,889.9	2,960.5	70.6	70.6	—
Others:	64.9	76.8	11.9	11.9	—
Foreign bonds	64.9	76.8	11.9	11.9	—
<b>Total</b>	<b>¥38,316.9</b>	<b>¥39,773.4</b>	<b>¥1,456.5</b>	<b>¥1,456.5</b>	<b>¥—</b>

The carrying amount of our held-to-maturity securities as of March 31, 2018 was ¥31,458.9 billion, a decrease of ¥6,857.9 billion, or 17.8%, from ¥38,316.9 billion as of March 31, 2017. This decrease was primarily due to a decrease in the amount of Japanese government bonds, as a larger amount of held-to-maturity Japanese government bonds matured during the period than were newly acquired.

## Available-for-Sale Securities

The following tables set forth the amounts on the balance sheet, acquisition cost and the difference of these amounts for securities whose fair value is available as of the dates indicated:

Billions of yen					
As of March 31, 2018					
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese stocks	¥ 28.7	¥ 28.3	¥ 0.3	¥ 0.6	¥ 0.2
Japanese government bonds	33,645.7	32,515.7	1,129.9	1,129.9	0.0
Japanese local government bonds	6,405.1	6,342.7	62.4	65.5	3.0
Japanese corporate bonds	8,393.7	8,313.0	80.7	85.7	5.0
Others:	59,140.9	58,502.7	638.2	1,288.5	650.2
Foreign bonds	20,211.9	19,836.5	375.3	895.2	519.8
Investment trusts	38,585.4	38,319.6	265.8	392.3	126.5
<b>Total</b>	<b>¥107,614.5</b>	<b>¥105,702.6</b>	<b>¥1,911.8</b>	<b>¥2,570.4</b>	<b>¥658.5</b>

Note: (1) Of the difference shown above, ¥568.7 billion is included in the statement of income as losses because of the application of fair value hedge accounting.

	Billions of yen				
	As of March 31, 2017				
	Carrying amount	Acquisition cost	Difference	Amount for which carrying amount exceeds acquisition cost	Amount for which carrying amount does not exceed acquisition cost
Japanese stocks	—	—	—	—	—
Japanese government bonds	¥ 33,487.5	¥32,166.7	¥1,320.7	¥1,335.7	¥ 14.9
Japanese local government bonds	6,037.6	5,946.7	90.9	94.6	3.7
Japanese corporate bonds	8,096.8	7,990.0	106.8	115.1	8.2
Others:	53,044.8	51,281.2	1,763.6	2,086.9	323.2
Foreign bonds	20,078.5	18,743.3	1,335.1	1,645.1	309.9
Investment trusts	32,604.2	32,169.1	435.0	440.9	5.8
Total	¥100,666.9	¥97,384.7	¥3,282.1 <sup>(1)</sup>	¥3,632.3	¥350.2

Note: (1) Of the difference shown above, ¥185.3 billion is included in the statement of income as losses because of the application of fair value hedge accounting.

The following table set forth the amounts on the balance sheet for securities whose fair value is deemed to be extremely difficult to determine as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2018	2017
Japanese stocks	¥ 0.0	¥ 0.0
Investment trusts	457.1	122.4
Investments in partnerships	11.8	1.9
Total	¥469.0	¥124.4

Our available-for-sale securities include Japanese stocks, domestic bonds and other securities. Domestic bonds consist of Japanese government bonds, Japanese local government bonds and Japanese corporate bonds. Other securities include foreign bonds and investment trusts.

As of March 31, 2018, the carrying amount of our domestic bonds held as available-for-sale securities was ¥48,444.7 billion, an increase of ¥822.7 billion, or 1.7%, from ¥47,622.0 billion as of March 31, 2017. This increase was primarily due to increases in Japanese local government bonds and Japanese corporate bonds. As of March 31, 2018, the carrying amount of other securities was ¥59,140.9 billion, an increase of ¥6,096.0 billion, or 11.4%, from ¥53,044.8 billion as of March 31, 2017. This increase was due to an increase in our holding of foreign securities as part of our efforts to promote diversified and sophisticated investments. As of March 31, 2018, the total difference of carrying amount and acquisition cost for available-for-sale securities was ¥1,911.8 billion, a decrease of ¥1,370.3 billion from a difference of ¥3,282.1 billion as of March 31, 2017. This decrease was mainly due to a decrease in the difference of carrying amount and acquisition cost of foreign bonds, resulting from fluctuating interest rates and foreign exchange rates.

### Impairment Losses on Securities

For the fiscal years ended March 31, 2018 and 2017, no impairment losses were recognized.

### Foreign Bonds

The following table sets forth the amount of foreign bonds by currency as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2018		2017	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 5,423.3	26.7%	¥ 5,220.0	25.9%
U.S. dollar	11,507.6	56.8	11,515.5	57.1
Euro	3,054.3	15.0	2,929.2	14.5
Others	258.9	1.2	478.6	2.3
Total	¥20,244.3	100.0%	¥20,143.4	100.0%

As of March 31, 2018, our holdings of U.S. dollar-denominated bonds totaled ¥11,507.6 billion, a decrease of ¥7.8 billion, or 0.0%, from ¥11,515.5 billion as of March 31, 2017. As of March 31, 2018, our holdings of Euro-denominated bonds totaled ¥3,054.3 billion, an increase of ¥125.0 billion, or 4.2%, from ¥2,929.2 billion as of March 31, 2017. As of March 31, 2018, our holdings of foreign bonds totaled ¥20,244.3 billion, an increase of ¥100.8 billion, or 0.5%, from ¥20,143.4 billion as of March 31, 2017. These increases were primarily due to our diversification and sophistication of our investments.

### Scheduled Redemption Amounts of Securities

The following tables below set forth scheduled redemption amounts of securities that have maturities as of the dates indicated:

	Billions of yen						
	As of March 31, 2018						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥ 7,179.1	¥15,555.6	¥22,324.0	¥ 6,659.0	¥5,679.1	¥3,956.9	¥61,353.9
Japanese local government bonds	785.9	2,227.3	1,374.8	968.5	900.1	25.3	6,282.2
Japanese corporate bonds	2,367.1	2,959.9	1,735.5	1,236.7	1,163.5	1,150.0	10,613.0
Other securities	3,120.2	6,565.7	4,016.8	3,059.9	2,091.8	1,828.1	20,682.7
Total	¥13,452.4	¥27,308.6	¥29,451.3	¥11,924.3	¥9,834.6	¥6,960.4	¥98,931.9

	Billions of yen						
	As of March 31, 2017						
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Total
Japanese government bonds	¥ 9,864.3	¥15,198.1	¥16,115.7	¥20,125.3	¥3,673.6	¥2,403.5	¥ 67,380.6
Japanese local government bonds	568.2	1,779.0	1,818.4	951.8	780.8	27.4	5,925.8
Japanese corporate bonds	1,972.0	3,813.6	1,884.6	1,112.9	891.5	1,178.6	10,853.4
Other securities	3,039.1	6,062.7	5,517.9	2,415.9	2,219.3	828.6	20,083.8
Total	¥15,443.6	¥26,853.6	¥25,336.8	¥24,606.1	¥7,565.3	¥4,438.2	¥104,243.8

### Loans

Unlike other banks in Japan, our lending activities have been limited, primarily due to regulatory restrictions on our lending business. We offer loans secured by deposits, loans secured by Japanese government bonds, loans to central, local and regional government authorities and credit card loans. We also participate in syndicated loans to corporate borrowers, though never as syndicate manager, and acquire corporate loans and others in the secondary market. As of March 31, 2018, our total outstanding loan amount was ¥6,145.5 billion.

As of March 31, 2018 there were no "Loans to bankrupt borrowers," "Past-due loans for three months or more," and "Restructured loans," while "Non-accrual delinquent loans" were ¥0.0 billion. As of March 31, 2017, there were no "Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans."

The substantial majority of our loans are made to domestic borrowers. As of March 31, 2018, we had ¥6,140.5 billion in domestic loans and ¥5.0 billion in overseas loans.

The following table shows a breakdown of our loans by industry as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2018		2017	
	Amount	Percentage	Amount	Percentage
<b>Domestic (excluding Japan Offshore Market accounts):</b>				
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 15.5	0.2%	¥ —	—%
Utilities, information/communications, and transportation	92.1	1.5	75.8	1.8
Wholesale and retail	25.0	0.4	10.5	0.2
Finance and insurance <sup>(1)</sup>	1,121.0	18.2	1,311.2	32.2
Construction and real estate	24.0	0.3	14.0	0.3
Services and goods rental/leasing	22.8	0.3	23.0	0.5
Central and local governments	4,667.1	76.0	2,440.0	60.0
Others	172.6	2.8	189.4	4.6
Subtotal	6,140.5	100.0	4,064.1	100.0
<b>Overseas and Japan Offshore Market accounts:</b>				
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	5.0	100.0	—	—
Subtotal	5.0	100.0	—	—
<b>Total</b>	<b>¥6,145.5</b>		<b>¥4,064.1</b>	

Notes: (1) Of "Finance and insurance," loans to the Management Organization for Postal Savings and Postal Life Insurance ("Management Organization") were ¥829.2 billion and ¥951.2 billion as of March 31, 2018 and 2017, respectively.

(2) "Domestic" represents loans to residents of Japan, while "overseas" represents loans to non-residents of Japan.

As of March 31, 2018, our loans were ¥6,145.5 billion, or 2.9% of total assets, representing an increase of ¥2,081.4 billion, or 51.2%, from March 31, 2017. The increase in our loans was due to an increase in the balance of loans to the Central and local governments.

The following table shows a breakdown of our loans by maturity:

	Billions of yen						Total
	As of March 31, 2018						
	One year or less	More than one year to three years	More than three years to five years	More than five years to seven years	More than seven years to ten years	Over ten years	
Loans	¥4,468.8	¥683.8	¥430.8	¥215.0	¥180.0	¥160.0	¥6,138.6

### Money Held in Trust

We did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2018 and 2017. Money held in trust (excluding held-to-maturity purpose) as of March 31, 2018 and 2017 was as follows:

	Billions of yen, except for percentages			
	As of March 31,			
	2018		2017	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥2,286.1	61.3%	¥2,079.2	61.7%
Domestic bonds	1,256.0	33.7	1,274.1	37.8
Others	183.4	4.9	14.6	0.4
<b>Total</b>	<b>¥3,725.6</b>	<b>100.0%</b>	<b>¥3,368.1</b>	<b>100.0%</b>

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2018, our investments in stocks have been mainly through money held in trust, and such investments have been made for the purpose of further promoting diversification and sophistication of our investments.

## Sources of Funding and Liquidity

### Deposits

Our primary source of funding is from deposits, mainly TEIGAKU deposits and ordinary deposits. The balance of deposits as of March 31, 2018 was ¥179.8 trillion. TEIGAKU deposits can be withdrawn any time 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. Ordinary deposits are demand deposits designed for day-to-day use and can be used for automatic withdrawals, direct deposits and other settlement transactions. More than 90% of our deposits are from retail customers. All of our deposits are denominated in Japanese yen. As of March 31, 2018, our deposits of ¥179.8 trillion exceeded our securities of ¥139.2 trillion by ¥40.6 trillion, and our security-deposit ratio was 77.3%. These deposits provide us with a source of stable and low-cost funds. We continuously monitor fluctuations in the respective types of deposits from time to time relative to fluctuating market conditions to manage the impact of such fluctuations on our interest rate spread and liquidity.

The following table shows a breakdown of our deposits as of the dates indicated:

	Billions of yen, except for percentages			
	As of March 31,			
	2018		2017	
	Amount	Percentage	Amount	Percentage
Liquid deposits <sup>(1)</sup> :	¥ 73,765.4	41.0%	¥ 67,994.9	37.8%
Transfer deposits	14,437.5	8.0	13,052.1	7.2
Ordinary deposits, etc. <sup>(2)</sup>	58,931.5	32.7	54,550.8	30.4
Savings deposits	396.2	0.2	391.9	0.2
Fixed-term deposits <sup>(3)</sup> :	105,989.3	58.9	111,280.7	62.0
Time deposits	8,696.1	4.8	10,065.1	5.6
TEIGAKU deposits, etc. <sup>(4)</sup>	97,293.2	54.0	101,215.5	56.4
Other deposits	128.0	0.0	159.0	0.0
Subtotal	179,882.7	100.0	179,434.6	100.0
Negotiable certificates of deposit	—	—	—	—
<b>Total</b>	<b>¥179,882.7</b>	<b>100.0%</b>	<b>¥179,434.6</b>	<b>100.0%</b>

Notes: (1) Liquid deposits = transfer deposits + ordinary deposits, etc. + savings deposits.

(2) Ordinary deposits, etc. = ordinary deposits + special deposits (those equivalent to ordinary savings deposits). Special deposits, which represent deposits received from the Management Organization, correspond to Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation. Special deposits (those equivalent to ordinary savings deposits) are the portion of deposits received from the Management Organization corresponding to time deposits, TEIGAKU deposits, installment deposits, housing installment deposits and education installment deposits that had reached full term and were passed on to the Management Organization by Japan Post Corporation.

(3) Fixed-term deposits = time deposits + TEIGAKU deposits, etc.

(4) TEIGAKU deposits, etc. = TEIGAKU deposits + special deposits (those equivalent to TEIGAKU deposits).

The total balance of deposits as of March 31, 2018 was ¥179,882.7 billion, an increase of ¥448.0 billion from ¥179,434.6 billion as of March 31, 2017.

The following table sets forth the balances of our time deposits based on the remaining time to maturity:

	Billions of yen						
	As of March 31, 2018						
	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than two years	Two years to less than three years	Three years or more	Total
Fixed interest rates	¥1,916.0	¥1,894.9	¥3,883.2	¥523.7	¥387.5	¥90.5	¥8,696.1
Floating interest rates	—	—	—	—	—	—	—
Other time deposits	—	—	—	—	—	—	—

The following table sets forth the balances of TEIGAKU deposits based on the remaining time to maturity:

	Billions of yen					Total
	As of March 31, 2018					
	Less than one year	One year to less than three years	Three years to less than five years	Five years to less than seven years	Seven years or more	
TEIGAKU deposits	¥13,928.8	¥17,968.2	¥16,276.4	¥15,024.0	¥34,095.5	¥97,293.2

Note: (1) Figures have been calculated based on the assumption that all deposits will be held to maturity.

### Due from Banks and Interbank Funding

Currently, most of our funding, other than deposits, is from short-term borrowings in the interbank market including payables under securities lending transactions and call money. Liquidity may also be provided by redemptions of financial assets such as available-for-sale securities, receivables under securities borrowing transactions and call loans, as well as a reduction of due from banks. We have used and plan to use due from banks, in particular deposits with the Bank of Japan, for funding various investments as opportunities arise from time to time. The balance of due from banks increases or decreases, affected by our funding liquidity and changes in the market environment. The table below shows the outstanding amount of due from banks as of the dates indicated:

	Billions of yen	
	As of March 31,	
	2018	2017
Due from banks	¥49,098.4	¥51,120.5

### Net Assets

The table below presents information relating to our net assets as of March 31, 2018 and 2017:

	Billions of yen, except for percentages	
	As of March 31,	
	2018	2017
Capital stock	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2
Retained earnings	2,399.0	2,233.7
Treasury stock	(1,300.7)	(1,300.4)
Total shareholders' equity	8,894.5	8,729.6
Net unrealized gains (losses) on available-for-sale securities	2,615.4	3,166.9
Net deferred gains (losses) on hedges	3.1	(116.5)
Total valuation and translation adjustments	2,618.5	3,050.4
Net assets	¥11,513.1	¥11,780.0
Net assets as a percentage of total assets	5.4%	5.6%

Net assets as of March 31, 2018 was ¥11,513.1 billion, a decrease of ¥266.8 billion, or 2.2%, compared to March 31, 2017. The decrease was primarily due to a decrease in total valuation and translation adjustments as a result of market fluctuations.

## CAPITAL RESOURCE MANAGEMENT

### Capital Adequacy Ratio

As determined under the Banking Act of Japan, our capital adequacy ratio (non-consolidated, domestic standard) as of March 31, 2018 was 17.42%, a decrease of 4.79 percentage points from March 31, 2017.

Total risk-based capital, the numerator of the ratio, was ¥8,772.0 billion, an increase of ¥155.1 billion from ¥8,616.9 billion as of March 31, 2017.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥50,343.5 billion, representing an increase of ¥11,563.7 billion from ¥38,779.8 billion as of March 31, 2017.

### Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

	Millions of yen		
	As of March 31,		Y-o-Y change
	2018	2017	
Core Capital: instruments and reserves (A)	¥ 8,801,141	¥ 8,636,164	¥ 164,976
Core Capital: regulatory adjustments (B)	29,070	19,224	9,845
Total risk-based capital (A)-(B)=(C)	8,772,071	8,616,940	155,130
Total amount of risk-weighted assets (D)	50,343,515	38,779,806	11,563,708
Credit risk-weighted assets	47,574,709	35,906,558	11,668,151
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,768,805	2,873,248	(104,442)
Capital adequacy ratio (C)/(D) (%)	17.42	22.22	(4.79)

### Dividends

Our total dividend payment for the fiscal year ended March 31, 2018 was ¥187.4 billion. The dividend per share was ¥50.00 and the dividend payout ratio was 53.13%.

## RISK MANAGEMENT

Advances in financial globalization and information technology have led to rapid growth in the diversity and complexity of banking operations, making risk management at financial institutions increasingly important. We place a high priority on risk management and are taking steps to refine our sophisticated framework for risk management, including the identification and control of the risks associated with our operational activities.

Our basic policy is to appropriately manage risks in view of our management strategies and risk characteristics and most effectively utilize our capital. By doing so, we are able to increase enterprise value while maintaining sound finances and appropriate operations.

The authorities and responsibilities of organizational entities and of directors and employees involved in risk management are assigned so that conflicts of interest do not arise. In addition, we have established a system that provides for appropriate cross-checks.

## Risk Categories and Definitions

We define our risks and classify them into the following categories, and manage these risks based on the unique characteristics of each type of risk.

Risk Category	Risk Definition
Market risk	Market risk is the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of loss resulting from changes in earnings generated from assets and liabilities.
Market liquidity risk	Market liquidity risk is the risk that a financial institution will incur losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like.
Funding liquidity risk	Funding liquidity risk is the risk that a financial institution will incur losses because it finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates than under normal conditions due to a mismatch between the maturities of assets and liabilities or an unexpected outflow of funds.
Credit risk	Credit risk is the risk that a financial institution will incur losses from the decline or elimination of the value of assets (including off-balance sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Operational risk	Operational risk is the risk of loss resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events.
Processing risk	Processing risk is the risk of a financial institution incurring a loss from the neglect by officers and employees to conduct administrative work properly, accidents caused by them and violation of Laws conducted by them in the course of the administrative work process. The management of events that constitute processing risk also includes matters relating to administrative work that occur as a result of external impropriety.
IT system risk	IT system risk is the risk that a financial institution will incur loss because of a breakdown or malfunctioning of computer systems or other computer system inadequacies, or because of improper use of computer systems.
Information asset risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.
Legal risk	The risk of losses arising from compensation for damages, penalties, or surcharges, or a decline in customer trust, due to an inability to rigorously comply with laws (including laws, ordinances, internal regulations, and processing procedures, etc.).
Human resources risk	The risk of losses arising from discriminatory acts in human resources administration.
Tangible assets risk	The risk of losses arising from damages to tangible assets resulting from natural disasters or other events.
Reputational risk	The risk of losses arising from the spread among the public, or a certain segment of the public, of false information about us, causing a loss of the Bank's credibility, damage to our image, and as a result, a loss of customers or fund-raising counterparties, or causing a worsening of transaction conditions.



## Risk Management System

The Bank has identified certain risk categories. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to ensure the effectiveness of our comprehensive risk management. The Risk Management Department operates independently from other departments.

We have established special advisory committees to the Executive Committee to handle risk management responsibilities: the Risk Management Committee and the Asset Liability Management (ALM) Committee. These advisory committees submit risk management reports based on risk characteristics and hold discussions about risk management policies and systems.

Prior to launching new products, services, or businesses, we assess potential risks and select appropriate methods to measure risks.

Note: See page 44 for a diagram of the risk management system.

## Compliance with Basel Regulations

The Basel Committee on Banking Supervision has developed the Basel III global regulatory framework to ensure more resilient banks, including regulations for capital adequacy ratio, leverage ratio and liquidity. We have taken an appropriate response based on domestic standards.

Under Basel regulations, banks are required to conform to Pillar 1 (minimum requirements) including minimum capital requirements, Pillar 2 (Supervisory Review Process), which examines the adequacy of risk-based capital required for our banking business by the management of major risks including those not covered in Pillar 1, such as interest rate risk in the banking book, and credit concentration risks, and Pillar 3 (market discipline), which improve the effectiveness of market discipline through sufficient disclosures.

As of March 31, 2018, our capital adequacy ratio was 17.42%, above the regulatory level (4%, domestic standard).

In calculating our capital adequacy ratio, we have adopted the Standardized Approach for credit risk-weighted assets, and the Basic Indicator Approach for operational risk equivalent. We have adopted the special exemption from inclusion for the calculation of market risk equivalent.

## Integrated Risk Management

We broadly classify and define risks into five categories: market, market liquidity, funding liquidity, credit, and operational risks. We manage these risks using both quantitative and qualitative approaches.

In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business (allocation of risk capital) in accordance with the type of expected risk and nature of the business activities. To quantify market risk and credit risk and control risk exposure, we use value at risk ("VaR") techniques. VaR is a statistical method used to compute the maximum expected loss based on assets and liabilities held at given probabilities and for given periods of time. In addition, we perform stress tests based on multiple stress scenarios that assume deterioration in macroeconomic conditions to assess the impact on our financial condition and capital adequacy ratio, for the purpose of verifying the appropriateness of business plans from the forward-looking standpoint of business sustainability.

In our qualitative approach, which is used in conjunction with the quantitative methodology, we assess the nature of the risks. For instance, for operational risk we have established a plan, do, check, action ("PDCA") cycle that recognizes, evaluates, manages, and mitigates risk across our business activities.

Subject to the total amount of allocated capital approved by the Board of Directors, the allocation of risk capital is determined by the President and Representative Executive Officer following discussions in the ALM Committee and the Executive Committee.

Note: See page 45 for a diagram of risk capital allocation.

## MARKET RISK MANAGEMENT / MARKET LIQUIDITY RISK MANAGEMENT

### Market Risk Management System

We manage market risk in a way that reflects the characteristics of our assets, which are principally marketable securities, and our liabilities, which are principally term deposits including TEIGAKU deposits. Through the following methods, we aim to achieve a stable income flow while appropriately controlling market risk.

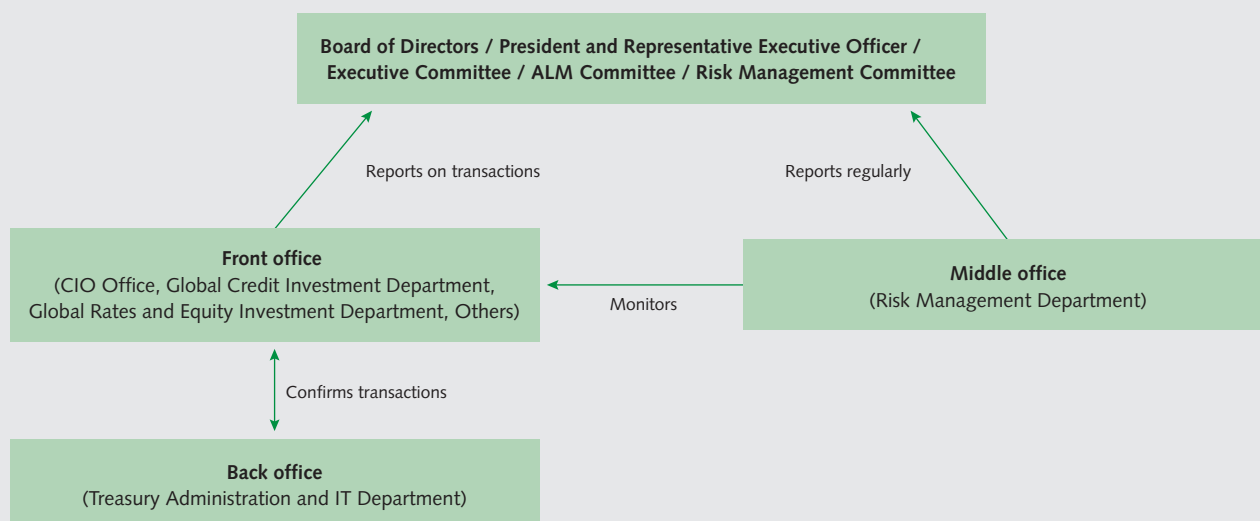
We use the VaR statistical method to quantify market risk. We adjust our market risk frameworks and loss limits in order to ensure that market risk does not exceed risk capital allocated for this purpose. We conduct risk monitoring and management on an on going basis, and also carry out stress testing to account for extreme market fluctuations that might exceed our statistical estimates.

We have established a system for closely monitoring interest rate risk, in recognition of the importance of interest rates on our business. As part of this system, we perform simulations to gauge the effect of interest changes on our earnings.

To provide a system of cross checks and balances in market risk management, we have set up the Risk Management Department as a “middle office” that is independent from our front and back offices. Matters concerning the establishment and operation of a market risk management system and implementation of market risk management are decided through discussions in the Risk Management Committee, the ALM Committee and the Executive Committee.

Daily reports concerning our VaR, market risk limits and loss limits are made directly to management, allowing management to respond rapidly to developments. Risk analyses based on backtesting and stress testing are conducted regularly with reports made to the Executive Committee.

### Market Risk Management System



### Market Risk Measurement Model

Our VaR risk management model measures market risk based on a historical simulation method. The VaR model is based on a one-tailed confidence interval of 99%, a holding period of 240 business days (i.e., one year), and an observation period of 1,200 business days (i.e., five years).

To measure market risk relating to liquid deposits, the Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn (so-called "core deposits") and calculates the interest rate risk amount for them. Market risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

### Stress Tests

VaR models statistically calculate maximum losses at a certain probability, based on historical data. Accordingly, VaR models do not appropriately measure risks in the event of extreme market fluctuations or in the event that historical assumptions do not hold. We periodically perform stress tests to shed light on risks associated with an unexpected worsening in factors unique to our portfolio as well as events in the past that regular risk assessments failed to identify. The findings are reported to the Executive Committee.

### Market Liquidity Risk Management

Our basic approach to market liquidity risk management is to monitor portfolio assets and market conditions so that we are able to take appropriate actions in line with market liquidity conditions. The Risk Management Department monitors market liquidity risk as well as market risk.

### Market Risk Exposure

In the fiscal year ended March 31, 2018, our VaR was as follows:

Currently, we are engaged only in banking operations. We do not conduct trading operations.

### VaR (From April 1, 2017 to March 31, 2018)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2018	¥3,542.8	¥3,706.5	¥3,136.8	¥3,436.5

Note: The method for measuring the risk of market VaR credit spread fluctuation was reviewed in the fiscal year ended March 31, 2018.

## FUNDING LIQUIDITY RISK MANAGEMENT

Our basic approach to funding liquidity risk management is to closely monitor our funding conditions and take timely and appropriate actions when necessary. In addition, we maintain appropriate liquidity reserves in preparation for unexpected fund outflows.

The Risk Management Department, which was originally established to manage funding liquidity risk, conducts monitoring and analysis of funding liquidity risk.

In managing funding liquidity risk, we establish, monitor, and manage funding liquidity indicators to ensure stable liquidity management.

In accordance with funding liquidity and fund-raising trends, we have categorized risk into three stages: "normal," "concerned," and "emergency." We have determined the principal measures we will take in the event that funding liquidity risk reaches the "concerned" or "emergency" stages.

# CREDIT RISK MANAGEMENT

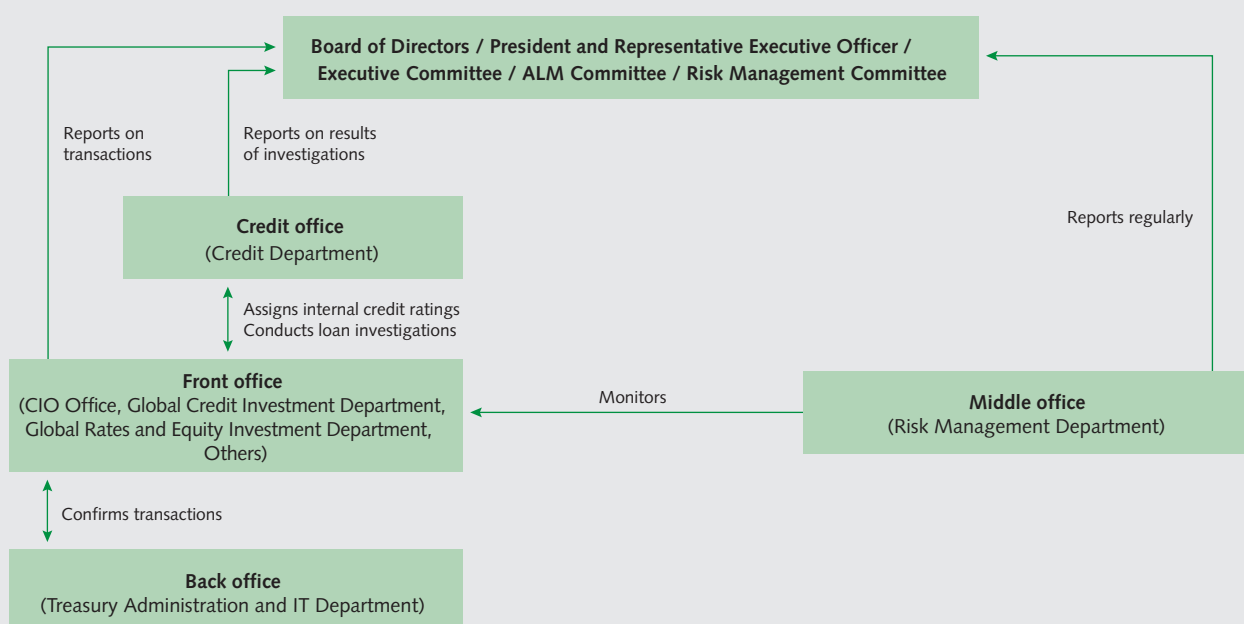
## Credit Risk Management System

The Risk Management Department provides a system of cross checks and balances in credit risk management, as a “middle office” that is independent from our front and back offices. The Risk Management Department oversees our internal credit rating system, self-assessments of assets, and other credit risk management activities. Matters concerning our credit risk management system are decided through discussions at the Executive Committee, the Risk Management Committee and the ALM Committee.

We use the VaR statistical method to quantify credit risk. We monitor our credit risk limit amounts on an ongoing basis in order to ensure that VaR does not exceed allocated risk capital. We also carry out stress testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in the VaR model. In addition, we set exposure limits for individual companies, corporate groups, countries and regions while engaging in a variety of activities including the monitoring and management of credit risk in order to control the concentration of credit.

We manage our credit risk using an internal credit rating system. Our Credit Department handles all credit investigations and assigns internal credit ratings to borrowers. In addition, it monitors borrowers.

## Credit Risk Management System



## Basic Principles of the Credit Code

The credit code establishes the basic philosophy and action guidelines for all our officers and employees to follow in the conduct of sound and proper credit business operations. The credit code has basic principles focusing on public welfare, soundness and profitability.

## Measuring Credit Risk

To measure our credit risk amount (VaR), we use a model which adopts the Monte Carlo method using a one-tailed confidence interval of 99% and holding period of one year.

## Stress Tests

VaR is a measurement of credit risk calculated using statistics based on certain probabilities derived from default rates and other data. It is therefore inadequate to measure any risks arising from a deterioration in creditworthiness caused by large-scale economic fluctuations. We periodically perform stress tests to shed light on risks associated with an unexpected worsening in factors unique to our portfolio as well as events in the past that regular risk assessments failed to identify. The findings are reported to the Executive Committee.

## Internal Credit Ratings

Internal credit ratings are used for various purposes such as in credit policies in daily credit management, credit risk measurement, appropriate pricing, management of the credit portfolio, initial self-assessments, and in making preparations related to write-offs and reserves. Accordingly, in accordance with their credit rating, borrowers are classified into the following 14 categories.

### Internal Credit Rating System

Grades	Concept	Category
1	Has highest credit standing and many superior attributes.	Normal
2	Has exceedingly high credit standing and superior attributes.	
3	Has high credit standing and certain superior attributes.	
4	Has sufficient credit standing but requires attention in case of significant changes in the environment.	
5	Has no problems with credit standing at this point but has attributes requiring attention in case of changes in the environment.	
6	Has no current problems with credit standing but has attributes requiring constant attention.	
		a
7	Has problems with loan conditions, such as by seeking interest rate reductions or rescheduling. Has problems with performance, such as overdue payments of principal or interest. Also has attributes requiring attention to management in the future, such as weak or unstable results or financial problems.	Borrowers requiring caution
8	Payment of principal or interest is past due three months or more calculated from the day following the scheduled payment date. Or, to facilitate the recovery of the loan, loan provisions have been eased to assist in the restructuring of the borrower or otherwise assisting the borrower. The borrower has fallen into business difficulties.	(Borrowers requiring monitoring)
9	Is not currently in bankruptcy but is having management problems. Progress with management improvement plan is not exceptional, and there is a high probability of bankruptcy in the future.	Doubtful borrowers
10	Is not yet legally bankrupt but is in serious financial difficulty. Deemed to have no prospects for restructuring. Effectively bankrupt.	Substantially bankrupt borrowers
11	Legally bankrupt.	Bankrupt borrowers

## Self-assessments, Write-Offs, and Reserves

One key aspect of our credit risk management system is conducting self-assessments to classify our assets, based on degree of risk, by estimating the risk of non-recovery or loss in value. These self-assessments are the preparatory work for appropriate accounting treatment, including write-offs and reserve for possible loan losses.

Detailed accounting standards for reserve for possible loan losses are as follows.

In accordance with predefined standards for write-offs and reserves, reserve for possible loan losses is provided for, as described below, in accordance with borrower categories stipulated in “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants, Special Committee for Audits of Banks, etc., Report No. 4). Operational divisions conduct assessments of all loans in accordance with our standards for loan self-assessments. The results of those assessments are audited by the Internal Audit Planning Department, which is independent from operational divisions. The reserve is provided for in accordance with those assessments.

Loans to borrowers classified as normal or requiring caution are divided into groups, and the expected loss amount for each classification is reserved based on the data provided by credit rating agencies.

For loans to doubtful borrowers, we subtract from the loan balance both the estimated collectible amount from collateral and the estimated collectible amount from guarantees. We then make a provision at an amount equal to a portion of the resulting amount, based on our judgment.

For loans to bankrupt borrowers and loans to substantially bankrupt borrowers, we subtract from the loan balance both the estimated collectible amount from collateral and the estimated collectible amount from guarantees. We then make a provision at an amount equal to the entire resulting amount.

## Asset Classifications

Asset Category	Description
Unclassified (Type I)	Not classified as type II, III, or IV and deemed to have no problems in regard to recovery risk or damage to asset value.
Type II	Above-ordinary level of recovery risk due to failure to meet contractual obligations or to doubts about credit-related issues, etc.
Type III	Final recovery or asset value is very doubtful. There is a high risk of incurring a loss but it is difficult to rationally calculate the amount of that loss.
Type IV	Assessed as unrecoverable or worthless.

## Management of Individual Borrowers

We regularly monitor borrowers' loan repayment status, financial conditions, and other matters that affect credit standing in order to respond to the credit risks of borrowers in a timely and appropriate manner. We also more closely monitor certain borrowers depending on their business condition, such as borrowers subject to possible credit rating downgrades or experiencing sharp drop in stock price.

## OPERATIONAL RISK MANAGEMENT

Operational risk is the risk that losses will be incurred due to inadequate or failed internal processes, people and systems, or due to external events. We classify operational risk into seven categories: processing, IT system, information assets, legal, human resources, tangible assets, and reputational risks. Operational risk is managed in an integrated manner, by the Risk Management Department.

We identify, assess, control, monitor, and mitigate risk for each risk category to manage operational risk and to maintain the soundness of our operations.

The risk management process identifies risks associated with business operations and assesses these risks based on the occurrence frequency, and the degree of their impact on operations. Through the implementation of Risk & Control Self-Assessment ("RCSA"), operational risks and the control effectiveness for mitigating these risks are regularly assessed and examined. RCSA points out areas that require improvement and aspects of our risk management activities that need to be reinforced. Based on the results, we form improvement plans, establish measures to further mitigate risk exposure, and take the required actions.

We maintain an operational risk reporting system, which reports the occurrence of issues such as operational incidents and systemic issues. We analyze the contents of these reports to determine the causes of these incidents and problems and identify trends. This process yields fundamental data for formulating and executing effective countermeasures.

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

As of March 31, 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
<b>Assets:</b>		
Cash and due from banks (Notes 19, 22 and 23)	¥ 49,288,314	\$ 463,933,678
Call loans (Note 22)	480,000	4,518,072
Receivables under securities borrowing transactions (Note 22)	8,224,153	77,411,080
Monetary claims bought (Notes 22 and 23)	278,566	2,622,046
Trading account securities (Notes 22 and 23)	32	302
Money held in trust (Notes 22 and 23)	4,241,524	39,923,989
Securities (Notes 6, 21, 22, 23 and 24)	139,200,459	1,310,245,286
Loans (Notes 22 and 25)	6,145,537	57,845,796
Foreign exchanges (Note 3)	87,487	823,484
Other assets (Notes 4, 6, 22 and 24)	2,442,327	22,988,771
Tangible fixed assets (Note 5):	190,104	1,789,388
Buildings	67,270	633,194
Land	67,628	636,558
Construction in progress	9,410	88,573
Other	45,796	431,062
Intangible fixed assets:	52,382	493,061
Software	35,774	336,734
Other	16,608	156,327
Reserve for possible loan losses (Note 22)	(1,066)	(10,038)
<b>Total assets</b>	<b>¥210,629,821</b>	<b>\$1,982,584,920</b>

See notes to consolidated financial statements.



	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
<b>Liabilities:</b>		
Deposits (Notes 6, 7 and 22)	¥179,881,329	\$1,693,160,100
Payables under repurchase agreements (Notes 6 and 22)	1,985,285	18,686,800
Payables under securities lending transactions (Notes 6 and 22)	13,812,123	130,008,696
Commercial paper (Note 22)	191,481	1,802,344
Borrowed money (Notes 6, 8 and 22)	2,400	22,590
Foreign exchanges (Note 3)	309	2,916
Other liabilities (Notes 9, 22 and 24)	1,950,360	18,358,060
Reserve for bonuses	7,907	74,427
Liability for retirement benefits (Note 26)	135,655	1,276,881
Reserve for employee stock ownership plan trust	809	7,619
Reserve for management board benefit trust	144	1,360
Reserve for reimbursement of deposits	86,114	810,566
Deferred tax liabilities (Note 27)	1,054,220	9,923,007
<b>Total liabilities</b>	<b>199,108,141</b>	<b>1,874,135,371</b>
Contingent liabilities (Note 10)		
<b>Net assets (Note 18):</b>		
Capital stock (Note 11)	3,500,000	32,944,277
Capital surplus (Note 31)	4,296,285	40,439,438
Retained earnings	2,399,162	22,582,477
Treasury stock	(1,300,717)	(12,243,199)
Total shareholders' equity	8,894,730	83,722,993
Net unrealized gains (losses) on available-for-sale securities (Note 23)	2,615,432	24,618,152
Net deferred gains (losses) on hedges	3,119	29,358
Accumulated adjustments for retirement benefits	7,934	74,683
Total accumulated other comprehensive income	2,626,485	24,722,194
Non-controlling interests	463	4,361
<b>Total net assets</b>	<b>11,521,680</b>	<b>108,449,549</b>
<b>Total liabilities and net assets</b>	<b>¥210,629,821</b>	<b>\$1,982,584,920</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
<b>Income:</b>		
Interest income:	¥1,502,747	\$14,144,838
Interest on loans	14,019	131,958
Interest and dividends on securities	1,460,377	13,746,023
Interest on call loans	624	5,878
Interest on receivables under securities borrowing transactions	1,417	13,342
Interest on deposits with banks	24,094	226,791
Other interest income	2,214	20,843
Fees and commissions	130,041	1,224,039
Other operating income (Note 12)	211,627	1,991,979
Other income (Notes 13 and 28)	200,523	1,887,454
<b>Total income</b>	<b>2,044,940</b>	<b>19,248,311</b>
<b>Expenses:</b>		
Interest expenses:	331,781	3,122,946
Interest on deposits	145,129	1,366,052
Interest on call money	124	1,170
Interest on payables under repurchase agreements	17,027	160,271
Interest on payables under securities lending transactions	55,272	520,259
Interest on commercial paper	3,791	35,690
Other interest expenses	110,436	1,039,501
Fees and commissions	33,593	316,206
Other operating expenses (Note 14)	21,400	201,432
General and administrative expenses (Note 15)	1,042,970	9,817,113
Other expenses (Note 16)	116,271	1,094,425
<b>Total expenses</b>	<b>1,546,017</b>	<b>14,552,124</b>
<b>Income before income taxes</b>	<b>498,922</b>	<b>4,696,187</b>
<b>Income taxes (Note 27):</b>		
Current	174,218	1,639,856
Deferred	(28,025)	(263,794)
<b>Total income taxes</b>	<b>146,192</b>	<b>1,376,061</b>
<b>Net income</b>	<b>352,730</b>	<b>3,320,125</b>
<b>Net loss attributable to non-controlling interests</b>	<b>(45)</b>	<b>(424)</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 352,775</b>	<b>\$ 3,320,550</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fiscal year ended March 31, 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
<b>Net income</b>	<b>¥ 352,730</b>	<b>\$ 3,320,125</b>
<b>Other comprehensive income (loss) (Note 17)</b>	<b>(433,157)</b>	<b>(4,077,156)</b>
Net unrealized gains (losses) on available-for-sale securities	(551,548)	(5,191,530)
Net deferred gains (losses) on hedges	119,696	1,126,661
Adjustments for retirement benefits	(1,305)	(12,287)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	(0)	(0)
<b>Comprehensive income (loss)</b>	<b>(80,426)</b>	<b>(757,030)</b>
Total comprehensive income (loss) attributable to:		
Owners of parent	(80,381)	(756,606)
Non-controlling interests	¥ (45)	\$ (424)

<b>Per Share of Common Stock</b>	Yen	U.S. dollars (Note 1)
	2018	2018
Basic net income (Note 30)	¥94.09	\$0.88

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>2018</b>					
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥2,233,759	¥(1,300,411)	¥8,729,634
Changes during the fiscal year:					
Cash dividends			(187,473)		(187,473)
Net income attributable to owners of parent			352,775		352,775
Repurchase of treasury stock				(449)	(449)
Disposal of treasury stock				143	143
Increase due to adoption of equity method to affiliated company			100		100
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	—	165,402	(306)	165,096
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥2,399,162	¥(1,300,717)	¥8,894,730

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>2018</b>						
Balance at the beginning of the fiscal year	¥3,166,980	¥(116,577)	¥ 9,239	¥3,059,643	¥ —	¥11,789,277
Changes during the fiscal year:						
Cash dividends						(187,473)
Net income attributable to owners of parent						352,775
Repurchase of treasury stock						(449)
Disposal of treasury stock						143
Increase due to adoption of equity method to affiliated company						100
Net changes in items other than shareholders' equity	(551,548)	119,696	(1,305)	(433,157)	463	(432,693)
Total changes during the fiscal year	(551,548)	119,696	(1,305)	(433,157)	463	(267,597)
Balance at the end of the fiscal year	¥2,615,432	¥ 3,119	¥ 7,934	¥2,626,485	¥463	¥11,521,680

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
<b>2018</b>					
Balance at the beginning of the fiscal year	\$32,944,277	\$40,439,438	\$21,025,602	\$(12,240,316)	\$82,169,000
Changes during the fiscal year:					
Cash dividends			(1,764,624)		(1,764,624)
Net income attributable to owners of parent			3,320,550		3,320,550
Repurchase of treasury stock				(4,229)	(4,229)
Disposal of treasury stock				1,346	1,346
Increase due to adoption of equity method to affiliated company			949		949
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	—	1,556,874	(2,882)	1,553,992
Balance at the end of the fiscal year	\$32,944,277	\$40,439,438	\$22,582,477	\$(12,243,199)	\$83,722,993

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
<b>2018</b>						
Balance at the beginning of the fiscal year	\$29,809,682	\$(1,097,302)	\$ 86,971	\$28,799,351	\$ —	\$110,968,352
Changes during the fiscal year:						
Cash dividends						(1,764,624)
Net income attributable to owners of parent						3,320,550
Repurchase of treasury stock						(4,229)
Disposal of treasury stock						1,346
Increase due to adoption of equity method to affiliated company						949
Net changes in items other than shareholders' equity	(5,191,530)	1,126,661	(12,287)	(4,077,156)	4,361	(4,072,795)
Total changes during the fiscal year	(5,191,530)	1,126,661	(12,287)	(4,077,156)	4,361	(2,518,803)
Balance at the end of the fiscal year	\$24,618,152	\$ 29,358	\$ 74,683	\$24,722,194	\$4,361	\$108,449,549

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year ended March 31, 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2018	2018
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 498,922	\$ 4,696,187
Adjustments for:		
Depreciation and amortization	37,447	352,477
Losses on impairment of fixed assets	17	166
Equity in losses (gains) of affiliates	(95)	(896)
Net change in reserve for possible loan losses	(30)	(283)
Net change in reserve for bonuses	1,899	17,882
Net change in liability for retirement benefits	175	1,654
Net change in reserve for employee stock ownership plan trust	809	7,619
Net change in reserve for management board benefit trust	100	949
Net change in reserve for reimbursement of deposits	84,018	790,832
Interest income	(1,502,747)	(14,144,838)
Interest expenses	331,781	3,122,946
Losses (gains) related to securities—net	27,739	261,104
Losses (gains) on money held in trust—net	(50,933)	(479,416)
Foreign exchange losses (gains)—net	14,749	138,836
Losses (gains) on sales and disposals of fixed assets—net	713	6,716
Net change in loans	(2,083,094)	(19,607,437)
Net change in deposits	446,642	4,204,093
Net change in borrowed money	2,400	22,590
Net change in call loans, etc.	(36,222)	(340,953)
Net change in receivables under securities borrowing transactions	494,752	4,656,929
Net change in call money, etc.	978,911	9,214,148
Net change in commercial paper	151,156	1,422,787
Net change in payables under securities lending transactions	117,829	1,109,087
Net change in foreign exchange assets	(8,840)	(83,208)
Net change in foreign exchange liabilities	(97)	(917)
Interest received	1,556,245	14,648,399
Interest paid	(823,888)	(7,754,975)
Other—net	(236,254)	(2,223,784)
Subtotal	4,111	38,700
Income taxes paid	(134,523)	(1,266,218)
Net cash provided by (used in) operating activities	(130,411)	(1,227,518)
<b>Cash flows from investing activities:</b>		
Purchases of securities	(24,312,822)	(228,848,101)
Proceeds from sales of securities	3,160,077	29,744,705
Proceeds from maturity of securities	19,717,691	185,595,741
Investment in money held in trust	(231,063)	(2,174,923)
Proceeds from disposition of money held in trust	48,158	453,294
Purchases of tangible fixed assets	(34,446)	(324,230)
Purchases of intangible fixed assets	(24,200)	(227,793)
Other—net	423	3,986
Net cash provided by (used in) investing activities	(1,676,182)	(15,777,321)
<b>Cash flows from financing activities:</b>		
Repurchase of treasury stock	(449)	(4,229)
Proceeds from disposal of treasury stock	25	243
Proceeds from investments by non-controlling shareholders	508	4,785
Cash dividends paid	(187,409)	(1,764,024)
Net cash provided by (used in) financing activities	(187,324)	(1,763,224)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>311</b>	<b>2,930</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,993,607)</b>	<b>(18,765,134)</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	<b>51,216,921</b>	<b>482,086,990</b>
<b>Cash and cash equivalents at the end of the fiscal year (Note 19)</b>	<b>¥ 49,223,314</b>	<b>\$ 463,321,856</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended March 31, 2018

## 1. Basis of Presenting Financial Statements

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Act of Japan (the "Banking Act"), as a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., following its privatization on October 1, 2007 in accordance with the Postal Service Privatization Act. In November 2015, the Bank filed for an initial public offering. As a result, the Bank is no longer a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., while its significant majority of shares are still held by JAPAN POST HOLDINGS Co., Ltd.

The Bank prepares its consolidated financial statements from the fiscal year ended March 31, 2018, consolidated amount for the fiscal year ended March 31, 2017 was not disclosed.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in a) the Japanese Financial Instruments and Exchange Act and its related accounting regulations and b) the "Ordinance for the Enforcement of the Banking Act" (Ordinance of Ministry of Finance No. 10 of 1982), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

In conformity with the Japanese Financial Instruments and Exchange Act and its related accounting regulations, all Japanese yen figures in the financial statements have been rounded down to the nearest million yen amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

The financial statements are stated in Japanese yen, the currency of the country in which the Bank and its consolidated subsidiaries (the "Group") are incorporated and operate. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to US\$1.00, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. All U.S. dollar figures in the financial statements have been rounded down to the nearest thousand dollar amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

## 2. Significant accounting policies for preparing of consolidated financial statements

### a. Scope of Consolidation

Consolidated subsidiaries: 2

Principal company

Japan Post Investment Corporation

Japan Post Investment Corporation has been consolidated from the fiscal year ended March 31, 2018, due to its establishment.

### b. Application of the Equity Method

Affiliates accounted for by the equity-method: 3

Principal companies

SDP Center Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

**c. Fiscal Year of Consolidated Subsidiaries**

(1) Balance sheet dates of the consolidated subsidiaries are as follows:

December 31: 1

March 31: 1

(2) Consolidated subsidiary whose balance sheet date is March 31 was consolidated based on its financial statements as of its balance sheet date.

As the consolidated subsidiary whose balance sheet date is December 31 was consolidated its financial statements on the date of establishment because its closing date had not come to the end from the date of establishment to the consolidated balance sheet date of March 31, 2018.

**d. Accounting Policies**

**( 1 ) Trading Account Securities, Securities and Money Held in Trust**

(a) Trading account securities are stated at fair value.

(b) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost (straight-line method) determined by the moving-average method.

(c) Available-for-sale securities are, as a general principle, stated at the average market price of the final month of the fiscal year for equity securities and at the market price at the consolidated balance sheet date for other securities (cost of securities sold is calculated using primarily the moving-average method). However, available-for-sale securities that are deemed to be extremely difficult to determine a fair value are stated at cost determined by the moving-average method. Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are stated in a separate component of net assets.

(d) Securities invested in money held in trust for the purpose of trading are stated at fair value (cost of securities sold is calculated using primarily the moving-average method). Securities invested in money held in trust classified as available-for-sale are stated in the same way as in (1)(c) above.

**( 2 ) Tangible Fixed Assets**—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

**( 3 ) Intangible Fixed Assets**—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized over the estimated useful life (mainly 5 years).

**( 4 ) Reserve for Possible Loan Losses**—The reserve for possible loan losses is provided for in accordance with the prescribed standards for write-offs and reserves as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4, released on July 4, 2012), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.



All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

- (5) **Reserve for Bonuses**—The reserve for bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.
- (6) **Reserve for Employee Stock Ownership Plan Trust**—The reserve for employee stock ownership plan trust, which is provided for the payment of the Bank's shares to employees, is recorded in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- (7) **Reserve for Management Board Benefit Trust**—The reserve for management board benefit trust, which is provided for the payment of the Bank's shares, etc. to Executive Officers, is recorded in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- (8) **Reserve for Reimbursement of Deposits**—The reserve for reimbursement of deposits, which is provided for depositor's requests for refunds in relation to deposits that are no longer recorded as liabilities, is recorded in the amount of expected losses to be incurred, which is estimated based on future requests for refunds.
- (9) **Employees' Retirement Benefits**—The method of attributing projected benefit obligation to periods ending on or before March 31, 2018 is by the benefit formula basis.

Prior service cost is amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period.

Actuarial gains and losses are amortized using the straight-line method for a fixed period (10 years), within the employees' average remaining service period, from the following year after they are incurred.

- (10) **Foreign Currency Transactions**—Foreign currency denominated assets and liabilities at the balance sheet date are translated into Japanese yen principally at the exchange rates in effect at the balance sheet date.

- (11) **Derivatives and Hedging Activities**—Derivatives are stated at fair value.

Hedging against interest rate risks:

The Group uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the Group applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Report No. 24 of the Industry Audit Committee of JICPA).

To evaluate the effectiveness of portfolio hedges on groups of large-volume, small-value monetary debts, the Group designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them into their maturities.

The Group considers the individual hedges deemed to be highly effective because the Group designates the hedges in such a way that the major conditions of the hedged items are almost the same as the hedging instruments, which allows the interest rate swaps to meet conditions stipulated for special accounting treatment for interest rate swaps.

Hedging against foreign exchange fluctuation risks:

The Group applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuations.

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Group applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

In case of the individual hedges, the Bank considers its hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

**(12) Scope of Cash and Cash Equivalents on the Consolidated Statement of Cash Flows**—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from banks on the consolidated balance sheet, excluding negotiable certificates of deposit in other banks.

**(13) Consumption Taxes**—The Bank and its domestic consolidated subsidiaries are subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

**(14) Additional Information**

**(a) Transactions for Delivery of the Bank's Shares, etc. to its Executive Officers through Trusts**—

The Bank introduced a performance-linked stock compensation system using a trust for the Bank's Executive Officers.

Regarding the accounting treatment of relevant trust agreements, the Bank adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force (PITF) No. 30, released on March 26, 2015).

1) Overview of transactions

The Bank grants points to its Executive Officers in accordance with the Stock Benefit Regulations, and delivers the Bank's shares to Executive Officers who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations (hereinafter the "beneficiary") in accordance with the number of points granted to the beneficiary. A certain portion of the Bank's shares scheduled to be delivered will be converted into cash and the money will be paid by the trust (the management board benefit trust).

As for shares which the Bank intends to deliver to its Executive Officers, a trust bank acquires the Bank's shares from the stock market, including those intended for future deliveries, using money entrusted by the Bank in advance to establish the trust, and such acquired shares are separately managed as trust assets.

2) Residual shares remaining in the trust

The Bank recorded the shares remaining in the trust as treasury stock under net assets, at the book value in the trust (excluding incidental expenses). The book value and the number of said shares of treasury stock, as of March 31, 2018, were ¥401 million (\$3,779 thousand) and 315 thousand shares, respectively.

**(b) Transactions for Delivery of the Bank's Shares to its Management Employees in the Investment Division through Trusts**—Effective from the fiscal year ended March 31, 2018, the Bank introduced an employee stock ownership plan using a trust for the Bank's management employees in the Investment Division.

Regarding the accounting treatment of relevant trust agreements, the Bank adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force (PITF) No. 30, released on March 26, 2015).

### 1) Overview of transactions

The Bank grants points to its management employees in the Investment Division in accordance with the Stock Benefit Regulations, and delivers the Bank's shares to those who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations (hereinafter the "beneficiary") in accordance with the number of points granted to the beneficiary through the trust (the stock benefit trust).

As for shares which the Bank intends to deliver to its management employees in the Investment Division, a trust bank acquires the Bank's shares from the stock market, including those intended for future deliveries, using money entrusted by the Bank in advance to establish the trust, and such acquired shares are separately managed as trust assets.

### 2) Residual shares remaining in the trust

The Bank recorded the shares remaining in the trust as treasury stock under net assets, at the book value in the trust (excluding incidental expenses). The book value and the number of said shares of treasury stock, as of March 31, 2018, were ¥316 million (\$2,981 thousand) and 228 thousand shares, respectively.

## 3. Foreign Exchanges

Foreign exchanges as of March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
<b>Assets:</b>		
Due from foreign banks	¥87,487	\$823,484
<b>Total</b>	¥87,487	\$823,484
<b>Liabilities:</b>		
Foreign bills payable	¥ 309	\$ 2,916
<b>Total</b>	¥ 309	\$ 2,916

## 4. Other Assets

Other assets as of March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Domestic exchange settlement accounts—debit	¥ 8,603	\$ 80,979
Prepaid expenses	2,327	21,908
Accrued income	222,555	2,094,837
Margins for future transactions	139,092	1,309,227
Derivatives other than trading	438,152	4,124,176
Cash collateral paid for financial instruments	38,953	366,650
Advance payments of funds necessary for delivery of deposits in bank agency services	840,000	7,906,626
Other	752,642	7,084,363
<b>Total</b>	¥2,442,327	\$22,988,771

## 5. Accumulated Depreciation on Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets as of March 31, 2018 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Accumulated depreciation	¥170,383	\$1,603,756

## 6. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Assets pledged as collateral:		
Securities	¥16,770,912	\$157,858,741
Liabilities corresponding to assets pledged as collateral:		
Deposits	1,982,813	18,663,529
Payables under repurchase agreements	1,932,490	18,189,856
Payables under securities lending transactions	13,732,965	129,263,607
Borrowed money	2,400	22,590

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥472,331 million (\$4,445,891 thousand) as of March 31, 2018.

"Other assets" included guarantee deposits of ¥2,000 million (\$18,831 thousand), margins with central counterparty of ¥511,672 million (\$4,816,192 thousand), and other margins, etc. of ¥6,253 million (\$58,860 thousand) as of March 31, 2018, respectively.

## 7. Deposits

Deposits as of March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Transfer deposits	¥ 14,436,145	\$ 135,882,391
Ordinary deposits	56,961,382	536,157,587
Savings deposits	396,265	3,729,905
Time deposits	8,696,122	81,853,566
Special deposits*	1,970,182	18,544,638
TEIGAKU deposits**	97,293,213	915,787,026
Other deposits	128,017	1,204,984
Total	¥179,881,329	\$1,693,160,100

\*"Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.

\*\*"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.

Note: "Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the "Ordinance for the Enforcement of the Banking Act."

## 8. Borrowed Money

Borrowed money as of March 31, 2018 consisted of the following:

	Millions of yen			
	2018			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate	Maturity for repayment
Borrowed money:	¥—	¥2,400	—%	
Borrowings	¥—	¥2,400	—%	March, 2019

\*Average interest rate is calculated (weighted average) by interest rate and the amount at the end of the fiscal year ended March 31.

	Thousands of U.S. dollars			
	2018			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate	Maturity for repayment
Borrowed money:	\$—	\$22,590	—%	
Borrowings	\$—	\$22,590	—%	March, 2019

## 9. Other Liabilities

Other liabilities as of March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Domestic exchange settlement accounts—credit	¥ 15,757	\$ 148,317
Income taxes payable	70,109	659,912
Accrued expenses	938,763	8,836,252
Unearned income	60	566
Variation margins for future transactions	141	1,328
Derivatives other than trading	452,620	4,260,354
Cash collateral received for financial instruments	227,686	2,143,131
Asset retirement obligations	416	3,923
Accounts payable	203,731	1,917,655
Other	41,074	386,618
Total	¥1,950,360	\$18,358,060

## 10. Contingent Liabilities

The Group has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
One year or less	¥ 790	\$ 7,442
Over one year	662	6,240
Total	¥1,453	\$13,683

## 11. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2018 was as follows:

	Number of shares	
	2018	
	Authorized	Issued
Common stock	18,000,000,000	4,500,000,000

## 12. Other Operating Income

Other operating income for the fiscal year ended March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Gains on foreign exchanges	¥194,930	\$1,834,812
Gains on sales of bonds	14,926	140,495
Income from derivatives other than for trading or hedging	1,771	16,671
Total	¥211,627	\$1,991,979

## 13. Other Income

Other income for the fiscal year ended March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Recoveries of written-off claims	¥ 21	\$ 201
Gains on sales of stocks and other securities	469	4,420
Gains on money held in trust	51,882	488,356
Income from deposits	144,679	1,361,816
Gains from investments in affiliates	95	896
Other	3,374	31,764
Total	¥200,523	\$1,887,454

## 14. Other Operating Expenses

Other operating expenses for the fiscal year ended March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Losses on sales of bonds	¥21,400	\$201,432

## 15. General and Administrative Expenses

General and administrative expenses for the fiscal year ended March 31, 2018 included the following expenses:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	¥598,116	\$5,629,857

## 16. Other Expenses

Other expenses for the fiscal year ended March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Provision for reserve for possible loan losses	¥ 19	\$ 186
Losses on sales of stocks and other securities	21,735	204,588
Losses on money held in trust	949	8,939
Provision for reserve for reimbursement of deposits	84,473	795,123
Losses on sales and disposals of fixed assets	713	6,716
Losses on impairment of fixed assets	17	166
Other	8,361	78,703
<b>Total</b>	<b>¥116,271</b>	<b>\$1,094,425</b>

## 17. Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the fiscal year ended March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Net unrealized gains (losses) on available-for-sale securities:		
Amount arising during the fiscal year	¥(472,366)	\$(4,446,224)
Reclassification adjustments	(323,829)	(3,048,091)
Before tax effect adjustments	(796,196)	(7,494,316)
Tax effect	244,647	2,302,785
Net unrealized gains (losses) on available-for-sale securities	(551,548)	(5,191,530)
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(12,384)	(116,569)
Reclassification adjustments	186,194	1,752,584
Adjustments of assets' acquisition costs	(1,275)	(12,002)
Before tax effect adjustments	172,535	1,624,011
Tax effect	(52,838)	(497,350)
Net deferred gains (losses) on hedges	119,696	1,126,661
Adjustments for retirement benefits:		
Amount arising during the fiscal year	311	2,931
Reclassification adjustments	(2,193)	(20,643)
Before tax effect adjustments	(1,881)	(17,711)
Tax effect	576	5,424
Adjustments for retirement benefits	(1,305)	(12,287)
Share of other comprehensive income (loss) of affiliates:		
Amount arising during the fiscal year	(0)	(0)
<b>Total other comprehensive income (loss)</b>	<b>¥(433,157)</b>	<b>\$(4,077,156)</b>

## 18. Shareholders' Equity

The Corporate Law of Japan requires that all shares of capital stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as capital stock and the remaining net proceeds as legal capital surplus, which is included in capital surplus. The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be reserved as legal retained earnings or legal capital surplus until the total amount of them equals 100% of capital stock. Legal retained earnings and legal capital surplus that could be used to eliminate or reduce a deficit, or could be capitalized, generally require a resolution of the shareholders' meeting. All legal retained earnings and legal capital surplus are potentially available for dividends. The Corporate Law of Japan permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within shareholders' accounts.

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends.

The maximum amount that the Bank is able to distribute as dividends subject to the approval of the shareholders is calculated based on the non-consolidated financial statements of the Bank in accordance with the Corporate Law of Japan.

Type and number of shares issued and treasury stock for the fiscal year ended March 31, 2018 were as follows:

	Thousand shares				Notes
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year	
Shares issued					
Common stock	4,500,000	—	—	4,500,000	
Treasury stock					
Common stock	750,848	324	104	751,069	*, **, ***

\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 323 thousand shares and 544 thousand shares of treasury stock held by the stock benefit trust.

\*\* An increase of 324 thousand shares of treasury stock is due to the 324 thousand shares of purchases of treasury stock by the stock benefit trust.

\*\*\* A decrease of 104 thousand shares of treasury stock is due to the 104 thousand shares of benefits paid by the stock benefit trust.

### Dividends distributed during the fiscal year ended March 31, 2018

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
May 15, 2017 at the meeting of the Board of Directors	Common stock	¥93,736	\$882,312	¥25.00	\$0.23	March 31, 2017	June 21, 2017
November 14, 2017 at the meeting of the Board of Directors	Common stock	¥93,736	\$882,312	¥25.00	\$0.23	September 30, 2017	December 6, 2017

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2017 and November 14, 2017 included dividends of ¥8 million (\$76 thousand) and ¥13 million (\$128 thousand), respectively, for the Bank's shares held by the stock benefit trust.

Dividends with the record date within the fiscal year ended March 31, 2018 and with the effective date coming after the end of the fiscal year

Resolution	Type	2018						
		Cash dividends (Millions of yen)	Cash dividends (Thousands of U.S. dollars)	Resource of dividends	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
May 15, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	\$882,312	Retained earnings	¥25.00	\$0.23	March 31, 2018	June 20, 2018

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 included dividends of ¥13 million (\$128 thousand) for the Bank's shares held by the management board benefit trust.



## 19. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the consolidated balance sheet as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Cash and due from banks	¥49,288,314	\$463,933,678
Due from banks, –negotiable certificates of deposit in other banks	(65,000)	(611,822)
Cash and cash equivalents	¥49,223,314	\$463,321,856

## 20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2018 were as follows:

(Lessees)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Due within one year	¥ 330	\$ 3,112
Due over one year	987	9,299
Total	¥1,318	\$12,412

(Lessors)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Due within one year	¥47	\$446
Due over one year	—	—
Total	¥47	\$446

## 21. Securities

As of March 31, 2018, Japanese government bonds include ¥550,132 (\$5,178,203 thousand) million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions).

Among the securities borrowed under the contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements, that the Group had the right to sell or pledge without restrictions, the Group held ¥131,681 million (\$1,239,468 thousand) of securities pledged as collateral and held ¥8,382,131 (\$78,898,074 thousand) million of securities neither sold nor pledged as of March 31, 2018.

## 22. Financial Instruments

### a. Notes related to the conditions of financial instruments

#### (1) Policy for handling financial instruments

The Group's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese government bonds, investment trusts, and insurance products, intermediary services including mortgages, and credit card operations.

The Group raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds and foreign bonds as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with market movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Group including affecting the stability of its earnings. The Group therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

Since its incorporation in October 2007, the Group has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Group invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

#### (2) Details of financial instruments and associated risks

The financial assets held by the Group are securities including Japanese bonds and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are less than those of bonds and other securities.

From the viewpoint of the Group's ALM, the Group utilizes interest rate swaps as hedging instruments for interest rate-related transactions to avoid the risks of changes in future economic values and interest rates (cash flows) of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related instruments, the Group utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency-denominated securities held by the Group and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "d. Accounting policies, (11) Derivatives and Hedging Activities" of Note 2. Significant accounting policies for preparing of consolidated financial statements.

#### (3) Risk management structure for financial instruments

##### a) Basic policy

The Executive Committee has established special advisory committees, the Risk Management Committee and the ALM Committee, to handle risk management responsibilities. These advisory committees submit risk management reports based on the nature of each risk and discuss risk management policies and measures.

#### b) Credit risk

The Group manages credit risk using Value at Risk (VaR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Group sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Group has set upper limits of exposure for individual companies, corporate groups, countries and regions to monitor and manage such risk.

The Risk Management Department oversees the Group's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Department assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the credit risk management structure, and matters related to the implementation of credit risk management.

#### c) Market risk

As per the Group's ALM policy, the Group makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Group measures the amount of market risk using the VaR statistical method. The Group sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

The main financial instruments held by the Group or transactions undertaken by the Group that are affected by changes in variable components of major market risk (interest rates, currency exchange rates, stock prices) are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The Group measures and manages market risk using the VaR method. For its market risk measurement model, the Group uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; and observation period of 1,200 operating days (five years)). For liability measurement, the Bank uses its own internal model. In addition, beginning from the fiscal year ended March 31, 2018, the measurement method was reviewed for risks of fluctuations in credit spread for VaR.

As of March 31, 2018, the Group calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥3,542,833 million (\$33,347,457 thousand). VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable. To complement such risks, the Group conducts stress testing using a variety of scenarios.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the market risk management structure, and matters related to the implementation of market risk management.

In addition, the Group has a distinctive asset and liability structure, with Japanese government bonds, etc. accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Group's profit structure, the Group closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Group manages market risk that arises from derivative transactions by separating the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

d) Funding liquidity risk

The Group's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Group sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the funding liquidity risk management structure and matters related to the implementation of funding liquidity risk management.

(4) Supplementary explanation of items related to the fair value of financial instruments

The Group determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

**b. Notes related to the fair values of financial instruments**

The amounts on the consolidated balance sheet, the fair values, and the differences between the two as of March 31, 2018 were as follows:

	Millions of yen		
	2018		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 49,288,314	¥ 49,288,314	¥ —
(2) Call loans	480,000	480,000	—
(3) Receivables under securities borrowing transactions	8,224,153	8,224,153	—
(4) Monetary claims bought	278,566	278,566	—
(5) Trading account securities:			
Securities classified as trading purposes	32	32	—
(6) Money held in trust	4,142,156	4,142,156	—
(7) Securities:			
Held-to-maturity securities	31,458,923	32,454,152	995,228
Available-for-sale securities	107,270,936	107,270,936	—
(8) Loans:	6,145,537		
Reserve for possible loan losses*	(120)		
	6,145,416	6,180,225	34,808
Total assets	¥207,288,498	¥208,318,536	¥1,030,037
(1) Deposits	¥179,881,329	¥180,023,452	¥ 142,123
(2) Payables under repurchase agreements	1,985,285	1,985,285	—
(3) Payables under securities lending transactions	13,812,123	13,812,123	—
(4) Commercial paper	191,481	191,481	—
(5) Borrowed money	2,400	2,400	—
Total liabilities	¥195,872,619	¥196,014,743	¥ 142,123
Derivative transactions**:			
For which hedge accounting is not applied	¥ 6,278	¥ 6,278	¥ —
For which hedge accounting is applied	(20,746)	(20,746)	—
Total derivative transactions	¥ (14,467)	¥ (14,467)	¥ —

	Thousands of U.S. dollars		
	2018		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 463,933,678	\$ 463,933,678	\$ —
(2) Call loans	4,518,072	4,518,072	—
(3) Receivables under securities borrowing transactions	77,411,080	77,411,080	—
(4) Monetary claims bought	2,622,046	2,622,046	—
(5) Trading account securities:			
Securities classified as trading purposes	302	302	—
(6) Money held in trust	38,988,668	38,988,668	—
(7) Securities:			
Held-to-maturity securities	296,111,857	305,479,599	9,367,742
Available-for-sale securities	1,009,703,845	1,009,703,845	—
(8) Loans:	57,845,796		
Reserve for possible loan losses*	(1,135)		
	57,844,660	58,172,301	327,641
<b>Total assets</b>	<b>\$1,951,134,212</b>	<b>\$1,960,829,596</b>	<b>\$9,695,383</b>
(1) Deposits	\$1,693,160,100	\$1,694,497,859	\$1,337,759
(2) Payables under repurchase agreements	18,686,800	18,686,800	—
(3) Payables under securities lending transactions	130,008,696	130,008,696	—
(4) Commercial paper	1,802,344	1,802,344	—
(5) Borrowed money	22,590	22,590	—
<b>Total liabilities</b>	<b>\$1,843,680,532</b>	<b>\$1,845,018,291</b>	<b>\$1,337,759</b>
Derivative transactions**:			
For which hedge accounting is not applied	\$ 59,099	\$ 59,099	\$ —
For which hedge accounting is applied	(195,276)	(195,276)	—
<b>Total derivative transactions</b>	<b>\$ (136,177)</b>	<b>\$ (136,177)</b>	<b>\$ —</b>

\*Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.

\*\*Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

## Valuation methodology for financial instruments

### Assets

#### (1) Cash and due from banks

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Group uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

#### (2) Call loans, (3) Receivables under securities borrowing transactions

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

#### (4) Monetary claims bought

The Group uses the price provided by a broker, etc., as the fair value.

#### (5) Trading account securities

The Group uses the purchase price provided by the Bank of Japan as the fair value.

(6) Money held in trust

For invested securities representing trust assets in money held in trust, the Group uses the price at the exchange market for equities and the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value. For derivative transactions, the Group uses prices quoted by information vendors, etc. as fair value.

Notes pertaining to money held in trust by holding purpose are included in the below "g. Money held in trust" of Note 23. Fair Value Information.

(7) Securities

For stocks, the Group uses the price at the exchange market, while for bonds, the Group uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by a broker, etc., as the fair value. The Group uses the funds' unit price for investment trust as the fair value.

Notes pertaining to securities by holding purpose are included in the below Note 23. Fair Value Information for Securities.

(8) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower's credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value. For fixed-rate loans, the Group calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.

For loans that are limited to within a designated percentage of the amount of pledged assets, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits including transfer deposits and ordinary deposits, the Group uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.

For fixed-term deposits including time deposits and TEIGAKU deposits, the Group classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Group uses the interest rates on newly accepted fixed-term deposits as the discount rate.

(2) Payables under repurchase agreements, (3) Payables under securities lending transactions,

(4) Commercial paper, (5) Borrowed money

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Group uses the book value as the fair value.

Derivative transactions

Derivative transactions consist of interest rate-related transactions (interest rate swaps), currency-related transactions (foreign exchange forward contracts, currency swaps), stock-related transactions (stock index futures), bond-related transactions (bond futures), and credit derivative transactions (credit default swaps), and the Group calculates the fair value using the price at the exchange market and the discounted present value.

The amount on the consolidated balance sheet of financial instruments for which the Group deems it extremely difficult to determine a fair value as of March 31, 2018 was as follows. The fair value information for these financial instruments is not included in "(6) Money held in trust" and "(7) Securities" in total assets.

Type	Millions of yen	Thousands of U.S. dollars
	2018	2018
Money held in trust*	¥ 99,368	\$ 935,320
Securities		
Unlisted stocks**	1,586	14,933
Investment trusts***	457,183	4,303,313
Investments in partnerships****	11,828	111,337
<b>Total</b>	<b>¥569,967</b>	<b>\$5,364,904</b>

\* Money held in trust, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as private REIT, is not included in the scope of fair value disclosures.

\*\* Unlisted stocks are not included in the scope of fair value disclosures because they did not have a market price and it was deemed to be extremely difficult to determine a fair value.

\*\*\* Investment trusts, within which the trust asset components were deemed to be extremely difficult to determine a fair value such as unlisted stocks, are not included in the scope of fair value disclosures.

\*\*\*\* Investments in partnerships are not included in the scope of fair value disclosures because they consisted of partnership asset components such as unlisted stocks which were deemed to be extremely difficult to determine a fair value.

Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal year ended March 31, 2018 were as follows:

	Millions of yen					
	2018					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	¥49,098,445	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	480,000	—	—	—	—	—
Receivables under securities borrowing transactions	8,224,153	—	—	—	—	—
Monetary claims bought	28,784	21,471	36,533	30,696	39,746	120,726
Securities:	13,452,496	27,308,697	29,451,361	11,924,346	9,834,659	6,960,408
Held-to-maturity securities:	6,138,559	7,475,531	15,023,820	2,507,409	321,522	—
Japanese government bonds	5,136,500	6,941,500	14,981,100	2,053,300	—	—
Japanese corporate bonds	1,002,059	501,598	42,720	454,109	321,522	—
Other securities	—	32,433	—	—	—	—
Available-for-sale securities (with maturity date):	7,313,937	19,833,166	14,427,541	9,416,937	9,513,137	6,960,408
Japanese government bonds	2,042,669	8,614,117	7,342,930	4,605,766	5,679,154	3,956,900
Japanese local government bonds	785,915	2,227,390	1,374,897	968,594	900,127	25,314
Japanese corporate bonds	1,365,098	2,458,368	1,692,871	782,647	842,046	1,150,038
Other securities	3,120,253	6,533,289	4,016,842	3,059,930	2,091,810	1,828,156
Loans	4,468,893	683,810	430,829	215,051	180,011	160,084
<b>Total</b>	<b>¥75,752,773</b>	<b>¥28,013,979</b>	<b>¥29,918,725</b>	<b>¥12,170,093</b>	<b>¥10,054,418</b>	<b>¥7,241,219</b>

	Thousands of U.S. dollars					
	2018					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	\$462,146,511	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	4,518,072	—	—	—	—	—
Receivables under securities borrowing transactions	77,411,080	—	—	—	—	—
Monetary claims bought	270,942	202,104	343,880	288,931	374,120	1,136,352
Securities:	126,623,646	257,047,225	277,215,378	112,239,706	92,570,217	65,515,897
Held-to-maturity securities:	57,780,111	70,364,561	141,413,968	23,601,364	3,026,374	—
Japanese government bonds	48,348,079	65,337,914	141,011,859	19,326,995	—	—
Japanese corporate bonds	9,432,031	4,721,366	402,108	4,274,369	3,026,374	—
Other securities	—	305,280	—	—	—	—
Available-for-sale securities (with maturity date):	68,843,535	186,682,663	135,801,410	88,638,341	89,543,843	65,515,897
Japanese government bonds	19,226,935	81,081,679	69,116,436	43,352,467	53,455,893	37,244,917
Japanese local government bonds	7,397,545	20,965,652	12,941,426	9,117,039	8,472,583	238,271
Japanese corporate bonds	12,849,198	23,139,763	15,934,408	7,366,782	7,925,884	10,824,908
Other securities	29,369,855	61,495,568	37,809,138	28,802,052	19,689,481	17,207,799
Loans	42,064,133	6,436,467	4,055,248	2,024,203	1,694,385	1,506,817
Total	\$713,034,387	\$263,685,796	\$281,614,507	\$114,552,841	\$94,638,724	\$68,159,067

Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal year ended March 31, 2018 were as follows:

	Millions of yen					
	2018					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 95,515,079	¥18,879,576	¥16,367,000	¥15,024,088	¥34,095,583	¥—
Payables under repurchase agreements	1,985,285	—	—	—	—	—
Payables under securities lending transactions	13,812,123	—	—	—	—	—
Commercial paper	191,869	—	—	—	—	—
Borrowed money	2,400	—	—	—	—	—
Total	¥111,506,758	¥18,879,576	¥16,367,000	¥15,024,088	¥34,095,583	¥—

	Thousands of U.S. dollars					
	2018					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$ 899,050,072	\$177,706,852	\$154,056,858	\$141,416,499	\$320,929,817	\$—
Payables under repurchase agreements	18,686,800	—	—	—	—	—
Payables under securities lending transactions	130,008,696	—	—	—	—	—
Commercial paper	1,806,000	—	—	—	—	—
Borrowed money	22,590	—	—	—	—	—
Total	\$1,049,574,159	\$177,706,852	\$154,056,858	\$141,416,499	\$320,929,817	\$—

\*Demand deposits are included in "One Year or Less."



## 23. Fair Value Information

The fair value information of securities was as follows.

Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, monetary claims bought, securities listed on the consolidated balance sheet.

### a. Trading account securities

There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the consolidated statement of income for the fiscal year ended March 31, 2018.

### b. Held-to-maturity securities

		Millions of yen		
		2018		
	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	¥29,103,961	¥30,062,108	¥ 958,146
	Japanese corporate bonds	2,290,523	2,327,822	37,299
	Others:	32,433	40,577	8,144
	Foreign bonds	32,433	40,577	8,144
	Total	31,426,917	32,430,507	1,003,590
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese corporate bonds	32,006	31,990	(16)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	32,006	31,990	(16)
Total		¥31,458,923	¥32,462,497	¥1,003,574

		Thousands of U.S. dollars		
		2018		
	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	\$273,945,417	\$282,964,119	\$9,018,701
	Japanese corporate bonds	21,559,896	21,910,980	351,083
	Others:	305,280	381,939	76,658
	Foreign bonds	305,280	381,939	76,658
	Total	295,810,595	305,257,039	9,446,444
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese corporate bonds	301,262	301,111	(151)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	301,262	301,111	(151)
Total		\$296,111,857	\$305,558,150	\$9,446,293

c. Available-for-sale securities whose fair value is available

		Millions of yen		
		2018		
	Type	Amount on the consolidated balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Stocks	¥ 20,915	¥ 20,290	¥ 625
	Bonds:	44,913,626	43,632,319	1,281,307
	Japanese government bonds	33,596,823	32,466,827	1,129,996
	Japanese local government bonds	5,195,917	5,130,394	65,522
	Japanese corporate bonds	6,120,885	6,035,097	85,787
	Others:	37,296,678	36,008,170	1,288,507
	Foreign bonds	11,596,997	10,701,712	895,285
	Investment trusts (Note 2)	25,596,265	25,203,867	392,398
	Total	82,231,220	79,660,780	2,570,440
	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Stocks	7,870	8,098
Bonds:		3,531,123	3,539,223	(8,100)
Japanese government bonds		48,940	48,940	(0)
Japanese local government bonds		1,209,272	1,212,368	(3,096)
Japanese corporate bonds		2,272,910	2,277,914	(5,004)
Others:		21,844,288	22,494,549	(650,260)
Foreign bonds		8,614,928	9,134,822	(519,894)
Investment trusts (Note 2)		12,989,209	13,115,778	(126,568)
Total		25,383,282	26,041,871	(658,589)
Total		¥107,614,502	¥105,702,652	¥1,911,850

		Thousands of U.S. dollars		
		2018		
	Type	Amount on the consolidated balance sheet	Acquisition cost	Difference (Note 1)
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Stocks	\$ 196,868	\$ 190,983	\$ 5,885
	Bonds:	422,756,277	410,695,780	12,060,497
	Japanese government bonds	316,235,164	305,598,898	10,636,265
	Japanese local government bonds	48,907,358	48,290,613	616,744
	Japanese corporate bonds	57,613,755	56,806,267	807,487
	Others:	351,060,602	338,932,327	12,128,275
	Foreign bonds	109,158,482	100,731,477	8,427,005
	Investment trusts (Note 2)	240,928,703	237,235,194	3,693,508
	Total	774,013,748	749,819,090	24,194,658
	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Stocks	74,078	76,230
Bonds:		33,237,228	33,313,475	(76,246)
Japanese government bonds		460,655	460,656	(1)
Japanese local government bonds		11,382,461	11,411,604	(29,142)
Japanese corporate bonds		21,394,111	21,441,213	(47,101)
Others:		205,612,658	211,733,334	(6,120,676)
Foreign bonds		81,089,311	85,982,894	(4,893,583)
Investment trusts (Note 2)		122,262,894	123,454,237	(1,191,343)
Total		238,923,965	245,123,040	(6,199,075)
Total		\$1,012,937,714	\$994,942,131	\$17,995,582

- Notes: 1. Of the difference shown above, ¥568,753 million (\$5,353,473 thousand) losses were included in the consolidated statement of income for the fiscal year ended March 31, 2018 because of the application of fair value hedge accounting.  
 2. Investment trusts are mainly invested in foreign bonds.  
 3. Available-for-sale securities that are deemed to be extremely difficult to determine a fair value as of March 31, 2018 were as follows.

	Millions of yen		Thousands of U.S. dollars	
	2018		2018	
	Amount on the consolidated balance sheet		Amount on the consolidated balance sheet	
Investments in stocks	¥	5	\$	50
Investment trusts		457,183		4,303,313
Investments in partnerships		11,828		111,337
Total		¥469,017		\$4,414,701

Since these securities did not have a market price and it was extremely difficult to determine a fair value, they are not included in "Available-for-sale securities whose fair value is available" shown above.

#### d. Held-to-maturity securities sold during the fiscal year

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2018.

#### e. Available-for-sale securities sold during the fiscal year

Available-for-sale securities sold during the fiscal year ended March 31, 2018 consisted of the following:

Type	Millions of yen		
	2018		
	Sales proceeds	Total realized gains	Total realized losses
Stocks	¥ 999	¥ 195	¥ —
Bonds:	1,261,363	5,937	(6,018)
Japanese government bonds	1,258,985	5,937	(5,910)
Japanese corporate bonds	2,378	—	(108)
Others:	1,949,922	9,262	(37,117)
Foreign bonds	1,669,886	8,988	(15,381)
Investment trusts	280,036	274	(21,735)
Total	¥3,212,285	¥15,395	¥(43,135)

Type	Thousands of U.S. dollars		
	2018		
	Sales proceeds	Total realized gains	Total realized losses
Stocks	\$ 9,404	\$ 1,839	\$ —
Bonds:	11,872,777	55,889	(56,650)
Japanese government bonds	11,850,392	55,889	(55,630)
Japanese corporate bonds	22,385	—	(1,019)
Others:	18,353,938	87,187	(349,370)
Foreign bonds	15,718,056	84,606	(144,781)
Investment trusts	2,635,882	2,581	(204,588)
Total	\$30,236,120	\$144,916	\$(406,021)

**f. Securities for which accounting for impairment was applied**

For the securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. No impairment losses were recognized for the fiscal year ended March 31, 2018.

The criteria for determining if a security's fair value shows a "substantial decline," as a general principle, are as follows:

- a) Bonds and bonds equivalent
  - Securities whose fair value is 70% or less than the acquisition cost
- b) Securities other than a)
  - Securities whose fair value is 50% or less than the acquisition cost, or
  - Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

**g. Money held in trust**

The fair value information of money held in trust was as follows.

Money held in trust for the purpose of trading as of March 31, 2018 was as follows:

	Millions of yen	
	Amount on the consolidated balance sheet	Net unrealized gains (losses) included in the profit and loss recorded in the consolidated statement of income for the fiscal year
Money held in trust for the purpose of trading	¥79,273	¥(370)

	Thousands of U.S. dollars	
	Amount on the consolidated balance sheet	Net unrealized gains (losses) included in the profit and loss recorded in the consolidated statement of income for the fiscal year
Money held in trust for the purpose of trading	\$746,172	\$(3,490)

The Group did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2018.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2018 was as follows:

	Millions of yen				
	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	¥4,062,882	¥2,773,720	¥1,289,162	¥1,292,768	¥(3,606)

	Thousands of U.S. dollars				
	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	\$38,242,496	\$26,108,063	\$12,134,433	\$12,168,382	\$(33,948)

Notes: 1. "Those for which the amount on the consolidated balance sheet exceeds the acquisition cost" and "Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.  
2. Money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value was as follows.

	Millions of yen	Thousands of U.S. dollars
	2018	2018
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Money held in trust classified as:		
Available-for-sale	¥99,368	\$935,320

Since these money held in trust did not have a market price and it was extremely difficult to determine a fair value, they are not included in "Money held in trust (excluding trading and held-to-maturity purposes)" shown above.

#### h. Money held in trust for which accounting for impairment was applied

For money held in trust (excluding money held in trust for the purpose of trading) that are under management as trust assets, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Group reduces its book value of securities to fair value on the consolidated balance sheet and charges valuation differences to income (hereafter "impairment losses") in the fiscal year in which they are recognized. Impairment losses for the fiscal year ended March 31, 2018 amounted to ¥1,088 million (\$10,243 thousand).

The criteria for determining if a security's fair value shows a "substantial decline," as a general principle, are as follows:

- a) Bonds and bonds equivalent
  - Securities whose fair value is 70% or less than the acquisition cost
- b) Securities other than a)
  - Securities whose fair value is 50% or less than the acquisition cost, or
  - Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

#### i. Unrealized gains (losses) on available-for-sale securities

Unrealized gains (losses) on available-for-sale securities as of March 31, 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Valuation differences:	¥ 3,769,977	\$ 35,485,482
Available-for-sale securities	2,480,775	23,350,674
Money held in trust classified as:		
Available-for-sale	1,289,201	12,134,807
Deferred tax assets (liabilities)	(1,154,545)	(10,867,330)
Unrealized gains (losses) on available-for-sale securities (before adjustment)	2,615,432	24,618,152
Amount corresponding to non-controlling interests	—	—
Amount corresponding to net unrealized gains (losses) on available-for-sale securities owned by affiliated company, which is attributable to the Bank	(0)	(0)
Unrealized gains (losses) on available-for-sale securities	¥ 2,615,432	\$ 24,618,152

Notes: 1. In addition to the difference shown above, ¥568,753 million (\$5,353,473 thousand) losses were included in the consolidated statement of income for the fiscal year ended March 31, 2018, because of the application of fair value hedge accounting.

2. "Valuation differences" included the following:

- Valuation differences related to available-for-sale securities which comprised partnership asset components: ¥171 million (\$1,618 thousand)
- Foreign currency translation adjustment related to available-for-sale securities denominated in foreign currencies included in trust asset components of money held in trust classified as available-for-sale that is deemed to be extremely difficult to determine a fair value: ¥39 million (\$374 thousand)

## 24. Derivatives

### a. Derivatives for which hedge accounting is not applied as of March 31, 2018

For derivative transactions for which hedge accounting is not applied, the contract amounts at the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative transactions.

#### (1) Interest rate-related derivatives

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	¥21,248	¥21,248	¥(2,115)	¥(2,115)
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	8,711	8,711	1,752	1,752
Total		/	/	¥ (363)	¥ (363)

		Thousands of U.S. dollars			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	\$200,000	\$200,000	\$(19,910)	\$(19,910)
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	82,000	82,000	16,491	16,491
Total		/	/	\$ (3,419)	\$ (3,419)

Notes: 1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the discounted cash flows.

#### (2) Currency-related derivatives

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	¥437,928	¥—	¥ 9,046	¥ 9,046
	Foreign exchange forward contracts—bought	447,276	—	(2,893)	(2,893)
Total		/	/	¥ 6,152	¥ 6,152

		Thousands of U.S. dollars			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Foreign exchange forward contracts—sold	\$4,122,070	\$—	\$ 85,148	\$ 85,148
	Foreign exchange forward contracts—bought	4,210,056	—	(27,237)	(27,237)
Total		/	/	\$ 57,911	\$ 57,911

Notes: 1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the discounted cash flows.

## (3) Equity-related derivatives

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	¥26,495	¥—	¥(230)	¥(230)
Total		/	/	¥(230)	¥(230)

		Thousands of U.S. dollars			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Equity price index futures—sold	\$249,389	\$—	\$(2,171)	\$(2,171)
Total		/	/	\$(2,171)	\$(2,171)

Notes: 1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the closing price of OSAKA Exchange.

## (4) Bond-related derivatives

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—bought	¥15,936	¥—	¥141	¥141
Total		/	/	¥141	¥141

		Thousands of U.S. dollars			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—bought	\$150,000	\$—	\$1,328	\$1,328
Total		/	/	\$1,328	\$1,328

Notes: 1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the closing price of Chicago Board of Trade.

## (5) Commodity-related derivatives: None as of March 31, 2018

## (6) Credit derivatives

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Credit default swaps—sold	¥16,062	¥16,062	¥579	¥579
Total		/	/	¥579	¥579

		Thousands of U.S. dollars			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Credit default swaps—sold	\$151,189	\$151,189	\$5,451	\$5,451
Total		/	/	\$5,451	\$5,451

Notes: 1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statement of income.  
2. The fair value is determined using the discounted cash flows.  
3. "Sold" represents instruments in which the credit risk is accepted.

## b. Derivatives for which hedge accounting is applied as of March 31, 2018

For derivative instruments for which hedge accounting is applied, the contract amount at the balance sheet date for each type of underlying instruments for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative instruments.

### (1) Interest rate-related derivatives

			Millions of yen		
			2018		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	¥1,810,000	¥1,810,000	¥ 3,169
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps		4,531,492	4,368,620	(159,669)
Total			/	/	¥(156,499)

			Thousands of U.S. dollars		
			2018		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	\$17,036,897	\$17,036,897	\$ 29,837
	Interest rate swap instruments: Pay fixed swaps, receive floating swaps		42,653,351	41,120,294	(1,502,916)
Total			/	/	\$(1,473,079)

Notes: 1. The deferred hedge accounting method is applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.  
2. The fair value is determined using the discounted cash flows.

### (2) Currency-related derivatives

			Millions of yen		
			2018		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities (Foreign securities)	¥4,925,816	¥4,426,624	¥ 63,170
	Foreign exchange forward contracts—sold		36,027	—	(6,540)
	Foreign exchange forward contracts—bought		23,230	—	25
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	2,663,396	—	79,098
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities (Foreign securities)	32,433	32,433	(Note 3)
Total			/	/	¥135,753



			Thousands of U.S. dollars		
			2018		
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Currency swap	Available-for-sale securities (Foreign securities)	<b>\$46,364,986</b>	<b>\$41,666,268</b>	<b>\$ 594,601</b>
	Foreign exchange forward contracts—sold		<b>339,106</b>	—	<b>(61,567)</b>
	Foreign exchange forward contracts—bought		<b>218,660</b>	—	<b>243</b>
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	<b>25,069,623</b>	—	<b>744,525</b>
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities (Foreign securities)	<b>305,280</b>	<b>305,280</b>	<b>(Note 3)</b>
<b>Total</b>			<b>/</b>	<b>/</b>	<b>\$1,277,802</b>

Notes: 1. The deferred hedge accounting method is primarily used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.

2. The fair value is determined using the discounted cash flows.

3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 22. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2018

(4) Bond-related derivatives: None as of March 31, 2018

## 25. Loans

There were no loans to bankrupt borrowers, past-due loans for three months or more, and restructured loans as of March 31, 2018.

Loans to bankrupt borrowers refer to loans for which accrued interest is not recognized upon determination that collection or repayment of principal or interest is unlikely due to a delay in payment of principal or interest over a considerable period or for some other reasons (excluding the portion written down, hereinafter "non-accrual loans") which satisfy the conditions stipulated in Article 96, Paragraph 1, Item 3, (a) through (e) of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965) or Item 4 of the same Paragraph.

Past-due loans for three months or more refer to loans with principal or interest unpaid for three months or more after the day following the due date, excluding loans to bankrupt borrowers and non-accrual delinquent loans.

Restructured loans refer to loans of which terms and conditions have been amended in favor of the borrowers, such as by a reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness, with the objective of restructuring businesses of the borrowers or supporting them, excluding the loans to bankrupt borrowers, non-accrual delinquent loans and past-due loans for three months or more.

Non-accrual delinquent loans, before reserved, were ¥0 million (\$4 thousand). Non-accrual delinquent loans refer to non-accrual loans other than the loans to bankrupt borrowers and the loans for which interest payments are deferred with the objective of restructuring businesses of the borrowers or supporting them.

The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more, or restructured loans were, before reserved, ¥0 million (\$4 thousand).

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Group will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated.

The unused commitment balance relating to these loan agreements amounted to ¥19,364 million (\$182,274 thousand) as of March 31, 2018. Of this amount, there were no loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time as of March 31, 2018.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the Group. Conditions are included in certain loan agreements that allow the Group to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Group's credit. At the inception of contracts, the Group has the obligor pledge collateral to the Group in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Group reviews the obligor's financial condition in accordance with the Bank's (or the subsidiaries') established internal procedures and takes necessary measures to protect their credit.

## 26. Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2018 was as follows:

### a. Outline of employees' retirement benefit plans adopted by the Bank

The Bank has a lump-sum retirement payment plan for employees based on the internal retirement benefit rule.

In addition, started from October 1, 2015, the new retirement pension plan has been applied to the Bank. The plan is based on the "Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012)," which was introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension.

### b. Defined-benefit plan

(1) Reconciliations of the projected benefit obligation at the beginning and the end of the fiscal year

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Projected benefit obligation at the beginning of the fiscal year	¥135,480	\$1,275,226
Service cost	7,262	68,356
Interest cost on projected benefit obligation	948	8,926
Net actuarial (gains) losses arising during the fiscal year	(311)	(2,931)
Retirement benefits paid	(7,637)	(71,888)
Others	(85)	(808)
Projected benefit obligation at the end of the fiscal year	¥135,655	\$1,276,881

## (2) Reconciliations of the projected benefit obligation at the end of the fiscal year and the Liability for retirement benefits recorded on the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Unfunded projected benefit obligation	¥135,655	\$1,276,881
The liability for retirement benefits recorded on the consolidated balance sheet	¥135,655	\$1,276,881

## (3) Total retirement benefit costs and components

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Service cost	¥ 7,262	\$ 68,356
Interest cost on projected benefit obligation	948	8,926
Amortization of net actuarial (gains) losses	(1,031)	(9,712)
Amortization of prior service cost	(1,161)	(10,930)
Others	110	1,038
Total retirement benefit costs related to the defined-benefit plan	¥ 6,127	\$ 57,677

## (4) Adjustments for retirement benefits (before tax effect)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Prior service cost	¥(1,161)	\$(10,930)
Net actuarial (gains) losses	(720)	(6,781)
Total	¥(1,881)	\$(17,711)

## (5) Accumulated adjustments for retirement benefits (before tax effect)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Unrecognized prior service cost	¥ 8,031	\$ 75,599
Unrecognized net actuarial gains (losses)	3,407	32,072
Total	¥11,439	\$107,672

## (6) The major assumptions used in the calculation of projected benefit obligation

	2018
Discount rate	0.7%

## 27. Deferred Tax Assets/Liabilities

Income taxes, which consist of corporation, inhabitants', and enterprise taxes, are calculated based on taxable income.

### a. The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Deferred tax assets:		
Reserve for possible loan losses	¥ 14	\$ 138
Liability for retirement benefits	41,542	391,027
Software in progress	4,932	46,432
Reserve for reimbursement of deposits	26,372	248,233
Depreciation	7,759	73,033
Accrued interest on deposits	212	1,999
Unrealized losses of money held in trust	2,918	27,471
Accrued enterprise taxes	5,783	54,442
Other	19,065	179,454
Subtotal deferred tax assets	108,602	1,022,232
Valuation allowance	(31)	(298)
Total deferred tax assets	108,570	1,021,933
Deferred tax liabilities:		
Net unrealized (gains) losses on available-for-sale securities	(1,154,545)	(10,867,330)
Net deferred (gains) losses on hedges	(1,376)	(12,960)
Other	(6,868)	(64,650)
Total deferred tax liabilities	(1,162,790)	(10,944,941)
Net deferred tax assets (liabilities)	¥(1,054,220)	\$ (9,923,007)

### b. The reconciliation of the effective statutory tax rate of the Group to the effective income tax rate for the fiscal year ended March 31, 2018 was as follows:

	2018
Effective statutory tax rate	30.85%
Adjustments for:	
Permanent differences (e.g., Entertainment expenses)	0.02
Permanent differences (e.g., Cash dividends received)	(0.56)
Per capita inhabitants' taxes, etc.	0.05
Income tax credit	(1.43)
Other	0.36
Effective income tax rate	29.30%

## 28. Segment Information

Segment information is omitted since the Bank comprises of only one segment, which is defined as banking service.

### Related Information

#### a. Information about services

	Millions of yen				
	2018				
	Lending	Securities investment	Fee and commissions	Other	Total
Ordinary income to external customers	¥14,019	¥1,770,824	¥130,041	¥130,054	¥2,044,940

	Thousands of U.S. dollars				
	2018				
	Lending	Securities investment	Fee and commissions	Other	Total
Ordinary income to external customers	\$131,958	\$16,668,152	\$1,224,039	\$1,224,161	\$19,248,311

Notes: 1. Consolidated ordinary income is presented as a counterpart of sales of companies in other industries.

2. "Other" mainly includes income from deposits of ¥144,679 million (\$1,361,816 thousand).

3. "Other" includes the income (loss) in connection with hedging instruments.

#### b. Information about geographical areas

##### (1) Income

Information about income by geographical area is omitted as income from external customers in Japan accounted for more than 90% of the total income in the consolidated statement of income for the fiscal year ended March 31, 2018.

##### (2) Tangible fixed assets

Information about tangible fixed assets by geographical areas is omitted as related assets located in Japan accounted for more than 90% of the tangible fixed assets in the consolidated balance sheet as of March 31, 2018.

#### c. Information about major customers

Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total income in the consolidated statement of income for the fiscal year ended March 31, 2018.

#### Information about losses on impairment of fixed assets by reported segments

The related information is omitted as the Group comprises of only one segment, which is defined as banking service.

#### Information about amortization of goodwill and unamortized balance by reported segments

None

#### Information about recognized gain on negative goodwill by reported segments

None

## 29. Related Party Transactions

### a. Transactions with related parties

Transactions between the Group and related parties for the fiscal year ended March 31, 2018 were as follows:

#### (1) Transactions between the Group and the parent company, or major corporate shareholders:

For the fiscal year ended March 31, 2018

JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	89.00% of the Bank's shares (Direct)	
Capital	¥3,500,000 million (\$32,944,277 thousand)	
Nature of transactions	Management of JAPAN POST GROUP Concurrent holding of positions by executive management directors	
Details of transactions	Payment of grants*	Payment of brand royalty fees**
Transaction amount	¥5,679 million (\$53,463 thousand)	¥4,123 million (\$38,808 thousand)
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥371 million (\$3,492 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

\*Payment is made pursuant to Article 122 of the Postal Service Privatization Act.

\*\*The Bank belongs to JAPAN POST GROUP and receives benefits from the brand value of JAPAN POST GROUP that reflects the Bank's performance, and pays brand royalty fees calculated at a certain rate of the average deposit balance for the previous fiscal year, which is considered as the representative performance metric.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

#### (2) Transactions between the Group and unconsolidated subsidiaries or affiliates:

None for the fiscal year ended March 31, 2018

#### (3) Transactions between the Group and companies with the same parent or subsidiaries of the Group's affiliates:

For the fiscal year ended March 31, 2018

JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil				
Capital	¥400,000 million (\$3,765,060 thousand)				
Nature of transactions	Concurrent holding of positions by executive management directors, Commissions on bank agency services, etc., Bank counter services agreement and Consignment contracts for logistics operations				
Details of transactions	Payment of commissions on bank agency services, etc.*	Receipt and payment of funds related to bank agency services	—***	Payment of consignment fees for logistics operations****	
Transaction amount	¥598,116 million (\$5,629,857 thousand)	¥866,821 million (\$8,159,091 thousand)		¥3,023 million (\$28,455 thousand)	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥53,325 million (\$501,930 thousand)	¥840,000 million (\$7,906,626 thousand)	¥27,999 million (\$263,546 thousand)	¥292 million (\$2,754 thousand)	¥45 million (\$425 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

\*The figures are determined based on costs, etc., incurred in connection with commissions on bank agency services, etc.

\*\*The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2018.

\*\*\*The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

\*\*\*\*Payment is made for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

## Japan Post Information Technology Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil
Capital	¥3,150 million (\$29,649 thousand)
Nature of transactions	Concurrent holding of positions by executive management directors Payment of IT system (PNET) service charge
Details of transactions	Payment of IT system (PNET) service charge*
Transaction amount	¥17,573 million (\$165,415 thousand)
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥2,094 million (\$19,718 thousand)

Transaction conditions and policies on determining transaction conditions, etc.

\*Payment is made for data processing services using JAPAN POST GROUP internal networks at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

## (4) Transactions between the Group and directors and/or executive officers, or major individual shareholders:

None for the fiscal year ended March 31, 2018

## b. Notes related to the parent company and/or significant affiliates

## (1) Information on the parent company

JAPAN POST HOLDINGS Co., Ltd. (Listed on Tokyo Stock Exchange)

## (2) Information on significant affiliates

None

## 30. Per Share Data

Net assets per share as of March 31, 2018 and net income per share for the fiscal year then ended were as follows:

	Yen 2018	U.S. dollars 2018
Net assets per share	¥3,073.20	\$28.92
Net income per share	94.09	0.88

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the fiscal year ended March 31, 2018.

2. Net assets per share as of March 31, 2018 were calculated based on the following:

	Millions of yen 2018	Thousands of U.S. dollars 2018
Net assets	¥11,521,680	\$108,449,549
Amounts excluded from net assets	463	4,361
Non-controlling interests	463	4,361
Net assets attributable to common stock at the end of the fiscal year	11,521,216	108,445,187
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	3,748,930	

3. Net income per share data for the fiscal year ended March 31, 2018 was calculated based on the following:

	Millions of yen 2018	Thousands of U.S. dollars 2018
Net income attributable to owners of parent	¥352,775	\$3,320,550
Amount not attributable to common shareholders	—	—
Net income attributable to owners of parent attributable to common stock	352,775	3,320,550
Average number of common stock outstanding during the fiscal year (thousand shares)	3,748,952	

4. To calculate net assets per share, the treasury stock deducted from the number of common stock outstanding as of March 31, 2018 included 544 thousand shares of treasury stock held by the management board benefit trust. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the fiscal year ended March 31, 2018 included 522 thousand shares of treasury stock held by the management board benefit trust.

### 31. Significant Subsequent Event

**Reduction in the Amount of Legal Capital Surplus**—The Bank has resolved at its Board of Directors Meeting held on May 15, 2018 that the Bank submitted the proposal below for reducing the amount of legal capital surplus to the ordinary general meeting of shareholders to be held on June 19, 2018, and the proposal was approved at the ordinary general meeting of shareholders.

- a) Purpose of reduction in the amount of legal capital surplus  
In order to ensure the flexibility and dynamism of future capital policy, the Bank will reduce the amount of legal capital surplus and transfer the same amount to other capital surplus, pursuant to Article 448, Paragraph 1 of the Companies Act.
- b) Outline of reduction in the amount of legal capital surplus (include in capital surplus)
  - Items and amount of surplus to be reduced  
¥796,285,955,819 (\$7,495,161,481) out of ¥4,296,285,955,819 (\$40,439,438,590) of legal capital surplus
  - Items and amount of surplus to be increased  
Other capital surplus ¥796,285,955,819 (\$7,495,161,481)
- c) Effective date of reduction in the amount of legal capital surplus  
July 31, 2018 (tentative)





## Independent Auditor's Report

To the Board of Directors of JAPAN POST BANK Co., Ltd.:

We have audited the accompanying consolidated financial statements of JAPAN POST BANK Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST BANK Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

We draw attention to Note 31 "Significant Subsequent Event" to the consolidated financial statements. JAPAN POST BANK Co., Ltd. resolved to reduce the amount of legal capital surplus and transfer the same amount to other capital surplus at its ordinary general meeting of shareholders held on June 19, 2018. Our opinion is not modified in respect of this matter.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2018  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Non-Consolidated Financial Statements

## NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets:</b>			
Cash and due from banks	¥ 49,288,314	¥ 51,281,921	\$ 463,933,678
Cash	189,868	161,372	1,787,167
Due from banks	49,098,445	51,120,549	462,146,511
Call loans	480,000	470,000	4,518,072
Receivables under securities borrowing transactions	8,224,153	8,718,905	77,411,080
Monetary claims bought	278,566	252,214	2,622,046
Trading account securities	32	9	302
Trading Japanese government bonds	32	9	302
Money held in trust	4,241,524	3,817,908	39,923,989
Securities	139,201,254	138,792,448	1,310,252,774
Japanese government bonds	62,749,725	68,804,989	590,641,237
Japanese local government bonds	6,405,190	6,082,225	60,289,820
Japanese corporate bonds	10,716,325	10,986,829	100,869,026
Other securities	59,330,013	52,918,403	558,452,691
Loans	6,145,537	4,064,120	57,845,796
Loans on deeds	5,972,878	3,866,110	56,220,622
Overdrafts	172,658	198,009	1,625,173
Foreign exchanges	87,487	78,646	823,484
Other assets	2,442,328	1,871,733	22,988,783
Tangible fixed assets	190,098	175,825	1,789,327
Intangible fixed assets	52,372	46,183	492,962
Reserve for possible loan losses	(1,066)	(1,096)	(10,038)
<b>Total assets</b>	<b>¥210,630,601</b>	<b>¥209,568,820</b>	<b>\$1,982,592,261</b>

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Liabilities:</b>			
Deposits	¥179,882,759	¥179,434,686	\$1,693,173,567
Call money	—	45,436	—
Payables under repurchase agreements	1,985,285	960,937	18,686,800
Payables under securities lending transactions	13,812,123	13,694,294	130,008,696
Commercial paper	191,481	40,324	1,802,344
Borrowed money	2,400	—	22,590
Foreign exchanges	309	407	2,916
Other liabilities	1,950,331	2,185,197	18,357,785
Reserve for bonuses	7,879	6,007	74,170
Reserve for employees' retirement benefits	147,095	148,800	1,384,554
Reserve for employee stock ownership plan trust	809	—	7,619
Reserve for management board benefit trust	144	43	1,360
Reserve for reimbursement of deposits	86,114	2,096	810,566
Deferred tax liabilities	1,050,715	1,270,550	9,890,018
<b>Total liabilities</b>	<b>199,117,450</b>	<b>197,788,782</b>	<b>1,874,222,990</b>
<b>Net assets:</b>			
Capital stock	3,500,000	3,500,000	32,944,277
Capital surplus	4,296,285	4,296,285	40,439,438
Retained earnings	2,399,031	2,233,759	22,581,244
Treasury stock	(1,300,717)	(1,300,411)	(12,243,199)
Total shareholders' equity	8,894,599	8,729,634	83,721,759
Net unrealized gains (losses) on available-for-sale securities	2,615,432	3,166,980	24,618,152
Net deferred gains (losses) on hedges	3,119	(116,577)	29,358
Total valuation and translation adjustments	2,618,551	3,050,403	24,647,510
<b>Total net assets</b>	<b>11,513,151</b>	<b>11,780,037</b>	<b>108,369,270</b>
<b>Total liabilities and net assets</b>	<b>¥210,630,601</b>	<b>¥209,568,820</b>	<b>\$1,982,592,261</b>

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to US\$1.00, the approximate rate of exchange as of March 31, 2018.

## NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the fiscal years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Income:</b>			
Interest income:	¥1,502,747	¥1,567,512	\$14,144,838
Interest on loans	14,019	17,748	131,958
Interest and dividends on securities	1,460,377	1,522,075	13,746,023
Interest on call loans	624	636	5,878
Interest on receivables under securities borrowing transactions	1,417	1,471	13,342
Interest on deposits with banks	24,094	23,974	226,791
Other interest income	2,214	1,607	20,843
Fees and commissions:	130,041	119,465	1,224,039
Fees and commissions on domestic and foreign exchanges	61,289	60,991	576,898
Other fees and commissions	68,752	58,474	647,141
Other operating income	211,627	114,371	1,991,979
Other income	200,427	95,931	1,886,558
<b>Total income</b>	<b>2,044,845</b>	<b>1,897,281</b>	<b>19,247,415</b>
<b>Expenses:</b>			
Interest expenses:	331,781	348,746	3,122,946
Interest on deposits	145,129	200,373	1,366,052
Interest on call money	124	566	1,170
Interest on payables under repurchase agreements	17,027	6,620	160,271
Interest on payables under securities lending transactions	55,272	41,542	520,259
Interest on commercial paper	3,791	54	35,690
Interest on borrowings	—	0	—
Interest on interest rate swaps	107,907	97,547	1,015,696
Other interest expenses	2,529	2,042	23,804
Fees and commissions:	33,593	32,845	316,206
Fees and commissions on domestic and foreign exchanges	4,098	3,814	38,581
Other fees and commissions	29,494	29,031	277,624
Other operating expenses	21,400	14,280	201,432
General and administrative expenses	1,042,860	1,054,053	9,816,077
Other expenses	116,271	6,758	1,094,425
<b>Total expenses</b>	<b>1,545,907</b>	<b>1,456,684</b>	<b>14,551,087</b>
<b>Income before income taxes</b>	<b>498,937</b>	<b>440,596</b>	<b>4,696,327</b>
<b>Income taxes:</b>			
Current	174,218	133,287	1,639,855
Deferred	(28,025)	(4,954)	(263,794)
<b>Total income taxes</b>	<b>146,192</b>	<b>128,332</b>	<b>1,376,060</b>
<b>Net income</b>	<b>¥ 352,745</b>	<b>¥ 312,264</b>	<b>\$ 3,320,266</b>

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## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

For the fiscal years ended March 31, 2018 and 2017

	Millions of yen						
	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Treasury stock	
				Retained earnings brought forward			
<b>2018</b>							
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,233,759	¥(1,300,411)	¥8,729,634
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					352,745		352,745
Repurchase of treasury stock						(449)	(449)
Disposal of treasury stock						143	143
Transfer of loss on disposal of treasury stock							—
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	165,271	(306)	164,965
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,399,031	¥(1,300,717)	¥8,894,599

	Millions of yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>2018</b>				
Balance at the beginning of the fiscal year	¥3,166,980	¥(116,577)	¥3,050,403	¥11,780,037
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				352,745
Repurchase of treasury stock				(449)
Disposal of treasury stock				143
Transfer of loss on disposal of treasury stock				—
Net changes in items other than shareholders' equity	(551,548)	119,696	(431,851)	(431,851)
Total changes during the fiscal year	(551,548)	119,696	(431,851)	(266,886)
Balance at the end of the fiscal year	¥2,615,432	¥ 3,119	¥2,618,551	¥11,513,151

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED) (Continued)

	Thousands of U.S. dollars						
	Shareholders' equity						Total shareholders' equity
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Treasury stock	
Retained earnings brought forward							
<b>2018</b>							
Balance at the beginning of the fiscal year	\$32,944,277	\$40,439,438	\$—	\$40,439,438	\$21,025,602	\$(12,240,316)	\$82,169,000
Changes during the fiscal year:							
Cash dividends					(1,764,624)		(1,764,624)
Net income					3,320,266		3,320,266
Repurchase of treasury stock						(4,229)	(4,229)
Disposal of treasury stock						1,346	1,346
Transfer of loss on disposal of treasury stock							—
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	—	—	—	1,555,641	(2,882)	1,552,758
Balance at the end of the fiscal year	\$32,944,277	\$40,439,438	\$—	\$40,439,438	\$22,581,244	\$(12,243,199)	\$83,721,759

	Thousands of U.S. dollars			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>2018</b>				
Balance at the beginning of the fiscal year	\$29,809,682	\$(1,097,302)	\$28,712,380	\$110,881,380
Changes during the fiscal year:				
Cash dividends				(1,764,624)
Net income				3,320,266
Repurchase of treasury stock				(4,229)
Disposal of treasury stock				1,346
Transfer of loss on disposal of treasury stock				—
Net changes in items other than shareholders' equity	(5,191,530)	1,126,661	(4,064,869)	(4,064,869)
Total changes during the fiscal year	(5,191,530)	1,126,661	(4,064,869)	(2,512,110)
Balance at the end of the fiscal year	\$24,618,152	\$ 29,358	\$24,647,510	\$108,369,270

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	Millions of yen							
	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Retained earnings brought forward		
2017								
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,108,969	¥(1,299,999)	¥8,605,256	
Changes during the fiscal year:								
Cash dividends					(187,473)		(187,473)	
Net income					312,264		312,264	
Repurchase of treasury stock						(418)	(418)	
Disposal of treasury stock			(0)	(0)		6	6	
Transfer of loss on disposal of treasury stock			0	0	(0)		—	
Net changes in items other than shareholders' equity								
Total changes during the fiscal year	—	—	—	—	124,790	(411)	124,378	
Balance at the end of the fiscal year	¥3,500,000	¥4,296,285	¥—	¥4,296,285	¥2,233,759	¥(1,300,411)	¥8,729,634	

	Millions of yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
2017				
Balance at the beginning of the fiscal year	¥3,322,827	¥(419,932)	¥2,902,894	¥11,508,150
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				312,264
Repurchase of treasury stock				(418)
Disposal of treasury stock				6
Transfer of loss on disposal of treasury stock				—
Net changes in items other than shareholders' equity	(155,846)	303,355	147,508	147,508
Total changes during the fiscal year	(155,846)	303,355	147,508	271,887
Balance at the end of the fiscal year	¥3,166,980	¥(116,577)	¥3,050,403	¥11,780,037

# Financial Data (Non-Consolidated)

## KEY FINANCIAL INDICATORS

### Key Financial Indicators

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Ordinary income	¥ 2,044,845	¥ 1,897,281
Operating profit (before provision for general reserve for possible loan losses)	417,320	354,087
Net operating profit	417,309	354,098
Net ordinary income	499,669	442,085
Net income	352,745	312,264
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	4,500,000
Net assets	11,513,151	11,780,037
Total assets	210,630,601	209,568,820
Deposits	179,882,759	179,434,686
Loans	6,145,537	4,064,120
Securities	139,201,254	138,792,448
Capital adequacy ratio (non-consolidated, domestic standard)	17.42%	22.22%
Dividend payout ratio	53.13%	60.03%
Employees	13,009	12,965

Notes: 1. Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006).

2. Dividend payout ratio was calculated by dividing dividends per share of common stock by net income per share.

3. The number of employees excludes employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. In addition, the figures do not include part-time employees (including those who have converted to indefinite term employment based on the system for conversion to indefinite term employment (associate employees)).



## EARNINGS

### Income Analysis

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Gross operating profit:	¥ 1,462,367	¥ 1,410,256
(Excluding gains (losses) on bonds)	1,468,841	1,412,710
Domestic gross operating profit:	762,905	890,609
(Excluding gains (losses) on bonds)	762,986	891,240
Net interest income	665,752	804,038
Net fees and commissions	95,747	85,883
Net trading income	—	—
Net other operating income (loss)	1,404	688
(Gains (losses) on bonds)	(80)	(630)
Overseas gross operating profit:	699,462	519,646
(Excluding gains (losses) on bonds)	705,855	521,470
Net interest income	509,938	419,508
Net fees and commissions	700	736
Net trading income	—	—
Net other operating income (loss)	188,822	99,402
(Gains (losses) on bonds)	(6,392)	(1,823)
General and administrative expenses:	(1,045,046)	(1,056,168)
Personnel expenses	(128,658)	(125,328)
Non-personnel expenses	(838,925)	(854,369)
Taxes and dues	(77,462)	(76,470)
Operating profit (before provision for general reserve for possible loan losses)	417,320	354,087
(Excluding gains (losses) on bonds)	423,794	356,542
Provision for general reserve for possible loan losses	(11)	10
Net operating profit:	417,309	354,098
Gains (losses) on bonds	(6,473)	(2,454)
Non-recurring gains (losses):	82,359	87,987
Gains (losses) related to stocks	(21,265)	88
Gains (losses) on money held in trust	50,933	82,930
Other non-recurring gains (losses)	52,692	4,967
Net ordinary income	499,669	442,085
Extraordinary income (loss):	(731)	(1,488)
Gains (losses) on sales and disposals of fixed assets	(713)	(529)
Losses on impairment of fixed assets	(17)	(958)
Income before income taxes	498,937	440,596
Income taxes—current	(174,218)	(133,287)
Income taxes—deferred	28,025	4,954
Net income	352,745	312,264
Credit-related expenses:	(11)	0
Provision for general reserve for possible loan losses	(11)	0
Write-off of loans	—	—
Provision for specific reserve for possible loan losses	—	—
Recoveries of written-off loans	—	—

Notes: 1. Net interest income is calculated by deducting interest expenses (excluding the expenses in relation to money held in trust) from interest income.

2. General and administrative expenses exclude non-recurring losses.

3. Credit-related expenses are those expenses related to problem assets disclosed under the Financial Reconstruction Act.

4. Numbers in parenthesis indicate the amount of loss, expense or decrease.

## Gross Operating Profit and Gross Operating Profit Margin

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Gross operating profit	¥1,462,367	¥1,410,256
Gross operating profit margin	0.72%	0.70%

Notes: 1. Gross operating profit = net interest income + net fees and commissions + net other operating income (loss)  
2. Gross operating profit margin = [gross operating profit / average balance of interest-earning assets] x 100

## Net Interest Income, Net Fees and Commissions, Net Trading Income, and Net Other Operating Income (Loss)

Fiscal years ended March 31

	Millions of yen		
	2018		
	Domestic	Overseas	Total
Net interest income:	¥665,752	¥509,938	¥1,175,691
Interest income	852,033	732,171	1,502,747
Interest expenses	186,280	222,232	327,056
Net fees and commissions:	95,747	700	96,448
Fees and commissions income	129,292	748	130,041
Fees and commissions expenses	33,545	48	33,593
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	1,404	188,822	190,227
Other operating income	7,423	204,204	211,627
Other operating expenses	6,018	15,381	21,400

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Net interest income:	¥ 804,038	¥419,508	¥1,223,546
Interest income	1,046,541	596,691	1,567,512
Interest expenses	242,503	177,183	343,966
Net fees and commissions:	85,883	736	86,619
Fees and commissions income	118,688	776	119,465
Fees and commissions expenses	32,805	40	32,845
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	688	99,402	100,091
Other operating income	2,453	111,918	114,371
Other operating expenses	1,764	12,516	14,280

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. Interest expenses exclude expenses corresponding to money held in trust (fiscal year ended March 31, 2018, ¥4,725 million; fiscal year ended March 31, 2017, ¥4,779 million).  
3. Interest income on "domestic" includes interest on transactions between "domestic" and "overseas" (fiscal year ended March 31, 2018, ¥81,456 million; fiscal year ended March 31, 2017, ¥75,719 million).  
4. 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.

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

Fiscal years ended March 31

### Domestic

	Millions of yen					
	2018			2017		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥195,014,321	¥852,033	0.43%	¥193,991,919	¥1,046,541	0.53%
Loans	4,765,201	14,008	0.29	3,081,133	17,741	0.57
Securities	82,402,056	730,011	0.88	92,901,349	926,690	0.99
Receivables under securities borrowing transactions	8,414,660	1,417	0.01	8,318,619	1,471	0.01
Due from banks, etc.	51,583,059	25,115	0.04	47,723,014	24,916	0.05
Interest-bearing liabilities:	186,524,351	186,280	0.09	184,991,156	242,503	0.13
Deposits	180,316,482	145,129	0.08	179,251,855	200,373	0.11
Payables under securities lending transactions	8,903,813	1,285	0.01	8,385,284	844	0.01

### Overseas

	Millions of yen					
	2018			2017		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥54,248,055	¥732,171	1.34%	¥48,252,687	¥596,691	1.23%
Loans	2,534	10	0.40	2,151	7	0.35
Securities	54,067,069	730,365	1.35	48,099,311	595,384	1.23
Receivables under securities borrowing transactions	—	—	—	—	—	—
Due from banks, etc.	68,461	1,019	1.48	81,553	968	1.18
Interest-bearing liabilities:	53,171,677	222,232	0.41	47,375,519	177,183	0.37
Deposits	—	—	—	—	—	—
Payables under securities lending transactions	3,995,938	53,987	1.35	4,674,255	40,697	0.87

### Total

	Millions of yen					
	2018			2017		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥201,467,351	¥1,502,747	0.74%	¥200,321,045	¥1,567,512	0.78%
Loans	4,767,735	14,019	0.29	3,083,285	17,748	0.57
Securities	136,469,126	1,460,377	1.07	141,000,661	1,522,075	1.07
Receivables under securities borrowing transactions	8,414,660	1,417	0.01	8,318,619	1,471	0.01
Due from banks, etc.	51,651,521	26,135	0.05	47,804,568	25,885	0.05
Interest-bearing liabilities:	191,901,004	327,056	0.17	190,443,114	343,966	0.18
Deposits	180,316,482	145,129	0.08	179,251,855	200,373	0.11
Payables under securities lending transactions	12,899,752	55,272	0.42	13,059,539	41,542	0.31

Notes: 1. Income and expenses for money held in trust are included in "other income" and "other expenses," respectively. Accordingly, the average balance of money held in trust (fiscal year ended March 31, 2018, ¥2,772,856 million; fiscal year ended March 31, 2017, ¥2,646,250 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2018, ¥2,772,856 million; fiscal year ended March 31, 2017, ¥2,646,250 million) and the corresponding interest (fiscal year ended March 31, 2018, ¥4,725 million; fiscal year ended March 31, 2017, ¥4,779 million) are excluded from interest-bearing liabilities.

2. Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

3. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

## Changes in Interest Income and Expenses

Fiscal years ended March 31

### Domestic

	Millions of yen					
	2018			2017		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 5,487	¥(199,995)	¥(194,507)	¥ 12,053	¥(214,133)	¥(202,079)
Loans	7,192	(10,925)	(3,732)	3,334	(10,685)	(7,350)
Securities	(98,842)	(97,836)	(196,678)	(161,334)	(28,518)	(189,853)
Receivables under securities borrowing transactions	16	(70)	(53)	(241)	(6,246)	(6,487)
Due from banks, etc.	1,941	(1,742)	198	6,539	(17,247)	(10,707)
Interest expenses:	1,993	(58,216)	(56,222)	1,372	(36,901)	(35,529)
Deposits	1,183	(56,426)	(55,243)	1,797	(34,220)	(32,422)
Payables under securities lending transactions	55	385	440	(218)	(6,274)	(6,492)

### Overseas

	Millions of yen					
	2018			2017		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥78,043	¥57,435	¥135,479	¥ 92,883	¥(42,190)	¥50,693
Loans	1	1	2	(1)	(1)	(3)
Securities	77,755	57,225	134,981	102,003	(47,699)	54,304
Receivables under securities borrowing transactions	—	—	—	—	—	—
Due from banks, etc.	(170)	222	51	(6,164)	2,427	(3,736)
Interest expenses:	22,976	22,072	45,049	34,378	(12,716)	21,662
Deposits	—	—	—	—	—	—
Payables under securities lending transactions	(6,584)	19,874	13,290	(4,388)	19,189	14,801

### Total

	Millions of yen					
	2018			2017		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 8,924	¥(73,689)	¥(64,765)	¥ (1,546)	¥(162,158)	¥(163,704)
Loans	7,193	(10,923)	(3,729)	3,329	(10,683)	(7,354)
Securities	(48,582)	(13,114)	(61,697)	(88,164)	(47,383)	(135,548)
Receivables under securities borrowing transactions	16	(70)	(53)	(241)	(6,246)	(6,487)
Due from banks, etc.	2,007	(1,757)	249	6,708	(21,152)	(14,444)
Interest expenses:	2,615	(19,525)	(16,910)	1,020	(27,205)	(26,185)
Deposits	1,183	(56,426)	(55,243)	1,797	(34,220)	(32,422)
Payables under securities lending transactions	(514)	14,244	13,730	(2,726)	11,035	8,309

Notes: 1. Factors that increase or decrease both balance and interest rate are allocated based on the proportion of the increase or decrease in the balance and interest rate.

2. Average balance and interest on transactions between "domestic" and "overseas" are offset to calculate totals.

3. "Due from banks, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans and monetary claims bought.

## General and Administrative Expenses

Fiscal years ended March 31

	Millions of yen			
	2018		2017	
	Amount	%	Amount	%
Personnel expenses:	¥ 126,471	12.12	¥ 123,212	11.68
Salaries and allowances	103,370	9.91	101,128	9.59
Others	23,101	2.21	22,084	2.09
Non-personnel expenses:	838,925	80.44	854,369	81.05
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	598,116	57.35	612,465	58.10
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	5,679	0.54	8,371	0.79
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	60,538	5.80	66,166	6.27
Rent for land, buildings and others	12,670	1.21	12,388	1.17
Expenses on consigned businesses	55,621	5.33	50,702	4.81
Depreciation and amortization	37,446	3.59	35,306	3.34
Communication and transportation expenses	19,088	1.83	19,124	1.81
Maintenance expenses	11,015	1.05	12,631	1.19
IT expenses	17,673	1.69	16,362	1.55
Others	21,074	2.02	20,848	1.97
Taxes and dues	77,462	7.42	76,470	7.25
<b>Total</b>	<b>¥1,042,860</b>	<b>100.00</b>	<b>¥1,054,053</b>	<b>100.00</b>

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

# DEPOSITS

## Balances by Type of Deposit

As of March 31

### Ending Balances

	Millions of yen			
	2018		2017	
	Amount	%	Amount	%
Liquid deposits:	¥ 73,765,405	41.00	¥ 67,994,923	37.89
Transfer deposits	14,437,576	8.02	13,052,115	7.27
Ordinary deposits, etc.	58,931,564	32.76	54,550,845	30.40
Savings deposits	396,265	0.22	391,963	0.21
Fixed-term deposits:	105,989,336	58.92	111,280,733	62.01
Time deposits	8,696,122	4.83	10,065,156	5.60
TEIGAKU deposits, etc.	97,293,213	54.08	101,215,576	56.40
Other deposits	128,017	0.07	159,029	0.08
Subtotal	179,882,759	100.00	179,434,686	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥179,882,759	100.00	¥179,434,686	100.00

Fiscal years ended March 31

### Average Balances

	Millions of yen			
	2018		2017	
	Amount	%	Amount	%
Liquid deposits:	¥ 71,585,050	39.69	¥ 65,952,601	36.79
Transfer deposits	13,748,320	7.62	13,133,438	7.32
Ordinary deposits, etc.	57,442,722	31.85	52,429,547	29.24
Savings deposits	394,007	0.21	389,616	0.21
Fixed-term deposits:	108,562,006	60.20	113,138,020	63.11
Time deposits	9,455,067	5.24	10,752,770	5.99
TEIGAKU deposits, etc.	99,106,938	54.96	102,384,806	57.11
Other deposits	169,425	0.09	161,233	0.08
Subtotal	180,316,482	100.00	179,251,855	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥180,316,482	100.00	¥179,251,855	100.00

## Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2018	2017
Less than three months	Time deposits:	<b>¥1,916,043</b>	¥ 1,883,903
	Fixed interest rates	<b>1,916,043</b>	1,883,903
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	<b>1,894,964</b>	2,066,609
	Fixed interest rates	<b>1,894,964</b>	2,066,609
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	<b>3,883,245</b>	4,844,961
	Fixed interest rates	<b>3,883,245</b>	4,844,961
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	<b>523,720</b>	594,273
	Fixed interest rates	<b>523,720</b>	594,273
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	<b>387,569</b>	527,935
	Fixed interest rates	<b>387,569</b>	527,935
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	<b>90,579</b>	147,472
	Fixed interest rates	<b>90,579</b>	147,472
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	<b>¥8,696,122</b>	¥10,065,156
	Fixed interest rates	<b>8,696,122</b>	10,065,156
	Floating interest rates	—	—
	Other time deposits	—	—

## TEIGAKU Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2018	2017
Less than one year		<b>¥13,928,834</b>	¥ 15,103,870
≥ One and < three years		<b>17,968,285</b>	18,601,925
≥ Three and < five years		<b>16,276,420</b>	25,497,182
≥ Five and < seven years		<b>15,024,088</b>	13,861,706
Seven years or more		<b>34,095,583</b>	28,150,891
Total		<b>¥97,293,213</b>	¥101,215,576

Notes: 1. TEIGAKU deposits and special deposits (equivalent to TEIGAKU savings) are based on the balance by remaining time to maturity.

2. Special deposits are deposits received from the Management Organization corresponding to the Postal Savings Deposits that were passed on to the Management Organization by Japan Post Corporation.

3. Figures have been calculated based on the assumption that all deposits will be held to maturity.

# LOANS

## Loans by Category

As of March 31

### Ending Balances

	Millions of yen	
	2018	2017
<b>Domestic:</b>		
Loans on notes	—	—
Loans on deeds	¥5,967,878	¥3,866,110
Overdrafts	172,658	198,009
Notes discounted	—	—
Subtotal	6,140,537	4,064,120
<b>Overseas:</b>		
Loans on notes	—	—
Loans on deeds	5,000	—
Overdrafts	—	—
Notes discounted	—	—
Subtotal	5,000	—
<b>Total</b>	<b>¥6,145,537</b>	<b>¥4,064,120</b>

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2018	2017
<b>Domestic:</b>		
Loans on notes	—	—
Loans on deeds	¥4,586,521	¥2,877,528
Overdrafts	178,680	203,605
Notes discounted	—	—
Subtotal	4,765,201	3,081,133
<b>Overseas:</b>		
Loans on notes	—	—
Loans on deeds	2,534	2,151
Overdrafts	—	—
Notes discounted	—	—
Subtotal	2,534	2,151
<b>Total</b>	<b>¥4,767,735</b>	<b>¥3,083,285</b>



## Loans by Time to Maturity

As of March 31

		Millions of yen	
		2018	2017
One year or less	Loans:	<b>¥4,318,342</b>	<b>¥2,297,274</b>
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	<b>384,412</b>	416,841
	Floating interest rates	<b>103,235</b>	117,560
	Fixed interest rates	<b>281,177</b>	299,281
> Three and ≤ five years	Loans:	<b>277,632</b>	232,094
	Floating interest rates	<b>67,391</b>	48,154
	Fixed interest rates	<b>210,240</b>	183,939
> Five and ≤ seven years	Loans:	<b>359,781</b>	320,738
	Floating interest rates	<b>200</b>	35,200
	Fixed interest rates	<b>359,581</b>	285,538
> Seven and ≤ ten years	Loans:	<b>384,901</b>	526,686
	Floating interest rates	<b>520</b>	620
	Fixed interest rates	<b>384,381</b>	526,066
Over ten years	Loans:	<b>420,466</b>	270,483
	Floating interest rates	<b>8,117</b>	3,192
	Fixed interest rates	<b>412,349</b>	267,291
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
<b>Total</b>		<b>¥6,145,537</b>	<b>¥4,064,120</b>

Notes: 1. Loans to the Management Organization include loans for which the interest rate is revised (5 years/10 years), and those loans are recorded as fixed interest rate loans.

2. Loans to depositors (maturities of two years or less) are treated as having time to maturity of one year or less.

3. Loans with maturities of one year or less have not been categorized into fixed and floating interest rate instruments.

## Loans and Acceptances and Guarantees by Type of Collateral

As of March 31

### Loans by Type of Collateral

		Millions of yen	
		2018	2017
Securities		<b>¥ 27</b>	¥ 40
Receivables		<b>169,640</b>	186,280
Merchandise		—	—
Real estate		—	—
Others		—	—
Subtotal		<b>169,668</b>	186,320
Guarantees		<b>20,590</b>	32,883
Credit		<b>5,955,278</b>	3,844,915
<b>Total</b>		<b>¥6,145,537</b>	<b>¥4,064,120</b>

## Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2018	2017
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	—	—
Total	—	—

## Loans by Purpose

As of March 31

	Millions of yen			
	2018		2017	
	Amount	%	Amount	%
Funds for capital investment	¥ 12,475	0.20	¥ 15,547	0.38
Funds for working capital	6,133,062	99.79	4,048,573	99.61
Total	¥6,145,537	100.00	¥4,064,120	100.00

## Loans by Industry

As of March 31

	Millions of yen			
	2018		2017	
	Amount	%	Amount	%
Domestic (excluding Japan Offshore Market accounts)	¥6,140,537	100.00	¥4,064,120	100.00
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	15,524	0.25	—	—
Utilities, information/communications, and transportation	92,162	1.50	75,811	1.86
Wholesale and retail	25,094	0.40	10,518	0.25
Finance and insurance	1,121,062	18.25	1,311,274	32.26
Construction and real estate	24,013	0.39	14,062	0.34
Services and goods rental/leasing	22,837	0.37	23,044	0.56
Central and local governments	4,667,184	76.00	2,440,005	60.03
Others	172,658	2.81	189,404	4.66
Overseas and Japan Offshore Market accounts	5,000	100.00	—	—
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	5,000	100.00	—	—
Total	¥6,145,537		¥4,064,120	

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 were ¥829,243 million and ¥951,200 million as of March 31, 2018 and March 31, 2017, respectively.

## Loans to Individuals and Small and Medium-size Enterprises

As of March 31

	Millions of yen	
	2018	2017
Total loans (A)	¥6,145,537	¥4,064,120
Loans to individuals and small and medium-size enterprises (B)	172,658	189,404
(B)/(A)	2.80%	4.66%

Note: Individuals and small and medium-size enterprises are defined as companies with capital of ¥300 million or less (¥100 million or less for wholesalers and ¥50 million or less for retail and service businesses) or companies with full-time employees of 300 workers or less (100 employees or less for wholesalers, 50 employees or less for retail businesses, and 100 employees or less for service businesses) and individuals.

## Risk-Monitored Loans

As of March 31

	Millions of yen	
	2018	2017
Loans to bankrupt borrowers	—	—
Non-accrual delinquent loans	¥0	—
Past-due loans for three months or more	—	—
Restructured loans	—	—
Total	¥0	—

## Problem Assets Disclosed under the Financial Reconstruction Act

As of March 31

	Millions of yen	
	2018	2017
Loans to borrowers classified as bankrupt or quasi-bankrupt	—	—
Loans to borrowers classified as doubtful	¥ 0	¥ —
Loans requiring close monitoring	—	—
Subtotal (A)	0	—
Loans to borrowers classified as normal	6,237,528	4,145,468
Total (B)	¥6,237,528	¥4,145,468
Non-performing loan ratio (A)/(B)	0.00%	—%

## Reserve for Possible Loan Losses

Fiscal years ended March 31

	Millions of yen			
	2018			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥ 267	¥ 278	¥ 267	¥ 278
Specific reserve for possible loan losses	829	787	829	787
Total	¥1,096	¥1,066	¥1,096	¥1,066

	Millions of yen			
	2017			
	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
General reserve for possible loan losses	¥ 277	¥ 267	¥ 277	¥ 267
Specific reserve for possible loan losses	753	829	753	829
Total	¥1,030	¥1,096	¥1,030	¥1,096

## SECURITIES

### Average Balance by Type of Trading Book Securities

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Trading book Japanese government bonds	¥62	¥71
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
<b>Total</b>	<b>¥62</b>	<b>¥71</b>

### Securities by Time to Maturity

As of March 31

	Millions of yen							
	2018							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese government bonds	¥ 7,195,860	¥15,783,274	¥22,584,158	¥ 6,861,268	¥ 5,861,599	¥4,463,563	¥ —	¥ 62,749,725
Japanese local government bonds	791,198	2,271,553	1,407,646	998,421	907,906	28,464	—	6,405,190
Japanese corporate bonds	2,371,432	2,983,629	1,746,756	1,250,760	1,167,400	1,196,345	—	10,716,325
Other securities	3,126,279	6,616,273	4,078,197	3,062,698	2,065,121	1,764,801	38,616,642	59,330,013
Foreign bonds	3,126,279	6,616,273	4,078,034	3,059,979	2,056,175	1,307,617	—	20,244,358
Investment trusts	—	—	—	—	—	457,183	38,585,475	39,042,659
Foreign stocks	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥13,484,770</b>	<b>¥27,654,730</b>	<b>¥29,816,758</b>	<b>¥12,173,149</b>	<b>¥10,002,027</b>	<b>¥7,453,173</b>	<b>¥38,616,642</b>	<b>¥139,201,254</b>

	Millions of yen							
	2017							
	One year or less	> One and ≤ three years	> Three and ≤ five years	> Five and ≤ seven years	> Seven and ≤ ten years	Over ten years	No designated term	Total
Japanese government bonds	¥ 9,888,901	¥15,380,393	¥16,439,471	¥20,538,062	¥3,812,603	¥2,745,557	¥ —	¥ 68,804,989
Japanese local government bonds	572,014	1,821,820	1,877,744	990,002	789,991	30,652	—	6,082,225
Japanese corporate bonds	1,976,578	3,844,760	1,908,650	1,123,945	900,105	1,232,790	—	10,986,829
Other securities	3,057,747	6,148,326	5,632,986	2,470,971	2,230,686	772,050	32,605,635	52,918,403
Foreign bonds	3,012,866	6,148,326	5,632,986	2,469,992	2,229,722	649,573	—	20,143,467
Investment trusts	—	—	—	—	—	122,477	32,604,245	32,726,722
Foreign stocks	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥15,495,241</b>	<b>¥27,195,300</b>	<b>¥25,858,852</b>	<b>¥25,122,981</b>	<b>¥7,733,385</b>	<b>¥4,781,050</b>	<b>¥32,605,635</b>	<b>¥138,792,448</b>

## Balance by Type of Securities

As of March 31

### Ending Balances

	Millions of yen	
	2018	2017
<b>Domestic:</b>		
Japanese government bonds	¥ 62,749,725	¥ 68,804,989
Japanese local government bonds	6,405,190	6,082,225
Japanese corporate bonds	10,716,325	10,986,829
Other securities	338,787	3,332
Subtotal	80,210,028	85,877,377
<b>Overseas:</b>		
Other securities	58,991,226	52,915,071
Foreign bonds	20,244,358	20,143,467
Investment trusts	38,746,868	32,726,722
Foreign stocks	—	—
Subtotal	58,991,226	52,915,071
<b>Total</b>	<b>¥139,201,254</b>	<b>¥138,792,448</b>

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2018	2017
<b>Domestic:</b>		
Japanese government bonds	¥ 64,930,658	¥ 76,271,808
Japanese local government bonds	6,294,175	5,926,257
Japanese corporate bonds	11,010,054	10,701,347
Other securities	167,167	1,935
Subtotal	82,402,056	92,901,349
<b>Overseas:</b>		
Other securities	54,067,069	48,099,311
Foreign bonds	20,270,707	19,527,484
Investment trusts	33,785,742	28,528,342
Foreign stocks	—	—
Subtotal	54,067,069	48,099,311
<b>Total</b>	<b>¥136,469,126</b>	<b>¥141,000,661</b>

## Asset Management Status

As of March 31

	Millions of yen			
	2018		2017	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 49,314,634	23.73	¥ 51,213,391	24.71
Call loans	480,000	0.23	470,000	0.22
Receivables under securities borrowing transactions	8,224,153	3.95	8,718,905	4.20
Money held in trust	4,241,524	2.04	3,817,908	1.84
Securities:	139,201,254	67.00	138,792,448	66.98
Japanese government bonds	62,749,725	30.20	68,804,989	33.20
Japanese local government bonds	6,405,190	3.08	6,082,225	2.93
Japanese corporate bonds	10,716,325	5.15	10,986,829	5.30
Other securities	59,330,013	28.56	52,918,403	25.54
Foreign bonds	20,244,358	9.74	20,143,467	9.72
Investment trusts	39,042,659	18.79	32,726,722	15.79
Loans	6,145,537	2.95	4,064,120	1.96
Others	126,472	0.06	116,718	0.05
<b>Total</b>	<b>¥207,733,576</b>	<b>100.00</b>	<b>¥207,193,492</b>	<b>100.00</b>

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.

## Foreign Bonds

As of March 31

### Foreign Bonds by Currency

	Millions of yen			
	2018		2017	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 5,423,335	26.78	¥ 5,220,018	25.91
U.S. dollar	11,507,664	56.84	11,515,528	57.16
Euro	3,054,368	15.08	2,929,283	14.54
Others	258,990	1.27	478,637	2.37
<b>Total</b>	<b>¥20,244,358</b>	<b>100.00</b>	<b>¥20,143,467</b>	<b>100.00</b>

## Money Held in Trust

As of March 31

### Assets by Type

	Millions of yen			
	2018		2017	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,286,148	61.36	¥2,079,290	61.73
Domestic bonds	1,256,039	33.71	1,274,178	37.83
Others	183,484	4.92	14,641	0.43
<b>Total</b>	<b>¥3,725,672</b>	<b>100.00</b>	<b>¥3,368,110</b>	<b>100.00</b>

### Assets by Currency

	Millions of yen			
	2018		2017	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥3,725,671	99.99	¥3,368,110	99.99
U.S. dollar	—	—	—	—
Euro	0	0.00	0	0.00
Others	—	—	—	—
<b>Total</b>	<b>¥3,725,672</b>	<b>100.00</b>	<b>¥3,368,110</b>	<b>100.00</b>

## RATIOS

### Net Ordinary Income to Assets and Equity

Fiscal years ended March 31

	%	
	2018	2017
Net ordinary income to assets	<b>0.23</b>	0.21
Net ordinary income to equity	<b>4.29</b>	3.79

Notes: 1. Net ordinary income to assets = net ordinary income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100  
 2. Net ordinary income to equity = net ordinary income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

### Net Income to Assets and Equity

Fiscal years ended March 31

	%	
	2018	2017
Net income to assets (ROA)	<b>0.16</b>	0.14
Net income to equity (ROE)	<b>3.02</b>	2.68

Notes: 1. ROA = net income / [(sum of total assets at the beginning and the end of the fiscal year) / 2] x 100  
 2. ROE = net income / [(sum of total net assets at the beginning and the end of the fiscal year) / 2] x 100

### Overhead Ratio and Expense-to-Deposit Ratio

Fiscal years ended March 31

	%	
	2018	2017
Overhead ratio (OHR)	<b>71.46</b>	74.89
Expense-to-deposit ratio	<b>0.57</b>	0.58

Notes: 1. OHR = [general and administrative expenses (excluding non-recurring expenses) / gross operating profit] x 100  
 2. Expense-to-deposit ratio = [general and administrative expenses (excluding non-recurring expenses) / average deposit balances] x 100

### Interest Rate Spread

Fiscal years ended March 31

	%	
	2018	2017
Domestic:		
Yield on interest-earning assets	<b>0.43</b>	0.53
Interest rate on interest-bearing liabilities	<b>0.09</b>	0.13
Interest rate spread	<b>0.33</b>	0.40
Overseas:		
Yield on interest-earning assets	<b>1.34</b>	1.23
Interest rate on interest-bearing liabilities	<b>0.41</b>	0.37
Interest rate spread	<b>0.93</b>	0.86
Total:		
Yield on interest-earning assets	<b>0.74</b>	0.78
Interest rate on interest-bearing liabilities	<b>0.17</b>	0.18
Interest rate spread	<b>0.57</b>	0.60



## Loan-Deposit Ratio

As of March 31

	Millions of yen		
	2018		
	Domestic	Overseas	Total
Loans (A)	¥ 6,140,537	¥5,000	¥ 6,145,537
Deposits (B)	179,882,759	—	179,882,759
Loan-deposit ratio (A)/(B)	3.41%	—	3.41%
Loan-deposit ratio (average for the fiscal year)	2.64%	—	2.64%

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Loans (A)	¥ 4,064,120	—	¥ 4,064,120
Deposits (B)	179,434,686	—	179,434,686
Loan-deposit ratio (A)/(B)	2.26%	—	2.26%
Loan-deposit ratio (average for the fiscal year)	1.71%	—	1.72%

## Security-Deposit Ratio

As of March 31

	Millions of yen		
	2018		
	Domestic	Overseas	Total
Securities (A)	¥ 80,210,028	¥58,991,226	¥139,201,254
Deposits (B)	179,882,759	—	179,882,759
Security-deposit ratio (A)/(B)	44.59%	—	77.38%
Security-deposit ratio (average for the fiscal year)	45.69%	—	75.68%

	Millions of yen		
	2017		
	Domestic	Overseas	Total
Securities (A)	¥ 85,877,377	¥52,915,071	¥138,792,448
Deposits (B)	179,434,686	—	179,434,686
Security-deposit ratio (A)/(B)	47.85%	—	77.34%
Security-deposit ratio (average for the fiscal year)	51.82%	—	78.66%

## OTHERS

### Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Long-term bonds	¥ 3,282	¥ 1,024
Medium-term bonds	0	0
Bonds for individuals	51,894	64,406
<b>Total</b>	<b>¥55,176</b>	<b>¥65,430</b>

### Domestic Exchanges

Fiscal years ended March 31

#### Remittances

	Millions of yen			
	2018		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	29,851	¥23,347,377	27,897	¥21,516,587
Received	96,546	22,664,581	92,705	20,798,405

Note: All remittances are transferred through the Interbank Data Telecommunication System ("Zengin Net").

#### Transfer Deposits

	Millions of yen			
	2018		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,169,473	¥48,277,296	1,164,002	¥51,150,496
Transfers	112,665	54,654,409	104,625	88,844,655
Out-payment	119,835	39,963,906	119,980	43,221,766

### Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

	Millions of yen			
	2018		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	1,377	¥27,782	1,209	¥22,556
Postal orders (TEIGAKU KOGAWASE)	15,201	8,497	15,841	9,008

## Foreign Exchanges

Fiscal years ended March 31

	Millions of U.S. dollars			
	2018		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	302	\$1,267	314	\$1,169

Note: Foreign exchanges represent the total of international remittances and purchases of traveler's checks. The purchase of traveler's checks was terminated as of May 2, 2016.

## Investment Trusts Sales (Contract Basis)

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Number of contracts (thousands)	1,544	1,251
Sales amount	¥737,878	¥544,399

As of March 31

	Millions of yen	
	2018	2017
Number of investment trust accounts (thousands)	874	749
Net assets	¥1,642,301	¥1,310,151

## Other Businesses

### Credit Cards

Fiscal years ended March 31

	Thousands	
	2018	2017
Number of cards issued	60	61

As of March 31

	Thousands	
	2018	2017
Number of cards issued (cumulative) (outstanding)	1,082	1,093

### Mortgage Loans (as intermediary)

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Amount of new credit extended	¥35,673	¥39,908

As of March 31

	Millions of yen	
	2018	2017
Amount of new credit extended (cumulative)	¥418,932	¥383,259

Note: The Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

### Variable Annuities Policies

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Number of policies	10,053	17,731
Sales amount	¥48,790	¥90,712

As of March 31

	Millions of yen	
	2018	2017
Number of policies (cumulative)	110,560	100,507
Sales amount (cumulative)	¥577,225	¥528,434

## CAPITAL POSITION

### Capital Adequacy Ratio (Non-Consolidated, Domestic Standard)

As of March 31

		Millions of yen			
		2018	Amounts excluded under transitional arrangements	2017	Amounts excluded under transitional arrangements
Core Capital: instruments and reserves	Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥8,800,862	/	¥8,635,897	/
	of which: Capital and capital surplus	7,796,285	/	7,796,285	/
	of which: Retained earnings	2,399,031	/	2,233,759	/
	of which: Treasury stock (deduction)	1,300,717	/	1,300,411	/
	of which: Cash dividends to be paid (deduction)	93,736	/	93,736	/
	of which: Other than above	—	/	—	/
	Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	/	—	/
	Reserves included in Core Capital: instruments and reserves	278	/	267	/
	of which: General reserve for possible loan losses	278	/	267	/
	of which: Eligible reserve	—	/	—	/
	Eligible non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	/	—	/
	Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	/	—	/
	45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	/	—	/
<b>Core Capital: instruments and reserves (A)</b>	<b>8,801,141</b>	<b>/</b>	<b>8,636,164</b>	<b>/</b>	
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	29,066	¥7,266	19,223	¥12,815
	of which: Goodwill (net of related tax liability)	—	—	—	—
	of which: Other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	29,066	7,266	19,223	12,815
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—
	Shortfall of eligible provisions to expected losses	—	—	—	—
	Securitization gain on sale	—	—	—	—
	Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
	Prepaid pension costs	—	—	—	—
	Investments in own shares (excluding those reported in the Net Assets section)	3	0	0	0
	Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—	—	—
	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ('Other Financial Institutions'), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ('Non-significant Investment') (amount above the 10% threshold)	—	—	—	—

		Millions of yen			
		2018	Amounts excluded under transitional arrangements	2017	Amounts excluded under transitional arrangements
Core Capital: regulatory adjustments	Amount exceeding the 10% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Amount exceeding the 15% threshold on specified items	—	—	—	—
	of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—	—	—
	of which: Mortgage servicing rights	—	—	—	—
	of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
	Core Capital: regulatory adjustments (B)		<b>29,070</b>	/	19,224
Total capital	Total capital (A)–(B)=(C)	<b>¥ 8,772,071</b>	/	¥ 8,616,940	/
Risk-weighted assets	Credit risk-weighted assets	<b>¥47,574,709</b>	/	¥35,906,558	/
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	<b>(4,114)</b>	/	(23,743)	/
	of which: Intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	<b>7,266</b>	/	12,815	/
	of which: Deferred tax assets (net of related tax liability)	—	/	—	/
	of which: Prepaid pension costs	—	/	—	/
	of which: Other Financial Institutions Exposures	<b>(11,380)</b>	/	(36,560)	/
	of which: Other than the above	—	/	0	/
	Market risk equivalent / 8%	—	/	—	/
	Operational risk equivalent / 8%	<b>2,768,805</b>	/	2,873,248	/
	Credit risk-weighted assets adjustments	—	/	—	/
	Operational risk equivalent adjustments	—	/	—	/
Total amount of risk-weighted assets (D)		<b>¥50,343,515</b>	/	¥38,779,806	/
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	<b>17.42</b>	/	22.22	/

Note: The Bank has had its assessment method for capital adequacy ratios audited by the independent audit corporation KPMG AZSA LLC in accordance with the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 30. The independent audit did not involve auditing of financial accounting methods, but focused on the capital adequacy assessment process of part of the internal control system recognized as necessary by the Bank based on procedures agreed on by the Bank and KPMG AZSA LLC. The audit corporation reported these results privately to the Bank and did not issue an audit opinion regarding the capital adequacy ratio or the capital adequacy assessment process of the internal control system.

## INSTRUMENTS FOR RAISING CAPITAL

### Outline of Instruments for Raising Capital

The Bank raises capital through the issuance of common shares. Current issuance is as follows:

- Total issued and outstanding common shares: 4,500,000,000 shares (including 750,524,950 shares of treasury stock)

## ASSESSMENT OF CAPITAL ADEQUACY

When creating or making major revisions to its business plans, the Bank performs stress tests based on multiple forward-looking scenarios. From the standpoint of business sustainability, the Bank assesses the adequacy of its own capital with regard to regulatory capital based on capital adequacy regulations and economic capital (risk capital) based on internal risk assessment methods. The findings are then reported to the ALM Committee, the Executive Committee and the Board of Directors.

For the capital adequacy assessment based on regulatory capital, the Bank ensures regulatory levels are satisfied based on calculations of regulatory ratios, including the capital adequacy ratio.

For the capital adequacy assessment based on economic capital, the Bank monitors capital adequacy by comparing the actual amount of risk taken to risk capital, which is allocated according to credit risk, market risk and operational risk when business plans are created, within the framework for integrated risk management. The Bank also forms an assessment by comparing risk capital to the total amount of risk, i.e., the sum of losses from market risk and credit risk calculated from stress tests, and the amount of operational risk. The Bank assesses the quality of its capital by examining the proportion of total stockholders' equity attributable to common stock to its risk capital.

The results of these assessments are reported periodically to the ALM Committee, the Executive Committee and the Board of Directors for the purpose of enhancing capital adequacy.

### Total Required Capital (Non-Consolidated)

As of March 31

	Millions of yen	
	2018	2017
(1) Capital requirement for credit risk:	¥1,902,988	¥1,436,262
Portfolios applying the standardized approach	1,848,206	1,403,887
Securitization exposures	34,962	13,641
CVA risk equivalent	19,431	18,733
Central Counterparty-related exposures	388	0
(2) Capital requirement for market risk:	—	—
(3) Capital requirement for operational risk:	110,752	114,929
The basic indicator approach	110,752	114,929
(4) Total capital requirements (1) + (2) + (3)	¥2,013,740	¥1,551,192

- Notes: 1. Capital requirement for credit risk: Credit risk-weighted assets x 4%  
 2. Capital requirement for operational risk: (Operational risk equivalent / 8%) x 4%  
 3. Total capital requirements: Denominator of capital adequacy ratio x 4%

## Exposure Amount of Capital Required for Credit Risk (On-Balance Sheet Items)

As of March 31

Item	(Reference) Risk weight (%)	Millions of yen	
		2018	2017
1 Cash	0	¥ 0	¥ 0
2 Japanese government and the Bank of Japan	0	0	0
3 Foreign central governments and central banks	0-100	13,689	15,661
4 Bank for International Settlements, etc.	0	—	0
5 Non-central government public sector entities	0	0	0
6 Foreign non-central government public sector entities	20-100	6,860	9,116
7 Multilateral Development Banks	0-100	0	14
8 Japan Finance Organization for Municipalities	10-20	3,194	3,283
9 Japanese government agencies	10-20	12,179	12,077
10 Three regional public corporations	20	439	318
11 Financial institutions and Type I Financial Instruments Business Operators	20-100	199,151	194,048
12 Corporates	20-100	952,157	735,676
13 Small and medium-size enterprises and individuals	75	—	—
14 Mortgage loans	35	—	—
15 Project finance (acquisition of real estate)	100	54,661	34,679
16 Past-due loans (three months or more)	50-150	137,627	146,389
17 Unsettled bills	20	—	—
18 Loans guaranteed by Credit Guarantee Corporation, etc.	0-10	—	—
19 Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	10	—	—
20 Investments in capital and others	100-1250	65,675	45,411
Exposure to investments, etc.	100	65,675	45,411
Exposure to critical investments	1250	—	—
21 Other than above	100-250	142,332	123,421
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250	117,519	105,743
Exposures to specific items that are not included in adjustment items	250	12,202	9,177
Exposures other than those listed above	100	12,610	8,499
22 Securitization transactions (as originator)	20-1250	—	—
Re-securitization transactions	40-1250	—	—
23 Securitization transactions (as investor and other)	20-1250	18,486	7,414
Re-securitization transactions	40-1250	24	32
24 Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	—	135,061	30,735
25 Amounts included in risk-weighted assets due to transitional arrangements	—	290	512
26 Amounts related to exposures to fund procurement methods of other financial institutions, and such like, where such amounts are not included in risk-weighted assets due to transitional arrangements	—	(455)	(1,462)
<b>Total</b>	—	<b>¥1,741,353</b>	<b>¥1,357,297</b>

Notes: 1. Capital requirements are calculated using the following formula:  
 Credit risk-weighted assets x 4%  
 2. Risk weightings are stipulated in the Capital Adequacy Notification.



## Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

As of March 31

Item	(Reference) CCF (%)	Millions of yen	
		2018	2017
1 Commitments cancelable automatically or unconditionally at any time	0	¥ 0	¥ 0
2 Commitments with an original maturity up to one year	20	—	—
3 Short-term trade contingent liabilities	20	—	—
4 Contingent liabilities arising from specific transactions	50	—	—
(Guaranteed principal amounts held in some trusts under the transitional provisions)	50	—	—
5 NIFs and RUFs	50	—	—
6 Commitments with an original maturity over one year	50	64,942	14,496
7 Contingent liabilities arising from directly substituted credit	100	29,740	16,779
(Secured with loan guarantees)	100	—	897
(Secured with securities)	100	—	—
(Secured with acceptances)	100	—	—
(Guaranteed principal amounts held in some trusts outside of the transitional arrangements)	100	—	—
(Credit derivative protection provided)	100	26,140	12,242
8 Sale and repurchase agreements and asset sales with recourse (after deductions)	—	—	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	100	—	—
Deductions	—	—	—
9 Forward asset purchases, forward deposits and partly-paid shares and securities	100	20,116	7,389
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	14,058	9,056
11 Derivative transactions and long-settlement transactions	—	12,956	12,489
Current exposure method	—	12,956	12,489
Derivative transactions	—	12,954	12,488
(1) Foreign exchange-related transactions	—	11,328	9,735
(2) Interest rate-related transactions	—	2,100	4,444
(3) Gold-related transactions	—	0	0
(4) Equity-related transactions	—	980	108
(5) Precious metal-related transactions (excluding gold)	—	0	0
(6) Other commodity-related transactions	—	259	28
(7) Credit derivative transactions (counterparty risk)	—	128	20
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,845	1,849
Long-settlement transactions	—	2	0
12 Unsettled transactions	—	0	19
13 Eligible liquidity facilities related to securitization exposure and eligible servicer cash advance facilities	0–100	—	—
14 Off-balance sheet securitization exposure other than the above	100	—	—
Total	—	¥141,816	¥60,231

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. CCFs are stipulated in the Capital Adequacy Notification.

## CREDIT RISK

### Outline of Credit Risk Management Policies and Procedures

See Pages 74–76 (Credit Risk Management).

#### Qualified Rating Agencies Used

##### • Qualified Rating Agencies Used to Determine Risk Weights

In determining risk weights, the Bank utilizes the credit ratings of four rating agencies, specifically, Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), and S&P Global Ratings (S&P), in addition to the Organisation for Economic Co-operation and Development (OECD).

##### • Qualified Rating Agencies Used to Determine Risk Weight by Exposure Category

The Bank uses the following qualified rating agencies for each of the following risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with the Capital Adequacy Notification.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

## Exposure by Region, Industry, and Remaining Period

As of March 31

### Exposure by Region and Industry, Past Due Loans for Three Months or More

		Millions of yen					Past due loans for three months or more
		2018					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 96,524	¥ 1,196,381	—	¥ 22	¥ 1,292,928	—
	Utilities, information/communications, and transportation	932,564	4,125,618	—	10,108	5,068,291	—
	Wholesale and retail	160,189	255,800	—	1	415,992	—
	Finance and insurance	73,194,899 (1,345,950)	5,413,054	¥275,394	21,032	78,904,381 (1,345,950)	—
	Construction and real estate	63,033	240,970	—	3	304,007	—
	Services and goods rental/leasing	23,672	550,499	—	68,503	642,675	—
	Central and local governments	5,500,004	68,765,051	—	17,600	74,282,656	—
	Others	5,248,422	5	—	347,198	5,595,625	¥3
	Total	85,219,311 (1,345,950)	80,547,383	275,394	464,470	166,506,559 (1,345,950)	3
Foreign	Sovereigns	15,936	6,845,945	—	470	6,862,352	—
	Financial institutions	1,933,422	5,433,848	281,295	119	7,648,685	—
	Others	1,473,994	5,263,995	4,457	145	6,742,591	—
Total	3,423,352	17,543,788	285,752	735	21,253,629	—	
Investment trust, etc.	447,511	43,891,082	—	—	44,338,594	—	
Grand total	89,090,175 ¥ (1,345,950)	¥141,982,254	¥561,147	¥465,206	232,098,783 ¥ (1,345,950)	¥3	

		Millions of yen					
		2017					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	Past due loans for three months or more
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 200,000	¥ 1,030,687	—	¥ 16	¥ 1,230,704	—
	Utilities, information/communications, and transportation	916,215	4,453,074	—	8,992	5,378,282	—
	Wholesale and retail	109,570	235,396	—	1	344,968	—
	Finance and insurance	74,400,747 (12,164,113)	5,297,254	¥146,441	20,789	79,865,232 (12,164,113)	—
	Construction and real estate	53,083	187,908	—	2	240,994	—
	Services and goods rental/leasing	24,712	519,691	—	76,736	621,140	—
	Central and local governments	3,384,288	74,213,424	—	16,909	77,614,621	—
	Others	5,135,050	5	—	283,746	5,418,802	¥0
	Total	84,223,668 (12,164,113)	85,937,441	146,441	407,194	170,714,745 (12,164,113)	0
Foreign	Sovereigns	—	6,810,919	—	577	6,811,497	—
	Financial institutions	1,395,118	5,599,261	189,427	100	7,183,908	—
	Others	1,506,612	4,728,209	3,051	197	6,238,071	—
	Total	2,901,730	17,138,391	192,478	875	20,233,476	—
Investment trust, etc.	52,318	35,144,534	—	—	35,196,853	—	
Grand total	87,177,717 ¥(12,164,113)	¥138,220,367	¥338,919	¥408,070	226,145,075 ¥(12,164,113)	¥0	

Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.

2. Securities include government bonds, local government bonds, corporate bonds, etc.

3. Derivatives comprise such instruments as foreign exchange forward contracts and interest rate swaps, etc.

4. "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

5. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

6. Excludes intangible fixed assets and investments in own shares that were subject to credit risk asset calculations under the interim measure.

7. Investment trusts and other funds are recorded in investment trust, etc.

As of March 31

## Exposure by Time to Maturity

		Millions of yen				
		2018				
Time to maturity		Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less		¥30,100,264 (1,345,950)	¥ 13,425,828	¥ 34,145	¥ 42,699	¥ 43,602,939 (1,345,950)
> One and ≤ three years		799,311	27,045,947	92,433	2	27,937,694
> Three and ≤ five years		751,327	29,533,048	224,306	32	30,508,715
> Five and ≤ seven years		695,632	11,934,382	198,534	—	12,828,549
> Seven and ≤ ten years		649,365	9,904,376	11,728	—	10,565,470
Over ten years		437,180	6,216,419	—	—	6,653,600
No designated term		55,209,580	31,167	—	422,472	55,663,219
Investment trust, etc.		447,511	43,891,082	—	—	44,338,594
Total		89,090,175 ¥(1,345,950)	¥141,982,254	¥561,147	¥465,206	232,098,783 ¥(1,345,950)

Time to maturity	Millions of yen				
	2017				
	Loans, deposits, etc.	Securities	Derivatives	Others	Total
One year or less	¥ 26,780,587 (12,164,113)	¥ 15,308,379	¥ 26,847	¥ 39,471	¥ 42,155,286 (12,164,113)
> One and ≤ three years	779,317	26,292,657	72,582	36	27,144,594
> Three and ≤ five years	625,463	25,194,671	193,899	30	26,014,064
> Five and ≤ seven years	585,030	24,615,900	45,191	—	25,246,122
> Seven and ≤ ten years	964,815	7,539,844	399	—	8,505,060
Over ten years	271,404	4,122,988	—	—	4,394,392
No designated term	57,118,778	1,390	—	368,531	57,488,700
Investment trust, etc.	52,318	35,144,534	—	—	35,196,853
<b>Total</b>	<b>87,177,717</b> <b>¥(12,164,113)</b>	<b>¥138,220,367</b>	<b>¥338,919</b>	<b>¥408,070</b>	<b>226,145,075</b> <b>¥ (12,164,113)</b>

- Notes: 1. Loans, deposits, etc., comprise loans, due from banks, call loans, and off-balance sheet assets other than derivatives. Figures in parentheses are collateral provided (off-balance sheet assets) to the Management Organization for Postal Savings and Postal Life Insurance noted elsewhere.  
2. Securities include government bonds, local government bonds, corporate bonds, etc.  
3. Derivatives comprise such instruments as foreign exchange forward contracts and interest rate swaps, etc.  
4. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.  
5. Excludes intangible fixed assets and investments in own shares that were subject to credit risk asset calculations under the interim measure.  
6. Investment trusts and other funds are recorded in investment trust, etc.

## Loan Write-Offs by Industry and Counterparty

There were no write-offs of loans during the fiscal years ended March 31, 2018 and 2017.

## Year-End Balances and Changes During the Fiscal Year of General Reserve for Possible Loan Losses, Specific Reserve for Possible Loan Losses, and Loan Loss Reserve for Specific Overseas Countries

### By Region

#### Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2018	2017
General reserve for possible loan losses	¥138	¥127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

#### Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2018	2017
General reserve for possible loan losses	¥11	¥(0)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

- Notes: 1. Breakdowns by domestic and overseas amounts are not disclosed as the Bank only booked general reserve for possible loan losses.  
2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 137.

## By Industry

### Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2018	2017
General reserve for possible loan losses	¥138	¥127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

### Changes during the fiscal year

Fiscal years ended March 31

	Millions of yen	
	2018	2017
General reserve for possible loan losses	¥11	¥(0)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Notes: 1. Breakdowns by industry are not disclosed as the Bank only booked general reserve for possible loan losses.

2. Since the reserves for possible loan losses noted are those for problem assets disclosed under the Financial Reconstruction Act, they do not match the figures for balance of reserve for possible loan losses and changes during the fiscal year on page 137.

## Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2018		2017	
	Rated	Not rated	Rated	Not rated
0%	¥134,588,596	¥26,401,006	¥141,079,825	¥34,818,860
2%	—	11,728	—	399
4%	—	—	—	—
10%	169,340	4,171,067	216,551	5,198,009
20%	13,284,552	54,948	12,325,459	39,790
35%	—	—	—	—
50%	5,734,464	—	5,159,639	—
75%	—	—	—	—
100%	1,464,837	2,779,286	1,243,485	2,653,003
150%	—	—	—	—
250%	144,026	302,284	135,284	242,026
1250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	44,338,594	—	35,196,853
<b>Total</b>	<b>¥155,385,818</b>	<b>¥78,058,916</b>	<b>¥160,160,245</b>	<b>¥78,148,942</b>

Notes: 1. Ratings are limited to those rated by qualified rating agencies.

2. The amount of exposure includes balances before the deduction of specific reserve for possible loan losses and after application of the credit risk mitigation methods.

3. The portion of exposure from assets qualified for credit risk mitigation methods is allocated to risk weight categories after the application of credit risk mitigation methods.

4. Assets subject to transitional arrangements are recorded under the risk-weighted classification where transitional arrangements do not apply.

5. Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 80.48% as of March 31, 2018 (compared with 71.43% as of March 31, 2017).

## CREDIT RISK MITIGATION METHODS

### Outline of Risk Management Policies and Procedures

The Bank applies "credit risk mitigation methods" as stipulated in the Capital Adequacy Notification in calculating its capital adequacy ratio. Credit risk mitigation methods involve taking into consideration the benefits of collateral and guarantees in the calculation of its capital adequacy ratio and can be appropriately applied to eligible financial collateral, the netting of loans against the Bank's self deposits, and guarantees and credit derivatives.

- **Categories of Eligible Financial Collateral**

Cash, self deposits, and securities are the only types of eligible financial collateral used by the Bank.

- **Outline of Policies and Procedures for the Assessment and Management of Collateral**

The Bank uses "the Simple Method" stipulated in the Capital Adequacy Notification when applying eligible financial collateral.

The Bank has established internal procedures that enable timely sales or purchases of eligible financial collateral based on collateral contracts, including terms and conditions, signed prior to any of these transactions.

- **Outline of Policies and Procedures for the Netting of Loans and Self Deposits and the Types of Transactions and Scope for which Netting Can Be Applied**

The Bank regards the netted amount of loans and self deposits as the amount of exposure used in the calculation of the capital adequacy ratio in accordance with special clauses on netting in banking transaction agreements, etc.

Currently, there are no such transactions.

- **Explanation of the Credit Worthiness and Types of Guarantors and Major Counterparties in Credit Derivative Transactions**

The major guarantors used by the Bank are the national government, etc., whose risk weights are lower than non-guaranteed debts. In addition, credit derivative clients are financial institutions whose risk weights are lower than reference debt.

- **Outline of Policies and Procedures for Legally Applying Close-Out Netting Contracts for Derivative Transactions as well as Repurchase Transaction Agreements and the Type and Scope of Transactions to which this Method Is Applied**

The Bank refers to the regulations of each overseas transacting country and takes into account the effect of derivative transactions such as interest rate swaps and currency swaps for which close-out netting agreements have been concluded.

- **Information on the Concentration of Credit and Market Risk Arising from the Application of Credit Risk Mitigation Methods**

The principal credit risk mitigation method utilizes eligible financial collateral secured by cash and self deposits. As a result, there is no concentration of credit and market risk.

### Exposure After Applying Credit Risk Mitigation

As of March 31

Item	Millions of yen			
	2018		2017	
	Exposure	%	Exposure	%
Eligible financial collateral	¥27,488,378	89.53	¥36,923,897	90.99
Guarantees and credit derivatives	3,213,299	10.46	3,655,089	9.00
<b>Total</b>	<b>¥30,701,677</b>	<b>100.00</b>	<b>¥40,578,986</b>	<b>100.00</b>

Notes: 1. The categories of eligible financial collateral used by the Bank include cash, self deposits, and securities.

2. The major guarantor used by the Bank is the central government, etc. The use of these guarantors lowers risk weights more than non-guaranteed debts.

3. Credit derivative clients are financial institutions whose risk weights are lower than reference debt.

4. Does not include exposure in funds that include investment trusts, etc.

## DERIVATIVE TRANSACTIONS AND LONG-SETTLEMENT TRANSACTIONS

### Outline of Risk Management Policies and Procedures

#### • Policy on Collateral Security and Reserve Calculation and Impact of Additional Collateral Demanded on Deterioration of Credit Quality

The Bank signs, as necessary, credit risk mitigation contracts with counterparties in derivative transactions that involve regular transfers of collateral determined in accordance with replacement costs and the likes. Under these contracts, the Bank must provide the counterparty with additional collateral in the event of deterioration in the Bank's credit quality. However, the impact of the additional collateral is deemed to be minor.

The Bank's policy on reserve calculation related to derivative transactions is the same as that applied to ordinary on-balance sheet assets.

#### • Policy on Credit Limit and Risk Capital Allocation Method

The Bank assigns debtors credit ratings to all derivative transaction counterparties. The Bank sets credit limits based on these ratings and conducts regular monitoring on a daily basis to ensure appropriate management of credit risk. The Bank uses the Current Exposure Method in determining the amount of credit outstanding as part of its credit risk management. This method takes into consideration the market value and price fluctuation risk of derivative transactions.

The risk capital allocations for derivative transactions are the same as other transactions.

### Derivative Transactions and Long-Settlement Transactions

As of March 31

	Millions of yen	
	2018	2017
Gross replacement costs	¥437,704	¥324,921
Gross add-on amounts	373,359	245,743
Gross credit equivalents	811,063	570,664
Currency-related transactions	588,851	429,678
Interest rate-related transactions	216,608	140,985
Equity-related transactions	1,596	—
Credit derivative transactions (counterparty risk)	3,958	—
Long-settlement transactions	48	—
Write-off of credit equivalent amount due to netting (deduction)	249,867	231,744
Net credit equivalents	561,195	338,919
Collateral held	397,026	217,350
Marketable securities	169,340	186,935
Cash	227,686	30,415
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	561,195	338,919

Notes: 1. Credit equivalent amounts are calculated using the Current Exposure Method.

2. Derivative transactions and long-settlement transactions are recorded only for transactions that require the calculation of credit equivalent amounts.

3. Does not include exposure in funds that include investment trusts, etc.

4. Gross replacement costs for which reconstruction costs were less than zero are not included.

5. Credit risk mitigation benefits due to collateral are considered in risk weighting, but not in credit equivalent amounts.

6. Write-off of credit equivalent amount due to netting is equal to the figure obtained by subtracting credit equivalent amounts prior to credit risk mitigation with collateral from the sum of aggregated gross replacement costs and total gross add-ons.



## Notional Principal Amounts of Credit Derivatives

As of March 31

	Millions of yen	
	2018	2017
Total return swap	¥108,007	—
Protection purchased	108,007	—
Used for credit risk mitigation	28,844	—
Protection provided	—	—

Note: Does not include credit derivatives that include investment trusts and other funds.

## SECURITIZATION EXPOSURE

### Outline of Risk Management Policies and Risk Characteristics

The Bank is exposed to risk associated with securitization as an investor. For the acquisition of securitized instruments, the Bank examines closely the quality of underlying assets, the structure of senior and subordinate rights, and the details of the securitization scheme. In view of these procedures, it assigns ratings to debtors as with other marketable securities and makes acquisitions within the credit limits. Following acquisition, the Bank monitors deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development. Furthermore, credit risks related to securitized instruments are included in the calculation of the credit risk amount, while related interest rate risks are included in the calculation of the market risk amount. In addition, the Bank also recognizes market liquidity risk. The status of market risk, credit risk and market liquidity risk is reported to the Executive Committee and other organizational bodies.

Re-securitization exposure is the same as securitization exposure.

### Outline of Establishment and Operation of System Prescribed by Section 4-3 to 4-6, Article 249 of the Public Notices on Capital Adequacy Ratios of Financial Instruments Business Operators

With regards to securitization exposure, the Bank has a system for ascertaining information relating to comprehensive risk characteristics and performance on a timely basis. Specifically, in addition to regularly reviewing ratings assigned to debtors, the Bank reviews ratings assigned to debtors when necessary if there has been deterioration in the quality of underlying assets, a change in the composition of underlying assets or other development that affects a debtor rating.

Re-securitization exposure is the same as securitization exposure.

### Policy on Using Securitization Transactions as a Credit Risk Mitigation Method

The Bank does not use securitization transactions as a credit risk mitigation method.

### Method Applied for the Calculation of Credit Risk-Weighted Asset Amounts with Regard to Securitization Exposure

The Bank applies the "Standardized Approach" stipulated in the Capital Adequacy Notification to calculate credit risk-weighted asset amounts related to securitized instruments.

## Type of Securitization Conduit Used for Any Securitization Transactions Related to Third-party Assets Using Securitization Conduits and whether Securitization Exposures Related to such Securitization Transactions Are Held

The Bank does not conduct securitization transactions related to third-party assets using securitization conduits.

## Subsidiaries, Affiliates and Other such Entities Holding Securitization Exposures Related to Securitization Transactions Conducted by the Bank

There are no subsidiaries, affiliates or other such entities holding securitization exposures related to securitization transactions conducted by the Bank.

## Qualified Rating Agencies Used to Determine Risk Weight by Type of Securitization Exposure

The Bank adopts the credit ratings of the following qualified rating agencies to calculate credit risk-weighted asset amounts related to securitized instruments.

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Moody's Investors Service, Inc. (Moody's)
- S&P Global Ratings (S&P)

## Investments in Securitized Instruments

### Securitization Exposure and Breakdown by Type of Main Underlying Assets (Excludes Re-Securitization Exposure)

As of March 31

Type of underlying assets	Millions of yen	
	2018	2017
Mortgage loans	¥ 303,996	¥347,321
Auto loans	121,735	94,576
Leases	3,655	5,322
Accounts receivable	6,420	1,357
Corporate loans	571,627 (23,266)	263,924 (12,228)
Others	—	—
Total	¥1,007,435 (23,266)	¥712,502 (12,228)

Notes: 1. Figures in parentheses show restated off-balance sheet transactions.  
2. Excludes securitization exposure included in investment trust, etc.

## Re-Securitization Exposure and Breakdown by Type of Main Underlying Assets

As of March 31

Type of underlying assets	Millions of yen	
	2018	2017
Mortgage loans	¥1,533	¥2,056
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥1,533</b>	<b>¥2,056</b>

Notes: 1. There are no off-balance sheet transactions.

2. Excludes re-securitization exposure included in investment trust, etc.

## Balance by Risk Weight of Securitization Exposure and Amount of Capital Requirements (Excluding Re-Securitization Exposure)

As of March 31

Risk weight	Millions of yen			
	2018		2017	
	Balance	Capital requirements	Balance	Capital requirements
Less than 20%	¥ 49,477	¥ 197	¥ 94,464	¥ 377
20%	934,691	7,477	605,809	4,846
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1250%	23,266 (23,266)	11,633 (11,633)	12,228 (12,228)	6,114 (6,114)
<b>Total</b>	<b>¥1,007,435 (23,266)</b>	<b>¥ 19,308 (11,633)</b>	<b>¥712,502 (12,228)</b>	<b>¥11,338 (6,114)</b>

Notes: 1. Figures in parentheses show restated off-balance sheet transactions.

2. Excludes securitization exposure included in investment trust, etc.

3. Capital requirements are calculated using the following formula: Credit risk-weighted assets x 4%

4. Corporate loan claims are the underlying type of asset in securitization exposure to which the 1,250% risk weight is applied.

## Balance by Risk Weight of Re-Securitization Exposure and Amount of Capital Requirements

As of March 31

Risk weight	Millions of yen			
	2018		2017	
	Balance	Capital requirements	Balance	Capital requirements
Less than 40%	—	—	—	—
40%	¥1,533	¥24	¥2,056	¥32
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1250%	—	—	—	—
<b>Total</b>	<b>¥1,533</b>	<b>¥24</b>	<b>¥2,056</b>	<b>¥32</b>

Notes: 1. There are no off-balance sheet transactions.

2. Excludes re-securitization exposure included in investment trust, etc.

3. There were no credit risk mitigation methods applied to re-securitization exposure.

4. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

## Accounting Policy for Securitization Transactions

The Bank complies with the Accounting Standards Board of Japan Statement No. 10, Accounting Standards for Financial Instruments (Business Accounting Council, January 22, 1999), etc., in recognizing the initiation and extinguishment of financial assets and liabilities in securitization transactions and assessing and booking these assets and liabilities.

## OPERATIONAL RISK

### Outline of Policies and Procedures for Risk Management

See Page 77 (Operational Risk Management).

### Method Applied for the Calculation of Operational Risk Equivalent Amounts

The Bank adopts the Basic Indicator Approach stipulated in the Capital Adequacy Notification to calculate operational risk equivalent amounts based on capital adequacy regulations.

## INVESTMENTS, STOCKS, AND OTHER EXPOSURES

### Outline of Risk Management Policies and Procedures

Among exposures to investments, stocks, and other exposures, the Bank manages risk for available-for-sale securities in accordance with Market Risk Management/Market Liquidity Risk Management (Pages 72–73) and Credit Risk Management (Pages 74–76).

The Bank manages securities of subsidiaries and affiliates appropriately.

### 1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2018		2017	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc. (Note 1)	¥28,785	¥28,785	¥ —	—
Exposure to investments or equities, etc., other than above (Note 2)	1,932	/	1,390	/
Total	¥30,717	/	¥1,390	/

Notes: 1. The number represents stocks and other instruments with fair value.

2. The number represents stocks and other instruments that are deemed to be extremely difficult to determine a fair value.

3. The figures in the above table do not include exposure to instruments embedded in investment trust, etc. The same applies below.

## 2. Gains (Losses) on Sale or Write-Off of Investment or Equity Exposures

Fiscal years ended March 31

	Millions of yen	
	2018	2017
Gains (Losses):	<b>¥195</b>	—
Gains	<b>195</b>	—
Losses	—	—
Write-offs	—	—

Note: The gains and losses in the above table are recorded as gains (losses) on sales of stock, etc., on the statements of income.

## 3. Unrealized Gains (Losses) Recognized on the Balance Sheets But Not on the Statements of Income

As of March 31

	Millions of yen	
	2018	2017
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	<b>¥396</b>	—

Note: The number represents unrealized gains (losses) on stock, etc., with fair value.

## 4. Unrealized Gains (Losses) Not Recognized on the Balance Sheets or the Statements of Income

As of March 31

	Millions of yen	
	2018	2017
Unrealized gains (losses) not recognized on the balance sheets or the statements of income	—	—

Note: The number represents unrealized gains (losses) on stock of subsidiaries and affiliates with fair value.

## INTEREST RATE RISK

### Outline of Risk Management Policies and Procedures

See Pages 72–73 (Market Risk Management/Market Liquidity Risk Management).

### Outline of Method for the Calculation of Interest Rate Risk Used for Internal Management Purposes

See Pages 72–73 (Market Risk Management/Market Liquidity Risk Management).

### Status of Loss-to-Capital Ratio Under the Outlier Framework

The Bank measures the loss-to-capital ratio under the outlier standard as part of its practice to monitor interest rate risks in its banking book.

As of March 31

	Billions of yen	
	2018	2017
Amount of loss (A)	¥ 998.0	¥ 961.8
Total capital (B)	8,772.0	8,616.9
Loss-to-capital ratio (A)/(B) (%)	11.37	11.16

- 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. The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"), and calculate the interest rate risk amount for them.
3. According to the "Comprehensive Guidelines for Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in government bonds and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the outlier standard."

# Corporate Data

## JAPAN POST GROUP Charter of Corporate Conduct

### (1) Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

### (2) Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

### (3) Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

### (4) Create value

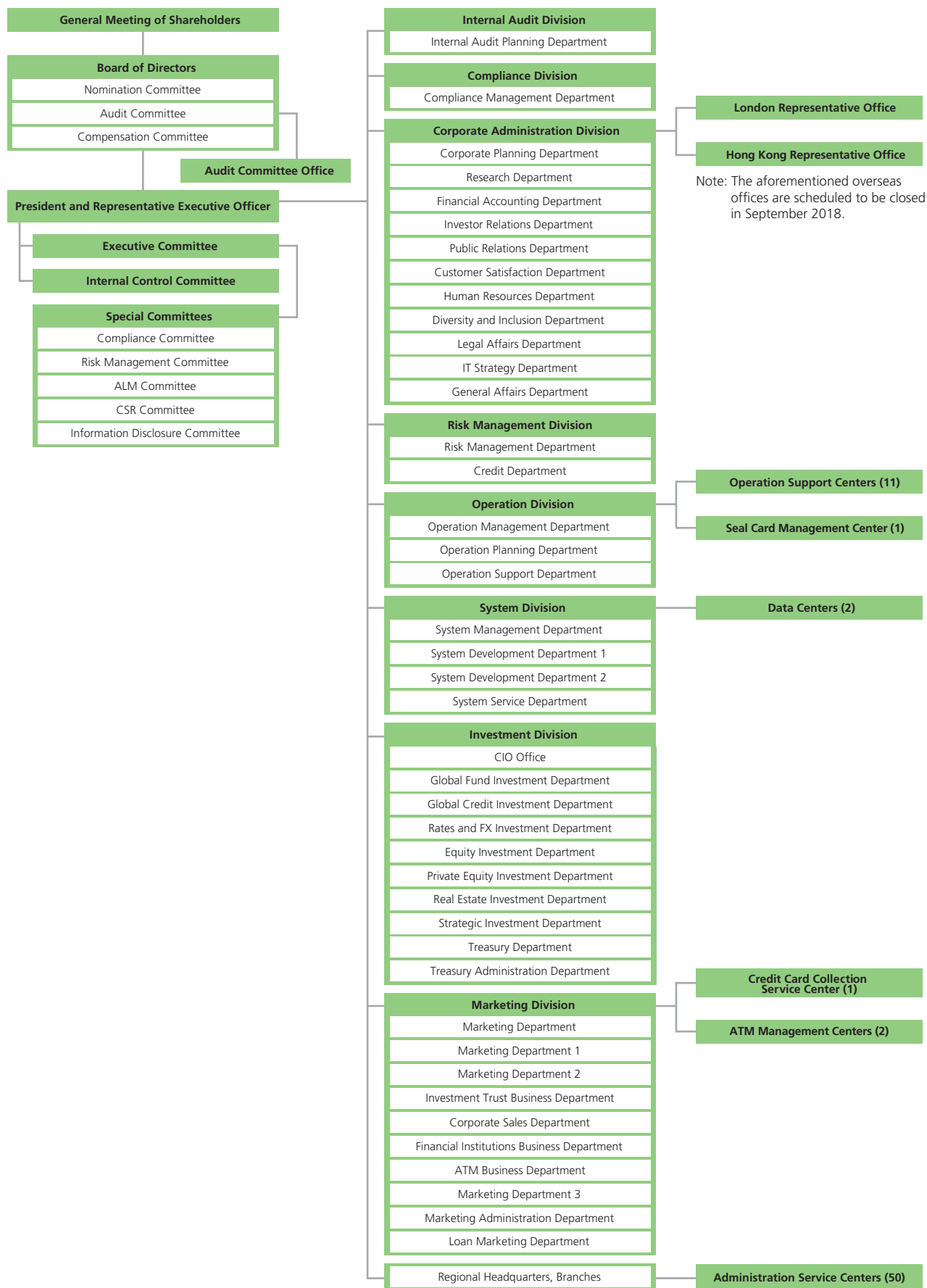
- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the JAPAN POST GROUP network.
- We will utilize teamwork and create corporate value for the JAPAN POST GROUP by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.

### (5) Be a source of change

- We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
- We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
- We aggressively take on the challenge of conducting global business activities.

# Organization

(As of July 1, 2018)





# Corporate Information

(As of March 31, 2018)

## Number of Shares

<b>Total number of authorized shares:</b>	18,000,000 thousand shares
<b>Total number of outstanding shares:</b>	3,749,475 thousand shares (excluding 750,524 thousand shares of treasury stock)
<b>Total number of shareholders:</b>	477,500

Note: The treasury stock does not include the Bank's shares held by the board benefit trust (544 thousand shares).

## Major Shareholders

	Name of shareholder	Number of shares held (shares)	Ratio of number of shares held against total number of shares issued (%)
1	JAPAN POST HOLDINGS Co., Ltd.	3,337,032,700	74.15
2	Japan Trustee Services Bank, Ltd. (Trust Account)	23,294,900	0.51
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	19,563,100	0.43
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,680,400	0.23
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,342,200	0.18
6	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,997,100	0.17
7	Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,901,700	0.17
8	Japan Post Bank Employee Shareholding Association	7,196,000	0.15
9	STATE STREET BANK WEST CLIENT - TREATY 505234	7,063,358	0.15
10	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	6,301,200	0.14

Notes:

1. The company holds 750,524,950 shares (the ratio of number of shares held against total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders.

2. The ratio of number of shares held against total number of shares issued has been rounded down to the second decimal place.

## Affiliated companies

	Name/ Location	Issued capital (millions of yen)	Main business	Date of Establishment	Holding as percentage(%)
Consolidated subsidiaries	<b>Japan Post Investment Corporation</b> 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo	750	Investment management operations of securities	February 9, 2018	50.00 [25.00]
	One other company	-	-	-	-
Equity-method affiliates	<b>SDP CENTER Co., Ltd.</b> Triton Square Tower X 43F, 8-10, Harumi 1-chome, Chuo-ku, Tokyo	2,000	Clerical agency services	May 28, 1980	45.00
	<b>ATM Japan Business Service, Ltd.</b> 30-5, Hamamatsucho 1-chome, Minato-ku, Tokyo	100	Management of ATMs, for example cash loading and withdrawal	August 30, 2012	35.00
	<b>JP Asset Management Co., Ltd.</b> 5-11, Nihonbashi-honcho 1-chome, Chuo-ku, Tokyo	500	Investment management business, type II financial instruments business	August 18, 2015	45.00

Note: Data in parentheses in the "Holdings as a Percentage" column represent the ownership percentage (superscription) of persons who are found to exercise their voting rights in accordance with the wishes of the first Company, etc., due to a close relationship therewith in terms of investment, personnel, funds, technology, transactions or other matters or persons who have agreed to exercise their voting rights in accordance with the wishes of the first Company, etc.

## Website

Corporate overview of the Bank together with press releases, financial, IR and other information.

▶  [https://www.jp-bank.japanpost.jp/en\\_index.html](https://www.jp-bank.japanpost.jp/en_index.html)



**JAPAN POST BANK Co., Ltd.**

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