



# Annual Report 2019

Year ended March 31, 2019



 **JAPAN POST BANK**



## Management Philosophy

JAPAN POST BANK aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.

### TRUST

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.

### INNOVATION

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

### EXPERTISE

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

### EFFICIENCY

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

#### Corporate Profile

Corporate name	JAPAN POST BANK Co., Ltd.	Total assets	¥208,970 billion
Date of establishment	September 1, 2006	Total net assets	¥11,350 billion
Representative Executive Officer	Norito Ikeda	Capital	¥3,500 billion
Address of head office	2-3-1 Otemachi, Chiyoda-ku, Tokyo 100-8793, Japan	Number of employees*	12,800
		Main offices	Head office, Branches 234

\* 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 part-time employees (including those who have converted to indefinite-term employment based on the system for conversion to indefinite-term employment [associate employees]).

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#### 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.

Operating performance for the period from April 1, 2018 to March 31, 2019. 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 finance-related 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, 2019, 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.

# About JAPAN POST BANK

## The Path of Value Creation

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



Photo courtesy of Postal Museum Japan

**1885**  
Ministry of Communications

- 1875**
- Postal money order service established
  - Postal savings service established

- 1885**
- Ministry of Communications established



Photo courtesy of Postal Museum Japan

- 1906**
- Money Transfer service established

- 1941**
- TEIGAKU (fixed-amount) deposits introduced



**1949**  
Ministry of Posts and Telecommunications

- 1949**
- Ministry of Posts and Telecommunications established

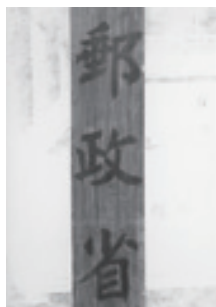


Photo courtesy of Postal Museum Japan

- 1981**
- Automatic teller machines (ATMs) for postal savings introduced

- 1999**
- ATM/CD alliance service with private-sector financial institutions launched



**2001**  
Postal Services Agency

**2003**  
JAPAN POST  
(Nippon Yusei Kosha, government-owned corporation)

- 2001**
- Alongside the reorganization of ministries and agencies, the Ministry of Posts and Telecommunications, the Ministry of Home Affairs, and the Ministry of Public Management consolidated to form the Ministry of Internal Affairs and Communications and the Postal Services Agency

- 2003**
- JAPAN POST (Nippon Yusei Kosha, government-owned corporation) established

- 2005**
- Taking of applications for sales of investment trusts begun

- 2006**
- JAPAN POST HOLDINGS Co., Ltd. established as a preparatory company





**2007**  
**JAPAN POST BANK**  
(Privatized)



**2015**  
**Shares listed on First Section of Tokyo Stock Exchange**

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

**2007**

- JAPAN POST GROUP established
- Approval granted for new services (syndicated loans [participatory], acquisition or transfer of loans, interest rate swap transactions)

**2008**

- Approval granted for new services (credit card business, taking of applications for variable annuities policies, mortgage intermediary operations)
- Investment in SDP CENTER Co., Ltd.
- Launch of "JP BANK CARD"
- Launched mortgage intermediary operations
- Began taking of applications for variable annuities policies for individuals

**2009**

- Began currency exchange transactions with other financial institutions via Zengin Data Telecommunication System

**2013**

- Investment in ATM Japan Business Service., Ltd.

**2015**

- 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"

**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)

**2018**

- Established Japan Post Investment Corporation
- Contract signed covering installation of Japan Post Bank ATM in Aozora Bank branches

**2019 April**

- Launched face-to-face consultation service for iDeCo at post offices that handle investment trusts

**May**

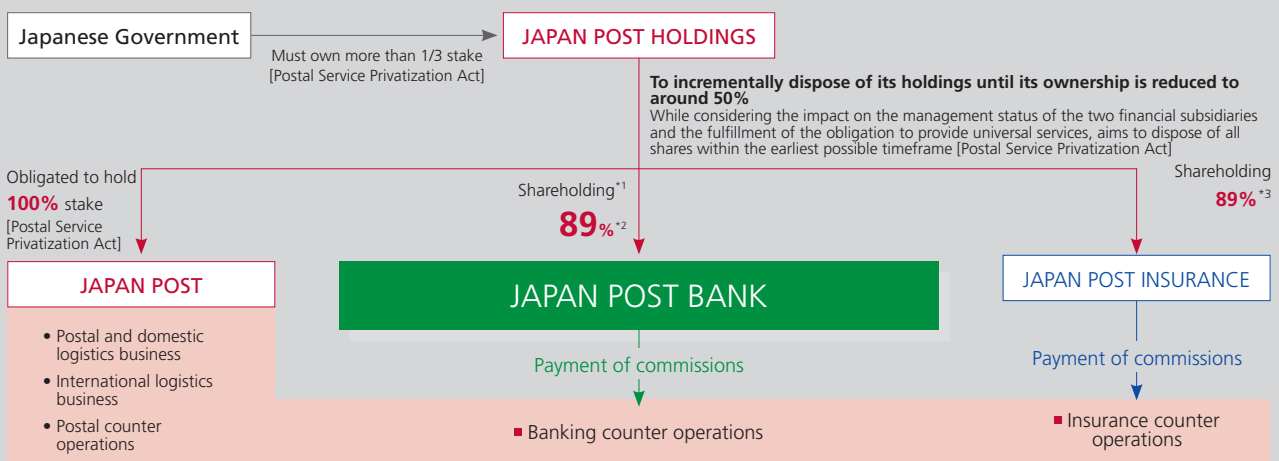
- Launched transactions of "Yucho Pay" smartphone settlement service

 **ゆうちょPay**



**Current JAPAN POST GROUP Structure**

(As of March 31, 2019)



\*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  
 \*3: JAPAN POST HOLDINGS' shareholding of JAPAN POST INSURANCE fell from the previously held 89% to approximately 64% as a result of the secondary offering of the company's common stock by JAPAN POST HOLDINGS and acquisition of treasury stock. (April 2019)

# Main Features of JAPAN POST BANK

## Customer Base

### Huge Nationwide Network (As of March 31, 2019)

Number of domestic branches

**23,944**

ATMs

**29,837**

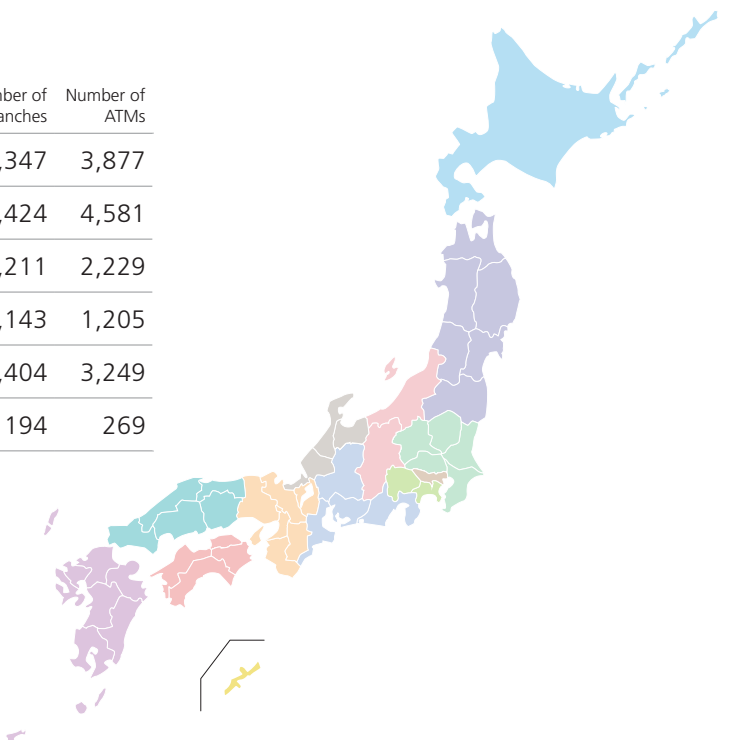
Number of partner financial institution cards usable at ATMs

Cards of approx. **1,400** Companies

#### Numbers of branches /ATMs in Japan

Regions	Number of branches	Number of ATMs
Hokkaido Region	1,476	1,695
Tohoku Region	2,544	2,535
Kanto Region	2,567	3,525
South Kanto Region	1,025	1,542
Tokyo Region	1,473	2,912
Shinetsu Region	1,298	1,371
Hokuriku Region	838	847

Regions	Number of branches	Number of ATMs
Tokai Region	2,347	3,877
Kinki Region	3,424	4,581
Chugoku Region	2,211	2,229
Shikoku Region	1,143	1,205
Kyushu Region	3,404	3,249
Okinawa Region	194	269

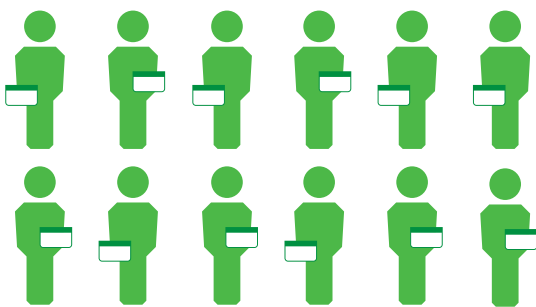


#### Notes

- The number of branches includes the following.
  - Branches directly managed by JAPAN POST BANK
  - Post offices contracted by JAPAN POST BANK (including sub-offices)
  - Contracted post offices in which JAPAN POST re-entrusts our banking agency services
- Does not include the number (three) of mobile post offices (in Hokkaido, Hyogo and Yamaguchi prefectures).

#### Overwhelming Presence in Japan

No.1 in Japan for number of accounts



Number of ordinary deposit accounts

Approx. **120** million

In Japan, the number of post offices, the main sales channel, exceeds the total number of elementary schools.

Post offices  approx. **24,000**

Elementary schools  approx. **20,000**

Major City Bank No. of branches  approx. **3,000**

Sources: Ministry of Education, Culture, Sports, Science and Technology; Japanese Bankers Association

## Management Scale

# Advanced and Diversified Management of Assets under Management (As of March 31, 2019)

Total Assets under Management

¥ **205** trillion  
502 trillion

Total of Risk Assets

¥ **81** trillion  
81 trillion

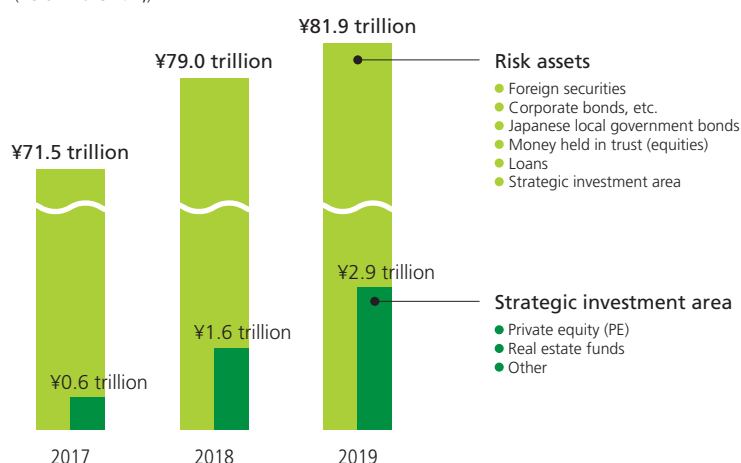
Risk Asset Profit/Loss

¥ **783.9** billion  
183.8 billion

### Investment in Risk Assets and Earning Generation

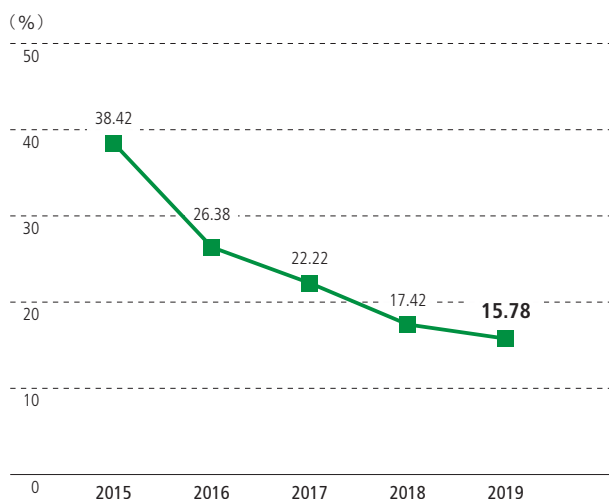
JAPAN POST BANK actively seeks an increased level of sophistication and enhanced diversification in its investment management. Responding to the decline in revenues from yen interest rate assets due to the effects of low interest rates, the Bank has built up risk assets, such as overseas credit assets and alternative assets, in line with prudent asset and liability management as well as risk management. The Bank is also targeting enhanced diversification in revenue sources, including through the development of new investment areas and the leveraging of derivatives.

(As of March 31,)



### Ensuring Financial Soundness while Increasing Level of Sophistication and Enhancing Diversification in Investment Management

Capital adequacy ratio (Domestic Standard) (As of March 31,)



Credit Ratings

(As of March 31, 2019)

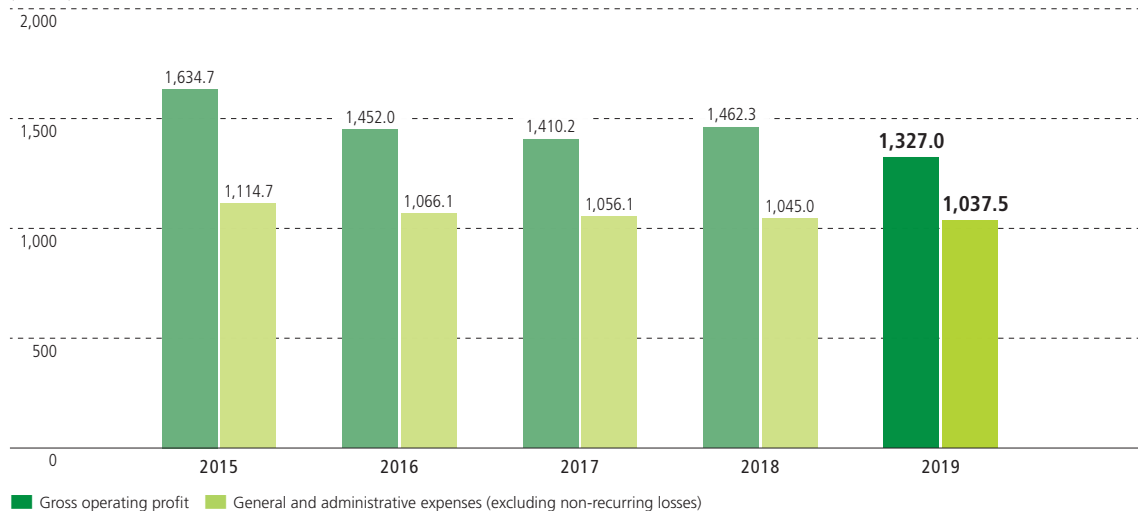
Rating Agency	Long-term	Short-term
Moody's	<b>A1</b>	<b>P-1</b>
S&P	<b>A+</b>	<b>A-1</b>

# Financial Highlights (Non-Consolidated)

## Gross Operating Profit/General and Administrative Expenses

For the fiscal year ended March 31,

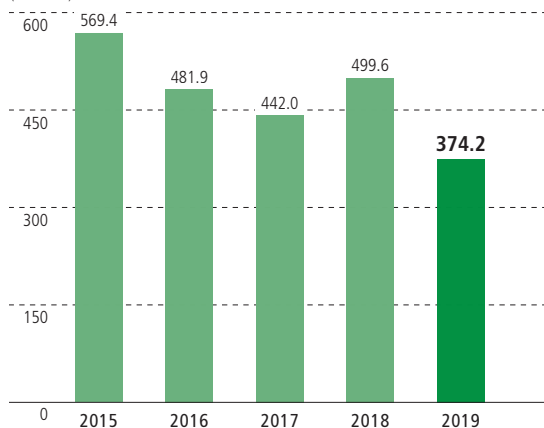
(¥ billion)



## Net Ordinary Income

For the fiscal year ended March 31,

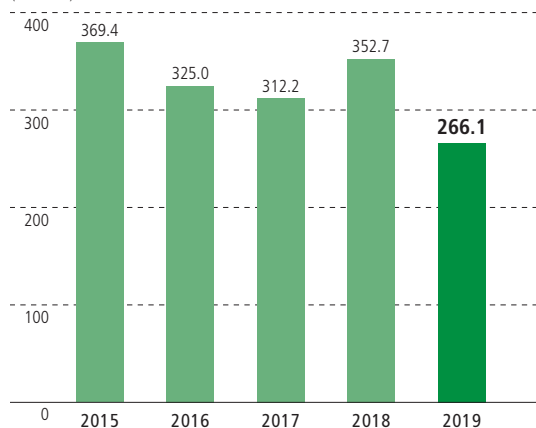
(¥ billion)



## Net Income

For the fiscal year ended March 31,

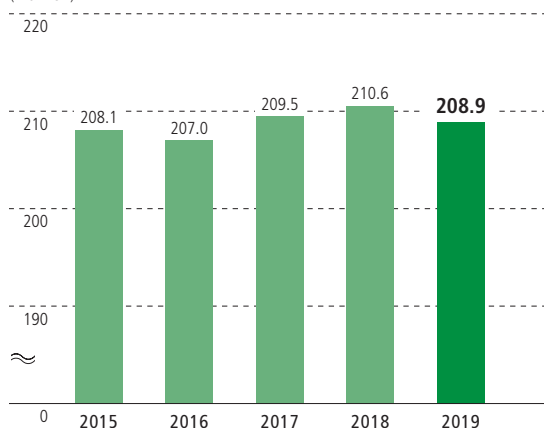
(¥ billion)



## Total Assets

As of March 31,

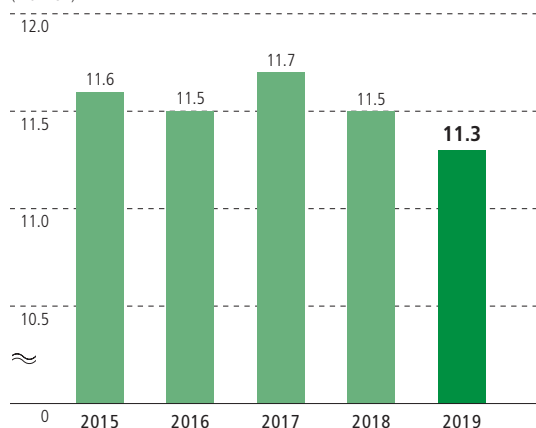
(¥ trillion)



## Total Net Assets

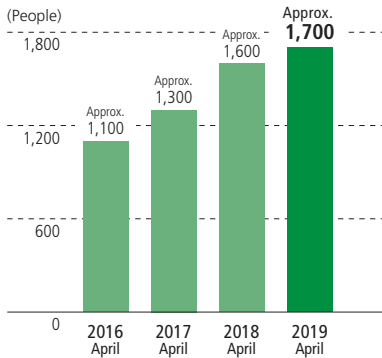
As of March 31,

(¥ trillion)

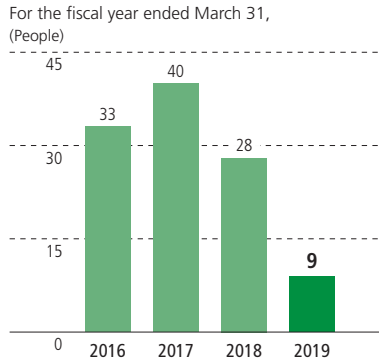


# Nonfinancial Highlights

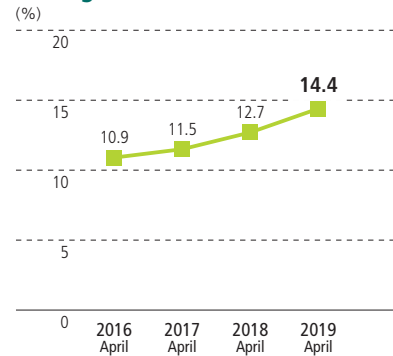
## Consulting Marketing Personnel



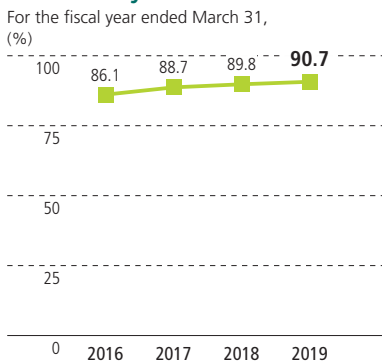
## Hiring of External Personnel



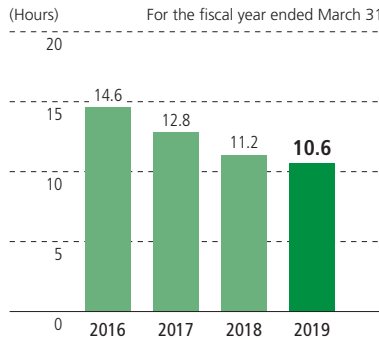
## Percentage of Women in Managerial Positions



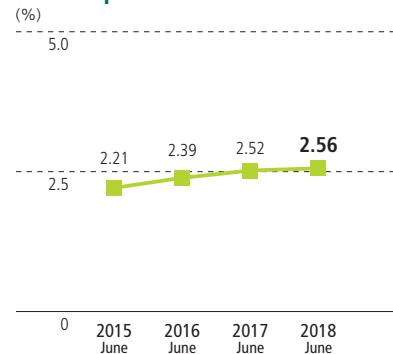
## Paid Holiday Utilization Rate



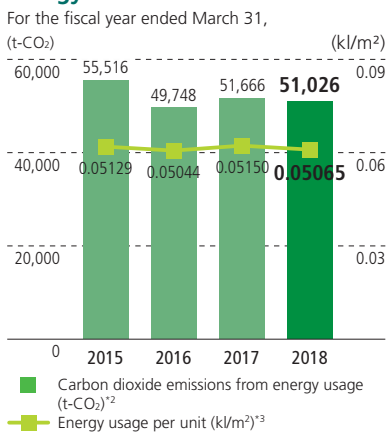
## Average Number of Hours Overtime Worked



## Percentage of Employees Who Are People with Disabilities



## Energy Use Data\*1



\*1 The scope of data compilation is the entire organization of JAPAN POST BANK. Calculated in accordance with 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.

In April 2019, the Bank announced its agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD\*).

For details, please see page 45.



\* An organization established under the recommendations of the Financial Stability Board for the purpose of enhancing corporate information disclosure relating to climate change. In June 2017, The TCFD published a proposal on voluntary information disclosure with regard to climate-related financial information.

## External Assessments

### MSCI Japan Empowering Women Index (WIN)

JAPAN POST BANK has been selected as a constituent brand name of the MSCI Japan Empowering Women Index (WIN), which was developed for environmental, social and governance (ESG) investment.



### Euronext Vigeo Eiris World Index 120

JAPAN POST BANK is one of a select number of companies to be included in the Euronext Vigeo Eiris World Index 120.



### Platinum Kurumin

Having received certification as a "child rearing support company" from the Ministry of Health, Labour and Welfare over three business terms from 2010, JAPAN POST BANK went on to receive the Kurumin next generation accreditation mark. In 2018, the Bank's activities of an even higher standard received the special Platinum Kurumin accreditation mark.



### Tomonin

In November 2016, JAPAN POST BANK was accredited by the Ministry of Health, Labour and Welfare for its activities as a company promoting the development of work environments that enable the balancing of work and nursing care.



### Certified Health and Productivity Management Organization 2019 (White 500)

Based on its responses to a health management survey conducted by the Ministry of Economy, Trade and Industry, JAPAN POST BANK was certified by the Nippon Kenko Kaigi (Japan Health Council) as a corporation practicing good health management and received certification as a Health and Productivity Management Organization 2019 (White 500).



### PRIDE Index Gold

In the fiscal year ended March 31, 2019, JAPAN POST BANK was awarded the highest gold evaluation in the PRIDE Index with which "work with Pride"—an organization that respects the encouragement and establishment of diversity management for the LGBT community—evaluates the efforts of companies.



# Management Vision

## To Our Stakeholders

### Imagining the future of JAPAN POST BANK

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The ongoing advancement of digital technologies is contributing to rapid changes in the structure of industry, both in Japan and overseas. Companies that previously established what would appear to be unshakeable positions are now facing an age in which they could lose their solid economic foundation almost overnight. To be sure, JAPAN POST BANK is no exception, and there is no certainty that the role we now play and the scale of our current operations will be the same 10 or 20 years from now. The emergence of new settlement, asset management, and lending services has thrown the financial world into chaos, with companies in the sector now facing unprecedented competition from businesses in other industries. I believe the banking sector is at a turning point in terms of the role it plays, and given that the Company must accordingly take bold steps as we move into this new era, our Medium-term Management Plan focuses on establishing the course of the Company's management with a view toward the distant future.

I believe our younger employees, who can think creatively and are free from preconceived notions, hold the key to understanding the changing needs of our customers in this new age. To better decide the course of management over the long term, I regularly meet and exchange views with our mid-career and younger employees. The discussions focus on what is happening and what could happen in the financial sector, Japanese society, and the world at large, and what kind of bank we want to become. By combining the innovative ideas of our younger employees with the experience of the management team, I believe we can create the products and services our customers will require in this new age and establish a solid foundation for the Bank in an era characterized by the continuous spread of new technologies. I am working now with a group of young employees to create a vision for the future of the Bank that allows it to continue to develop for decades to come.



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



## Medium-term Management Plan Progress in the FY2019/3 to FY2021/3 Plan

For the fiscal year ended March 31, 2019, despite an increase in net fees and commissions as well as net other operating income, non-consolidated net income decreased by ¥86.5 billion year on year to ¥266.1 billion mainly due to a decrease in net interest income in the adverse business environment with yen interest rates remaining at a low level.

On a consolidated basis, net income attributable to owners of parent was ¥266.1 billion, which equated to 102.3% of our earnings forecasts of ¥260.0 billion for the fiscal year ended March 31, 2019.

With the aim of overcoming the current situation and the ongoing severity in the external environment, we continuously implemented the three key strategies in the Medium-term Management Plan in the fiscal year under review and have established a firm foundation for growth in the fiscal year ended March 31, 2019 and thereafter.

### First way

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

- Support of asset building
- Enhancement of convenience of settlement services

#### Initiatives

- Expansion of assets under management (from savings to asset building)
- Customer-oriented asset building support

### Second way

#### Diversification and Sophistication of Investment Management

- Alternative investments
- Utilization of derivatives

#### Initiatives

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

### Three ways and Initiatives

### Third way

#### Funds Flow to Regional Communities

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

#### Initiatives

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

**“ Spearheading management with the aim of creating a JAPAN POST BANK that can continue to grow alongside its customers over the medium to long term ”**

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

### Strengthening investment trust sales

JAPAN POST BANK is working closely with the post-office network to strengthen investment trust sales as part of our effort to meet the growing asset formation needs of our customers. We expanded the number of investment trust sales offices to 1,540 locations as of the end of March 2019. In the fiscal year ended March 31, 2019, we revised our product mix to offer a simpler and easier-to-understand lineup of products to our customers while simultaneously training and increasing the number of financial consultants. These efforts contributed to investment trust sales improving ¥153.1 billion year on year to ¥891.0 billion. We expect the low interest-rate environment to contribute to an ongoing acceleration in the flow from savings to asset building and we intend to capture this demand to develop investment trust sales into an earnings pillar for the bank.

### Launching 'Yucho Pay'

JAPAN POST BANK launched Yucho Pay, a new settlement service that allows customers using their smartphones, in May 2019. With the goal of enhancing convenience for our customers, we are now working to expand the number of member stores offering the service. Making use of our 233 branch offices, we are focused on strengthening sales to leading convenience stores, supermarkets, and restaurant chains, as well as accelerating sales at regional outlets.

We expect a rapid spread in the use of the QR-code payment system, as it has the advantages of low installation costs and minimal fees for stores and allows quick payment. One of the advantages for the Bank is that it maintains accounts for more than 100 million customers. Moving forward, we target 10 million customers using their accounts in the settlement system over the next three years, with total annual settlements at the end of this period at about ¥1 trillion.

\*"QR code" is a registered trademark of DENSO WAVE INCORPORATED

### ATM strategy

In order to further enhance convenience for customers, we are working in cooperation with convenience store operators to expand the current ATM network. As an example of this, FamilyMart, which became one of the Bank's partners in 2016, has been replacing in-store ATMs with JAPAN POST BANK ATMs from January 2017. We are also actively promoting cooperation with regional financial institutions, and note that Aozora Bank has replaced all of its existing ATMs with JAPAN POST BANK ATMs. In addition, The Bank of Kyoto, and Kagoshima Bank have implemented new policies allowing customers to use JAPAN POST BANK ATMs free of charge in some areas. By expanding the number of win-win relationships with regional financial institutions, we aim to establish our ATM network as a key source of growth for the bank.

**“ Strongly advancing corporate value in three ways while strengthening our responses to management risk ”**



## Second way

### Diversification and Sophistication of Investment Management

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#### Current conditions in investment management

With the goal of improving profitability in asset management, we have promoted a shift from a portfolio focused on Japanese government bonds to one centered more on risk assets such as foreign securities. We have also expanded the range of investment activity to include strategic investment areas such as private equity funds and real estate funds.

In the fiscal year ended March 31, 2019, market stability in the first half of the year allowed the Bank to steadily increase its risk asset balance, but heightened market volatility in the second half of the year prompted the Bank to conduct a review of its portfolio.

As a result, we were able to secure profit that was generally in line with our forecast, despite an external environment characterized by a high degree of uncertainty.

#### Progress at JP Investment

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 was established with the aim of supplying risk assets to growth businesses and contributing to the development of local communities through the establishment of funds providing risk money to finance business realignment, succession, and rehabilitation as well as other buyout deals in Japan. It has been more than one year since the establishment of the business and with five investment projects so far, progress has been generally in line with our expectations. In order to further strengthen our ability to unearth new projects, we will bolster our research capabilities and focus human and capital resources in areas that appear likely to exhibit growth.

## Third way

### Funds flow to regional communities

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As a bank conducting business with the support of customers throughout Japan, we believe contributing to regional communities to be one of our most important missions. We have participated in regional vitalization funds since 2016 and have expanded participation to 18 funds as of the end of March 2019. Our goal is to revitalize local communities through participation in these funds and the provision of equity funding. This aspiration requires the creation and management of funds in cooperation with local financial institutions, as well as mutual assistance in identifying projects with the potential to revitalize the local communities. For this reason, we have focused on clearly outlining our vision and held repeated discussions with our partners until mutually acceptable decisions can be reached.

With the goal of further strengthening our ties and promoting growth, we have been focused on promoting cooperation with regional financial institutions on the services side as well, including cooperative efforts in the ATM network and utilizing common administration in back-office operations.

### Acknowledging management risk

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In order to achieve our Medium-term Management Plan targets and sustained growth over the long term, we must understand the risks that could have the greatest impact on management of the Bank, and how best to respond.

With this in mind, the Board of Directors and the Executive Committee have factored in the opinions of outside directors, identified the risks the company faces, and compiled a list of the top risks based on potential impact, likelihood, and level of priority. Among these risks, the potential impacts from money laundering and funding of terrorism, cyber attacks, advancements in technology and diversification of customer needs, and natural disasters are particularly large, resulting in the Board of Directors deciding to meet regularly to assess the situation and placing an emphasis on strengthening countermeasures, including through my own personal involvement.

## Finding solutions to social issues

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The Sustainable Development Goals (SDGs) were adopted at the United Nations Summit in September 2015 and are considered national and corporate targets for achievement by 2030. As of the end of March 2019, deposits at the JAPAN POST BANK stood at about ¥180.9 trillion, making it one of the largest banks in the world in terms of deposits. As such, we must continue to be aware of the impact of our business activities on the international community. Based on gains made to date in social infrastructure as well as aims for the future, the philosophy of the SDGs overlaps considerably with our own social mission. The Bank will continue to determine and promote action on the SDGs that require focused attention in our business activities.

We also recognize that respect for human rights is essential to management of the company. The JAPAN POST BANK Human Rights Policy was established in April 2019 in accordance with the United Nations' Guiding Principles on Business and Human Rights. We will continue to promote measures designed to advance respect for human rights.

Factoring in the risks and opportunities that climate change poses to society and management of the Company, the Bank during the same month issued a Declaration of Support for the Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). We intend to deepen our understanding of the potential impact of climate change on our business and will contribute to the building of a sustainable society through further improvements in information disclosure.

By contributing to the resolution of social issues through our business activities, we aim to not only improve corporate value, but also fulfill our responsibilities to society and our social mission.

## Development of human resources

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One of the key strengths of our employees is their ability to effectively execute business decisions. We believe that in order to make best use of these strengths, it will be increasingly important to create an environment where they can think for themselves and hone their abilities and mindsets to the needs of the business. We believe this

requires not only on-the-job training, but also experiences from outside the Bank, where intense competition is the rule. In order to provide this perspective, the Bank has been active in dispatching its employees to companies in Japan and overseas. As an example, creating Japan Post Investment Corporation, which I mentioned earlier, we sent 65 employees, mainly younger workers, over a period of three years to a variety of fund management firms. When the employees returned to the bank after the end of the dispatching period, it was clear as they actively involved themselves in the Bank's business that they gained not only expertise, but also a level of independence. We are also advancing reforms in internal communications so that the knowledge and experience gained from outside the company can be better shared. While employees participating in the reform were initially from the head office, we look forward to expanding participation to employees in locations around the country.

## Promoting diversity

---

In an era where medium- to long-term demand trends are somewhat uncertain, we believe that the companies that are likely to survive are the ones with diverse human resources that can respond flexibly to any situation. To phrase it differently, we believe the promotion of diversity can play a key role in assuring the future of the Bank. In addition to assisting in career formation and actively promoting women in the workplace, we aim to make adjustments to our individual actions and create a corporate culture that promotes diversity. To this end we have created the JAPAN POST BANK Diversity Committee and "Yucho IkuBoss\*" initiative.

As a result of our sustained efforts in this area, the ratio of female managers at the Bank reached 14.4% as of April 1, 2019.

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

\*For details, please refer to page 29.

## Strengthening corporate governance

With nine outside directors and four internal directors, outside directors account for more than half the directors on the JAPAN POST BANK Board of Directors. We believe it is extremely important to have outside directors with diverse skills and experiences if management is to make decisions that contribute to the improvement of corporate value. As an example, the outside directors played a major role in meetings regarding the four leading risks I mentioned earlier, bringing a wealth of experience and a variety of useful opinions to the discussion. Our goal is to maintain the effectiveness of the Board of Directors by ensuring that all directors can actively participate in any discussions.

We also recognize that training the management team and potential candidates is an important corporate governance issue. As an example, a key qualification for the next company president is that he or she has a deep loyalty to not only the Company and the Japan Post Group, but also the employees. Moreover, we believe the position requires someone who can effectively execute strategies with a sense of determination based on a long-term and comprehensive outlook for the Bank.

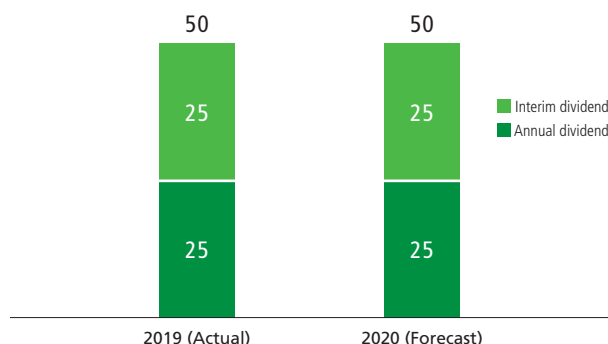
## Dialogue with shareholders and investors

Sustainable growth at the Bank requires ongoing and constructive dialogue with our shareholders, and to that end we are focused on increasing the opportunities for communications, including through the general meeting of shareholders and investor briefings. The general meeting of shareholders is particularly important in that it provides an opportunity to speak directly to many of the shareholders, and we believe it vital to create an environment in which opinions can more freely be exchanged. Our shareholders include customers living in a variety of different regions and given the fact that the JAPAN POST BANK has deep connections to those regions, we are committed to providing an expanded



### Dividends Per Share

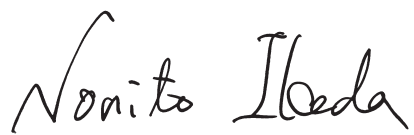
For the fiscal year ended March 31,  
(yen)



general meeting of shareholders, where shareholders can freely exchange opinions with company executives, myself included.

I intend to pursue management of the Company with enthusiasm and a deep sense of responsibility so the Bank can achieve growth moving forward and shareholders and investors can share in the improved corporate value as a result of this growth. I would like to thank our shareholders and investors and ask for their continued support and understanding in the days ahead.

July 2019



Director, President and  
Representative Executive Officer

**“ By contributing to society, we aim to create value**

**and share it with our shareholders**

**and investors ”**

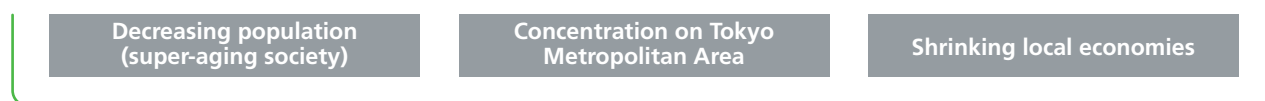
# Value Creation Process

By promoting business activities that make the most of JAPAN POST BANK's strengths, we will create value such as contributing to customers' safe lives and local communities. Through this value creation, we will also contribute to the achievement of the sustainable development goals (SDGs).

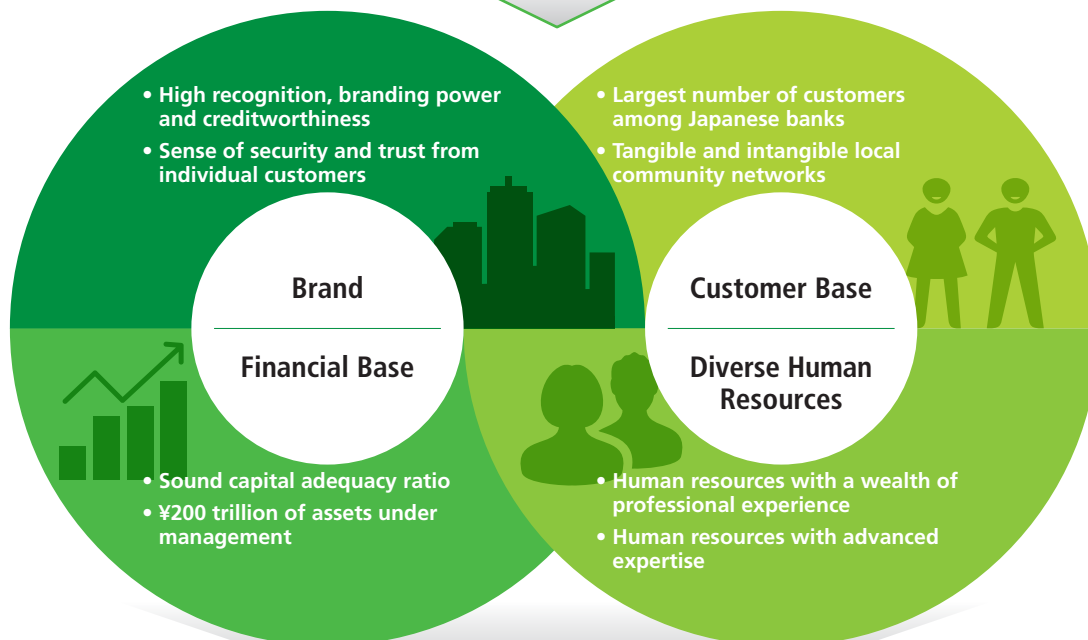
Realization of its goals

**Have more people say "JP Bank, of course"**

Management Environment Facing Us



JAPAN POST BANK's Strengths



INPUT

Three ways



Business Foundation

<b>Internal management stance</b> <ul style="list-style-type: none"> <li>Customer-oriented business operation</li> <li>Compliance</li> </ul>	<b>Governance and business management</b> <ul style="list-style-type: none"> <li>Risk appetite framework (RAF)</li> </ul>	<b>Human resource strategy</b> <ul style="list-style-type: none"> <li>Diversity</li> <li>Human resource development</li> <li>Personnel strategy</li> </ul>
<b>Business process reform (BPR)</b> <ul style="list-style-type: none"> <li>Improvement of administrative flow</li> <li>Cashless and paperless operation</li> </ul>	<b>Utilization of Fintech</b> <ul style="list-style-type: none"> <li>Payment business</li> <li>Opening of platform (API)</li> </ul>	<b>System</b> <ul style="list-style-type: none"> <li>Effective IT investment and utilization of AI</li> <li>Next-generation systems</li> </ul>

OUTPUT





## SDGs Relevant to JAPAN POST BANK

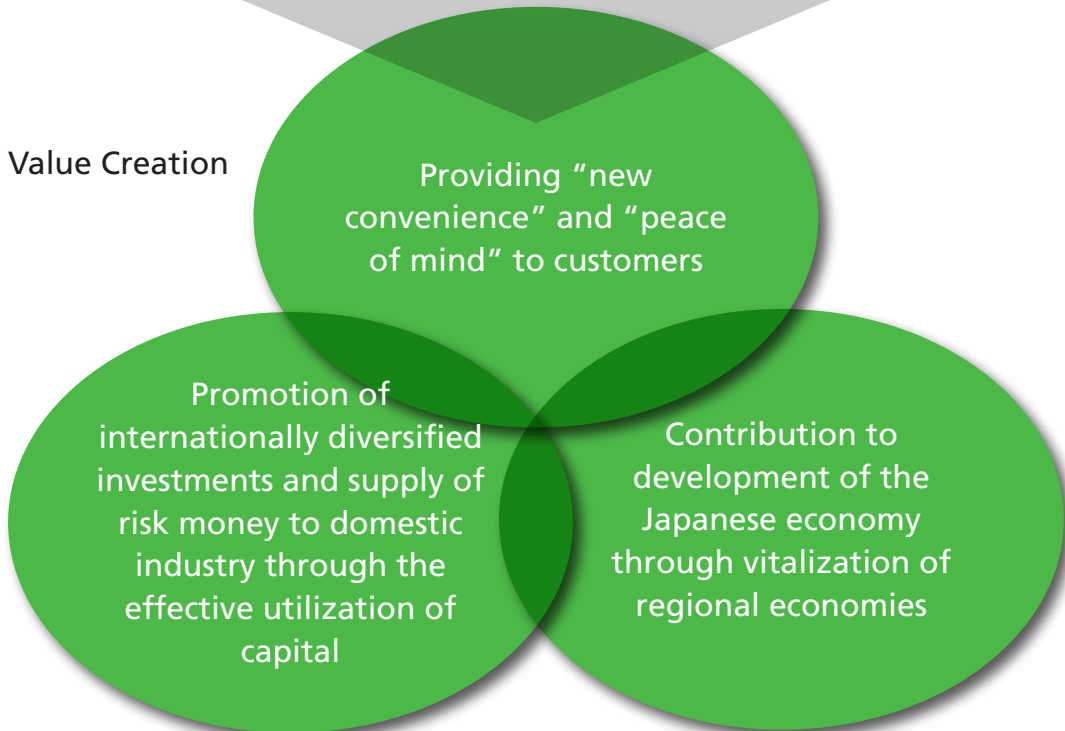
<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	

For information on specific initiatives designed to contribute to the SDGs, please refer to pages 17 and 45-47.

# Contributions to Creation of a Sustainable Society

## CORRELATED

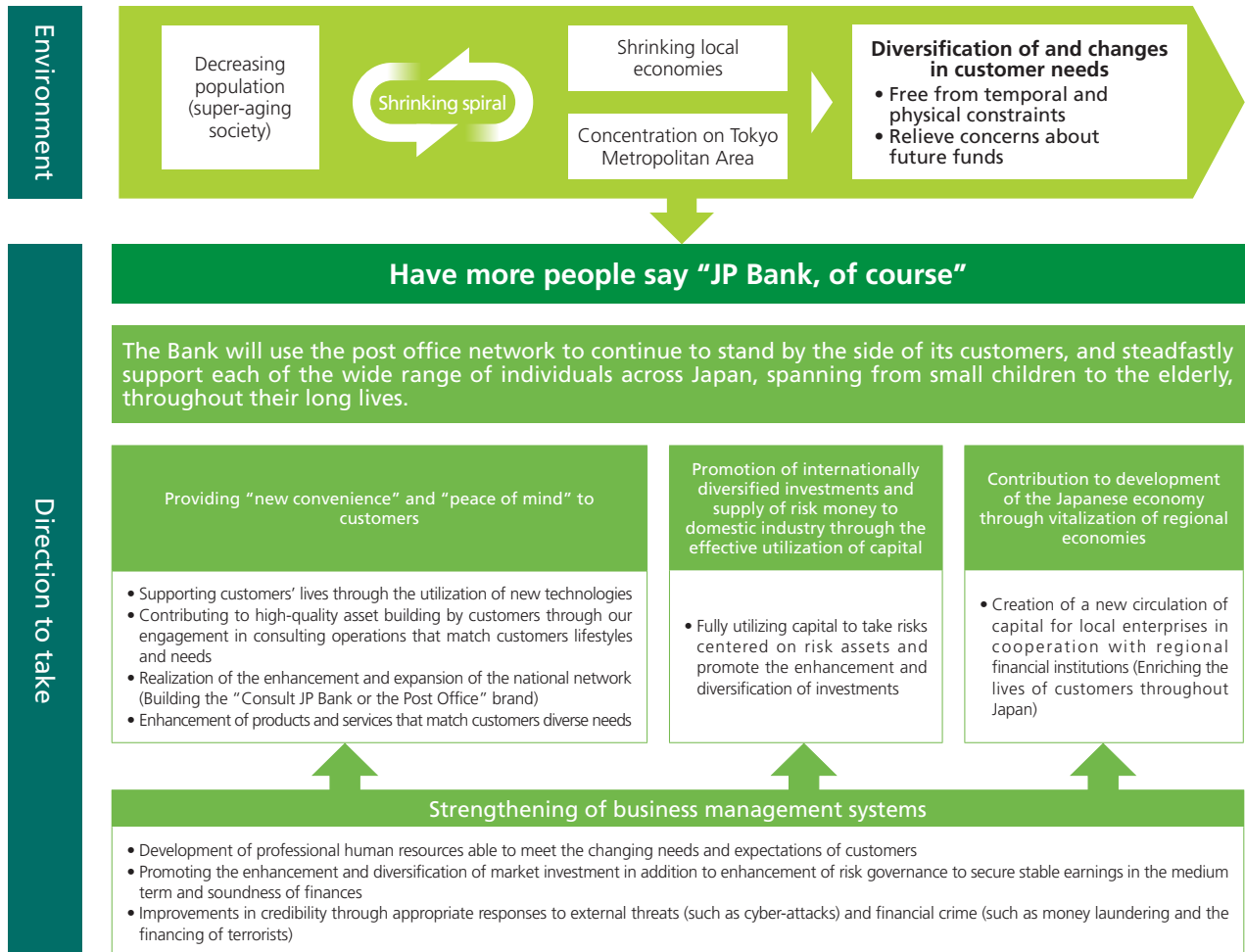
Value Creation



# Medium-term Management Plan

## Environmental Awareness and Direction of Initiatives

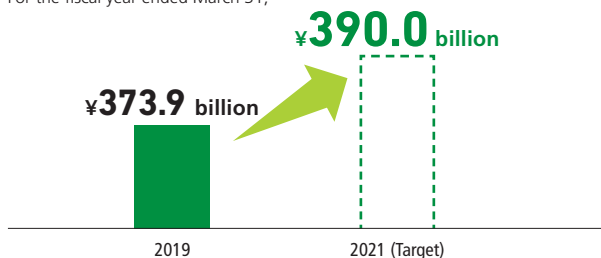
Even amid changes in the environment, including a shrinking economy spiral and diversification of and changes in customer needs, we will build Japan Post Bank's brand toward "providing 'new convenience' and 'peace of mind' to customers," "promotion of internationally diversified investments and supply 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."



## Numerical Targets

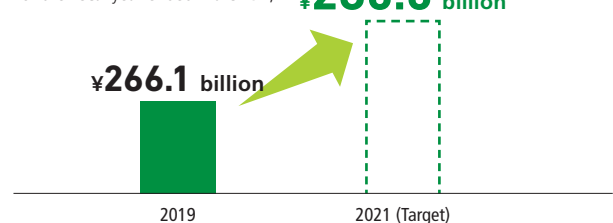
### Net ordinary income (consolidated basis)

For the fiscal year ended March 31,



### Net income attributable to owners of parent (consolidated basis)

For the fiscal year ended March 31,



### Predetermined expenses

[FY2021/3]

**-¥30 billion** (compared to FY2018/3)

Note: Excluding expenses pertaining to the consumption tax rate increase and the allocation of resources to growth areas, the Bank aims to decrease general and administrative expenses as a whole compared to 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

For the period from FY2018/3 to FY2021/3

equivalent to **-2,000 employees**

Note: Equivalent to about -10% of the number of employees in FY2018/3 (including non-regular employees)

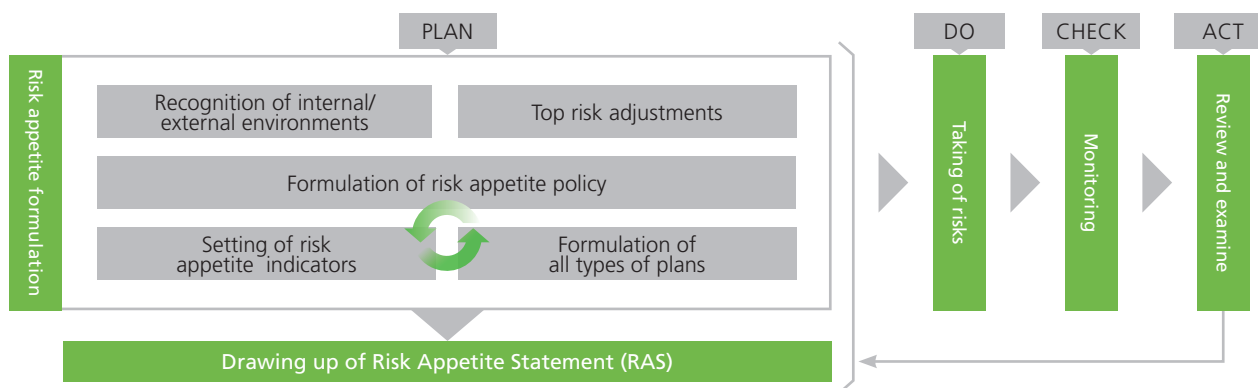
## Risk appetite framework

The Bank introduced a Risk Appetite Framework (RAF) to ensure stable profitability over the medium to long term and financial soundness.

Based on the RAF, risk appetite policies and indicators as well as top risks are discussed in conjunction with the formulation of management plans.

At the Bank, we will focus predominantly on measures to counter money laundering and the funding of terrorism, cyber attacks and advancements in technology, which we recognize as top risks, and on aspects such as diversification of customer needs.

### Risk Appetite Framework Management Process



## JAPAN POST BANK'S Initiatives toward Achieving SDGs

In conjunction with the main themes listed in its Group CSR Basic Policy and CSR Priority Issues (Materiality), the JAPAN POST GROUP selected and is promoting the three fields from the SDG targets as priorities: "regional communities," "global environment" and "people."

SDGs have been incorporated into the framework of the management strategy in the JAPAN POST GROUP Medium-term Management Plan 2020 announced in May 2018, and the Bank will actively promote activities aimed at achieving them.

### Initiatives and Targets toward Achievement of SDGs in JAPAN POST GROUP Medium-term Management Plan 2020 (FY2019/3 to FY2021/3)

Materiality	Goals	Initiatives	FY2021/3 (Goal)
<b>Customers &amp; Markets</b> 	<ul style="list-style-type: none"> <li>Providing secure and convenient, community-based services to all its customers through its network of approximately 24,000 post offices nationwide.</li> <li>We aim to listen intently to the voices of our customers, use those voices as a guide in pursuing more convenient service, and provide customer-oriented "new convenience" and "peace of mind."</li> </ul>	<ul style="list-style-type: none"> <li>Customer-oriented Business Operations</li> <li>Providing High-quality, Customer-oriented Financial Service</li> <li>Customer Protection</li> <li>Universal Services</li> <li>Response to Disasters and Accidents</li> </ul>	<ul style="list-style-type: none"> <li>Provision of High-quality Customer-oriented Financial Services</li> </ul>
<b>Regional Communities</b> 	<ul style="list-style-type: none"> <li>We will contribute to the development of the Japanese economy through the revitalization of local economies with new initiatives, such as the flow of funds to communities and mechanisms that meet the needs for cashless transactions.</li> <li>We will contribute to the future of regional communities by helping to raise children who have the basic skills to boldly make their own path forward, through education about money that utilizes our unique attributes as a financial institution.</li> </ul>	<ul style="list-style-type: none"> <li>Funds flow to regional communities</li> <li>Fostering the next generation human resources</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged implementation of funds flow to regional communities (Regional vitalization funds)</li> <li>Prolonged implementation of next generation training measures (financial education/Piggy Bank Design Contest, etc.)</li> </ul>
<b>Employees (Diversity Management)</b> 	<ul style="list-style-type: none"> <li>We will increase diversity in our corporate culture, and create lively, employee-friendly working environments where each individual employee can demonstrate their full potential, as a way to promote behavioral change among employees.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Diverse Human Resources</li> <li>Fostering an Inclusive Corporate Culture</li> <li>Hiring Diverse Personnel</li> <li>Career Formation Support</li> <li>Work-life Balance Management</li> <li>Promoting Women in the Workplace</li> <li>Initiatives on Health Management</li> <li>Work Style Reform</li> <li>Raising Awareness and Conducting Education about Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of female managers: At least 14% by April 2021</li> <li>Percentage of Workforce Who Are People with Disabilities: Achieve and maintain 2.5% (JAPAN POST GROUP target)</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>JAPAN POST BANK strives to reduce the environmental impact of its business and actively works to reduce the environmental impact of society overall through financial products.</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives toward Environmentally Friendly Services</li> <li>Environmental Management</li> <li>Environmental Conservation Activities</li> </ul>	<ul style="list-style-type: none"> <li>Reduce per-unit energy usage by an average of at least 1% annually over five years</li> <li>Volume of CO<sub>2</sub> emissions: Reduce by 47,000t (4.4%) compared with FY2017/3 (JAPAN POST GROUP target)</li> </ul>

# Business and Human Resource Strategies

Business strategies

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

### A bank that can always help individual customers live comfortably

Our goal is for customers to be able to live comfortably, 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.

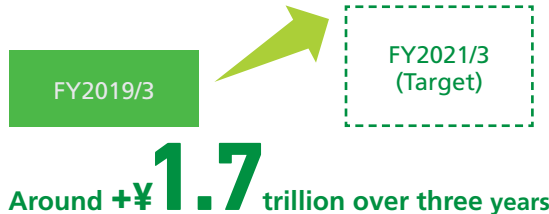
Adapting to the changes of the times, we will provide a “new convenience” in people’s everyday lives—through enhancements and improvements to smartphone services, such as “Yucho Pay”, and the strengthening of debit functions through “mijica”, a prepaid Visa card—to advance our cashless operations.



**Masahiro Murashima**  
Senior Managing Executive Officer

### Medium-term Management Plan KPIs

#### Investment trusts balance



Cumulative total of “sales-cancellations” over 3 years (different from market value basis)

#### Net fees and commissions

FY2018/3 vs FY2021/3



### Achievements for Fiscal Year Ended March 31, 2019

#### Strengthening Consulting Operations

##### ■ Sales of Investment Trusts

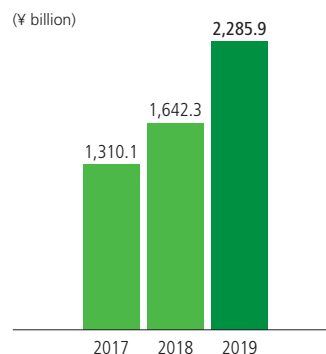
Within the flow that is “from savings to asset building,” needs are steadily rising for the formation of customer assets. At JAPAN POST BANK, we endeavor to grow the sales of investment trusts as a pillar of our revenue.

In addition to having expanded the number of post offices handling investment trusts to 1,540 in October 2018, we commenced the opening of investment trust accounts via mail order at investment trust sales support locations. Having promoted the development and increased the number of consulting sales personnel, as of April 1, 2019, we had expanded to a system of 1,700 people. With regard to post office employees, we also are increasing the deployment of

tablet terminals, which serve as sales support tools, conducting training through the Bank’s sales and fostering human resources who possess specialized skills.

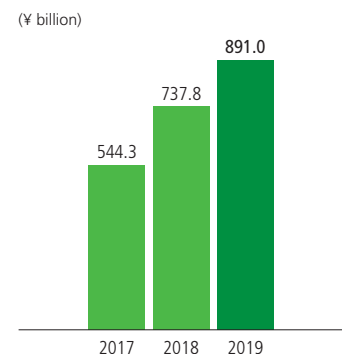
#### Investment trusts (net asset balance)

As of March 31,



#### Investment trusts (sales amount)

For the fiscal year ended March 31,



## ■ iDeCo

Through individual-type Defined Contribution (iDeCo) pension plan sales, we support asset formation from a medium- and long-term perspective and carry out proposals according to the lifestyle stages of individual customers.

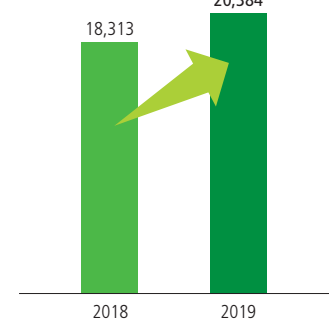
In April 2019, we launched our “direct consulting service” at all post offices handling investment trusts. We act as request agent and distribute participation procedure documents, while providing briefings using pamphlets and supporting the holding of iDeCo direct consulting services at post offices, seminars on iDeCo at corporations and government administrative offices as well as of consultation meetings for individuals. At all other post offices\* we also provide information, such as summary briefings on iDeCo and how to request materials and documents.

\*Excluding contracted post offices

### iDeCo (No. of participants)

As of March 31,

(People)



## Enhancing Settlement Services

### ■ Yucho Pay

With regard to the “Yucho Pay” smartphone settlement service, we are promoting efforts that include the cultivation of companies that will introduce Yucho Pay, its more widespread use as well as the expansion and enhancement of services.



For more details, please see “Yucho Pay Service Launched” on next page



ゆうちょPay

### ■ ATM Business Strategy

Expanding and enhancing its ATM network, JAPAN POST BANK is moving 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.

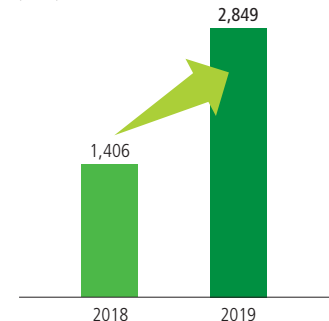
We are also actively promoting alliances with regional financial institutions. From August 2018, we steadily deployed JAPAN POST BANK ATMs to replace existing Aozora Bank ATMs. Aozora Bank is the first instance where JAPAN POST BANK ATMs have been installed across a financial institution’s entire branch network.

Going forward, we will continue to work with regional financial institutions, such as by making their use of the JAPAN POST BANK ATM network commission free.

### Compact ATM installation

As of March 31,

(Units)



### ■ Yucho Biz Direct

We are reviewing existing settlement services for corporate customers and working to strengthen the settlement business through the provision of “new convenience.” In April 2019, we newly launched the “Yucho Biz Direct” Internet banking service for corporate customers.

Using Yucho Biz Direct enables corporate customer use of a range of transmission services, including inquiries, such as balance inquiries, online services such as remittances, and transmission services such as general payments made by bank transfer and payroll transfer.





# Yucho Pay Service Launched

Aiming to further improve convenience for customers



To support the lifestyles of our customers and contribute to providing them with “new convenience” by the utilization of new technologies, JAPAN POST BANK partnered with GMO Payment Gateway, Inc. and launched the new Yucho Pay settlement service, which can be accessed by smartphone, on May 8, 2019.

When they make a payment at a partner store with which JAPAN POST BANK has a contract, customers who are holders of JAPAN POST BANK accounts are able

to debit the payment from a pre-registered designated bank account by operating a dedicated app on their smartphones.

JAPAN POST BANK is also partnering with financial institutions in introducing the same kind of settlement system offered by GMO Payment Gateway. Compatible with multiple banks, Ginko Pay will enable interoperability between each other’s users as reciprocal partners in using this settlement service that cuts across banks and regions.

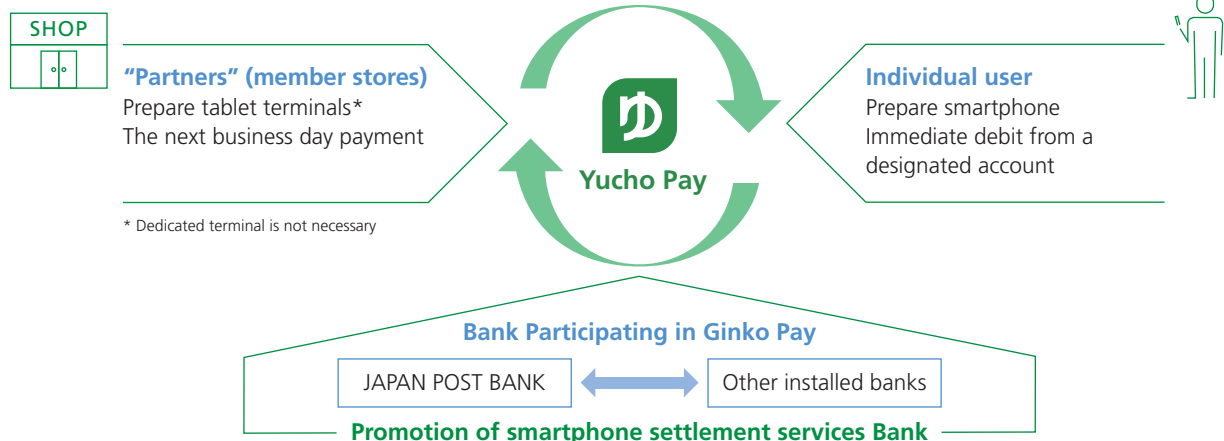
Ginko Pay Installation Completed

The Bank of Yokohama, Ltd.; The Bank of Fukuoka Ltd., The Kumamoto Bank, Ltd., The Shinwa Bank, Ltd. Fukuoka Financial Group, Inc.;

Ginko Pay Introduction Planned

The Bank of Okinawa, Ltd.; The Hokuriku Bank. Ltd., The Hokkaido Bank, Ltd. Hokuohoku Financial Group;

## How Yucho Pay Works







## Key Measures to Improve Convenience

In addition to in-store settlement transactions, the Yucho Pay system offers functions that enable the payment of fees and charges by using Yucho Pay to read the QR codes or bar codes printed on JAPAN POST BANK payment handling slips or convenience store payment slips. Users can pay without even having to go to a convenience store or ATM, and they can use Yucho Pay anytime, anywhere.

The system also makes available Japan's first smartphone-based bank account cash withdrawal service

(cash out service) at train stations. In the case of JAPAN POST BANK's Yucho Pay and The Bank of Yokohama's "Hama Pay" systems, users are able to specify the withdrawal amount, using either of these systems' smartphone apps, and withdraw the cash by holding the displayed QR code up to a ticket vending machine reader at all Tokyu Line stations (six lines, 85 stations, excluding Kodomonokuni Line and Setagaya Line).

Note: "QR code" is a registered trademark of DENSO WAVE INCORPORATED.



Sample payment handling slip



Example of using a cash out service

## 02 Diversification and Sophistication of Investment Management

We will further strengthen our organizational capabilities to secure stable earnings.



**Kunio Tahara**  
Executive Vice President

Even given the increasing uncertainty of the financial markets, JAPAN POST BANK is aiming to increase the diversification and sophistication levels of its investment management and to secure stable earnings. To do so, it is important to have the necessary organizational capabilities, and the Bank has been actively promoting the recruitment of external specialists and strengthened the development of internal human resources. The fruits of those efforts are steadily appearing and are being upgraded toward a high-level organization that integrates external and internal human resources.

We have high hopes for growth at Japan Post Investment Corporation, which was established last year. In the years to come, to further enhance our organizational capabilities, we will also strive to enhance our middle and back offices that control investment risk.

### Assets under Management Forecast for Final Year of Medium-term Management Plan

#### Balance of risk assets\*1

At March 31, 2021 (Planned)

Around **¥90.0** trillion

\*1 Balance other than interest-bearing yen assets (JGBs, etc.) (Existing the Satellite Portfolio [SP] + the Base Portfolio [BP]) loans

#### Balance of strategic investment areas\*2

At March 31, 2021

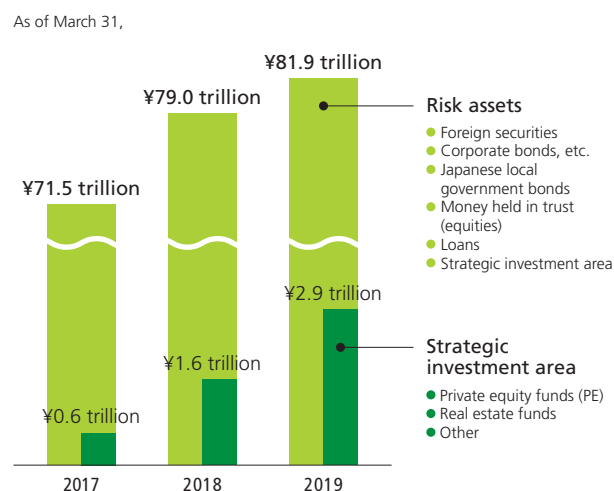
Around **¥4-5** trillion

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

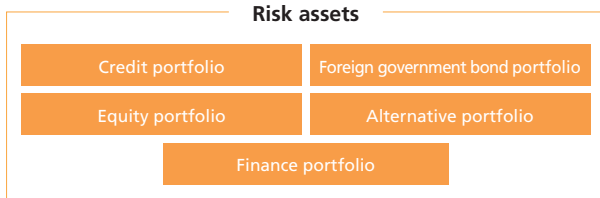
### Performance in the Fiscal Year Ended March 31, 2019

#### Bolstering Profitability

In the fiscal year ended March 31, 2019, under a portfolio management framework subdivided into seven in line with the specific risk characteristics of each investment product, we continued to adjust our portfolio to market conditions while pursuing diversification and sophistication of investment management. Responding to the decline in revenues from yen interest rate assets due to the effects of low interest rates, the Bank has built up risk assets, such as overseas credit assets and alternative assets, in line with prudent asset and liability management as well as risk management. The Bank is also targeting enhanced diversification in revenue sources, including through the development of new investment areas and the leveraging of derivatives. Our balance of risk assets, which had stood at ¥79.0 trillion as of March 31, 2018, increased to ¥81.9 trillion as of March 31, 2019. This included a balance of strategic investments of ¥2.9 trillion.



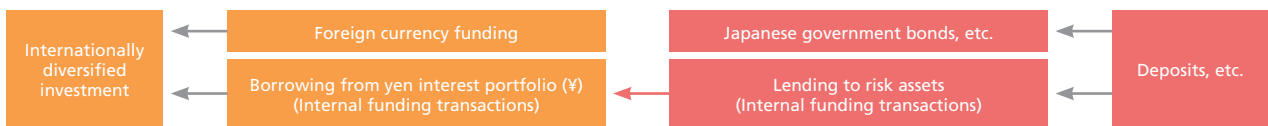
## Portfolio Framework



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.



In addition to strengthening ALM operations under a portfolio management framework subdivided into seven, we reorganized the ALM Planning Department and established the ALM Planning Division to clarify the authority over ALM operations and accelerate decision making.

### Japan Post Investment Corporation Investment Systems

To further improve earnings through private equity investment, Japan Post Investment Corporation 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 company also provides equity funding in concert with other fund managers of the highest caliber.

Through a fund newly created in April 2018, the company contributes to the development of businesses by providing them risk money primarily for domestic buyouts, including reorganization, succession, or revitalization. The company also supports the growth of businesses by promoting investment in venture companies in the midst of full-scale business expansion and in technologies that have the capacity to become key industries in Japan. As of March 31, 2019, the fund concerned had invested ¥13.3 billion in five projects.

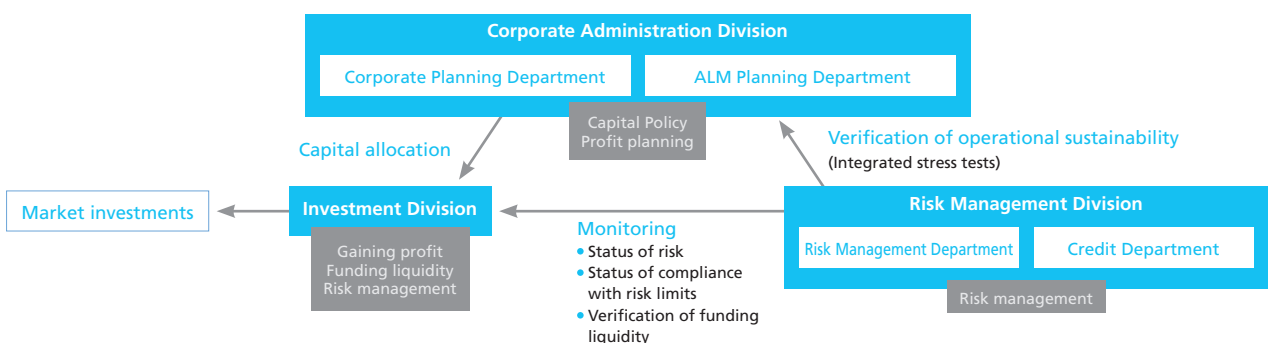
## Ensuring check system through the establishment of the Risk Management Division

### Risk Management Structure Upgrades

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

### Increased Level of Investigation System Sophistication

- Strengthening of creditworthiness evaluations and monitoring systems
- 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.

## Performance in the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, JAPAN POST BANK invested in six funds, for example for the purposes of supporting business succession or the starting or founding of a business, and is currently participating in 18 funds.

We actively promote cooperation with regional

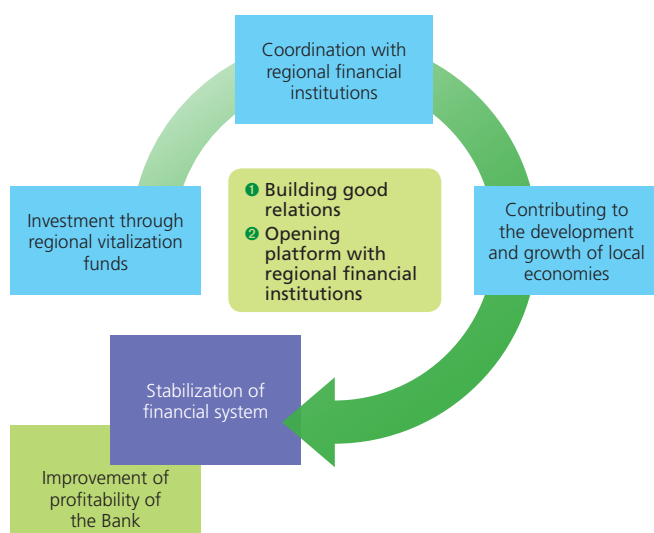
financial institutions that utilize ATM networks.

In addition, since August 2018, Aozora Bank's existing ATMs have been steadily replaced with Japan Post Bank ATMs in sequence. In the years to come, we will continue to form alliances with regional financial institutions through our ATM network.

### Alliances with Regional Financial Institutions and ATM Networks

- April 2018** The Juroku Bank (for certain transactions customers can use nationwide ATMs for free up to four times a month)
- October 2018** The Bank of Kyoto (free use of ATMs in Osaka, Shiga, Nara, Hyogo and Aichi prefectures as well as the Tokyo Metropolitan Area [during the day, weekdays])
- March 2019** The Kagoshima Bank (free use of ATMs in Okinawa Prefecture [during the day, weekdays])
- April 2019** The Ehime Bank (use of nationwide ATMs for free up to four times a month [weekdays]), The Bank of Nagoya (for certain transactions customers can use nationwide ATMs for free up to four times a month [during the day, weekdays])

## Funds Flow to Regional Communities



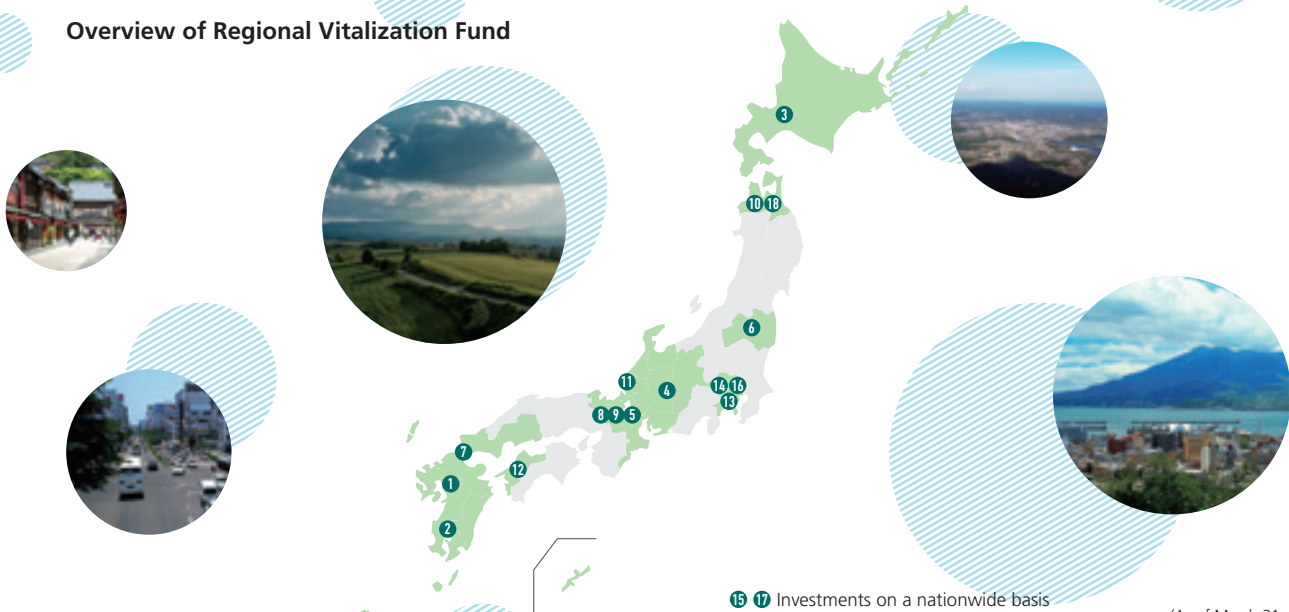
### Achievement of Win-Win-Win by satisfying funding needs

Regional companies	Diversification of funding
Regional financial institutions	Supply of short-term and operating funds
JAPAN POST BANK	Supply of equity funding

### Strengthening of Finance Function

On April 1, 2019, to strengthen the financing function relating to "funds flow to regional communities," the Financial Institutions Business Department was renamed and reorganized the Financial Institutions Department. Within the department, adding to the Regional Creation Finance Office, which has jurisdiction over regional funds, we established a Market/Alliance Finance Office to take charge of local government and PFI loans.

## Overview of Regional Vitalization Fund



Name of Fund	Year/month of participation	Total fund amount	Partnership Members Other Than JAPAN POST BANK* <sup>3</sup>
1 Kyushu Wide Area Reconstruction Assistance Investment LP	2016/7	Around ¥11.7billion	Long Black Partners Co., Ltd. (general partner)/REVIC Capital Co., Ltd. (general partner)/THE OITA BANK, LTD./The Kagoshima Bank, Ltd./The Kitakyushu Bank, Ltd./The Kumamoto Bank, Ltd./THE BANK OF SAGA LTD./THE SAGA KYOEI BANK, LTD./The Eighteenth Bank, Ltd./The Shinwa Bank, Ltd./The Chikuhō Bank, Ltd./The Bank of Nagasaki, Ltd./THE NISHI-NIPPON CITY BANK, LTD./The Higo Bank, Ltd./THE BANK OF FUKUOKA, LTD./THE FUKUOKA CHUO BANK, LTD./THE HOWA BANK, LTD./The Minami-Nippon Bank, Ltd./The Miyazaki Bank, Ltd./The Miyazaki Taiyo Bank, Ltd./Regional Economy Vitalization Corporation of Japan
2 KFG Regional Enterprise Support Investment LP	2016/11	¥ 2.5billion	Kyushu Kizuna Capital, Ltd. (general partner)/The Kagoshima Bank, Ltd./The Higo Bank, Ltd.
3 Hokkaido Growth Companies Support Investment LP	2016/11	¥ 0.2billion* <sup>1</sup>	North Pacific Capital, Ltd. (general partner)/Hokkaido Research Institute for the Twenty-first Century Co., Ltd. (general partner) /North Pacific Bank, Ltd.
4 Chubu / Hokuriku Region Vitalization Investment LP	2017/4	¥ 5.0billion minimum* <sup>2</sup>	Business entities under Nippon Sangyo Suishin Kiko, Ltd.(general partner)/Regional Economy Vitalization Corporation of Japan/Tokai Tokyo Investment Co., Ltd./Mie Bank, Ltd./The Chukyo Bank, Ltd./The Aichi Bank, Ltd./KitaiseUeno Shinkin Bank/CHITA SHINKIN BANK/THE HEIKAI SHINKIN BANK.
5 Shiga Bank Core Business Support Investment LP	2017/6	¥ 0.6billion	Shigagin Lease & Capital Co., Ltd.(general partner)/YAMADA Consulting Group Co., Ltd. (general partner)/THE SHIGA BANK . LTD .
6 Toho Business Succession Investment LP	2017/8	¥ 0.5billion	Toho Lease Co., Ltd. (general partner)/YAMADA Consulting Group Co., Ltd. (general partner)/The Toho Bank, Ltd
7 Kyushu Setouchi Potential Value Investment LP	2017/10	¥ 2.3billion* <sup>1</sup>	DOGAN, Inc.(general partner)/The Kitakyushu Bank, Ltd./The Eighteenth Bank, Ltd./THE HOWA BANK, LTD./Momiji Bank, Ltd./The Yamaguchi Bank, Ltd./EISHINKAN Co., Ltd./OCHI HOLDINGS CO., LTD./KANTO BUSSAN CO.,LTD./SHIN-IDEMITSU Co., Ltd./DAIICHI KOUTSU SANGYO Co., Ltd./TOKUSUI CORPORATION/Nishi-Nippon Railroad Co., Ltd./MASUDA GROUP/MEIJI SANGYO COMPANY
8 MIYAKO Kyoto University Innovation LP	2017/11	Around ¥ 2.0billion* <sup>1</sup>	MIYAKO CAPITAL and related partnership(general partner)/MUFG Bank, Ltd./The Senshu Ikeda Bank, Ltd./The Bank of Kyoto, Ltd./THE KYOTO SHINKIN BANK/Kyoto Chuo Shinkin Bank/Mizuho Securities Co., Ltd./Organization for Small & Medium Enterprises and Regional Innovation, JAPAN/Operating Company, etc.
9 MBC Shisaku 1 LP* <sup>4</sup>	2017/12	Around ¥ 2.0billion* <sup>2</sup>	Darma Tech Labs Inc. (general partner)/The Bank of Kyoto, Ltd./DMG MORI CO., LTD.
10 Michinoku Regional Vitalization Investment LP	2018/3	¥ 0.5billion	YAMADA Consulting Group Co., Ltd. (general partner)/THE MICHINOKU BANK, LTD.
11 Fukui Future Business Support Investment LP	2018/3	Around ¥ 0.5billion* <sup>1</sup>	Fukui Capital and Consulting Co., Ltd. (general partner)/REVIC Capital Co., Ltd. (general partner)/Fukui Prefectural Government/The Fukui Bank, Ltd./THE FUKUHO BANK, LTD./FUKUI SHINKIN BANK/THE ECHIZEN SHINKIN BANK/Tsuruga Shinkin Bank/Obama Shinkinbank
12 Ehime Regional Vitalization Investment LP	2018/3	¥ 0.3billion	HIMEGIN LEASE Co., Ltd. (general partner)/Future Venture Capital Co., Ltd. (general partner)/The Ehime Bank, Ltd.
13 Healthcare New Frontier Investment LP	2018/8	¥1.25billion	Capital Medica Ventures Co.,Ltd. (general partner)/Kanagawa Prefectural Government/The Kagoshima Bank, Ltd./THE KANAGAWA BANK, LTD./Suruga Bank Ltd./The Bank of Yokohama, Ltd./cocokara fine Inc./TODA CORPORATION/Japan Social Impact Investment Foundation/Organization for Small & Medium Enterprises and Regional Innovation, JAPAN
14 Tokyo SME Support 2 LP	2018/8	¥ 2.0billion	Tokyo Revital Co., Ltd (general partner)/Kiraboshi Bank, Ltd./AdachiSeiwa Shinkin Bank/The Kameari Shinkin Bank/The Sawayaka Shinkin Bank/The Shiba Shinkin Bank/THE SEIBU SHINKIN BANK/The Takinogawa Shinkin Bank/The Tama Shinkin Bank/The Tokyo Higashi Shinkin Bank/TOKYO GUARANTEE/Organization for Small & Medium Enterprises and Regional Innovation, JAPAN
15 Succession Investment LP, I	2018/10	¥ 3.0billion	AJ Capital Co., Ltd (general partner)/Aozora Bank, Ltd./The Ehime Bank, Ltd./Kirayaka Bank, Ltd./THE TOWA BANK, LTD./THE TOTTORIBANK, LTD./The Bank of Toyama, Ltd./The Hokuto Bank, Ltd./The Miyazaki Taiyo Bank, Ltd./FPG Co., Ltd./Japan Asia Investment Company, Limited, etc.
16 TOKYO Relationship No.1 Investment, L.P.	2018/12	¥ 3.4billion	Japan Private Equity Co., Ltd.(general partner)/Tokyo Metropolitan Government/Kiraboshi Bank, Ltd./THE SEIBU SHINKIN BANK /FORVAL CORPORATION
17 Kyoto-University-Venture NVCC No.2 Investment LP	2019/3	¥ 5.4billion	Nippon Venture Capital Co., Ltd. (general partner)/ The Bank of Kyoto, Ltd./THE SHIGA BANK, LTD. /The Nanto Bank, Ltd., etc.
18 Aomori Bank Regional Vitalization LP	2019/3	Around ¥ 0.3billion	Hongo Tsuji Business Consulting (general partner)/The Aomori Bank, Ltd.

\*1. As of establishment \*2. Targeted investment amount \*3. As of the date of press release issue

\*4. Received the Minister's Award in Characteristic Approach Case Study Category for Financial Institutions Contributing to Regional Revitalization (March 2019)



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

## Human Resources Are Essential of Growth

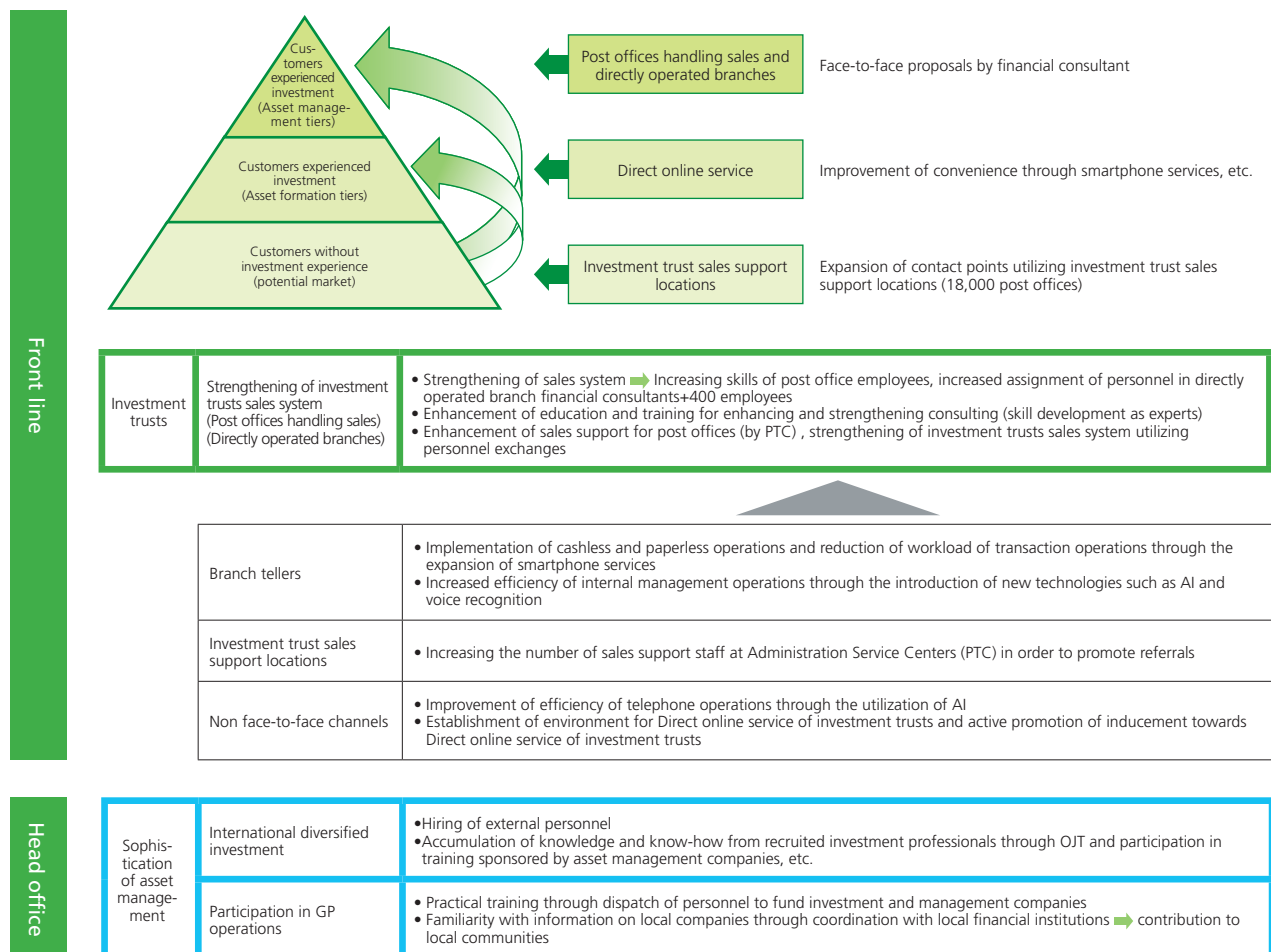
To improve JAPAN POST BANK's corporate value, it is essential to develop human resources who possess high-powered imaginations and dynamism. To that end, we actively implement systemized enhancements, including a range of training and assignment systems. We have also created employee-friendly working environments that correspond to the diversity of our employees while promoting diversity management.

We will aim for sustainable growth by strengthening human resource development as a key management issue.



**Shigeyuki Sakurai**  
Executive Officer

### Human Resource Development Policy





## Performance in the Fiscal Year Ended March 31, 2019

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

### Human resource development/ Human resource strategy

#### ■ Strengthening of Investment Trusts Sales System

We develop specialized personnel in charge of consulting services that meet the needs of our customers.

At branches, in addition to systematic training for financial consultants, we are enhancing on-the-job training (OJT) by means of financial consultant officers, who take on the role of sales guidance providers for branch employees.

In addition to providing post office support through sales instructors, we are conducting training geared toward improving investment trust sales skills.



#### ■ Diversification and Sophistication of Investment Management

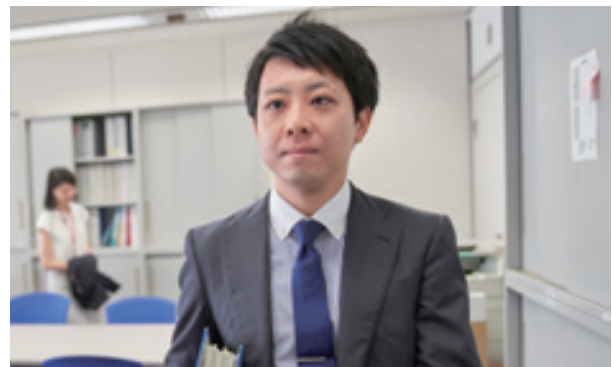
We are developing human resources with specialized skills as part of our effort to promote diversification and increased sophistication of investment management through internationally diversified investment. In addition to hiring external personnel, we are focused on the accumulation of knowledge and 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

To enter the fund management general partner (GP) business, the Bank assigns human resources to fund management companies, while encouraging acquisition of the knowledge and know-how necessary for fund management.

#### ■ Human Resources Management

By improving operational efficiency and productivity through the utilization of Fintech and digitalization, we will reallocate management resources from transactional operations (such as routine tasks at counters) to consulting services while promoting the effective utilization of human resources.



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

### Developing Employee-Friendly Working Environments

#### Introducing an Interval-based Work System

With the goals of ensuring employees get enough time for daily living and to create healthy working environments, since April 2018 we have had in place a system that guarantees 11-hour intervals between each day's work. We have since expanded the system's implementation throughout the JAPAN POST BANK organization.

#### 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 a system for telecommuting at our head office on a trial basis in the fiscal year ended March 31, 2019.

#### Support for Balancing Childcare/Nursing Care and Work

So that each and every employee 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 that goes beyond the legal requirements set out in the Child Care and Family Care Leave Act. This allows these employees to achieve a balance between life and work responsibilities proactively and autonomously.

We also raise awareness with lectures on work-life balance as part of training by position.

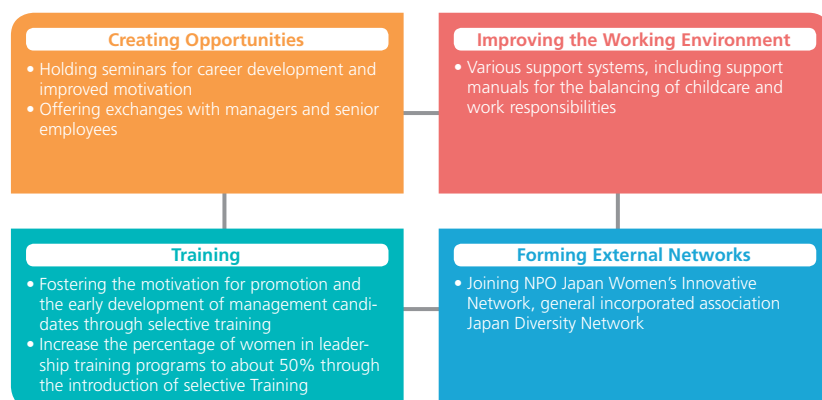
#### Promoting Men's Participation in Childcare

Together with making childcare leave partially paid leave, the Bank recommends that men take childcare leave, for example we introduce our staff who have taken childcare leave with interviews on our internal magazine.

We are also working to create an environment for following up at all workplaces.

#### Promoting Women in the Workplace

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. Having worked with the target of increasing the percentage of women in managerial positions to 14% or more by April 1, 2021, the target was achieved with 14.4% on April 1, 2019.



Employees who utilize the telecommuting system.

#### Ratio of female managers

As of April 1, 2016

**10.9%**

Initial Target Value  
At least 14% by April 2021



April 1, 2019

**14.4%**

(Target achieved)

## Employee Awareness Reforms

### ■ Training and Empowering IkuBosses\*

Believing the presence of IkuBosses to be essential to achieving workplaces where each and every employee can work comfortably and enjoy their experiences, we conduct the training of Yucho IkuBosses. In the fiscal year ended March 31, 2018, the leaders of each organization in the Bank, including the President and Representative Executive Officer, made a Yucho IkuBoss Declaration. In the fiscal year ended March 31, 2019, we expanded the scope of IkuBoss to all managers, training and empowering them by having them make the Yucho IkuBoss Declaration, conducting Diversity (IkuBoss) Training, and awarding Yucho IkuBoss Certification.

\* 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.

### ■ Holding the Japan Post Bank Diversity Forum

We are holding the Japan Post Bank Diversity Forum to foster awareness of diversity and to create a comprehensive mindset focused on the future. About 140 employees of varying age, gender, and occupation participated in the nationwide forum in the fiscal year ended March 31, 2019. The participants also reported to the management team about the activities of the Japan Post Bank Diversity Committee\* and, through group work, formulated an action plan for promoting diversity management in the next fiscal year.

\* A committee chaired by the president and Representative Executive Officer, the members of which are representatives of 13 areas from across the country to strengthen the promotion of diversity management.



Japan Post Bank Diversity Forum

## Hiring Diverse Personnel

### ■ Operating ARIGATO Center

In 2010, JAPAN POST BANK established and started operating the JAPAN POST BANK ARIGATO Center as a part of efforts to provide people with disabilities who are seeking employment with the opportunity to work. At this center, employees with disabilities bag candy, which is handed to customers visiting branches as a way to express customer appreciation.



General view of the ARIGATO Center operation

### ■ Employing Senior Citizens/Continuing Employment of Employees after Age of Retirement

We employ workers who wish to be hired as employees from among employees who have reached the age of retirement. (Maximum employment agreement period: Until the end of the fiscal year in which the employee reaches 65 years of age.)

### Initiatives on Health Management

JAPAN POST BANK bases its initiatives on health management on the idea that maintaining and improving the mental and physical health of employees, as well as creating environments where employees can work with vitality, will contribute to improving the Bank's productivity and corporate value. The Bank's initiatives include cutting down on long working hours, health guidance toward preventing/reducing the incidence of lifestyle diseases, and mental health care.

Having had these initiatives assessed, JAPAN POST BANK acquired Excellent Enterprise of Health and Productivity Management 2019 (White 500) certification.

# Strengthening Our Business Foundation

## Corporate Governance

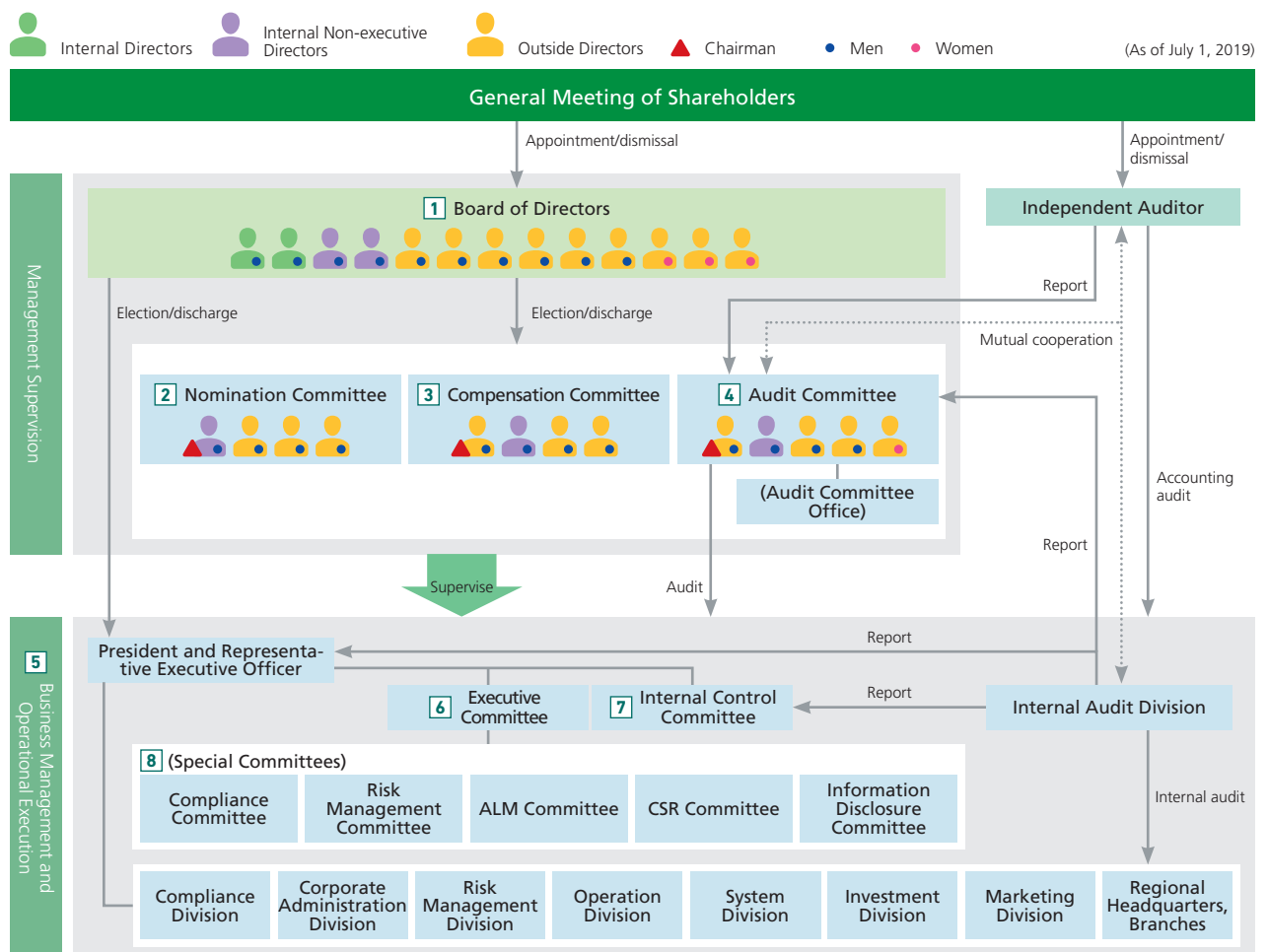
### Basic Stance

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.



**1 Board of Directors**

The JAPAN POST BANK Board of Directors has 13 members. Two of the directors also serve as Executive Officers, and the other nine directors are Outside Directors who work to oversee the Bank's operations.

**Members**

Norito Ikeda, Susumu Tanaka, Masatsugu Nagato, Ryoichi Nakazato  
 Outside Directors: Tomoyoshi Arita, Sawako Nohara, Tetsu Machida,  
 Nobuko Akashi, Katsuaki Ikeda, Ryoji Chubachi, Keisuke Takeuchi,  
 Makoto Kaiwa, Risa Aihara  
 Number of times held (Attendance rate)\* 12 times (98.48%)

**2 Nomination Committee**

This committee determines the criteria regarding the appointment and dismissal of directors. In addition, it determines the content of proposals regarding the appointment and dismissal of directors that are submitted to general meetings of shareholders.

**Members**

Chairman: Masatsugu Nagato  
 Members: Tomoyoshi Arita, Ryoji Chubachi, Makoto Kaiwa  
 Number of times held (Attendance rate)\* 3 times (91.66%)

**3 Compensation Committee**

This committee decides the Policy for Determining the Details of Individual Compensation for Directors and Executive Officers. It also decides the content of individual compensation for executive officers and directors.

**Members**

Chairman: Ryoji Chubachi  
 Members: Masatsugu Nagato, Katsuaki Ikeda, Keisuke Takeuchi  
 Number of times held (Attendance rate)\* 3 times (91.66%)

**4 Audit Committee**

This committee prepares audits and audit reports on the execution of the duties of executive officers and directors. In addition, it decides the content of proposals regarding the appointment, dismissal and non-reappointment of the accounting auditor that are submitted to general meetings of shareholders.

**Members**

Chairman: Tomoyoshi Arita  
 Members: Ryoichi Nakazato, Sawako Nohara, Tetsu Machida,  
 Katsuaki Ikeda  
 Number of times held (Attendance rate)\* 16 times (97.5%)

**5 Business Management and Operational Execution (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.

**6 Executive Committee**

The Executive Committee has been established as an advisory body to the President and Representative Executive Officer to hold discussions on important business execution matters.

**7 Internal Control Committee**

The Internal Control Committee has been established as an advisory body to the President and Representative Executive Officer to hold discussions on the legal, regulatory and other compliance-related issues as well as other important internal control matters.

**8 Special Committees**

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

**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.

\* Number of times held from June 19, 2018 to June 17, 2019 (attendance rate)



## Policy for Determining Amount or Calculation Method of Compensation, etc., for Directors and Executive Officers (As of July 1, 2019)

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.

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.

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 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.

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.

### Summary of Compensation for Executive Officers

Type	Payment standard	Payment method
Base salary (fixed amount)	Appropriate level taking into account scale of duties and the Bank's current situation	Monthly (cash)
Stock compensation (performance linked)	The points calculated by the following formula are awarded each year, and the stock is paid according to the number of accumulated points. (1) Basic points (awards correspond to prescribed duties) (2) Evaluation points (award based on individual evaluation) (3) Coefficient (varies according to level of achievement of management plan)* $((1) + (2)) \times (3)$	At time of retirement (shares, however a certain portion in cash)

\*The indicators for FY2019/3 include net income for the period, expansion of sales of assets under management as well as of fees and commissions, increased sophistication of asset and risk management



## Main Topics of Discussion at Board of Directors' Meetings in FY2019/3

- Risk Appetite Statement
- FY2020/3 management plan
- Confirmation of state of progress with FY2019/3 management plan
- Evaluations of effectiveness of the Bank's Board of Directors
- Operational status of the Basic Policies for the Internal Control System

## 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) Timely and appropriate 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 Board of Directors' meetings

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 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.

In the fiscal year under review, on the basis of progress made with the Medium-term Management Plan, the Bank's Board of Directors actively discussed medium- and long-term issues. The Board of Directors understands that the diversification and enhancement of discussion has made steady progress compared with last year.

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, from the viewpoint of further improvements in effectiveness, we will encourage more discussion by working to share information in a more appropriate and timely manner than ever before, while working to enable the Board of Directors to exert its supervisory function to the fullest extent.

## Elections and Dismissals of Executive Officers, Nominations of Director Candidates

With regard to the policies and procedures for electing or dismissing executive officers and nominating director candidates, the "Criteria for Election or Dismissal of Executive Officers" and "Criteria for Nomination of Director Candidates" are disclosed on the Bank's website.



Criteria for Election or Dismissal of Executive Officers

<https://www.jp-bank.japanpost.jp/en/aboutus/company/pdf/criteriaelection.pdf>



Criteria for Nomination of Director Candidates

<https://www.jp-bank.japanpost.jp/en/aboutus/company/pdf/criterionomination.pdf>

## Message from Outside Director



### Utilizing the Capabilities of Outside Directors to Enhance Corporate Value

Tomoyoshi Arita  
Outside Director

#### A bank trusted by and essential for society

Over its long history dating back more than 140 years, JAPAN POST BANK has worked alongside local communities throughout Japan and earned the trust of their members. Although JAPAN POST BANK's management style has changed with the times, it has always respected the voices of its customers and has never wavered in striving to be the most accessible and trustworthy bank in Japan.

Against the backdrop of a customer base built on the trust of each one of its customers, JAPAN POST BANK currently operates approximately 24,000 customer contact points throughout Japan, secures deposits worth ¥180 trillion, and has achieved ¥205 trillion worth of assets under management. JAPAN POST BANK actively promotes strategies and operations that utilize the strengths of its brand, customer base, and financial base, and approaches its customers and stakeholders in a way that addresses the reputation it has established thus far.

JAPAN POST BANK must fulfill certain missions specifically because it has these kinds of contact points with customers that are deeply rooted in local communities. One of these missions is to circulate the funds with which it has been entrusted from around Japan in order to develop local economies. Among these efforts, in particular, I feel there is significant potential for

the regional vitalization funds that JAPAN POST BANK has been strategically advancing.

Meanwhile, I also feel that given its scale, JAPAN POST BANK is responsible for major social missions. As a bank that manages huge amounts of capital globally, JAPAN POST BANK must keep its focus on both the region and the globe, and must sincerely address the SDGs and other challenges related to the environment and society that are being faced throughout the world.

Another one of its missions is to secure profits and effectively utilize the funds with which it has been entrusted through the promotion of internationally diversified investments and the supply of risk money to domestic industry. We believe that the accumulation of these individual measures, which were also raised in the Medium-term Management Plan, will help to extend JAPAN POST BANK's unwavering reputation among its customers and to evolve it into a bank that is essential into the future.

Under the slogan of "Have more people say "JP Bank, of course,"" JAPAN POST BANK will further enhance and maximize its value in aiming to make society better and to emerge as a bank that is even more vital to everyone than ever before.

**There are missions that JAPAN POST BANK must fulfill specifically because it is the bank it is**

“

### **Taking the standpoint of customers**

The financial world has been undergoing major changes ever since the advent of digital technologies. As part of its services designed to provide “new convenience” and “peace of mind,” JAPAN POST BANK will launch Yucho Pay. Similarly, JAPAN POST BANK has been driving automation of its back-office work through the utilization of RPA, and has also begun AI-based big data analysis trials related to customer information.

Regardless of how far these automation measures progress, however, I feel that we must value and perfect those aspects that can only be handled by humans. In the

case of JAPAN POST BANK, one such aspect is the ability to take the standpoint of its customers, listen closely as it gives advice regarding concerns over asset building and life planning, for example, and propose services and products that its customers truly require. Already, JAPAN POST BANK is steadily advancing its consulting operations under the Medium-term Management Plan announced during the previous fiscal year. But further developing these types of initiatives ought to emerge as a major strength that will serve to set it apart from its competitors.

## **Discussions among the Board of Directors are more active than ever before**

“

### **Applying outside expertise in management**

The Board of Directors spends a significant amount of time discussing investments in and addressing the potential risks of those new businesses that will have a particularly large impact on JAPAN POST BANK’s medium- to long-term growth. More recently, JAPAN POST BANK introduced a Risk Appetite Framework, and defined the most significant risks (anti-money laundering/combating the financing of terrorism, cyber attacks, technological advancement, diversification of customer needs, major disasters). During the selection of these risks, the Board also incorporated the expertise of outside directors and held discussions from multiple viewpoints. Likewise, discussions among the Board of Directors have become more active than ever before, where external, objective evaluations have revealed that the meetings held by the Board maintain an extremely high level of effectiveness.

Moreover, as a legal expert I have offered various proposals based on my personal experience regarding compliance, which JAPAN POST BANK has defined as an important management issue. One such example is the problem of harassment and its extensive impact on the working environment. A comfortable working environment for employees serves as a foundation for growth, so I intend to continue actively offering my opinion in this regard and participating in discussions as part of the Board of Directors. As a financial institute that stands on its good reputation and credit, and that holds huge amounts of deposits, JAPAN POST BANK must continue to maintain a strong sense of ethics and aim to be a leading enterprise in the area of compliance so as to serve as a model for other companies.

## **Maximizing the potential of individuals**

“

### **To the shareholders and investors**

Against the backdrop of prolonged low interest rates, the environment that encompasses JAPAN POST BANK is becoming increasingly severe. Meanwhile, I believe that this situation also offers opportunities to significantly reform business models. What becomes essential at this point are the ideas and creativity of each and every employee. Only those companies that respect the individuality of their employees and maximize their

potential will grow in the coming era. If JAPAN POST BANK can band together the capability of its employees, generate considerable energy, and undertake the challenge of these changes without fear of failure, I feel that the sustainable growth of JAPAN POST BANK will be assured. In order to realize this future, I will continue to contribute to the best of my ability as an outside director.

# Board of Directors, Executive Officers and Managing Directors

(As of July 1, 2019)

## Directors



Norito Ikeda

### Reasons for Appointment

Mr. Norito Ikeda successively held various posts including Director of The Bank of Yokohama, Ltd. and President of The Ashikaga Bank, Ltd., and has been responsible for the management of JAPAN POST BANK as President and Representative Executive Officer, and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### 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. **2003** Director of The Bank of Yokohama, Ltd. **2003** Representative Director and Chairman of Yokohama Capital Co., Ltd. **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 **2016** President and Representative Executive Officer of JAPAN POST BANK Co., Ltd., 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

### Reasons for Appointment

Mr. Susumu Tanaka successively held various important posts at our Corporate Administration Division and others, and has been responsible for the management of JAPAN POST BANK as Representative Executive Vice President, and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### 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 **2001** General Manager of International Planning Office, Postal Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications **2003** General Manager of Savings and Management Planning Section, Postal Services Planning Bureau of the Ministry of Internal Affairs and Communications **2003** General Manager of Fund Management, Savings Department of Postal Services Agency **2004** 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

### Reasons for Appointment

Mr. Masatsugu Nagato successively held various posts including Director and Chairman of Citibank Japan Ltd., and has been responsible for the management of overall Japan Post Group as Director and Representative Executive Officer, President & CEO of the parent company, Japan Post Holdings Co., Ltd., and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### 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. **2004** 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. **2015** Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd., Director of JAPAN POST HOLDINGS Co., Ltd. **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), Director of JAPAN POST INSURANCE Co., Ltd. (current position)



Ryoichi Nakazato

### Reasons for Appointment

Mr. Ryoichi Nakazato successively held various posts including Director, Executive Vice President and Executive Officer of Hitachi Solutions, Ltd., and has experience in the management of JAPAN POST BANK as Executive Vice President, and as such JAPAN POST BANK expects that, with his abundant experience and achievements, he will sufficiently fulfill his role in enhancing the decision making function and supervision function of the Board of Directors.

### 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 Business Group 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)

## Outside Directors



Tomoyoshi Arita\*1

### To Keep Growing

As the long-term low interest rate policy continues, reviews of and a turnaround in the profit structure and business strategies are being called for in the search for stable earnings and sustainable growth. In addition, the development and deployment of artificial intelligence (AI), the Internet of Things (IoT) and robotic process automation (RPA) will greatly change the working environment and content. It is precisely at such times that I think that we need to put in place and operate a governance and compliance system that makes the customer's point of view clearer.

#### Reasons 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.

#### 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 2010 Registered as Attorney-at-law (current), Director of JAPAN POST BANK Co., Ltd. (current position)



Sawako Nohara\*1

### Emphasizing Needs-driven Business/System Reforms

In these times of ultralow interest rates and in response to changing customer asset formation needs, JAPAN POST BANK is enhancing not only its deposit and savings products but also its range of services, such as investment trusts. In addition, in line with changing lifestyles, there is a need to establish a new nationwide customer support network via, for example, post offices, ATMs, telephones and smartphone apps. As an Outside Director and member of the Audit Committee, I would like to see whether the Bank is smoothly conducting reforms of its business content and systems, from not only a short- but also a long-term perspective.

#### Reasons for Appointment

Ms. Sawako Nohara successively held various important posts at many research centers and others, successively served as many panels of experts of government meetings, 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.

#### 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 Sompo Japan Insurance Inc. 2013 Outside Director of NKSJ Holdings (current Sompo 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.) 2018 Outside Audit & Supervisory Board Member of TOKYO GAS CO., LTD. (current position) 2019 Outside Director of Daiichi Sankyo Co., Ltd. (current position)



Tetsu Machida\*1

### A Critical Moment on Road to Survival

Financial institutions are facing an unprecedented business environment due to the prolonged low interest rate policy and the intensification of competition from market entrants from other areas of business. Playing a role in providing universal financial services in the face of various business restrictions from its time as a state-owned entity, JAPAN POST BANK will be one of the financial institutions hardest hit by those rough seas. In my capacity as an Outside Director, I will thoroughly monitor the operations of the executive bodies that are battling to survive while providing the necessary advice.

#### Reasons 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.

#### 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

### To Realize "Have more people say "JP Bank, of course""

In the finance industry, which continues to be beset with a difficult market environment, JAPAN POST BANK's greatest responsibility is to provide high-quality services to a large number of customers on an ongoing basis. To that end, in addition to strengthening its management structure to enable rapid responses to changes in the external environment, I would like to closely monitor initiatives—such as increasing the number of financial consultants with advanced financial knowledge who will be able to propose asset formation from a customer's standpoint—from both the management and customer contact aspects.

#### Reasons 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.

#### 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 Brighton Y.K. (current position) 2003 Director and Secretary General of a non-profit organization, Japan Manners & Protocol Association 2006 Director of Hotel Barmen's Association, Japan 2010 Director 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) 2019 Member of Expert Council for the Promotion of Development and Support for Children and Young People, Cabinet Office, Government of Japan (current position), Outside Director of YOSHINOYA HOLDINGS CO., LTD. (current position), Member of the Board of Governors, Japan Broadcasting Corporation (current position)

\*1 Tomoyoshi Arita, Sawako Nohara, Tetsu Machida and Nobuko Akashi are Outside Directors as set forth under Article 2.15 of Japan's Companies Act.





Katsuaki Ikeda\*<sup>1</sup>

### Toward Further Upgrades and Enhancements to Audit Systems

For its institutional design, JAPAN POST BANK adopted a “company with three statutory committees system,” and from the position of an Audit Committee member I feel this is becoming very easy to operate. The executive side also adopts a cooperative stance when it comes to addressing audits. I intend to take a careful look at the effectiveness of the three defense lines in risk management, in particular ensuring the independence of the Internal Audit Division.

#### Reasons 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.

#### 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)



Ryoji Chubachi\*<sup>1</sup>

### 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.

#### Reasons for Appointment

Dr. Ryoji Chubachi 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.

#### 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 2005 Electronics Chief Executive Officer of Sony Corporation 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 (AIST) (current position) 2018 Director of JAPAN POST BANK Co., Ltd. (current position)



Keisuke Takeuchi\*<sup>1</sup>

### Reforms and Service Upgrades in Response to Change

To date, I have managed wide range of engineering & construction projects as well as business operations both in Japan and overseas. Through my career, I have overcome any outstanding issues by always examining those from the various directions, especially from the opposite side of my own position, to find out the essence of such issues. Drawing on my experience and knowledge I have gained, I intend to contribute to JAPAN POST BANK for its reforms and service upgrades for any change to encounter.

#### Reasons for Appointment

Mr. Keisuke Takeuchi 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.

#### Biography

1970 Joined Japan Gasoline Co., Ltd (current JGC Corporation) 2000 Director of JGC Corporation 2001 Managing Director of JGC Corporation 2002 Senior Managing Director of JGC Corporation 2006 Director and Vice President of JGC Corporation 2007 President and Representative Director of JGC Corporation 2009 Chairman and Representative Director of JGC Corporation 2014 Principal Corporate Advisor of JGC Corporation 2019 Director of JAPAN POST BANK Co., Ltd. (current position)



Makoto Kaiwa\*<sup>1</sup>

### A Public Service Based on Customer Trust

Possessing a network in every corner of the country, JAPAN POST BANK provides public services based on connections and trust with local customers. At the same time, the Bank needs to respond to new circumstances promptly, such as its privatization and globalization. Since such a business environment has something in common with the management of an electric power company, I hope to help by giving advice based on my experiences so far.

#### Reasons for Appointment

Mr. Makoto Kaiwa 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.

#### Biography

1973 Joined Tohoku Electric Power Co., Inc. 2005 Director and General Manager of Corporate Planning Dept. of Tohoku Electric Power Co., Inc. 2007 Senior Executive Officer and General Manager of Niigata Branch Office of Tohoku Electric Power Co., Inc. 2009 Representative Director & Executive Vice President in charge of Investor Relations of Tohoku Electric Power Co., Inc. 2010 Representative Director & President of Tohoku Electric Power Co., Inc. 2015 Representative Director & Chairman of the Board of Tohoku Electric Power Co., Inc. (current position) 2019 Director of JAPAN POST BANK Co., Ltd. (current position)





### Providing Customer Service from a Consumer Perspective

Today, as lifestyles diversify, the barriers to the use of a variety of financial services are being lowered by IT. To remain a bank loved by its customers, I feel it is important for JAPAN POST BANK to enhance customer engagement in the digital domain. JAPAN POST BANK has a strong physical presence in the banking industry. Moving forward, JAPAN POST BANK will have a stronger market share through its increasing digital presence. As an Outside Director, I would like to offer opinions on IT service improvements from a consumer perspective.

#### Reasons for Appointment

Ms. Risa Aihara has been involved in corporate management of Internet service businesses for a long time and has deep insights into Internet marketing. 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.

#### Biography

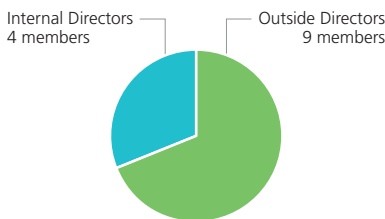
**1996** Joined Nippon Telegraph and Telephone Corporation (current NTT Communications Corporation)  
**2000** Joined Recruit Co., Ltd. **2003** Representative Director and President of Ai-LAND Co., Ltd. (current position) **2019** Director of JAPAN POST BANK Co., Ltd. (current position)

**Risa Aihara**\*1  
 (Family Register Name:  
 Risa Shiraishi)

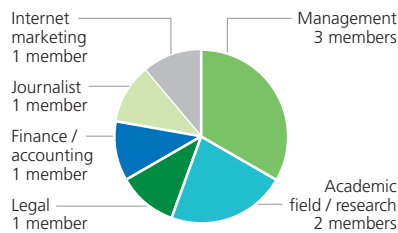
\*1 Katsuaki Ikeda, Ryoji Chubachi, Keisuke Takeuchi, Makoto Kaiwa and Risa Aihara are Outside Directors as set forth under Article 2.15 of Japan's Companies Act.

## Composition of Board of Directors (As of July 1, 2019)

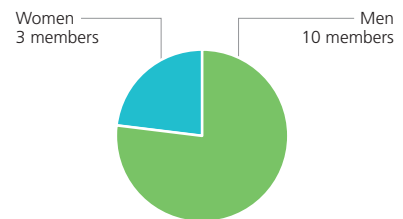
### Internal Directors and Outside Directors



### Backgrounds of Outside Directors



### Ratio of Men to Women



## Executive Officers

President and Representative Executive Officer

Norito Ikeda

Representative Executive Vice President  
 Susumu Tanaka

Executive Vice President  
 Yoshinori Hagino

Executive Vice President  
 Kunio Tahara

Senior Managing Executive Officer  
 Masahiro Murashima

Senior Managing Executive Officer  
 Hiroichi Shishimi

Senior Managing Executive Officer  
 Harumi Yano

Managing Executive Officer

Masahiro Nishimori

Managing Executive Officer  
 Atsuko Onodera

Managing Executive Officer  
 Masato Tamaki

Managing Executive Officer  
 Minoru Kotouda

Managing Executive Officer  
 Toshiyuki Yazaki

Managing Executive Officer  
 Takayuki Tanaka

Executive Officer

Yoko Makino

Executive Officer  
 Kunihiko Amaha

Executive Officer  
 Makoto Shinmura

Executive Officer  
 Satoru Ogata

Executive Officer  
 Toshiharu Ono

Executive Officer  
 Shigeyuki Sakurai

Executive Officer

Shinobu Nagura

Executive Officer  
 Nobuhiro Fukuoka

Executive Officer  
 Ryotaro Yamada

Executive Officer  
 Haruchika Tsukioka

Executive Officer  
 Hideki Nakao

Executive Officer  
 Etsuko Kishi

## Managing Directors\*2

Executive Managing Director  
 Taiichi Hoshino

Senior Managing Director  
 Tokihiko Shimizu

Senior Managing Director  
 Naohide Une

Senior Managing Director  
 Takayuki Kasama

Managing Director

Tatsuo Ichikawa

Managing Director  
 David Sancho Shimizu

Managing Director  
 Hideya Sadanaga

Managing Director  
 Kazunari Yaguchi

Managing Director

Kazuhiro Adachi

Managing Director  
 Mari Ishikawa

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

# 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

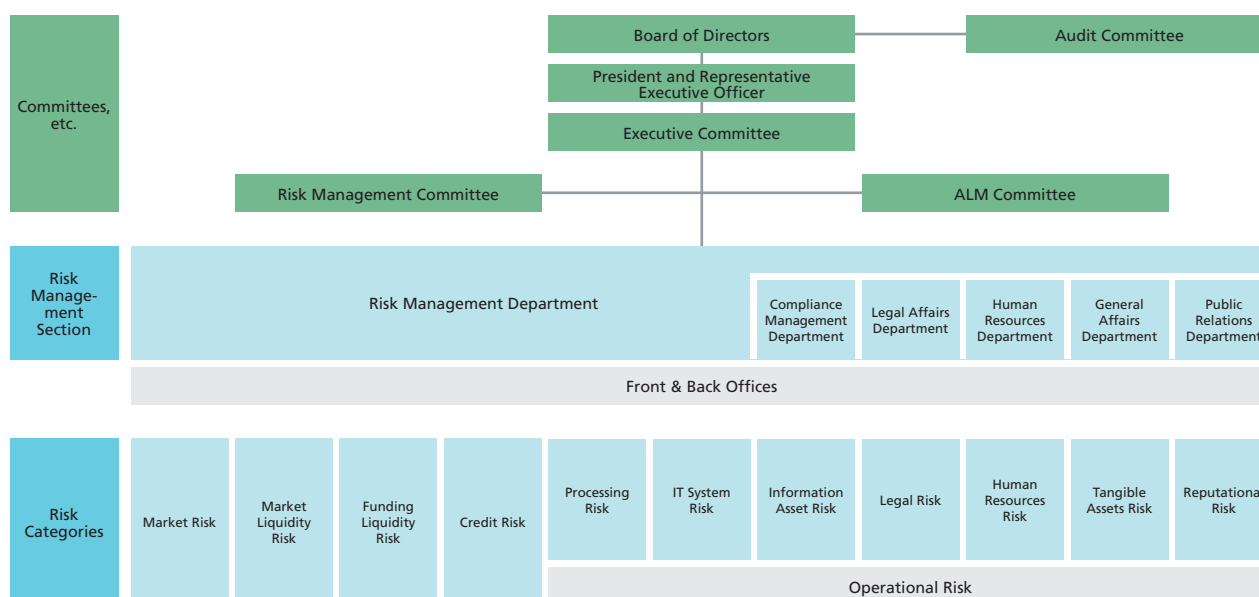
The Bank has identified certain risk categories outlined in the table below. Various entities have been established to manage each risk category. In addition, we have put in place the Risk Management Department, which is responsible for monitoring each risk category in an integrated manner in order to 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, 2019)



## Integrated Risk Management

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

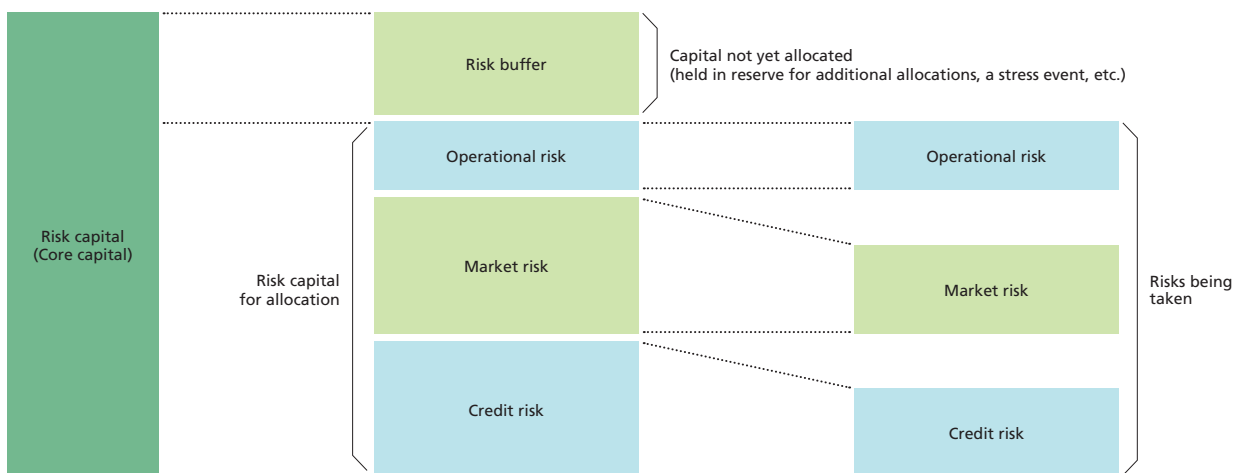
In our quantitative approach, we have introduced integrated risk management that quantifies and controls risk. Specifically, we establish in advance a total amount of equity capital that is available to take on risk, or risk capital. Risk capital is then allocated to each business (allocation of risk 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



### Response to Cyber Security

JAPAN POST BANK regards the risk of cyber attack as one of the top risks in management and works to continuously improve cyber security through management leadership.

The Bank has put in place a dedicated department for cyber security and assigned a Chief Information Security Officer (CISO) while maintaining multilayered

defense and detection measures. In addition to allocating human resources with specialized knowledge, the Bank is working to be able to provide customers with safe and secure services continuously by analyzing new attack methods and taking measures in cooperation with external specialized organizations.

# 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 System



Home ▶ Corporate Information ▶ Corporate Governance ▶ Compliance

## Compliance Initiatives

Every year the Bank formulates a Compliance Program, which serves as a detailed action plan for the promotion of compliance. On the basis of this program, the Bank addresses important matters and rigorously implements compliance-related initiatives, such as conducting training sessions for employees.

### Outline of Main Measures

- Prevention of fraud
- Countering money laundering and financing of terrorism
- Individual customer-oriented customer protection

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.

## Initiatives to Counter Money Laundering and Financing of Terrorism

In accordance with the Financial Services Agency's Guidelines for Anti-Money Laundering and the Financing of Terrorism, JAPAN POST BANK has established a basic policy with regard to measures against money laundering and the funding of terrorism (hereinafter referred to as money laundering countermeasures) and is promoting management-driven system upgrades. As a specific example, in January 2019 the Bank integrated operations

relating to money laundering countermeasures and established a Anti Money Laundering Department as the controlling department.

The Bank is also making efforts to reduce the risk of money laundering and other crime while making full use of external expertise so that the products and services provided by the Bank will not be used for illegal purposes.

## 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.

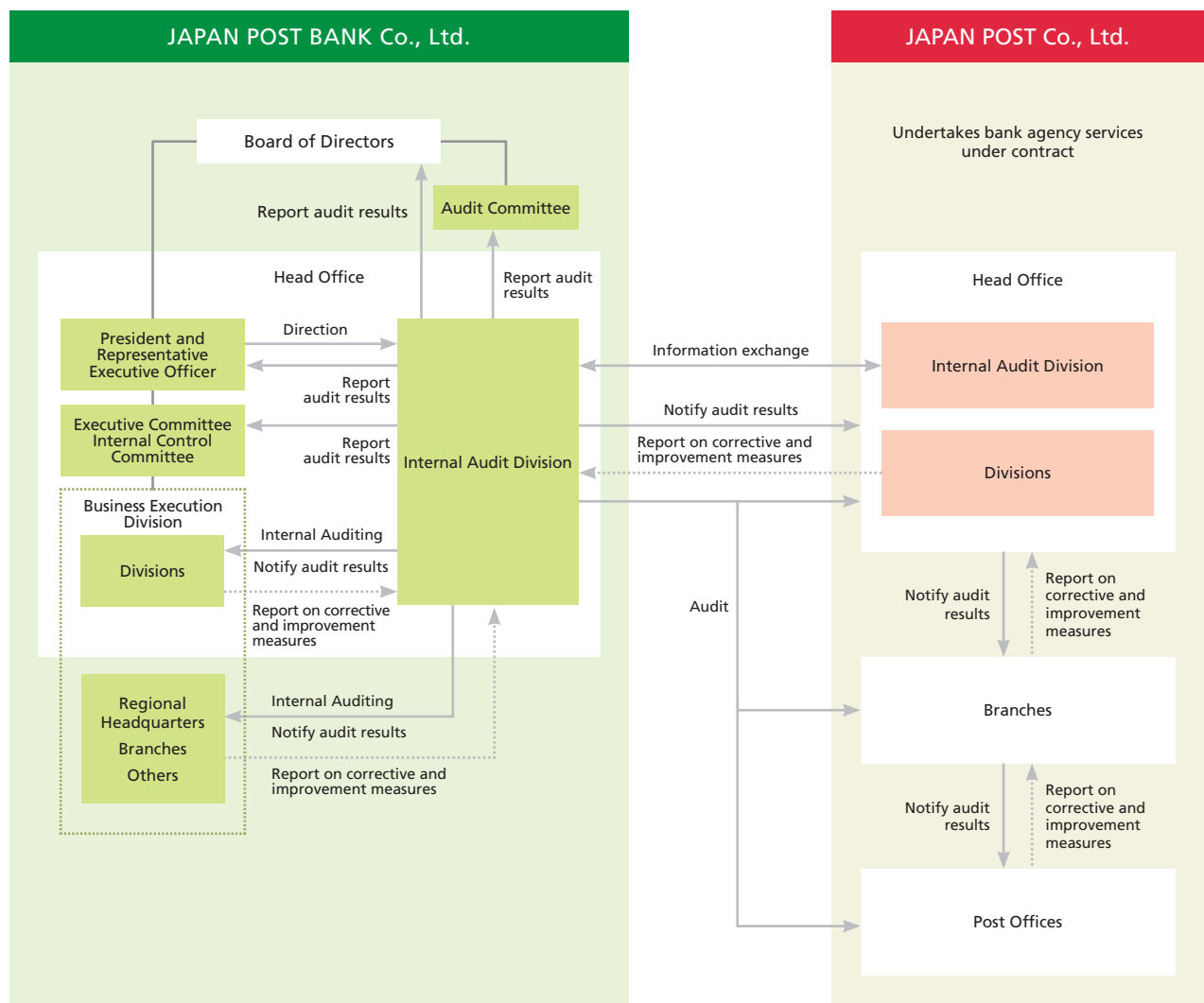
In accordance with, for example, the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), the Internal Audit Division conducts audits of the head office divisions, Regional Headquarters, Branches, Administration Service Centers, Operation 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

## Environment



### Initiatives to Counter Climate Change

Recognizing that responding to climate change, which has a major impact on the environment, society and business activities, is an important issue, JAPAN POST BANK along with JAPAN POST HOLDINGS Co., Ltd. and JAPAN POST INSURANCE Co., Ltd. announced their agreement with the TCFD recommendations in April 2019.

With regard to environmental issues such as climate

change, the Bank's viewpoint is to promote initiatives not only by endeavoring to act in ways that show consideration for the environment but also through its business activities. It was from that viewpoint that the Bank revised the JAPAN POST BANK Environmental Policy on the basis of the TCFD content in April 2019 and is working to make further enhancements to its activities.

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

With no issuing of a passbook, this service enables customers to 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.

### 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.

\* The plan is for this service to be also available via smartphone from January 2020.

### Consideration for and Contribution to Environmental Issues in Investment and Financing Activities, Such as Investing in Green Bonds

As stipulated in our ESG Investment Policy, JAPAN POST BANK is committed to making investments that take into account various forms of international agreement related to environmental issues. We are also investing in green bonds issued by companies in developed countries. These

funds are used for green projects that assist in solving environmental problems, including global warming. While enhancing returns on assets under appropriate risk management, we will contribute to forming a sustainable society through investment in green bonds.

### Environmental Consideration in Procurement

In our contract processes, we declare "Consideration for the environment: We shall conduct procurement activities with consideration for conservation of the global and regional environment and effective use of resources," and so conduct environmentally friendly procurement.

In December 2018, we reviewed the JAPAN POST

GROUP's approach to procurement activities (procurement policy). In addition to showing that the JAPAN POST GROUP supports the 10 principles in the four fields (human rights, labor, environment and anti-corruption) defined in the UN Global Compact, we ask our business partners for their cooperation.

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



Home ▶ Corporate Social Responsibility (ESG) ▶ CSR report

## Customers



### Customer-Oriented Business Operations

To propose high-quality financial products and services to a wide range of customers, the Bank established its “Basic Policy for Customer-oriented Business Operations” in June 2017. In March 2018, the Bank put in place a slogan, “Have more people say “JP Bank, of course,”” and worked to promote companywide “customer-oriented business operations.”

Particularly in the case of investment trust sales, we provide easy-to-understand and explanations to customers who are dealing with investment trusts for the first time, and support the formation of their assets.

The Bank discloses the “Status of Customer-oriented Business Operations” on its website.

#### Basic Policy for Customer-Oriented Business Operations

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>1 Establishing a corporate culture focusing on customer-oriented business operations</li> <li>2 Developing/providing high-quality, customer-oriented financial services</li> <li>3 Providing customer-oriented information and consulting services</li> </ul> | <ul style="list-style-type: none"> <li>4 Improving the system for managing conflict of interest</li> <li>5 Fostering human resources/performance evaluations</li> <li>6 Status updates</li> </ul> |
|--|---|

### Financial Seminars Held

We hold a variety of seminars in JAPAN POST BANK branches to be able to respond to the diverse needs of our customers. In addition to providing information that helps customers to improve their financial and investment knowledge and their understanding of market trends, seminars are held in collaboration with other companies

as well as in a format and at times that cater to customers who find it difficult to visit a branch on a weekday or during the day. Through each of these seminars, we are proposing “life plans that match our customers’ lifestyles.”

(FY2019/3: 2,615 seminars held at 233 branches)

## 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, bill payments and Internet banking (Yucho Biz Direct). 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 branch, post office and ATM network. Such services include convenient regular payments for receiving payments for

goods or for collecting accounts receivable, electronic transfers, and the transfer of payroll to employees.

We do not provide management support through mutual loans to SMEs.

# 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 details, please see pages 24 and 25.

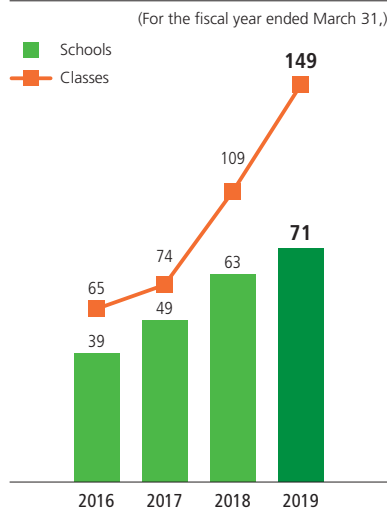
## Financial Education

JAPAN POST BANK conducts financial education classes and other visiting lessons at elementary and junior high schools. Utilizing our proprietary teaching materials, we

are helping children develop good financial sense by teaching them the importance of money and how to manage their money.

- Method —
- Visiting lessons
  - Seminars at branches
  - Classes by instructors

Classes — **149** classes at **71** schools held (FY2019/3)



## Original text books for each grade



## Employee instructor tools



Visiting lessons





# Dialogue

## 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 13th General Meeting of Shareholders on June 18, 2019, and 495 shareholders attended the meeting. We presented our business report and other statements and received valued opinions and questions from 12 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 29 briefings sessions in the fiscal year ended March 31, 2019, which were attended by a total of 1,799 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

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# 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, 2019 and 2018:

	Billions of yen	
	For the fiscal year ended March 31,	
	2019	2018
Interest income	¥1,357.9	¥1,502.7
Interest expenses	347.1	331.7
Net interest income	1,010.8	1,170.9
Fees and commissions income	138.7	130.0
Fees and commissions expenses	32.0	33.5
Net fees and commissions	106.7	96.4
Other operating income	228.9	211.6
Other operating expenses	24.7	21.4
Net other operating income (loss)	204.1	190.2
General and administrative expenses	1,035.3	1,042.8
Other income	119.6	200.4
Other expenses	35.7	116.2
Income before income taxes	370.1	498.9
Income taxes—current	99.4	174.2
Income taxes—deferred	4.5	(28.0)
Net income	¥ 266.1	¥ 352.7

## Fiscal Year Ended March 31, 2019 Compared to Fiscal Year Ended March 31, 2018

### Net Interest Income

#### Interest Income

Our total interest income decreased by ¥144.7 billion, or 9.6%, from ¥1,502.7 billion in the fiscal year ended March 31, 2018 to ¥1,357.9 billion in the fiscal year ended March 31, 2019, mainly due to a decrease in interest and dividends on securities. Our interest and dividends on securities decreased by ¥146.5 billion, or 10.0%, to ¥1,313.8 billion in the fiscal year ended March 31, 2019. This decrease mainly reflected a decrease in interest on Japanese government bonds. Our interest on loans decreased by ¥1.9 billion, or 13.7%, to ¥12.0 billion in the fiscal year ended March 31, 2019, due to a decrease in interest rates.

## Interest Expenses

Our total interest expenses increased by ¥15.3 billion, or 4.6%, from ¥331.7 billion in the fiscal year ended March 31, 2018 to ¥347.1 billion in the fiscal year ended March 31, 2019, mainly due to an increase in foreign currency funding costs, despite a decrease in interest on deposits. Interest expenses on deposits decreased by ¥64.2 billion, or 44.3%, to ¥80.8 billion in the fiscal year ended March 31, 2019, due to a decrease in interest rates.

## Net Interest Income

Our net interest income calculated by deducting interest expenses from interest income, decreased by ¥160.1 billion, or 13.6%, from ¥1,170.9 billion in the fiscal year ended March 31, 2018 to ¥1,010.8 billion in the fiscal year ended March 31, 2019. Our interest rate spread was 0.49% for the fiscal year ended March 31, 2019, a decrease from 0.57% for the fiscal year ended March 31, 2018.

## 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, 2019 and 2018. 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,					
	2019			2018		
	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	¥ 6,090.9	¥ 12.0	0.19%	¥ 4,765.2	¥ 14.0	0.29%
Overseas	5.0	0.0	0.41	2.5	0.0	0.40
Total <sup>(2)</sup>	6,095.9	12.0	0.19	4,767.7	14.0	0.29
Securities:						
Domestic	77,703.6	615.0	0.79	82,402.0	730.0	0.88
Overseas	59,005.1	698.7	1.18	54,067.0	730.3	1.35
Total <sup>(2)</sup>	136,708.8	1,313.8	0.96	136,469.1	1,460.3	1.07
Due from banks, etc.: <sup>(3)</sup>						
Domestic	49,543.0	30.9	0.06	51,583.0	25.1	0.04
Overseas	8.8	0.1	1.86	68.4	1.0	1.48
Total <sup>(2)</sup>	49,551.8	31.0	0.06	51,651.5	26.1	0.05
<b>Total interest-earning assets:</b>						
Domestic	194,710.2	752.8	0.38	195,014.3	852.0	0.43
Overseas	59,119.5	700.2	1.18	54,248.0	732.1	1.34
Total <sup>(2)</sup>	¥200,414.5	¥1,357.9	0.67%	¥201,467.3	¥1,502.7	0.74%

Notes: (1) Income earned on money held in trust is included in "other income," and the average balance of money held in trust (¥2,977.6 billion for the fiscal year ended March 31, 2019 and ¥2,772.8 billion for the fiscal year ended March 31, 2018) 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, 2019 and 2018:

	Billions of yen, except for percentages					
	For the fiscal year ended March 31,					
	2019			2018		
	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	¥181,227.6	¥ 80.8	0.04%	¥180,316.4	¥145.1	0.08%
Overseas	—	—	—	—	—	—
Total <sup>(2)</sup>	181,227.6	80.8	0.04	180,316.4	145.1	0.08
Payables under securities lending transactions:						
Domestic	6,057.1	1.0	0.01	8,903.8	1.2	0.01
Overseas	2,619.3	59.2	2.26	3,995.9	53.9	1.35
Total <sup>(2)</sup>	8,676.5	60.2	0.69	12,899.7	55.2	0.42
Total interest-bearing liabilities:						
Domestic	187,129.4	114.9	0.06	186,524.3	186.2	0.09
Overseas	58,418.0	322.0	0.55	53,171.6	222.2	0.41
Total <sup>(2)</sup>	¥192,132.3	¥341.8	0.17%	¥191,901.0	¥327.0	0.17%

Notes: (1) Expenses incurred on money held in trust are included in "other expenses," and the average balance corresponding to money held in trust (¥2,977.6 billion for the fiscal year ended March 31, 2019 and ¥2,772.8 billion for the fiscal year ended March 31, 2018) and the interest expenses (¥5.2 billion for the fiscal year ended March 31, 2019 and ¥4.7 billion for the fiscal year ended March 31, 2018) 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 decreased by ¥1,052.8 billion, or 0.5%, from ¥201,467.3 billion in the fiscal year ended March 31, 2018 to ¥200,414.5 billion in the fiscal year ended March 31, 2019. Our average earnings yield on interest-earning assets decreased from 0.74% in the fiscal year ended March 31, 2018 to 0.67% in the fiscal year ended March 31, 2019. As a result, our total interest income on interest-earning assets decreased from ¥1,502.7 billion in the fiscal year ended March 31, 2018 to ¥1,357.9 billion in the fiscal year ended March 31, 2019.

Our average balance of interest-bearing liabilities increased by ¥231.3 billion, or 0.1%, from ¥191,901.0 billion in the fiscal year ended March 31, 2018 to ¥192,132.3 billion in the fiscal year ended March 31, 2019. Our average interest rates on interest-bearing liabilities were 0.17% in the fiscal year ended March 31, 2019 and 2018. As a result, our total interest expenses on interest-bearing liabilities increased from ¥327.0 billion in the fiscal year ended March 31, 2018 to ¥341.8 billion in the fiscal year ended March 31, 2019.

## 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, 2019 versus fiscal year ended March 31, 2018 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	¥ 3.3	¥ (5.2)	¥ (1.9)
Overseas	0.0	0.0	0.0
Total <sup>(2)</sup>	3.3	(5.2)	(1.9)
<b>Securities:</b>			
Domestic	(40.0)	(74.8)	(114.9)
Overseas	63.2	(94.7)	(31.5)
Total <sup>(2)</sup>	2.5	(149.1)	(146.5)
<b>Due from banks, etc.:<sup>(3)</sup></b>			
Domestic	(1.0)	6.8	5.7
Overseas	(1.0)	0.2	(0.8)
Total <sup>(2)</sup>	(1.0)	6.0	4.9
<b>Total interest income:</b>			
Domestic	(1.3)	(97.8)	(99.2)
Overseas	62.3	(94.3)	(31.9)
Total <sup>(2)</sup>	¥ (7.8)	¥(136.9)	¥(144.7)

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, 2019 versus fiscal year ended March 31, 2018 increase (decrease) due to		
	Balance-related change <sup>(1)</sup>	Interest-related change <sup>(1)</sup>	Net change
<b>Interest expenses:</b>			
Deposits:			
Domestic	¥ 0.7	¥(65.0)	¥(64.2)
Overseas	—	—	—
Total <sup>(2)</sup>	0.7	(65.0)	(64.2)
Payables under securities lending transactions:			
Domestic	(0.4)	0.1	(0.2)
Overseas	(22.8)	28.1	5.2
Total <sup>(2)</sup>	(21.9)	27.0	5.0
Total interest expenses:			
Domestic	0.6	(71.9)	(71.3)
Overseas	23.5	76.1	99.7
Total <sup>(2)</sup>	¥ 0.3	¥ 14.4	¥ 14.8

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, 2019 decreased by ¥144.7 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.

Our interest expenses in the fiscal year ended March 31, 2019 increased by ¥14.8 billion compared to the previous fiscal year primarily due to an increase in interest expenses in "overseas" as a result of increase in interest rates on foreign currency funding, despite 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,	
	2019	2018
<b>Yield on interest-earning assets:</b>		
Domestic	0.38%	0.43%
Overseas	1.18	1.34
Total	0.67	0.74
<b>Interest rate on interest-bearing liabilities:</b>		
Domestic	0.06	0.09
Overseas	0.55	0.41
Total	0.17	0.17
<b>Interest rate spread:</b>		
Domestic	0.32	0.33
Overseas	0.63	0.93
Total	0.49%	0.57%

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, 2019, decreased to 0.49% from 0.57% for the previous fiscal year. This decrease was primarily the result of decreased interest rate spread on overseas assets, reflecting an increase in foreign currency funding costs due to interest rate hikes in the U.S.

## 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,	
	2019	2018
<b>Fees and commissions income:</b>		
Fees and commissions on domestic and foreign exchanges	¥ 63.5	¥ 61.2
Other	75.2	68.7
Total	138.7	130.0
<b>Fees and commissions expenses:</b>		
Fees and commissions on domestic and foreign exchanges	4.4	4.0
Other	27.6	29.4
Total	32.0	33.5
Net fees and commissions	¥106.7	¥ 96.4

Net fees and commissions increased by ¥10.3 billion, or 10.6%, from ¥96.4 billion in the fiscal year ended March 31, 2018 to ¥106.7 billion in the fiscal year ended March 31, 2019. Fees and commissions income increased by ¥8.7 billion, or 6.7%, from ¥130.0 billion in the fiscal year ended March 31, 2018 to ¥138.7 billion in the fiscal year ended March 31, 2019, while fees and commissions expenses decreased by ¥1.5 billion to ¥32.0 billion in the fiscal year ended March 31, 2019. The increase in net fees and commissions was primarily due to an increase in fees relating to the sale of investment trusts, ATMs, etc.

## 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,	
	2019	2018
<b>Other operating income:</b>		
Gains on foreign exchanges	¥219.4	¥194.9
Gains on sales of bonds	9.4	14.9
Other	—	1.7
Total	228.9	211.6
<b>Other operating expenses:</b>		
Losses on sales of bonds	21.7	21.4
Other	3.0	—
Total	24.7	21.4
Net other operating income (loss)	¥204.1	¥190.2

Net other operating income was ¥204.1 billion in the fiscal year ended March 31, 2019 as compared to net other operating income of ¥190.2 billion in the fiscal year ended March 31, 2018. This was 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,	
	2019	2018
<b>General and administrative expenses:</b>		
Personnel expenses:		
Salaries and allowances	¥ 101.6	¥ 103.3
Others	22.5	23.1
Total	124.2	126.4
Non-personnel expenses:		
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	600.6	598.1
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. <sup>(1)</sup>	1.6	5.6
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59.6	60.5
Rent for land, buildings and others	13.3	12.6
Expenses on consigned businesses	65.0	55.6
Depreciation and amortization	33.6	37.4
Communication and transportation expenses	18.6	19.0
Maintenance expenses	11.8	11.0
IT expenses	16.7	17.6
Others	20.3	21.0
Total	841.6	838.9
Taxes and dues (consumption tax and stamp tax, etc.)	69.5	77.4
Total	¥1,035.3	¥1,042.8

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 0.7% from ¥1,042.8 billion in the fiscal year ended March 31, 2018 to ¥1,035.3 billion in the fiscal year ended March 31, 2019. This decrease was mainly due to a decrease in taxes and dues.

## 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,	
	2019	2018
<b>Other income:</b>		
Gains on sales of stocks and other securities	¥ 3.2	¥ 0.4
Gains on money held in trust	79.7	51.8
Other	36.6	148.0
Total	119.6	200.4
<b>Other expenses:</b>		
Losses on sales of stocks and other securities	6.1	21.7
Losses on devaluation of stocks and other securities	8.0	—
Losses on money held in trust	2.0	0.9
Other	19.5	93.5
Total	35.7	116.2
Net other income (expenses)	¥ 83.8	¥ 84.1

Other income decreased by ¥80.8 billion, or 40.3%, from ¥200.4 billion in the fiscal year ended March 31, 2018 to ¥119.6 billion in the fiscal year ended March 31, 2019. Other expenses decreased by ¥80.4 billion, or 69.2%, from ¥116.2 billion in the fiscal year ended March 31, 2018 to ¥35.7 billion in the fiscal year ended March 31, 2019. As a result, net other income decreased by ¥0.3 billion, or 0.3%, from ¥84.1 billion in the fiscal year ended March 31, 2018 to ¥83.8 billion in the fiscal year ended March 31, 2019. The decrease was mainly due to a decrease in income from deposits. Income from deposits increased in the fiscal year ended March 31, 2018, due mainly to temporary factors.

## 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,	
	2019	2018
<b>Income taxes:</b>		
Current	¥ 99.4	¥174.2
Deferred	4.5	(28.0)
Total income taxes	¥104.0	¥146.1
Effective income tax rate	28.0%	29.3%

Current income taxes decreased ¥74.8 billion, and deferred income taxes increased ¥32.6 billion, for the fiscal year ended March 31, 2019, compared to the previous fiscal year. As a result, total income taxes for the fiscal year ended March 31, 2019, decreased by ¥42.1 billion compared to the previous fiscal year primarily due to a decrease in income before income taxes.

The effective income tax rate was 28.0% for the fiscal year ended March 31, 2019, 2.5 percentage points lower than the effective statutory tax rate of 30.6%. 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 ¥266.1 billion in the fiscal year ended March 31, 2019 as compared to net income of ¥352.7 billion in the fiscal year ended March 31, 2018.

## FINANCIAL CONDITION

### Total Assets

As of March 31, 2019, we had total assets of ¥208,970.4 billion, a decrease of ¥1,660.1 billion, or 0.7%, as compared to total assets of ¥210,630.6 billion as of March 31, 2018.

### Securities Portfolio

Our securities portfolio totaled ¥137,135.2 billion as of March 31, 2019, a decrease of ¥2,065.9 billion, or 1.4%, from ¥139,201.2 billion as of March 31, 2018. This decrease was mainly due to a decrease in Japanese government bonds of ¥4,393.1 billion, or 7.0%, offset in part by an increase in other securities of overseas, which mainly consisted of foreign securities, by ¥2,727.1 billion, or 4.6%.

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,	
	2019	2018
Domestic:		
Japanese government bonds	¥ 58,356.5	¥ 62,749.7
Japanese local government bonds	6,383.9	6,405.1
Japanese corporate bonds	9,795.8	10,716.3
Japanese stocks	99.2	31.1
Other securities	781.2	307.6
Subtotal	75,416.9	80,210.0
Overseas:		
Other securities:	61,718.3	58,991.2
Foreign bonds	22,035.5	20,244.3
Investment trusts	39,681.0	38,746.8
Subtotal	61,718.3	58,991.2
Total	¥137,135.2	¥139,201.2

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, etc. 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, 2019					
	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	¥25,015.9	¥25,771.4	¥755.5	¥755.5	¥ —
Japanese local government bonds	533.4	537.4	4.0	4.0	0.0
Japanese corporate bonds	1,660.7	1,689.3	28.6	28.6	0.0
Others:	32.4	37.4	5.0	5.0	—
Foreign bonds	32.4	37.4	5.0	5.0	—
<b>Total</b>	<b>¥27,242.5</b>	<b>¥28,035.7</b>	<b>¥793.1</b>	<b>¥793.2</b>	<b>¥0.0</b>

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>

The carrying amount of our held-to-maturity securities as of March 31, 2019 was ¥27,242.5 billion, a decrease of ¥4,216.3 billion, or 13.4%, from ¥31,458.9 billion as of March 31, 2018. 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, 2019						
	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	¥ 96.9	¥ 91.7	¥ 5.1	¥ 7.2	¥ 2.0	
Japanese government bonds	33,340.6	32,172.9	1,167.6	1,167.7	0.0	
Japanese local government bonds	5,850.4	5,799.7	50.7	50.9	0.1	
Japanese corporate bonds	8,135.1	8,054.6	80.4	81.3	0.8	
Others:	61,598.3	60,773.7	824.6	1,208.2	383.6	
Foreign bonds	22,003.0	21,365.3	637.7	891.1	253.4	
Investment trusts	39,234.6	39,049.6	184.9	315.0	130.1	
<b>Total</b>	<b>¥109,021.5</b>	<b>¥106,892.9</b>	<b>¥2,128.6</b>	<b>¥2,515.4</b>	<b>¥386.8</b>	

Note: (1) Of the difference shown above, ¥266.4 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, 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.

The following table sets forth the amount 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,	
	2019	2018
Japanese stocks	¥ 0.0	¥ 0.0
Investment trusts	1,199.3	457.1
Investments in partnerships	21.0	11.8
<b>Total</b>	<b>¥1,220.4</b>	<b>¥469.0</b>

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, 2019, the carrying amount of our domestic bonds held as available-for-sale securities was ¥47,326.2 billion, a decrease of ¥1,118.5 billion, or 2.3%, from ¥48,444.7 billion as of March 31, 2018. This decrease was primarily due to a decrease in Japanese local government bonds. As of March 31, 2019, the carrying amount of other securities was ¥61,598.3 billion, an increase of ¥2,457.4 billion, or 4.1%, from ¥59,140.9 billion as of March 31, 2018. 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, 2019, the total difference of carrying amount and acquisition cost for available-for-sale securities was ¥2,128.6 billion, an increase of ¥216.7 billion from a difference of ¥1,911.8 billion as of March 31, 2018. This increase was mainly due to an increase 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 year ended March 31, 2019, impairment losses amounted to ¥8.0 billion. For the fiscal year ended March 31, 2018, 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,			
	2019		2018	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Japanese yen	¥ 5,224.3	23.7%	¥ 5,423.3	26.7%
U.S. dollar	13,629.8	61.8	11,507.6	56.8
Euro	2,798.0	12.6	3,054.3	15.0
Others	383.3	1.7	258.9	1.2
Total	¥22,035.5	100.0%	¥20,244.3	100.0%

As of March 31, 2019, our holdings of U.S. dollar-denominated bonds totaled ¥13,629.8 billion, an increase of ¥2,122.1 billion, or 18.4%, from ¥11,507.6 billion as of March 31, 2018. As of March 31, 2019, our holdings of Euro-denominated bonds totaled ¥2,798.0 billion, a decrease of ¥256.3 billion, or 8.3%, from ¥3,054.3 billion as of March 31, 2018. As of March 31, 2019, our holdings of foreign bonds totaled ¥22,035.5 billion, an increase of ¥1,791.1 billion, or 8.8%, from ¥20,244.3 billion as of March 31, 2018. This increase was 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, 2019						
	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	¥ 8,068.6	¥16,119.4	¥20,134.1	¥1,336.1	¥ 5,625.3	¥ 5,570.0	¥56,853.8
Japanese local government bonds	1,041.8	1,911.0	1,490.5	808.5	1,007.4	23.2	6,282.7
Japanese corporate bonds	1,944.4	2,301.6	2,117.6	835.0	1,331.8	1,164.9	9,695.5
Other securities	3,273.4	6,270.1	4,531.8	2,467.8	2,657.4	3,878.2	23,078.9
Total	¥14,328.4	¥26,602.3	¥28,274.2	¥5,447.6	¥10,622.1	¥10,636.3	¥95,911.1

	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

## 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, 2019, our total outstanding loan amount was ¥5,297.4 billion.

As of March 31, 2019, there were no "Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans." 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.



The substantial majority of our loans are made to domestic borrowers. As of March 31, 2019, we had ¥5,292.4 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,			
	2019		2018	
	Amount	Percentage	Amount	Percentage
<b>Domestic (excluding Japan Offshore Market accounts):</b>				
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	¥ 15.5	0.2%	¥ 15.5	0.2%
Utilities, information/communications, and transportation	115.5	2.1	92.1	1.5
Wholesale and retail	37.2	0.7	25.0	0.4
Finance and insurance <sup>(1)</sup>	930.8	17.5	1,121.0	18.2
Construction and real estate	2.0	0.0	24.0	0.3
Services and goods rental/leasing	37.6	0.7	22.8	0.3
Central and local governments	3,997.6	75.5	4,667.1	76.0
Others	155.8	2.9	172.6	2.8
Subtotal	5,292.4	100.0	6,140.5	100.0
<b>Overseas and Japan Offshore Market accounts:</b>				
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	5.0	100.0	5.0	100.0
Subtotal	5.0	100.0	5.0	100.0
<b>Total</b>	<b>¥5,297.4</b>		<b>¥6,145.5</b>	

Notes: (1) Of "Finance and insurance," loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network were ¥640.6 billion and ¥829.2 billion as of March 31, 2019 and 2018, respectively.

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

As of March 31, 2019, our loans were ¥5,297.4 billion, or 2.5% of total assets, representing a decrease of ¥848.1 billion, or 13.8%, from March 31, 2018. The decrease in our loans was primarily due to a decrease 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, 2019						
	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	¥3,653.6	¥536.6	¥412.1	¥266.6	¥217.1	¥206.7	¥5,292.8

### Money Held in Trust

We did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2019 and 2018. Money held in trust (excluding held-to-maturity purpose) as of March 31, 2019 and 2018 was as follows:

	Billions of yen, except for percentages			
	As of March 31,			
	2019		2018	
	Outstanding assets	Percentage	Outstanding assets	Percentage
Domestic stocks	¥2,141.7	55.1%	¥2,286.1	61.3%
Domestic bonds	1,195.6	30.7	1,256.0	33.7
Others	546.1	14.0	183.4	4.9
<b>Total</b>	<b>¥3,883.6</b>	<b>100.0%</b>	<b>¥3,725.6</b>	<b>100.0%</b>

Assets in respect of money held in trust are primarily held in Japanese yen. As of March 31, 2019, 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, 2019 was ¥180.9 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, 2019, our deposits of ¥180.9 trillion exceeded our securities of ¥137.1 trillion by ¥43.8 trillion, and our security-deposit ratio was 75.7%. 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,			
	2019		2018	
	Amount	Percentage	Amount	Percentage
Liquid deposits:	¥ 79,959.3	44.1%	¥ 73,765.4	41.0%
Transfer deposits	16,143.5	8.9	14,437.5	8.0
Ordinary deposits, etc. <sup>(1)</sup>	63,410.1	35.0	58,931.5	32.7
Savings deposits	405.6	0.2	396.2	0.2
Fixed-term deposits:	100,927.1	55.7	105,989.3	58.9
Time deposits	7,096.3	3.9	8,696.1	4.8
TEIGAKU deposits	93,830.8	51.8	97,293.2	54.0
Other deposits	112.5	0.0	128.0	0.0
Subtotal	180,999.1	100.0	179,882.7	100.0
Negotiable certificates of deposit	—	—	—	—
<b>Total</b>	<b>¥180,999.1</b>	<b>100.0%</b>	<b>¥179,882.7</b>	<b>100.0%</b>

Note: (1) Ordinary deposits, etc. = ordinary deposits + special deposits (those equivalent to ordinary savings deposits). Special deposits, which represent deposits received from the Organization for Postal Savings, Postal Life Insurance and Post Office Network ("the Organization"), correspond to Postal Savings Deposits that were passed on to the Organization by Japan Post Corporation. Special deposits (those equivalent to ordinary savings deposits) are the portion of deposits received from the 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 Organization by Japan Post Corporation.

The total balance of deposits as of March 31, 2019 was ¥180,999.1 billion, an increase of ¥1,116.3 billion from ¥179,882.7 billion as of March 31, 2018.

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, 2019						
	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	¥1,841.5	¥1,432.6	¥3,103.6	¥375.9	¥202.9	¥139.6	¥7,096.3
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, 2019					
	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	¥5,961.3	¥23,132.1	¥12,072.2	¥13,067.2	¥39,597.8	¥93,830.8

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 repurchase agreements and payables under securities lending transactions. Liquidity may also be provided by redemptions of financial assets such as available-for-sale securities, call loans, receivables under resale agreements and receivables under securities borrowing transactions, 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,	
	2019	2018
Due from banks	¥50,458.8	¥49,098.4

### Net Assets

The table below presents information relating to our net assets as of March 31, 2019 and 2018:

	Billions of yen, except for percentages	
	As of March 31,	
	2019	2018
Capital stock	¥ 3,500.0	¥ 3,500.0
Capital surplus	4,296.2	4,296.2
Retained earnings	2,477.7	2,399.0
Treasury stock	(1,300.9)	(1,300.7)
Total shareholders' equity	8,973.0	8,894.5
Net unrealized gains (losses) on available-for-sale securities	2,440.0	2,615.4
Net deferred gains (losses) on hedges	(62.3)	3.1
Total valuation and translation adjustments	2,377.7	2,618.5
Net assets	¥11,350.8	¥11,513.1
Net assets as a percentage of total assets	5.4%	5.4%

Net assets as of March 31, 2019 was ¥11,350.8 billion, a decrease of ¥162.3 billion, or 1.4%, compared to March 31, 2018. 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, 2019 was 15.78%, a decrease of 1.64 percentage points from March 31, 2018.

Total risk-based capital, the numerator of the ratio, was ¥8,844.2 billion, an increase of ¥72.1 billion from ¥8,772.0 billion as of March 31, 2018.

Risk-weighted assets, which correspond to the denominator of the ratio, amounted to ¥56,033.5 billion, representing an increase of ¥5,690.0 billion from ¥50,343.5 billion as of March 31, 2018.

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

	Millions of yen		
	As of March 31,		Y-o-Y change
	2019	2018	
Core Capital: instruments and reserves (A)	¥ 8,879,601	¥ 8,801,141	¥ 78,460
Core Capital: regulatory adjustments (B)	35,388	29,070	6,318
Total risk-based capital (A)–(B)=(C)	8,844,213	8,772,071	72,141
Total amount of risk-weighted assets (D)	56,033,562	50,343,515	5,690,047
Credit risk-weighted assets	53,334,010	47,574,709	5,759,301
Market risk equivalent / 8%	—	—	—
Operational risk equivalent / 8%	2,699,551	2,768,805	(69,254)
Capital adequacy ratio (C)/(D) (%)	15.78	17.42	(1.64)

### Dividends (Consolidated)

Our total dividend payment for the fiscal year ended March 31, 2019 was ¥187.4 billion. The dividend per share was ¥50.00 and the dividend payout ratio was 70.41%.

## 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 40 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, 2019, our capital adequacy ratio was 15.80% (Consolidated), 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 41 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.

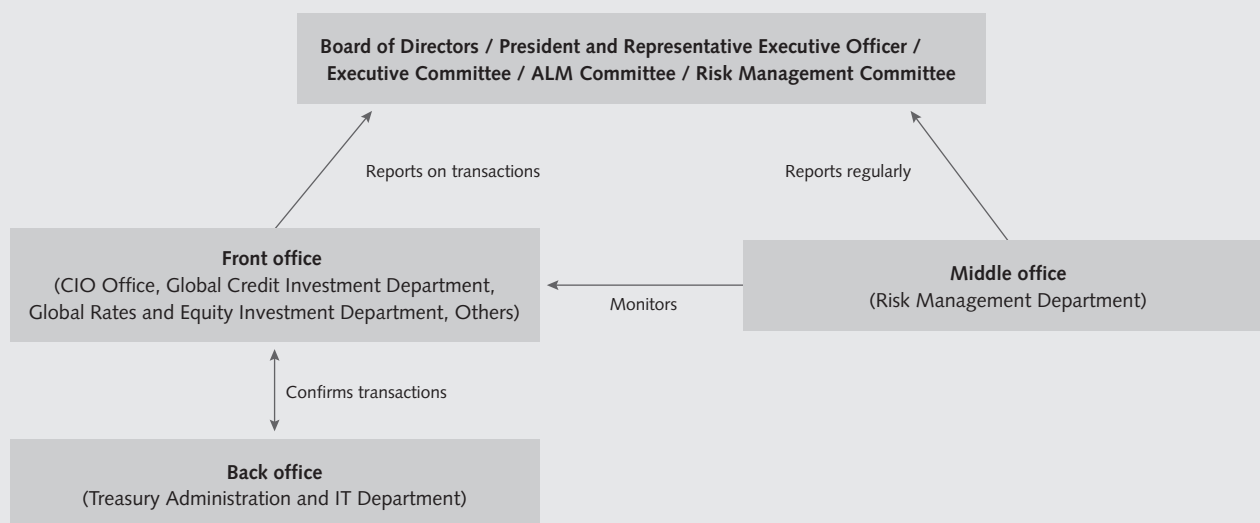
Moreover, we fully recognize the importance of interest rate risk on our business. In addition to monitoring interest rate risk on a daily basis using a 10 basis point value (10BPV) which denotes the change of present value given 10 basis points rise in the interest rates, we have established a framework to grasp interest rate risk in a multifaceted and proper manner. This included profit and loss simulations based on a variety of scenarios.

As far as the management of 10BPV is concerned, we not only make changes to the balances of assets and liabilities as well as the structure of maturities, but also employ such hedging methods as interest rate swaps.

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, 2019, our VaR was as follows:

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

### VaR (From April 1, 2018 to March 31, 2019)

	Billions of yen			
	Year-end	Maximum	Minimum	Average
Fiscal year ended March 31, 2019	¥3,432.0	¥3,701.6	¥3,401.7	¥3,555.6

## 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

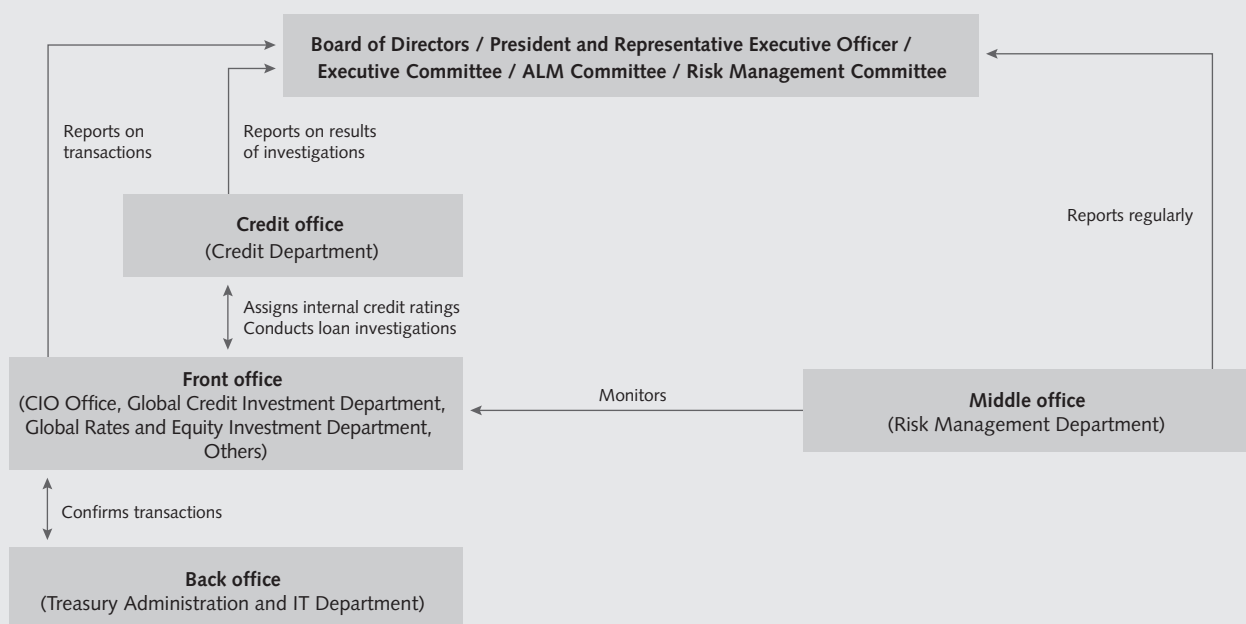
## Credit Risk Management System

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 regular 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 SHEETS

As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Assets:</b>			
Cash and due from banks (Notes 19, 22 and 23)	¥ 50,698,686	¥ 49,288,314	\$ 456,786,073
Call loans (Note 22)	400,000	480,000	3,603,928
Receivables under resale agreements (Note 22)	8,368,139	—	75,395,438
Receivables under securities borrowing transactions (Note 22)	—	8,224,153	—
Monetary claims bought (Notes 22 and 23)	295,679	278,566	2,664,020
Trading account securities (Notes 22 and 23)	2	32	24
Money held in trust (Notes 22 and 23)	3,990,780	4,241,524	35,956,214
Securities (Notes 6, 21, 22, 23 and 24)	137,138,590	139,200,459	1,235,594,111
Loans (Notes 22 and 25)	5,297,424	6,145,537	47,728,847
Foreign exchanges (Note 3)	80,396	87,487	724,360
Other assets (Notes 4, 6, 22 and 24)	2,452,406	2,442,327	22,095,742
Tangible fixed assets (Note 5):	201,906	190,104	1,819,138
Buildings	75,126	67,270	676,876
Land	67,250	67,628	605,918
Construction in progress	3,745	9,410	33,747
Other	55,783	45,796	502,595
Intangible fixed assets:	51,018	52,382	459,664
Software	43,987	35,774	396,316
Other	7,031	16,608	63,348
Deferred tax assets (Note 27)	61	—	555
Reserve for possible loan losses (Note 22)	(958)	(1,066)	(8,639)
<b>Total assets</b>	<b>¥208,974,134</b>	<b>¥210,629,821</b>	<b>\$1,882,819,480</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Liabilities:</b>			
Deposits (Notes 6, 7, 22 and 24)	¥180,997,116	¥179,881,329	\$1,630,751,564
Payables under repurchase agreements (Notes 6 and 22)	11,569,371	1,985,285	104,237,966
Payables under securities lending transactions (Notes 6 and 22)	2,473,457	13,812,123	22,285,411
Commercial paper (Note 22)	28,029	191,481	252,540
Borrowed money (Notes 6, 8 and 22)	3,900	2,400	35,138
Foreign exchanges (Note 3)	628	309	5,664
Other liabilities (Notes 9, 22 and 24)	1,355,311	1,950,360	12,211,117
Reserve for bonuses	7,858	7,907	70,808
Liability for retirement benefits (Note 26)	134,837	135,655	1,214,866
Reserve for employee stock ownership plan trust	839	809	7,565
Reserve for management board benefit trust	238	144	2,148
Reserve for reimbursement of deposits	88,332	86,114	795,863
Deferred tax liabilities (Note 27)	951,844	1,054,220	8,575,950
<b>Total liabilities</b>	<b>197,611,768</b>	<b>199,108,141</b>	<b>1,780,446,605</b>
Contingent liabilities (Note 10)			
<b>Net assets (Note 18):</b>			
Capital stock (Note 11)	3,500,000	3,500,000	31,534,372
Capital surplus	4,296,286	4,296,285	38,708,766
Retained earnings	2,477,878	2,399,162	22,325,241
Treasury stock	(1,300,926)	(1,300,717)	(11,721,115)
Total shareholders' equity	8,973,237	8,894,730	80,847,264
Net unrealized gains (losses) on available-for-sale securities (Note 23)	2,440,024	2,615,432	21,984,183
Net deferred gains (losses) on hedges	(62,353)	3,119	(561,796)
Accumulated adjustments for retirement benefits (Note 26)	6,488	7,934	58,461
Total accumulated other comprehensive income	2,384,159	2,626,485	21,480,848
Non-controlling interests	4,968	463	44,761
<b>Total net assets</b>	<b>11,362,365</b>	<b>11,521,680</b>	<b>102,372,874</b>
<b>Total liabilities and net assets</b>	<b>¥208,974,134</b>	<b>¥210,629,821</b>	<b>\$1,882,819,480</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Income:</b>			
Interest income:	¥1,357,775	¥1,502,747	\$12,233,316
Interest on loans	12,093	14,019	108,959
Interest and dividends on securities	1,313,603	1,460,377	11,835,336
Interest on call loans	286	624	2,584
Interest on receivables under resale agreements	(1,203)	—	(10,844)
Interest on receivables under securities borrowing transactions	910	1,417	8,201
Interest on deposits with banks	29,758	24,094	268,120
Other interest income	2,326	2,214	20,958
Fees and commissions	138,794	130,041	1,250,514
Other operating income (Note 12)	228,925	211,627	2,062,574
Other income (Notes 13 and 28)	119,917	200,523	1,080,435
<b>Total income</b>	<b>1,845,413</b>	<b>2,044,940</b>	<b>16,626,840</b>
<b>Expenses:</b>			
Interest expenses:	347,157	331,781	3,127,829
Interest on deposits	80,834	145,129	728,301
Interest on call money	—	124	—
Interest on payables under repurchase agreements	59,101	17,027	532,490
Interest on payables under securities lending transactions	60,297	55,272	543,268
Interest on commercial paper	1,788	3,791	16,111
Other interest expenses	145,136	110,436	1,307,656
Fees and commissions	32,032	33,593	288,611
Other operating expenses (Note 14)	24,779	21,400	223,260
General and administrative expenses (Note 15)	1,036,400	1,042,970	9,337,779
Other expenses (Note 16)	35,171	116,271	316,889
<b>Total expenses</b>	<b>1,475,542</b>	<b>1,546,017</b>	<b>13,294,370</b>
<b>Income before income taxes</b>	<b>369,870</b>	<b>498,922</b>	<b>3,332,470</b>
<b>Income taxes (Note 27):</b>			
Current	99,555	174,218	896,980
Deferred	4,534	(28,025)	40,857
<b>Total income taxes</b>	<b>104,090</b>	<b>146,192</b>	<b>937,838</b>
<b>Net income</b>	<b>265,780</b>	<b>352,730</b>	<b>2,394,632</b>
<b>Net loss attributable to non-controlling interests</b>	<b>(409)</b>	<b>(45)</b>	<b>(3,691)</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 266,189</b>	<b>¥ 352,775</b>	<b>\$ 2,398,323</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Net income</b>	<b>¥ 265,780</b>	<b>¥ 352,730</b>	<b>\$ 2,394,632</b>
<b>Other comprehensive income (loss) (Note 17):</b>	<b>(242,403)</b>	<b>(433,157)</b>	<b>(2,184,013)</b>
Net unrealized gains (losses) on available-for-sale securities	(175,485)	(551,548)	(1,581,089)
Net deferred gains (losses) on hedges	(65,472)	119,696	(589,898)
Adjustments for retirement benefits	(1,445)	(1,305)	(13,025)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	0	(0)	0
<b>Comprehensive income (loss)</b>	<b>23,376</b>	<b>(80,426)</b>	<b>210,618</b>
Total comprehensive income (loss) attributable to:			
Owners of parent	23,863	(80,381)	215,003
Non-controlling interests	¥ (486)	¥ (45)	\$ (4,385)

### Per Share of Common Stock

	Yen		U.S. dollars (Note 1)
	2019	2018	2019
Basic net income (Note 30)	¥71.00	¥94.09	\$0.63

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal years ended March 31, 2019 and 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>2019</b>					
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥2,399,162	¥(1,300,717)	¥8,894,730
Changes during the fiscal year:					
Cash dividends			(187,473)		(187,473)
Net income attributable to owners of parent			266,189		266,189
Repurchase of treasury stock				(542)	(542)
Disposal of treasury stock				333	333
Changes in equity of parent due to transactions with non-controlling shareholders		0			0
Increase due to adoption of equity method to affiliated company					—
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	0	78,716	(209)	78,507
Balance at the end of the fiscal year	¥3,500,000	¥4,296,286	¥2,477,878	¥(1,300,926)	¥8,973,237

	Millions of yen					
	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>2019</b>						
Balance at the beginning of the fiscal year	¥2,615,432	¥ 3,119	¥ 7,934	¥2,626,485	¥ 463	¥11,521,680
Changes during the fiscal year:						
Cash dividends						(187,473)
Net income attributable to owners of parent						266,189
Repurchase of treasury stock						(542)
Disposal of treasury stock						333
Changes in equity of parent due to transactions with non-controlling shareholders						0
Increase due to adoption of equity method to affiliated company						—
Net changes in items other than shareholders' equity	(175,408)	(65,472)	(1,445)	(242,326)	4,504	(237,821)
Total changes during the fiscal year	(175,408)	(65,472)	(1,445)	(242,326)	4,504	(159,314)
Balance at the end of the fiscal year	¥2,440,024	¥(62,353)	¥ 6,488	¥2,384,159	¥4,968	¥11,362,365

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
2018					
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
Changes in equity of parent due to transactions with non-controlling shareholders					—
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				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		
2018						
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
Changes in equity of parent due to transactions with non-controlling shareholders						—
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



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Continued)

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>2019</b>					
Balance at the beginning of the fiscal year	\$31,534,372	\$38,708,766	\$21,616,022	\$(11,719,231)	\$80,139,929
Changes during the fiscal year:					
Cash dividends			(1,689,104)		(1,689,104)
Net income attributable to owners of parent			2,398,323		2,398,323
Repurchase of treasury stock				(4,891)	(4,891)
Disposal of treasury stock				3,007	3,007
Changes in equity of parent due to transactions with non-controlling shareholders		0			0
Increase due to adoption of equity method to affiliated company					—
Net changes in items other than shareholders' equity					
Total changes during the fiscal year	—	0	709,218	(1,883)	707,335
Balance at the end of the fiscal year	\$31,534,372	\$38,708,766	\$22,325,241	\$(11,721,115)	\$80,847,264

	Thousands of U.S. dollars (Note 1)					
	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>2019</b>						
Balance at the beginning of the fiscal year	\$23,564,577	\$ 28,102	\$ 71,487	\$23,664,167	\$ 4,174	\$103,808,271
Changes during the fiscal year:						
Cash dividends						(1,689,104)
Net income attributable to owners of parent						2,398,323
Repurchase of treasury stock						(4,891)
Disposal of treasury stock						3,007
Changes in equity of parent due to transactions with non-controlling shareholders						0
Increase due to adoption of equity method to affiliated company						—
Net changes in items other than shareholders' equity	(1,580,394)	(589,898)	(13,025)	(2,183,319)	40,586	(2,142,732)
Total changes during the fiscal year	(1,580,394)	(589,898)	(13,025)	(2,183,319)	40,586	(1,435,397)
Balance at the end of the fiscal year	\$21,984,183	\$(561,796)	\$ 58,461	\$21,480,848	\$44,761	\$102,372,874

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 369,870	¥ 498,922	\$ 3,332,470
Adjustments for:			
Depreciation and amortization	33,693	37,447	303,574
Losses on impairment of fixed assets	550	17	4,962
Equity in losses (gains) of affiliates	(227)	(95)	(2,048)
Net change in reserve for possible loan losses	(107)	(30)	(969)
Net change in reserve for bonuses	(48)	1,899	(434)
Net change in liability for retirement benefits	(817)	175	(7,369)
Net change in reserve for employee stock ownership plan trust	30	809	272
Net change in reserve for management board benefit trust	94	100	846
Net change in reserve for reimbursement of deposits	2,218	84,018	19,986
Interest income	(1,357,775)	(1,502,747)	(12,233,316)
Interest expenses	347,157	331,781	3,127,829
Losses (gains) related to securities—net	23,225	27,739	209,253
Losses (gains) on money held in trust—net	(77,717)	(50,933)	(700,217)
Foreign exchange losses (gains)—net	(579,641)	14,749	(5,222,466)
Losses (gains) on sales and disposals of fixed assets—net	3,556	713	32,046
Net change in loans	846,288	(2,083,094)	7,624,903
Net change in deposits	1,115,787	446,642	10,053,041
Net change in borrowed money	1,500	2,400	13,514
Net change in call loans, etc.	(8,300,349)	(36,222)	(74,784,661)
Net change in receivables under securities borrowing transactions	8,224,153	494,752	74,098,145
Net change in call money, etc.	9,584,086	978,911	86,350,898
Net change in commercial paper	(163,451)	151,156	(1,472,669)
Net change in payables under securities lending transactions	(11,338,666)	117,829	(102,159,348)
Net change in foreign exchange assets	7,090	(8,840)	63,882
Net change in foreign exchange liabilities	318	(97)	2,872
Interest received	1,372,572	1,556,245	12,366,633
Interest paid	(781,463)	(823,888)	(7,040,849)
Other—net	(283,693)	(236,254)	(2,556,030)
Subtotal	(951,766)	4,111	(8,575,247)
Income taxes paid	(168,961)	(134,523)	(1,522,310)
Net cash provided by (used in) operating activities	(1,120,727)	(130,411)	(10,097,557)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(22,215,902)	(24,312,822)	(200,161,301)
Proceeds from sales of securities	2,673,751	3,160,077	24,090,020
Proceeds from maturity of securities	22,155,613	19,717,691	199,618,103
Investment in money held in trust	(430,334)	(231,063)	(3,877,234)
Proceeds from disposition of money held in trust	590,781	48,158	5,322,833
Purchases of tangible fixed assets	(48,148)	(34,446)	(433,810)
Purchases of intangible fixed assets	(15,012)	(24,200)	(135,257)
Other—net	2,982	423	26,871
Net cash provided by (used in) investing activities	2,713,730	(1,676,182)	24,450,225
<b>Cash flows from financing activities:</b>			
Repurchase of treasury stock	(542)	(449)	(4,891)
Proceeds from disposal of treasury stock	54	25	489
Proceeds from investments by non-controlling shareholders	4,991	508	44,970
Cash dividends paid	(187,444)	(187,409)	(1,688,837)
Proceeds from sale of investments of subsidiaries not resulting in change in the scope of consolidation	0	—	3
Net cash provided by (used in) financing activities	(182,940)	(187,324)	(1,648,264)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	310	311	2,798
<b>Net change in cash and cash equivalents</b>	<b>1,410,372</b>	<b>(1,993,607)</b>	<b>12,707,201</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	<b>49,223,314</b>	<b>51,216,921</b>	<b>443,493,233</b>
<b>Cash and cash equivalents at the end of the fiscal year (Note 19)</b>	<b>¥ 50,633,686</b>	<b>¥ 49,223,314</b>	<b>\$ 456,200,435</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended March 31, 2019 and 2018

## 1. Basis of Presenting Consolidated 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 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 consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated 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 consolidated 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 consolidated 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 ¥110.99 to US\$1.00, the approximate rate of exchange as of March 31, 2019. 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 consolidated 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: 3

Principal company

Japan Post Investment Corporation

One company has been newly consolidated from the fiscal year ended March 31, 2019, 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 Years of Consolidated Subsidiaries**

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

December 31: 2

March 31: 1

(2) Consolidated subsidiaries whose balance sheet date is December 31 are consolidated using the preliminary financial statements as of March 31.

**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, etc. 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, 2019 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 fiscal year after they are incurred.

- (10) **Foreign Currency Transactions**—Foreign currency denominated assets and liabilities of the Group are translated into Japanese yen principally at the exchange rates in effect at the consolidated 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. The Group applies the deferred hedge accounting method for hedges of 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, released on February 13, 2002).

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 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 and 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 Group considers its hedges to be highly effective because the Group 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 Statements of Cash Flows**—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks on the consolidated balance sheets, 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, 2019 and 2018, were ¥379 million (\$3,423 thousand) and 298 thousand shares, and ¥401 million and 315 thousand shares, respectively.

**(b) Transactions for Delivery of the Bank's Shares to its Management Employees in the Investment Division through Trusts**—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, 2019 and 2018, were ¥547 million (\$4,931 thousand) and 384 thousand shares, and ¥316 million and 228 thousand shares, respectively.

### 3. Foreign Exchanges

Foreign exchanges as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Assets:</b>			
Due from foreign banks	¥80,396	¥87,487	\$724,360
<b>Total</b>	<b>¥80,396</b>	<b>¥87,487</b>	<b>\$724,360</b>
<b>Liabilities:</b>			
Foreign bills payable	¥ 628	¥ 309	\$ 5,664
<b>Total</b>	<b>¥ 628</b>	<b>¥ 309</b>	<b>\$ 5,664</b>

### 4. Other Assets

Other assets as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Domestic exchange settlement accounts—debit	¥ 11,874	¥ 8,603	\$ 106,990
Prepaid expenses	1,549	2,327	13,961
Accrued income	226,133	222,555	2,037,424
Margins for future transactions	146,257	139,092	1,317,750
Variation margins for future transactions	742	—	6,686
Derivatives other than trading	295,169	438,152	2,659,426
Cash collateral paid for financial instruments	28,966	38,953	260,987
Advance payments of funds necessary for delivery of deposits in bank agency services	810,000	840,000	7,297,954
Other	931,712	752,642	8,394,560
<b>Total</b>	<b>¥2,452,406</b>	<b>¥2,442,327</b>	<b>\$22,095,742</b>

### 5. Accumulated Depreciation on Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accumulated depreciation	¥165,660	¥170,383	\$1,492,573

## 6. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets pledged as collateral:			
Securities	¥14,636,709	¥16,770,912	\$131,874,125
Liabilities corresponding to assets pledged as collateral:			
Deposits	1,265,494	1,982,813	11,401,875
Payables under repurchase agreements	11,569,371	1,932,490	104,237,966
Payables under securities lending transactions	2,473,457	13,732,965	22,285,411
Borrowed money	3,900	2,400	35,138

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions, etc. were substituted by securities of ¥1,298,218 million (\$11,696,713 thousand) and ¥472,331 million as of March 31, 2019 and 2018, respectively.

"Other assets" included margins for future transactions of ¥146,257 million (\$1,317,750 thousand) and ¥139,092 million, guarantee deposits of ¥2,852 million (\$25,699 thousand) and ¥2,000 million, cash collateral paid for financial instruments of ¥28,966 million (\$260,987 thousand) and ¥38,953 million, margins with central counterparty of ¥647,946 million (\$5,837,885 thousand) and ¥511,672 million, and other margins, etc. of ¥2,003 million (\$18,047 thousand) and ¥6,253 million as of March 31, 2019 and 2018, respectively.

## 7. Deposits

Deposits as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Transfer deposits	¥ 16,141,562	¥ 14,436,145	\$ 145,432,586
Ordinary deposits	62,157,684	56,961,382	560,029,589
Savings deposits	405,656	396,265	3,654,894
Time deposits	7,096,334	8,696,122	63,936,704
Special deposits*	1,252,455	1,970,182	11,284,399
TEIGAKU deposits**	93,830,855	97,293,213	845,399,185
Other deposits	112,566	128,017	1,014,205
Total	¥180,997,116	¥179,881,329	\$1,630,751,564

\*"Special deposits" represent deposits received from the Organization for Postal Savings, Postal Life Insurance and Post Office Network.

\*\*"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, 2019 and 2018 consisted of the following:

	Millions of yen			
	2019			
	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	¥3,900	—%	
Borrowings	¥2,400	¥3,900	—%	June 2019— March 2020

	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

	Thousands of U.S. dollars			
	2019			
	Amount at the beginning of the fiscal year	Amount at the end of the fiscal year	Average interest rate*	Maturity for repayment
Borrowed money:	\$21,623	\$35,138	—%	
Borrowings	\$21,623	\$35,138	—%	June 2019— March 2020

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

## 9. Other Liabilities

Other liabilities as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Domestic exchange settlement accounts—credit	¥ 22,862	¥ 15,757	\$ 205,983
Income taxes payable	7,929	70,109	71,444
Accrued expenses	495,899	938,763	4,467,962
Unearned income	67	60	604
Variation margins for future transactions	—	141	—
Derivatives other than trading	504,384	452,620	4,544,413
Cash collateral received for financial instruments	22,496	227,686	202,684
Asset retirement obligations	682	416	6,149
Accounts payable	268,240	203,731	2,416,799
Other	32,750	41,074	295,074
Total	¥1,355,311	¥1,950,360	\$12,211,117

## 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
One year or less	¥ 628	¥ 790	\$ 5,663
Over one year	527	662	4,749
Total	¥1,155	¥1,453	\$10,412

## 11. Capital Stock

Capital stock consists of common stock. Common stock as of March 31, 2019 and 2018 was as follows:

	Number of shares			
	2019		2018	
	Authorized	Issued	Authorized	Issued
Common stock	18,000,000,000	4,500,000,000	18,000,000,000	4,500,000,000

## 12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Gains on foreign exchanges	¥219,447	¥194,930	\$1,977,184
Gains on sales of bonds	9,477	14,926	85,389
Income from derivatives other than for trading or hedging	—	1,771	—
<b>Total</b>	<b>¥228,925</b>	<b>¥211,627</b>	<b>\$2,062,574</b>

## 13. Other Income

Other income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reversal of reserve for possible loan losses	¥ 50	¥ —	\$ 459
Recoveries of written-off claims	20	21	185
Gains on sales of stocks and other securities	3,251	469	29,297
Gains on money held in trust	79,756	51,882	718,591
Income from deposits	20,270	144,679	182,636
Gains from investments in affiliates	227	95	2,048
Other	16,339	3,374	147,217
<b>Total</b>	<b>¥119,917</b>	<b>¥200,523</b>	<b>\$1,080,435</b>

## 14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Losses on sales of bonds	¥21,719	¥21,400	\$195,686
Expenses on derivatives other than for trading or hedging	3,060	—	27,574
<b>Total</b>	<b>¥24,779</b>	<b>¥21,400</b>	<b>\$223,260</b>

## 15. General and Administrative Expenses

General and administrative expenses for the fiscal years ended March 31, 2019 and 2018 included the following expenses:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	¥600,661	¥598,116	\$5,411,848

## 16. Other Expenses

Other expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Provision for reserve for possible loan losses	¥ —	¥ 19	\$ —
Losses on sales of stocks and other securities	6,171	21,735	55,602
Losses on devaluation of stocks and other securities	8,063	—	72,651
Losses on money held in trust	2,039	949	18,373
Provision for reserve for reimbursement of deposits	10,771	84,473	97,047
Losses on sales and disposals of fixed assets	3,556	713	32,046
Losses on impairment of fixed assets	550	17	4,962
Other	4,018	8,361	36,206
<b>Total</b>	<b>¥35,171</b>	<b>¥116,271</b>	<b>\$316,889</b>

## 17. Other Comprehensive Income (Loss)

Other comprehensive income (loss) for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 116,718	¥(472,366)	\$ 1,051,615
Reclassification adjustments	(369,633)	(323,829)	(3,330,330)
Before tax effect adjustments	(252,914)	(796,196)	(2,278,714)
Tax effect	77,429	244,647	697,625
Net unrealized gains (losses) on available-for-sale securities	(175,485)	(551,548)	(1,581,089)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(283,051)	(12,384)	(2,550,242)
Reclassification adjustments	191,796	186,194	1,728,053
Adjustments of assets' acquisition costs	(3,120)	(1,275)	(28,113)
Before tax effect adjustments	(94,375)	172,535	(850,302)
Tax effect	28,902	(52,838)	260,403
Net deferred gains (losses) on hedges	(65,472)	119,696	(589,898)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	80	311	729
Reclassification adjustments	(2,167)	(2,193)	(19,525)
Before tax effect adjustments	(2,086)	(1,881)	(18,795)
Tax effect	640	576	5,769
Adjustments for retirement benefits	(1,445)	(1,305)	(13,025)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the fiscal year	0	(0)	0
Reclassification adjustments	(0)	—	(0)
Before tax effect adjustments	0	(0)	0
Tax effect	—	—	—
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	0	(0)	0
<b>Total other comprehensive income (loss)</b>	<b>¥(242,403)</b>	<b>¥(433,157)</b>	<b>\$ (2,184,013)</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, 2019 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	751,069	375	236	751,208	*, **, ***

\* The number of shares of treasury stock at the beginning of the fiscal year and that at the end of the fiscal year included 544 thousand shares and 683 thousand shares of treasury stock held by the stock benefit trust.

\*\* An increase of 375 thousand shares of treasury stock is due to the 375 thousand shares of purchases of treasury stock by the stock benefit trust.

\*\*\* A decrease of 236 thousand shares of treasury stock is due to the 236 thousand shares of benefits paid by the stock benefit trust.

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, 2019

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, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	\$844,552	¥25.00	\$0.22	March 31, 2018	June 20, 2018
November 14, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	\$844,552	¥25.00	\$0.22	September 30, 2018	December 6, 2018

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 and November 14, 2018 included dividends of ¥13 million (\$122 thousand) and ¥17 million (\$153 thousand), respectively, for the Bank's shares held by the stock benefit trust.

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

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2017 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	March 31, 2017	June 21, 2017
November 14, 2017 at the meeting of the Board of Directors	Common stock	¥93,736	¥25.00	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 and ¥13 million, respectively, for the Bank's shares held by the stock benefit trust.

## Dividends with the record date within the fiscal years ended March 31, 2019 and 2018 and with the effective date coming after the end of the fiscal years

Resolution	Type	2019					Record date	Effective date
		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)		
May 15, 2019 at the meeting of the Board of Directors	Common stock	¥93,736	\$844,552	Retained earnings	¥25.00	\$0.22	March 31, 2019	June 19, 2019

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2019 included dividends of ¥17 million (\$153 thousand) for the Bank's shares held by the stock benefit trust.

Resolution	Type	2018				
		Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
May 15, 2018 at the meeting of the Board of Directors	Common stock	¥93,736	Retained earnings	¥25.00	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 for the Bank's shares held by the stock 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 sheets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks	¥50,698,686	¥49,288,314	\$456,786,073
Due from banks, –negotiable certificates of deposit in other banks	(65,000)	(65,000)	(585,638)
Cash and cash equivalents	¥50,633,686	¥49,223,314	\$456,200,435

## 20. Leases

Operating lease transactions:

Future lease payments on non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

(Lessees)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 344	¥ 330	\$3,104
Due over one year	680	987	6,130
Total	¥1,024	¥1,318	\$9,234

(Lessors)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 99	¥47	\$ 897
Due over one year	199	—	1,794
Total	¥298	¥47	\$2,691

## 21. Securities

As of March 31, 2019 and 2018, Japanese government bonds, etc. in "Securities" include a total of ¥1,076,930 million (\$9,702,948 thousand) and ¥550,132 million of unsecured and secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions, etc.).

Among unsecured borrowed securities under the contract of loan for consumption (securities borrowing transactions), securities purchased under resale agreements and securities borrowed with cash collateral under securities lending agreements, etc. that the Group had the right to sell or pledge without restrictions, the Group held ¥131,681 million of securities pledged as collateral as of March 31, 2018 and held ¥5,328,398 million (\$48,007,910 thousand) and ¥8,382,131 million of securities neither sold nor pledged as of March 31, 2019 and 2018, respectively.

## 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 transactions, 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 business days (one year); confidence interval of 99%; and observation period of 1,200 business days (five years)). For liability measurement, the Group uses its own internal model.

As of March 31, 2019 and 2018, the Group calculates the amounts of its market risk volume (estimated potential losses from such risk) at ¥3,432,080 million (\$30,922,428 thousand) and ¥3,542,833 million, respectively. 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 sheets, the fair values, and the differences between the two as of March 31, 2019 and 2018 were as follows:

	Millions of yen		
	2019		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 50,698,686	¥ 50,698,686	¥ —
(2) Call loans	400,000	400,000	—
(3) Receivables under resale agreements	8,368,139	8,368,139	—
(4) Receivables under securities borrowing transactions	—	—	—
(5) Monetary claims bought	295,679	295,679	—
(6) Trading account securities:			
Securities classified as trading purposes	2	2	—
(7) Money held in trust	3,725,121	3,722,937	(2,184)
(8) Securities:			
Held-to-maturity securities	27,242,577	28,030,124	787,546
Available-for-sale securities	108,660,846	108,660,846	—
(9) Loans:	5,297,424		
Reserve for possible loan losses*	(107)		
	5,297,316	5,334,088	36,772
Total assets	¥204,688,371	¥205,510,505	¥822,133
(1) Deposits	¥180,997,116	¥181,082,281	¥ 85,165
(2) Payables under repurchase agreements	11,569,371	11,569,371	—
(3) Payables under securities lending transactions	2,473,457	2,473,457	—
(4) Commercial paper	28,029	28,029	—
(5) Borrowed money	3,900	3,900	—
Total liabilities	¥195,071,875	¥195,157,040	¥ 85,165
Derivative transactions**:			
For which hedge accounting is not applied	¥ (508)	¥ (508)	¥ —
For which hedge accounting is applied	(208,706)	(208,706)	—
Total derivative transactions	¥ (209,214)	¥ (209,214)	¥ —

	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 resale agreements	—	—	—
(4) Receivables under securities borrowing transactions	8,224,153	8,224,153	—
(5) Monetary claims bought	278,566	278,566	—
(6) Trading account securities:			
Securities classified as trading purposes	32	32	—
(7) Money held in trust	4,142,156	4,142,156	—
(8) Securities:			
Held-to-maturity securities	31,458,923	32,454,152	995,228
Available-for-sale securities	107,270,936	107,270,936	—
(9) Loans:	6,145,537		
Reserve for possible loan losses*	(120)		
	6,145,416	6,180,225	34,808
<b>Total assets</b>	<b>¥207,288,498</b>	<b>¥208,318,536</b>	<b>¥1,030,037</b>
(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	—
<b>Total liabilities</b>	<b>¥195,872,619</b>	<b>¥196,014,743</b>	<b>¥ 142,123</b>
Derivative transactions**:			
For which hedge accounting is not applied	¥ 6,278	¥ 6,278	¥ —
For which hedge accounting is applied	(20,746)	(20,746)	—
<b>Total derivative transactions</b>	<b>¥ (14,467)</b>	<b>¥ (14,467)</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	2019		
	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	\$ 456,786,073	\$ 456,786,073	\$ —
(2) Call loans	3,603,928	3,603,928	—
(3) Receivables under resale agreements	75,395,438	75,395,438	—
(4) Receivables under securities borrowing transactions	—	—	—
(5) Monetary claims bought	2,664,020	2,664,020	—
(6) Trading account securities:			
Securities classified as trading purposes	24	24	—
(7) Money held in trust	33,562,679	33,542,997	(19,681)
(8) Securities:			
Held-to-maturity securities	245,450,741	252,546,392	7,095,650
Available-for-sale securities	979,014,744	979,014,744	—
(9) Loans:	47,728,847		
Reserve for possible loan losses*	(971)		
	47,727,875	48,059,185	331,309
<b>Total assets</b>	<b>\$1,844,205,525</b>	<b>\$1,851,612,804</b>	<b>\$7,407,278</b>
(1) Deposits	\$1,630,751,564	\$1,631,518,890	\$ 767,325
(2) Payables under repurchase agreements	104,237,966	104,237,966	—
(3) Payables under securities lending transactions	22,285,411	22,285,411	—
(4) Commercial paper	252,540	252,540	—
(5) Borrowed money	35,138	35,138	—
<b>Total liabilities</b>	<b>\$1,757,562,621</b>	<b>\$1,758,329,946</b>	<b>\$ 767,325</b>
Derivative transactions**:			
For which hedge accounting is not applied	\$ (4,577)	\$ (4,577)	\$ —
For which hedge accounting is applied	(1,880,409)	(1,880,409)	—
<b>Total derivative transactions</b>	<b>\$ (1,884,987)</b>	<b>\$ (1,884,987)</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 resale agreements, (4) 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.

#### (5) Monetary claims bought

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



**(6) Trading account securities**

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

**(7) 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 stocks 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, etc. quoted by information vendors as the fair value. For 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.

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.

**(8) 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.

**(9) 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 Group 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 consolidated 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), etc., and the Group calculates the fair value using the price at the exchange market and the discounted present value, etc.

The amount on the consolidated balance sheets of financial instruments for which the Group deems it extremely difficult to determine a fair value as of March 31, 2019 and 2018 was as follows. The fair value information for these financial instruments is not included in “(7) Money held in trust” and “(8) Securities” in total assets.

Type	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Money held in trust*	¥ 265,658	¥ 99,368	\$ 2,393,535
Securities:			
Unlisted stocks**	5,095	1,586	45,905
Investment trusts***	1,199,338	457,183	10,805,825
Investments in partnerships****	30,732	11,828	276,893
<b>Total</b>	<b>¥1,500,824</b>	<b>¥569,967</b>	<b>\$13,522,160</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 years ended March 31, 2019 and 2018 were as follows:

	Millions of yen					
	2019					
	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	¥50,459,012	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	400,000	—	—	—	—	—
Receivables under resale agreements	8,368,139	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought	240	35,092	34,295	44,796	41,228	138,012
Securities:	14,328,450	26,602,309	28,274,213	5,447,625	10,622,153	10,636,397
Held-to-maturity securities:	4,753,803	9,095,209	11,369,869	125,090	833,885	1,069,300
Japanese government bonds	4,214,600	9,031,200	10,730,100	—	—	1,049,700
Japanese local government bonds	5,172	28,609	112,472	106,804	275,831	—
Japanese corporate bonds	501,598	35,400	527,297	18,286	558,053	19,600
Other securities	32,433	—	—	—	—	—
Available-for-sale securities (with maturity date):	9,574,646	17,507,099	16,904,344	5,322,535	9,788,268	9,567,097
Japanese government bonds	3,854,078	7,088,243	9,404,058	1,336,151	5,625,388	4,520,300
Japanese local government bonds	1,036,666	1,882,458	1,378,127	701,785	731,643	23,216
Japanese corporate bonds	1,442,857	2,266,279	1,590,356	816,748	773,750	1,145,361
Other securities	3,241,043	6,270,117	4,531,802	2,467,851	2,657,486	3,878,219
Loans	3,653,625	536,619	412,124	266,600	217,165	206,718
<b>Total</b>	<b>¥77,209,467</b>	<b>¥27,174,021</b>	<b>¥28,720,634</b>	<b>¥5,759,022</b>	<b>¥10,880,547</b>	<b>¥10,981,127</b>

	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 resale agreements	—	—	—	—	—	—
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 local government bonds	—	—	—	—	—	—
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
Total	¥75,752,773	¥28,013,979	¥29,918,725	¥12,170,093	¥10,054,418	¥7,241,219

	Thousands of U.S. dollars					
	2019					
	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	\$454,626,651	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	3,603,928	—	—	—	—	—
Receivables under resale agreements	75,395,438	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought	2,162	316,178	308,998	403,606	371,459	1,243,465
Securities:	129,096,767	239,682,037	254,745,595	49,082,131	95,703,702	95,832,034
Held-to-maturity securities:	42,830,921	81,946,209	102,440,481	1,127,041	7,513,157	9,634,201
Japanese government bonds	37,972,790	81,369,492	96,676,277	—	—	9,457,608
Japanese local government bonds	46,607	257,768	1,013,353	962,287	2,485,192	—
Japanese corporate bonds	4,519,308	318,947	4,750,851	164,753	5,027,964	176,592
Other securities	292,215	—	—	—	—	—
Available-for-sale securities (with maturity date):	86,265,846	157,735,827	152,305,113	47,955,090	88,190,545	86,197,832
Japanese government bonds	34,724,552	63,863,807	84,728,880	12,038,482	50,683,743	40,727,092
Japanese local government bonds	9,340,178	16,960,617	12,416,678	6,322,957	6,591,978	209,171
Japanese corporate bonds	12,999,890	20,418,767	14,328,824	7,358,753	6,971,348	10,319,503
Other securities	29,201,224	56,492,635	40,830,730	22,234,897	23,943,475	34,942,064
Loans	32,918,506	4,834,844	3,713,170	2,402,018	1,956,620	1,862,494
Total	\$695,643,455	\$244,833,059	\$258,767,764	\$51,887,756	\$98,031,782	\$98,937,993

Scheduled repayment amounts of interest-bearing liabilities subsequent to the fiscal years ended March 31, 2019 and 2018 were as follows:

	Millions of yen					
	2019					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	¥ 92,409,073	¥23,711,100	¥12,211,908	¥13,067,231	¥39,597,802	¥—
Payables under repurchase agreements	11,569,371	—	—	—	—	—
Payables under securities lending transactions	2,473,457	—	—	—	—	—
Commercial paper	28,050	—	—	—	—	—
Borrowed money	3,900	—	—	—	—	—
<b>Total</b>	<b>¥106,483,853</b>	<b>¥23,711,100</b>	<b>¥12,211,908</b>	<b>¥13,067,231</b>	<b>¥39,597,802</b>	<b>¥—</b>

	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	—	—	—	—	—
<b>Total</b>	<b>¥111,506,758</b>	<b>¥18,879,576</b>	<b>¥16,367,000</b>	<b>¥15,024,088</b>	<b>¥34,095,583</b>	<b>¥—</b>

	Thousands of U.S. dollars					
	2019					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	\$832,589,185	\$213,632,762	\$110,027,109	\$117,733,410	\$356,769,097	\$—
Payables under repurchase agreements	104,237,966	—	—	—	—	—
Payables under securities lending transactions	22,285,411	—	—	—	—	—
Commercial paper	252,728	—	—	—	—	—
Borrowed money	35,138	—	—	—	—	—
<b>Total</b>	<b>\$959,400,430</b>	<b>\$213,632,762</b>	<b>\$110,027,109</b>	<b>\$117,733,410</b>	<b>\$356,769,097</b>	<b>\$—</b>

\*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, as well as securities listed on the consolidated balance sheets.

### 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 statements of income for the fiscal years ended March 31, 2019 and 2018.

## b. Held-to-maturity securities

		Millions of yen		
		2019		
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	¥25,015,921	¥25,771,471	¥755,550
	Japanese local government bonds	516,113	520,125	4,012
	Japanese corporate bonds	1,628,348	1,656,989	28,640
	Others:	32,433	37,447	5,014
	Foreign bonds	32,433	37,447	5,014
	Total	27,192,816	27,986,034	793,218
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	17,361	17,349	(11)
	Japanese corporate bonds	32,400	32,386	(14)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	49,761	49,735	(25)
Total		¥27,242,577	¥28,035,770	¥793,192

		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 local government bonds	—	—	—
	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 local 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		
		2019		
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	\$225,388,966	\$232,196,339	\$6,807,373
	Japanese local government bonds	4,650,088	4,686,240	36,152
	Japanese corporate bonds	14,671,132	14,929,182	258,050
	Others:	292,215	337,392	45,176
	Foreign bonds	292,215	337,392	45,176
	Total	245,002,402	252,149,154	7,146,752
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	—	—	—
	Japanese local government bonds	156,419	156,318	(101)
	Japanese corporate bonds	291,920	291,792	(127)
	Others:	—	—	—
	Foreign bonds	—	—	—
	Total	448,339	448,110	(229)
Total		\$245,450,741	\$252,597,265	\$7,146,523

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

		Millions of yen		
		2019		
	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	Japanese stocks	¥ 66,567	¥ 59,344	¥ 7,223
	Bonds:	45,895,514	44,595,473	1,300,041
	Japanese government bonds	33,150,284	31,982,512	1,167,772
	Japanese local government bonds	5,665,216	5,614,316	50,900
	Japanese corporate bonds	7,080,013	6,998,644	81,368
	Others:	38,712,947	37,504,719	1,208,228
	Foreign bonds	14,385,705	13,494,508	891,196
	Investment trusts (Note 2)	24,076,421	23,761,346	315,074
	Total	84,675,029	82,159,536	2,515,493
	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Japanese stocks	30,336	32,435
Bonds:		1,430,728	1,431,897	(1,168)
Japanese government bonds		190,362	190,449	(87)
Japanese local government bonds		185,273	185,467	(194)
Japanese corporate bonds		1,055,093	1,055,980	(887)
Others:		22,885,430	23,269,053	(383,622)
Foreign bonds		7,617,390	7,870,835	(253,444)
Investment trusts (Note 2)		15,158,181	15,288,338	(130,156)
Total		24,346,496	24,733,385	(386,889)
Total		¥109,021,526	¥106,892,922	¥2,128,603

		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	Japanese 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	Japanese 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		
		2019		
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	Japanese stocks	\$ 599,761	\$ 534,681	\$ 65,079
	Bonds:	413,510,360	401,797,218	11,713,141
	Japanese government bonds	298,678,120	288,156,700	10,521,420
	Japanese local government bonds	51,042,587	50,583,982	458,605
	Japanese corporate bonds	63,789,652	63,056,536	733,116
	Others:	348,796,715	337,910,795	10,885,919
	Foreign bonds	129,612,623	121,583,104	8,029,519
	Investment trusts (Note 2)	216,924,241	214,085,473	2,838,767
	Total	762,906,837	740,242,696	22,664,141
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Japanese stocks	273,328	292,234	(18,905)
	Bonds:	12,890,609	12,901,141	(10,531)
	Japanese government bonds	1,715,127	1,715,916	(788)
	Japanese local government bonds	1,669,282	1,671,030	(1,748)
	Japanese corporate bonds	9,506,199	9,514,194	(7,995)
	Others:	206,193,626	209,649,996	(3,456,369)
	Foreign bonds	68,631,321	70,914,813	(2,283,491)
	Investment trusts (Note 2)	136,572,497	137,745,186	(1,172,688)
	Total	219,357,565	222,843,372	(3,485,806)
<b>Total</b>	<b>\$982,264,402</b>	<b>\$963,086,068</b>	<b>\$19,178,334</b>	

Notes: 1. Of the difference shown above, ¥266,443 million (\$2,400,610 thousand) losses and ¥568,753 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018, respectively, 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Japanese stocks	¥ 3,496	¥ 5	\$ 31,503
Investment trusts	1,199,338	457,183	10,805,825
Investments in partnerships	30,732	11,828	276,893
<b>Total</b>	<b>¥1,233,567</b>	<b>¥469,017</b>	<b>\$11,114,223</b>

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 years ended March 31, 2019 and 2018.



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

Available-for-sale securities sold during the fiscal years ended March 31, 2019 and 2018 consisted of the following:

Type	Millions of yen		
	2019		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	¥ 1,269	¥ 177	¥ (1,527)
Bonds:	1,523,676	7,627	(21)
Japanese government bonds	1,516,682	7,495	—
Japanese corporate bonds	6,993	131	(21)
Others:	1,096,597	4,924	(26,341)
Foreign bonds	821,744	1,850	(21,697)
Investment trusts	274,852	3,074	(4,643)
Total	¥2,621,543	¥12,729	¥(27,890)

Type	Millions of yen		
	2018		
	Sales proceeds	Total realized gains	Total realized losses
Japanese 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		
	2019		
	Sales proceeds	Total realized gains	Total realized losses
Japanese stocks	\$ 11,436	\$ 1,596	\$ (13,762)
Bonds:	13,728,054	68,718	(196)
Japanese government bonds	13,665,041	67,534	—
Japanese corporate bonds	63,013	1,183	(196)
Others:	9,880,144	44,371	(237,329)
Foreign bonds	7,403,771	16,670	(195,490)
Investment trusts	2,476,372	27,700	(41,839)
Total	\$23,619,635	\$114,686	\$(251,288)

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

For 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. Impairment losses for the fiscal year ended March 31, 2019 amounted to ¥8,063 million (\$72,651 thousand). 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, 2019 and 2018 was as follows:

	Millions of yen	
	2019	
	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	¥39,290	¥(3)

	Millions of yen	
	2018	
	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	
	2019	
	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	\$353,999	\$(33)

The Group did not hold money held in trust for the purpose of held-to-maturity as of March 31, 2019 and 2018.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2019 and 2018 were as follows:

	Millions of yen				
	2019				
	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	¥3,685,831	¥2,562,581	¥1,123,250	¥1,134,787	¥(11,537)

	Millions of yen				
	2018				
	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				
	2019				
	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	\$33,208,680	\$23,088,397	\$10,120,282	\$10,224,232	\$(103,949)

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 as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet	Amount on the consolidated balance sheet
Money held in trust classified as: Available-for-sale	¥265,658	¥99,368	\$2,393,535

Since these money held in trust did not have a market price and they were 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 securities with market quotations invested in the money held in trust (excluding money held in trust for the purpose of trading), 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 years ended March 31, 2019 and 2018 amounted to ¥3,573 million (\$32,197 thousand) and ¥1,088 million, respectively.

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, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation differences:	<b>¥3,517,063</b>	¥ 3,769,977	<b>\$31,688,108</b>
Available-for-sale securities	<b>2,394,796</b>	2,480,775	<b>21,576,688</b>
Money held in trust classified as:			
Available-for-sale	<b>1,122,266</b>	1,289,201	<b>10,111,419</b>
Deferred tax assets (liabilities)	<b>(1,077,115)</b>	(1,154,545)	<b>(9,704,620)</b>
Unrealized gains (losses) on available-for-sale securities (before adjustment)	<b>2,439,947</b>	2,615,432	<b>21,983,488</b>
Amount corresponding to non-controlling interests	<b>77</b>	—	<b>694</b>
Amount corresponding to net unrealized gains (losses) on available-for-sale securities owned by affiliated company, which is attributable to the Bank	<b>0</b>	(0)	<b>0</b>
Unrealized gains (losses) on available-for-sale securities	<b>¥2,440,024</b>	¥ 2,615,432	<b>\$21,984,183</b>

Notes: 1. In addition to the difference shown above, ¥266,443 million (\$2,400,610 thousand) losses and ¥568,753 million losses were included in the consolidated statements of income for the fiscal years ended March 31, 2019 and 2018, respectively, because of the application of fair value hedge accounting.  
 2. "Valuation differences" for the fiscal years ended March 31, 2019 and 2018 included the following:

- Valuation differences related to available-for-sale securities which comprised partnership asset components: ¥250 million (\$2,255 thousand) losses and ¥171 million profits
- 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: ¥983 million (\$8,862 thousand) losses and ¥39 million profits

## 24. Derivatives

### a. Derivatives for which hedge accounting is not applied as of March 31, 2019 and 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

Category	Type	Millions of yen			
		2019			
		Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	<b>¥191,346</b>	<b>¥191,346</b>	<b>¥ 9,223</b>	<b>¥ 9,223</b>
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	<b>184,465</b>	<b>184,465</b>	<b>(9,577)</b>	<b>(9,577)</b>
Total		/	/	<b>¥ (354)</b>	<b>¥ (354)</b>

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

		Thousands of U.S. dollars			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
OTC	Interest rate swap transactions: Pay floating swaps, receive fixed swaps	\$1,724,000	\$1,724,000	\$ 83,097	\$ 83,097
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps	1,662,000	1,662,000	(86,294)	(86,294)
Total		/	/	\$ (3,196)	\$ (3,196)

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

## (2) Currency-related derivatives

		Millions of yen			
		2019			
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	¥405,447	¥—	¥ 272	¥ 272
	Foreign exchange forward contracts—bought	370,168	—	(509)	(509)
Total		/	/	¥(236)	¥(236)

		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			
		2019			
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	\$3,653,012	\$—	\$ 2,458	\$ 2,458
	Foreign exchange forward contracts—bought	3,335,153	—	(4,593)	(4,593)
Total		/	/	\$(2,135)	\$(2,135)

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

## (3) Equity-related derivatives

		Millions of yen			
		2019			
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	¥8,033	¥—	¥73	¥73
Total		/	/	¥73	¥73

		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			
		2019			
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	\$72,375	\$—	\$657	\$657
Total		/	/	\$657	\$657

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

#### (4) Bond-related derivatives

		Millions of yen			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	¥106,399	¥—	¥(723)	¥(723)
	Bond futures—bought	—	—	—	—
Total		/	/	¥(723)	¥(723)

		Millions of yen			
		2018			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 3)	Unrealized gains/losses
Listed	Bond futures—sold	¥ —	¥—	¥ —	¥ —
	Bond futures—bought	15,936	—	141	141
Total		/	/	¥141	¥141

		Thousands of U.S. dollars			
		2019			
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)	Unrealized gains/losses
Listed	Bond futures—sold	\$958,635	\$—	\$(6,515)	\$(6,515)
	Bond futures—bought	—	—	—	—
Total		/	/	\$(6,515)	\$(6,515)

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the closing price of OSAKA Exchange, etc.  
3. The fair value is determined using the closing price of Chicago Board of Trade.

#### (5) Commodity-related derivatives: None as of March 31, 2019 and 2018

#### (6) Credit derivatives

		Millions of yen			
		2019			
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	¥23,109	¥23,109	¥733	¥733
Total		/	/	¥733	¥733

		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			
		2019			
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	\$208,216	\$208,216	\$6,611	\$6,611
<b>Total</b>		/	/	\$6,611	\$6,611

Notes: 1. The above transactions are stated at fair value and unrealized gains (losses) are charged to income or expenses in the consolidated statements of income.  
2. The fair value is determined using the discounted cash flows.  
3. "Sold" represents transactions in which the credit risk is accepted.

## b. Derivatives for which hedge accounting is applied as of March 31, 2019 and 2018

For derivative transactions 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 transactions.

### (1) Interest rate-related derivatives

			Millions of yen		
			2019		
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 transactions: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	¥3,400,000	¥3,400,000	¥ 55,332
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps		4,439,145	4,110,517	(212,645)
<b>Total</b>			/	/	¥(157,313)

			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 transactions: 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 transactions: Pay fixed swaps, receive floating swaps		4,531,492	4,368,620	(159,669)
<b>Total</b>			/	/	¥(156,499)

			Thousands of U.S. dollars		
			2019		
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 transactions: Pay floating swaps, receive fixed swaps	Available-for-sale securities (Japanese government bonds and foreign securities), Deposits	\$30,633,390	\$30,633,390	\$ 498,537
	Interest rate swap transactions: Pay fixed swaps, receive floating swaps		39,995,900	37,035,024	(1,915,900)
<b>Total</b>			/	/	\$(1,417,362)

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		
			2019		
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>¥6,527,044</b>	<b>¥6,080,467</b>	<b>¥(33,197)</b>
	Foreign exchange forward contracts—sold		—	—	—
	Foreign exchange forward contracts—bought		—	—	—
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	<b>3,183,699</b>	—	<b>(18,196)</b>
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities (Foreign securities)	<b>32,433</b>	—	<b>(Note 3)</b>
<b>Total</b>			<b>/</b>	<b>/</b>	<b>¥(51,393)</b>

			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)	<b>¥4,925,816</b>	<b>¥4,426,624</b>	<b>¥ 63,170</b>
	Foreign exchange forward contracts—sold		<b>36,027</b>	—	<b>(6,540)</b>
	Foreign exchange forward contracts—bought		<b>23,230</b>	—	<b>25</b>
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	<b>2,663,396</b>	—	<b>79,098</b>
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities (Foreign securities)	<b>32,433</b>	<b>32,433</b>	<b>(Note 3)</b>
<b>Total</b>			<b>/</b>	<b>/</b>	<b>¥135,753</b>

			Thousands of U.S. dollars		
			2019		
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>\$58,807,499</b>	<b>\$54,783,922</b>	<b>\$(299,100)</b>
	Foreign exchange forward contracts—sold		—	—	—
	Foreign exchange forward contracts—bought		—	—	—
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities (Foreign securities)	<b>28,684,557</b>	—	<b>(163,946)</b>
Accounting method translating foreign currency receivables at forward rates	Currency swap	Held-to maturity securities (Foreign securities)	<b>292,215</b>	—	<b>(Note 3)</b>
<b>Total</b>			<b>/</b>	<b>/</b>	<b>\$(463,047)</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, 2019 and 2018

(4) Bond-related derivatives: None as of March 31, 2019 and 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, 2019 and 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.

There were no loans to non-accrual delinquent loans as of March 31, 2019. Non-accrual delinquent loans, before reserved, were ¥0 million as of March 31, 2018. 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, and restructured loans were, before reserved, ¥0 million as of March 31, 2018.

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 ¥16,997 million (\$153,143 thousand) and ¥19,364 million as of March 31, 2019 and 2018, respectively. 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, 2019 and 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, 2019 and 2018 was as follows:

### a. Outline of employees' retirement benefit plans adopted by the Group

The Group 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 years

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Projected benefit obligation at the beginning of the fiscal year	¥135,655	¥135,480	\$1,222,235
Service cost	7,240	7,262	65,231
Interest cost on projected benefit obligation	949	948	8,554
Net actuarial (gains) losses arising during the fiscal year	(80)	(311)	(729)
Retirement benefits paid	(8,666)	(7,637)	(78,081)
Other	(260)	(85)	(2,344)
Projected benefit obligation at the end of the fiscal year	¥134,837	¥135,655	\$1,214,866

#### (2) Reconciliations of the projected benefit obligation at the end of the fiscal years and the liability for retirement benefits recorded on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unfunded projected benefit obligation	¥134,837	¥135,655	\$1,214,866
The liability for retirement benefits recorded on the consolidated balance sheet	¥134,837	¥135,655	\$1,214,866

#### (3) Total retirement benefit costs and components

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 7,240	¥ 7,262	\$ 65,231
Interest cost on projected benefit obligation	949	948	8,554
Amortization of net actuarial (gains) losses	(1,005)	(1,031)	(9,062)
Amortization of prior service cost	(1,161)	(1,161)	(10,462)
Other	98	110	890
Total retirement benefit costs related to the defined-benefit plan	¥ 6,121	¥ 6,127	\$ 55,150

#### (4) Adjustments for retirement benefits (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥(1,161)	¥(1,161)	\$(10,462)
Net actuarial (gains) losses	(924)	(720)	(8,333)
Total	¥(2,086)	¥(1,881)	\$(18,795)

(5) Accumulated adjustments for retirement benefits (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥6,870	¥ 8,031	\$61,902
Unrecognized net actuarial gains (losses)	2,482	3,407	22,366
Total	¥9,352	¥11,439	\$84,268

(6) The major assumptions used in the calculation of projected benefit obligation

	2019	2018
Discount rate	0.7%	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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Reserve for possible loan losses	¥ —	¥ 14	\$ —
Liability for retirement benefits	41,293	41,542	372,049
Accrued enterprise taxes	1,396	5,783	12,582
Net deferred losses on hedges	27,525	—	247,997
Reserve for reimbursement of deposits	27,051	26,372	243,731
Depreciation	8,573	7,759	77,242
Software in progress	3,491	4,932	31,457
Unrealized losses of money held in trust	3,149	2,918	28,373
Other	20,695	19,277	186,461
Subtotal deferred tax assets	133,176	108,602	1,199,895
Valuation allowance	(2)	(31)	(18)
Total deferred tax assets	133,174	108,570	1,199,877
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,077,115)	(1,154,545)	(9,704,620)
Net deferred gains on hedges	—	(1,376)	—
Other	(7,841)	(6,868)	(70,652)
Total deferred tax liabilities	(1,084,957)	(1,162,790)	(9,775,272)
Net deferred tax assets (liabilities)	¥ (951,783)	¥(1,054,220)	\$(8,575,395)

b. The reconciliation of the effective statutory tax rate of the Group to the effective income tax rate for the fiscal years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Effective statutory tax rate	30.62%	30.85%
Adjustments for:		
Permanent differences (e.g., Entertainment expenses)	0.02	0.02
Permanent differences (e.g., Cash dividends received)	(0.90)	(0.56)
Per capita inhabitants' taxes, etc.	0.07	0.05
Income tax credit	(2.35)	(1.43)
Other	0.67	0.36
Effective income tax rate	28.14%	29.30%

## 28. Segment Information

Segment information is omitted since the Group comprises of only one segment, which is defined as banking service.

### Related Information

#### a. Information about services

Information about services is omitted since income from securities investment accounted for more than 90% of the total income in the consolidated statement of income for the fiscal year ended March 31, 2019.

Ordinary income to external customers on each service for the fiscal year ended March 31, 2018 was as follows:

	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

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.

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 statements of income for the fiscal years ended March 31, 2019 and 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 sheets as of March 31, 2019 and 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 statements of income for the fiscal years ended March 31, 2019 and 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 years ended March 31, 2019 and 2018 were as follows:

#### (1) Transactions between the Group and the parent company, or major corporate shareholders:

For the fiscal year ended March 31, 2019

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 (\$31,534,372 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	¥1,619 million (\$14,587 thousand)	¥4,148 million (\$37,372 thousand)
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥373 million (\$3,363 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.

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	
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	¥4,123 million
Account	—	Other liabilities
Outstanding balance at the end of the fiscal year	—	¥371 million

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 years ended March 31, 2019 and 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, 2019

JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil				
Capital	¥400,000 million (\$3,603,928 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	¥600,661 million (\$5,411,848 thousand)	¥868,547 million (\$7,825,461 thousand)	—***	¥3,282 million (\$29,572 thousand)	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥53,834 million (\$485,035 thousand)	¥810,000 million (\$7,297,954 thousand)	¥22,767 million (\$205,133 thousand)	¥387 million (\$3,495 thousand)	¥92 million (\$833 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, 2019.

\*\*\*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 (\$28,380 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	¥22,787 million (\$205,309 thousand)				
Account	Accrued expenses				
Outstanding balance at the end of the fiscal year	¥1,532 million (\$13,804 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.

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				
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	¥866,821 million	—***	¥3,023 million	
Account	Other liabilities	Other assets**	Other liabilities***	Other liabilities	Accrued expenses
Outstanding balance at the end of the fiscal year	¥53,325 million	¥840,000 million	¥27,999 million	¥292 million	¥45 million

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
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
Account	Accrued expenses
Outstanding balance at the end of the fiscal year	¥2,094 million

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 years ended March 31, 2019 and 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, 2019 and 2018 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	<b>¥3,029.61</b>	¥3,073.20	<b>\$27.29</b>
Net income per share	<b>71.00</b>	94.09	<b>0.63</b>

Notes: 1. Diluted net income per share is not presented since there has been no potential dilution for the fiscal years ended March 31, 2019 and 2018.

2. Net assets per share as of March 31, 2019 and 2018 were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net assets	<b>¥11,362,365</b>	¥11,521,680	<b>\$102,372,874</b>
Amounts deducted from net assets	<b>4,968</b>	463	<b>44,761</b>
Non-controlling interests	<b>4,968</b>	463	<b>44,761</b>
Net assets attributable to common stock at the end of the fiscal year	<b>11,357,397</b>	11,521,216	<b>102,328,113</b>
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	<b>3,748,791</b>	3,748,930	

3. Net income per share data for the fiscal years ended March 31, 2019 and 2018 was calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income attributable to owners of parent	<b>¥ 266,189</b>	¥ 352,775	<b>\$2,398,323</b>
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of parent attributable to common stock	<b>266,189</b>	352,775	<b>2,398,323</b>
Average number of common stock outstanding during the fiscal year (thousand shares)	<b>3,748,789</b>	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, 2019 and 2018 included 683 thousand shares and 544 thousand shares of treasury stock held by the stock benefit trust, respectively. To calculate net income per share, the treasury stock deducted to calculate the average number of outstanding shares for the fiscal years ended March 31, 2019 and 2018 included 685 thousand shares and 522 thousand shares of treasury stock held by the stock benefit trust, respectively.

**31. Significant Subsequent Event**

None



## **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 sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years 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 these 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 these consolidated financial statements based on our audits. We conducted our audits 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, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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 19, 2019  
Tokyo, Japan

# Non-Consolidated Financial Statements

## NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Assets:</b>			
Cash and due from banks:	¥ 50,698,549	¥ 49,288,314	\$ 456,784,839
Cash	239,674	189,868	2,159,421
Due from banks	50,458,875	49,098,445	454,625,417
Call loans	400,000	480,000	3,603,928
Receivables under resale agreements	8,368,139	—	75,395,438
Receivables under securities borrowing transactions	—	8,224,153	—
Monetary claims bought	295,679	278,566	2,664,020
Trading account securities:	2	32	24
Trading Japanese government bonds	2	32	24
Money held in trust	3,990,780	4,241,524	35,956,214
Securities:	137,135,264	139,201,254	1,235,564,148
Japanese government bonds	58,356,567	62,749,725	525,782,214
Japanese local government bonds	6,383,964	6,405,190	57,518,377
Japanese corporate bonds	9,795,855	10,716,325	88,258,904
Other securities	62,598,876	59,330,013	564,004,651
Loans:	5,297,424	6,145,537	47,728,847
Loans on deeds	5,139,073	5,972,878	46,302,131
Overdrafts	158,351	172,658	1,426,715
Foreign exchanges	80,396	87,487	724,360
Other assets	2,452,409	2,442,328	22,095,767
Tangible fixed assets	201,786	190,098	1,818,058
Intangible fixed assets	51,003	52,372	459,533
Reserve for possible loan losses	(958)	(1,066)	(8,639)
<b>Total assets</b>	<b>¥208,970,478</b>	<b>¥210,630,601</b>	<b>\$1,882,786,541</b>

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Liabilities:</b>			
Deposits	¥180,999,134	¥179,882,759	\$1,630,769,746
Payables under repurchase agreements	11,569,371	1,985,285	104,237,966
Payables under securities lending transactions	2,473,457	13,812,123	22,285,411
Commercial paper	28,029	191,481	252,540
Borrowed money	3,900	2,400	35,138
Foreign exchanges	628	309	5,664
Other liabilities	1,354,810	1,950,331	12,206,599
Reserve for bonuses	7,739	7,879	69,732
Reserve for employees' retirement benefits	144,190	147,095	1,299,131
Reserve for employee stock ownership plan trust	839	809	7,565
Reserve for management board benefit trust	238	144	2,148
Reserve for reimbursement of deposits	88,332	86,114	795,863
Deferred tax liabilities	948,998	1,050,715	8,550,303
<b>Total liabilities</b>	<b>197,619,672</b>	<b>199,117,450</b>	<b>1,780,517,812</b>
<b>Net assets:</b>			
Capital stock	3,500,000	3,500,000	31,534,372
Capital surplus	4,296,285	4,296,285	38,708,766
Retained earnings	2,477,736	2,399,031	22,323,958
Treasury stock	(1,300,926)	(1,300,717)	(11,721,115)
Total shareholders' equity	8,973,095	8,894,599	80,845,981
Net unrealized gains (losses) on available-for-sale securities	2,440,064	2,615,432	21,984,543
Net deferred gains (losses) on hedges	(62,353)	3,119	(561,796)
Total valuation and translation adjustments	2,377,710	2,618,551	21,422,747
<b>Total net assets</b>	<b>11,350,806</b>	<b>11,513,151</b>	<b>102,268,728</b>
<b>Total liabilities and net assets</b>	<b>¥208,970,478</b>	<b>¥210,630,601</b>	<b>\$1,882,786,541</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 ¥110.99 to US\$1.00, the approximate rate of exchange as of March 31, 2019.

## NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Income:</b>			
Interest income:	¥1,357,985	¥1,502,747	\$12,235,208
Interest on loans	12,093	14,019	108,959
Interest and dividends on securities	1,313,813	1,460,377	11,837,228
Interest on call loans	286	624	2,584
Interest on receivables under resale agreements	(1,203)	—	(10,844)
Interest on receivables under securities borrowing transactions	910	1,417	8,201
Interest on deposits with banks	29,758	24,094	268,120
Other interest income	2,326	2,214	20,958
Fees and commissions:	138,794	130,041	1,250,515
Fees and commissions on domestic and foreign exchanges	63,591	61,289	572,948
Other fees and commissions	75,203	68,752	677,567
Other operating income	228,925	211,627	2,062,577
Other income	119,610	200,427	1,077,672
<b>Total income</b>	<b>1,845,316</b>	<b>2,044,845</b>	<b>16,625,974</b>
<b>Expenses:</b>			
Interest expenses:	347,157	331,781	3,127,829
Interest on deposits	80,834	145,129	728,301
Interest on call money	—	124	—
Interest on payables under repurchase agreements	59,101	17,027	532,490
Interest on payables under securities lending transactions	60,297	55,272	543,268
Interest on commercial paper	1,788	3,791	16,111
Interest on interest rate swaps	143,026	107,907	1,288,644
Other interest expenses	2,110	2,529	19,012
Fees and commissions:	32,032	33,593	288,611
Fees and commissions on domestic and foreign exchanges	4,400	4,098	39,650
Other fees and commissions	27,632	29,494	248,960
Other operating expenses	24,779	21,400	223,260
General and administrative expenses	1,035,378	1,042,860	9,328,575
Other expenses	35,775	116,271	322,334
<b>Total expenses</b>	<b>1,475,124</b>	<b>1,545,907</b>	<b>13,290,611</b>
<b>Income before income taxes</b>	<b>370,192</b>	<b>498,937</b>	<b>3,335,363</b>
<b>Income taxes:</b>			
Current	99,417	174,218	895,729
Deferred	4,596	(28,025)	41,413
<b>Total income taxes</b>	<b>104,013</b>	<b>146,192</b>	<b>937,143</b>
<b>Net income</b>	<b>¥ 266,178</b>	<b>¥ 352,745</b>	<b>\$ 2,398,220</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 ¥110.99 to US\$1.00, the approximate rate of exchange as of March 31, 2019.

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

For the fiscal years ended March 31, 2019 and 2018

	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		
<b>2019</b>							
Balance at the beginning of the fiscal year	¥3,500,000	¥4,296,285	¥ —	¥4,296,285	¥2,399,031	¥(1,300,717)	¥8,894,599
Changes during the fiscal year:							
Cash dividends					(187,473)		(187,473)
Net income					266,178		266,178
Transfer to other capital surplus from legal capital surplus		(796,285)	796,285	—			—
Repurchase of treasury stock						(542)	(542)
Disposal of treasury stock						333	333
Net changes in items other than shareholders' equity							
Total changes during the fiscal year	—	(796,285)	796,285	—	78,704	(209)	78,495
Balance at the end of the fiscal year	¥3,500,000	¥3,500,000	¥796,285	¥4,296,285	¥2,477,736	¥(1,300,926)	¥8,973,095

	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>2019</b>				
Balance at the beginning of the fiscal year	¥2,615,432	¥ 3,119	¥2,618,551	¥11,513,151
Changes during the fiscal year:				
Cash dividends				(187,473)
Net income				266,178
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(542)
Disposal of treasury stock				333
Net changes in items other than shareholders' equity	(175,367)	(65,472)	(240,840)	(240,840)
Total changes during the fiscal year	(175,367)	(65,472)	(240,840)	(162,345)
Balance at the end of the fiscal year	¥2,440,064	¥(62,353)	¥2,377,710	¥11,350,806



## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED) (Continued)

	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		
2018							
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
Transfer to other capital surplus from legal capital surplus							—
Repurchase of treasury stock						(449)	(449)
Disposal of treasury stock						143	143
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	
2018				
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
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(449)
Disposal of treasury stock				143
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



	Thousands of U.S. dollars							
	Shareholders' equity						Total shareholders' equity	
	Capital stock	Capital surplus			Retained earnings			Treasury stock
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Retained earnings brought forward		
Retained earnings								
<b>2019</b>								
Balance at the beginning of the fiscal year	\$31,534,372	\$38,708,766	\$ —	\$38,708,766	\$21,614,842	\$(11,719,231)	\$80,138,749	
Changes during the fiscal year:								
Cash dividends					(1,689,104)		(1,689,104)	
Net income					2,398,220		2,398,220	
Transfer to other capital surplus from legal capital surplus		(7,174,393)	7,174,393	—			—	
Repurchase of treasury stock						(4,891)	(4,891)	
Disposal of treasury stock						3,007	3,007	
Net changes in items other than shareholders' equity								
Total changes during the fiscal year	—	(7,174,393)	7,174,393	—	709,115	(1,883)	707,232	
Balance at the end of the fiscal year	\$31,534,372	\$31,534,372	\$7,174,393	\$38,708,766	\$22,323,958	\$(11,721,115)	\$80,845,981	

	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>2019</b>				
Balance at the beginning of the fiscal year	\$23,564,577	\$ 28,102	\$23,592,680	\$103,731,429
Changes during the fiscal year:				
Cash dividends				(1,689,104)
Net income				2,398,220
Transfer to other capital surplus from legal capital surplus				—
Repurchase of treasury stock				(4,891)
Disposal of treasury stock				3,007
Net changes in items other than shareholders' equity	(1,580,033)	(589,898)	(2,169,932)	(2,169,932)
Total changes during the fiscal year	(1,580,033)	(589,898)	(2,169,932)	(1,462,700)
Balance at the end of the fiscal year	\$21,984,543	\$(561,796)	\$21,422,747	\$102,268,728

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 ¥110.99 to US\$1.00, the approximate rate of exchange as of March 31, 2019.

# Financial Data (Non-Consolidated)

## KEY FINANCIAL INDICATORS

### Key Financial Indicators

Fiscal years ended March 31

	Millions of yen	
	2019	2018
Ordinary income	¥ 1,845,316	¥ 2,044,845
Operating profit (before provision for general reserve for possible loan losses)	289,496	417,320
Net operating profit	289,496	417,309
Net ordinary income	374,299	499,669
Net income	266,178	352,745
Capital stock	3,500,000	3,500,000
Shares outstanding (thousand shares)	4,500,000	4,500,000
Net assets	11,350,806	11,513,151
Total assets	208,970,478	210,630,601
Deposits	180,999,134	179,882,759
Loans	5,297,424	6,145,537
Securities	137,135,264	139,201,254
Capital adequacy ratio (non-consolidated, domestic standard)	15.78%	17.42%
Dividend payout ratio	70.41%	53.13%
Employees	12,800	13,009

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	
	2019	2018
Gross operating profit:	¥ 1,327,033	¥ 1,462,367
(Excluding gains (losses) on bonds)	1,339,275	1,468,841
Domestic gross operating profit:	748,330	762,905
(Excluding gains (losses) on bonds)	740,725	762,986
Net interest income	637,925	665,752
Net fees and commissions	106,007	95,747
Net trading income	—	—
Net other operating income (loss)	4,397	1,404
(Gains (losses) on bonds)	7,605	(80)
Overseas gross operating profit:	578,702	699,462
(Excluding gains (losses) on bonds)	598,550	705,855
Net interest income	378,200	509,938
Net fees and commissions	754	700
Net trading income	—	—
Net other operating income (loss)	199,748	188,822
(Gains (losses) on bonds)	(19,847)	(6,392)
General and administrative expenses:	(1,037,537)	(1,045,046)
Personnel expenses	(126,360)	(128,658)
Non-personnel expenses	(841,648)	(838,925)
Taxes and dues	(69,527)	(77,462)
Operating profit (before provision for general reserve for possible loan losses)	289,496	417,320
(Excluding gains (losses) on bonds)	301,738	423,794
Provision for general reserve for possible loan losses	—	(11)
Net operating profit:	289,496	417,309
Gains (losses) on bonds	(12,241)	(6,473)
Non-recurring gains (losses):	84,803	82,359
Gains (losses) related to stocks	(10,983)	(21,265)
Gains (losses) on money held in trust	77,717	50,933
Other non-recurring gains (losses)	18,068	52,692
Net ordinary income	374,299	499,669
Extraordinary income (loss):	(4,107)	(731)
Gains (losses) on sales and disposals of fixed assets	(3,556)	(713)
Losses on impairment of fixed assets	(550)	(17)
Income before income taxes	370,192	498,937
Income taxes—current	(99,417)	(174,218)
Income taxes—deferred	(4,596)	28,025
Net income	266,178	352,745
Credit-related expenses:	14	(11)
Provision for general reserve for possible loan losses	14	(11)
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	
	2019	2018
Gross operating profit	¥1,327,033	¥1,462,367
Gross operating profit margin	0.66%	0.72%

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		
	2019		
	Domestic	Overseas	Total
Net interest income:	¥637,925	¥378,200	¥1,016,126
Interest income	752,825	700,201	1,357,985
Interest expenses	114,900	322,000	341,859
Net fees and commissions:	106,007	754	106,761
Fees and commissions income	137,906	888	138,794
Fees and commissions expenses	31,898	134	32,032
Net trading income:	—	—	—
Trading gains	—	—	—
Trading losses	—	—	—
Net other operating income (loss):	4,397	199,748	204,145
Other operating income	7,627	221,445	228,925
Other operating expenses	3,229	21,697	24,779

	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

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, 2019, ¥5,298 million; fiscal year ended March 31, 2018, ¥4,725 million).

3. Interest income on "domestic" includes interest on transactions between "domestic" and "overseas" (fiscal year ended March 31, 2019, ¥95,041 million; fiscal year ended March 31, 2018, ¥81,456 million).

4. For a part of interest income and expenses as well as other operating 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					
	2019			2018		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥194,710,207	¥752,825	0.38%	¥195,014,321	¥852,033	0.43%
Loans	6,090,997	12,072	0.19	4,765,201	14,008	0.29
Securities	77,703,674	615,038	0.79	82,402,056	730,011	0.88
Receivables under securities borrowing transactions	5,293,086	910	0.01	8,414,660	1,417	0.01
Due from banks, etc.	49,543,054	30,905	0.06	51,583,059	25,115	0.04
Interest-bearing liabilities:	187,129,472	114,900	0.06	186,524,351	186,280	0.09
Deposits	181,227,650	80,834	0.04	180,316,482	145,129	0.08
Payables under securities lending transactions	6,057,199	1,013	0.01	8,903,813	1,285	0.01

### Overseas

	Millions of yen					
	2019			2018		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥59,119,568	¥700,201	1.18%	¥54,248,055	¥732,171	1.34%
Loans	5,000	20	0.41	2,534	10	0.40
Securities	59,005,163	698,775	1.18	54,067,069	730,365	1.35
Due from banks, etc.	8,801	164	1.86	68,461	1,019	1.48
Interest-bearing liabilities:	58,418,073	322,000	0.55	53,171,677	222,232	0.41
Payables under securities lending transactions	2,619,354	59,283	2.26	3,995,938	53,987	1.35

### Total

	Millions of yen					
	2019			2018		
	Average balance	Interest	Earnings yield	Average balance	Interest	Earnings yield
Interest-earning assets:	¥200,414,539	¥1,357,985	0.67%	¥201,467,351	¥1,502,747	0.74%
Loans	6,095,997	12,093	0.19	4,767,735	14,019	0.29
Securities	136,708,838	1,313,813	0.96	136,469,126	1,460,377	1.07
Receivables under securities borrowing transactions	5,293,205	910	0.01	8,414,660	1,417	0.01
Due from banks, etc.	49,551,855	31,069	0.06	51,651,521	26,135	0.05
Interest-bearing liabilities:	192,132,309	341,859	0.17	191,901,004	327,056	0.17
Deposits	181,227,650	80,834	0.04	180,316,482	145,129	0.08
Payables under securities lending transactions	8,676,554	60,297	0.69	12,899,752	55,272	0.42

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, 2019, ¥2,977,608 million; fiscal year ended March 31, 2018, ¥2,772,856 million) is excluded from interest-earning assets, and the average balance corresponding to money held in trust (fiscal year ended March 31, 2019, ¥2,977,608 million; fiscal year ended March 31, 2018, ¥2,772,856 million) and the corresponding interest (fiscal year ended March 31, 2019, ¥5,298 million; fiscal year ended March 31, 2018, ¥4,725 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					
	2019			2018		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ (1,326)	¥(97,881)	¥ (99,207)	¥ 5,487	¥(199,995)	¥(194,507)
Loans	3,312	(5,249)	(1,936)	7,192	(10,925)	(3,732)
Securities	(40,077)	(74,895)	(114,972)	(98,842)	(97,836)	(196,678)
Receivables under securities borrowing transactions	(536)	28	(507)	16	(70)	(53)
Due from banks, etc.	(1,027)	6,817	5,789	1,941	(1,742)	198
Interest expenses:	602	(71,982)	(71,380)	1,993	(58,216)	(56,222)
Deposits	729	(65,024)	(64,295)	1,183	(56,426)	(55,243)
Payables under securities lending transactions	(454)	183	(271)	55	385	440

### Overseas

	Millions of yen					
	2019			2018		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ 62,342	¥(94,312)	¥(31,969)	¥78,043	¥57,435	¥135,479
Loans	10	0	10	1	1	2
Securities	63,206	(94,796)	(31,590)	77,755	57,225	134,981
Due from banks, etc.	(1,062)	206	(855)	(170)	222	51
Interest expenses:	23,579	76,188	99,768	22,976	22,072	45,049
Payables under securities lending transactions	(22,840)	28,137	5,296	(6,584)	19,874	13,290

### Total

	Millions of yen					
	2019			2018		
	Balance-related change	Interest-related change	Net change	Balance-related change	Interest-related change	Net change
Interest income:	¥ (7,814)	¥(136,947)	¥(144,761)	¥ 8,924	¥(73,689)	¥(64,765)
Loans	3,319	(5,245)	(1,925)	7,193	(10,923)	(3,729)
Securities	2,560	(149,124)	(146,563)	(48,582)	(13,114)	(61,697)
Receivables under securities borrowing transactions	(536)	28	(507)	16	(70)	(53)
Due from banks, etc.	(1,099)	6,033	4,934	2,007	(1,757)	249
Interest expenses:	394	14,409	14,803	2,615	(19,525)	(16,910)
Deposits	729	(65,024)	(64,295)	1,183	(56,426)	(55,243)
Payables under securities lending transactions	(21,976)	27,001	5,024	(514)	14,244	13,730

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			
	2019		2018	
	Amount	%	Amount	%
Personnel expenses:	¥ 124,201	11.99	¥ 126,471	12.12
Salaries and allowances	101,619	9.81	103,370	9.91
Others	22,582	2.18	23,101	2.21
Non-personnel expenses:	841,648	81.28	838,925	80.44
Commissions on bank agency services, etc. paid to JAPAN POST Co., Ltd.	600,661	58.01	598,116	57.35
Deposit insurance premiums paid to JAPAN POST HOLDINGS Co., Ltd. (Note)	1,619	0.15	5,679	0.54
Deposit insurance expenses paid to Deposit Insurance Corporation of Japan	59,654	5.76	60,538	5.80
Rent for land, buildings and others	13,332	1.28	12,670	1.21
Expenses on consigned businesses	65,031	6.28	55,621	5.33
Depreciation and amortization	33,688	3.25	37,446	3.59
Communication and transportation expenses	18,635	1.79	19,088	1.83
Maintenance expenses	11,866	1.14	11,015	1.05
IT expenses	16,774	1.62	17,673	1.69
Others	20,385	1.96	21,074	2.02
Taxes and dues	69,527	6.71	77,462	7.42
<b>Total</b>	<b>¥1,035,378</b>	<b>100.00</b>	<b>¥1,042,860</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			
	2019		2018	
	Amount	%	Amount	%
Liquid deposits:	¥ 79,959,377	44.17	¥ 73,765,405	41.00
Transfer deposits	16,143,580	8.91	14,437,576	8.02
Ordinary deposits, etc.	63,410,139	35.03	58,931,564	32.76
Savings deposits	405,656	0.22	396,265	0.22
Fixed-term deposits:	100,927,190	55.76	105,989,336	58.92
Time deposits	7,096,334	3.92	8,696,122	4.83
TEIGAKU deposits, etc.	93,830,855	51.84	97,293,213	54.08
Other deposits	112,566	0.06	128,017	0.07
Subtotal	180,999,134	100.00	179,882,759	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥180,999,134	100.00	¥179,882,759	100.00

Fiscal years ended March 31

#### Average Balances

	Millions of yen			
	2019		2018	
	Amount	%	Amount	%
Liquid deposits:	¥ 77,640,495	42.84	¥ 71,585,050	39.69
Transfer deposits	15,616,526	8.61	13,748,320	7.62
Ordinary deposits, etc.	61,624,216	34.00	57,442,722	31.85
Savings deposits	399,752	0.22	394,007	0.21
Fixed-term deposits:	103,344,557	57.02	108,562,006	60.20
Time deposits	7,891,098	4.35	9,455,067	5.24
TEIGAKU deposits, etc.	95,453,459	52.67	99,106,938	54.96
Other deposits	242,596	0.13	169,425	0.09
Subtotal	181,227,650	100.00	180,316,482	100.00
Negotiable certificates of deposit	—	—	—	—
Total	¥181,227,650	100.00	¥180,316,482	100.00

## Time Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2019	2018
Less than three months	Time deposits:	<b>¥1,841,511</b>	<b>¥1,916,043</b>
	Fixed interest rates	<b>1,841,511</b>	1,916,043
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Three and < six months	Time deposits:	<b>1,432,651</b>	1,894,964
	Fixed interest rates	<b>1,432,651</b>	1,894,964
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Six months and < one year	Time deposits:	<b>3,103,623</b>	3,883,245
	Fixed interest rates	<b>3,103,623</b>	3,883,245
	Floating interest rates	—	—
	Other time deposits	—	—
≥ One and < two years	Time deposits:	<b>375,947</b>	523,720
	Fixed interest rates	<b>375,947</b>	523,720
	Floating interest rates	—	—
	Other time deposits	—	—
≥ Two and < three years	Time deposits:	<b>202,968</b>	387,569
	Fixed interest rates	<b>202,968</b>	387,569
	Floating interest rates	—	—
	Other time deposits	—	—
Three years or more	Time deposits:	<b>139,631</b>	90,579
	Fixed interest rates	<b>139,631</b>	90,579
	Floating interest rates	—	—
	Other time deposits	—	—
Total	Time deposits:	<b>¥7,096,334</b>	<b>¥8,696,122</b>
	Fixed interest rates	<b>7,096,334</b>	8,696,122
	Floating interest rates	—	—
	Other time deposits	—	—

## TEIGAKU Deposits by Time to Maturity

As of March 31

		Millions of yen	
		2019	2018
Less than one year		<b>¥ 5,961,360</b>	¥13,928,834
≥ One and < three years		<b>23,132,184</b>	17,968,285
≥ Three and < five years		<b>12,072,277</b>	16,276,420
≥ Five and < seven years		<b>13,067,231</b>	15,024,088
Seven years or more		<b>39,597,802</b>	34,095,583
Total		<b>¥93,830,855</b>	¥97,293,213

Note: 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	
	2019	2018
Domestic:		
Loans on notes	—	—
Loans on deeds	¥5,134,073	¥5,967,878
Overdrafts	158,351	172,658
Notes discounted	—	—
Subtotal	5,292,424	6,140,537
Overseas:		
Loans on notes	—	—
Loans on deeds	5,000	5,000
Overdrafts	—	—
Notes discounted	—	—
Subtotal	5,000	5,000
Total	¥5,297,424	¥6,145,537

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2019	2018
Domestic:		
Loans on notes	—	—
Loans on deeds	¥5,933,288	¥4,586,521
Overdrafts	157,708	178,680
Notes discounted	—	—
Subtotal	6,090,997	4,765,201
Overseas:		
Loans on notes	—	—
Loans on deeds	5,000	2,534
Overdrafts	—	—
Notes discounted	—	—
Subtotal	5,000	2,534
Total	¥6,095,997	¥4,767,735

## Loans by Time to Maturity

As of March 31

		Millions of yen	
		2019	2018
One year or less	Loans:	<b>¥3,444,046</b>	<b>¥4,318,342</b>
	Floating interest rates	/	/
	Fixed interest rates	/	/
> One and ≤ three years	Loans:	<b>271,092</b>	<b>384,412</b>
	Floating interest rates	<b>43,894</b>	<b>103,235</b>
	Fixed interest rates	<b>227,198</b>	<b>281,177</b>
> Three and ≤ five years	Loans:	<b>408,215</b>	<b>277,632</b>
	Floating interest rates	<b>79,772</b>	<b>67,391</b>
	Fixed interest rates	<b>328,442</b>	<b>210,240</b>
> Five and ≤ seven years	Loans:	<b>384,785</b>	<b>359,781</b>
	Floating interest rates	<b>218</b>	<b>200</b>
	Fixed interest rates	<b>384,566</b>	<b>359,581</b>
> Seven and ≤ ten years	Loans:	<b>257,843</b>	<b>384,901</b>
	Floating interest rates	<b>400</b>	<b>520</b>
	Fixed interest rates	<b>257,443</b>	<b>384,381</b>
Over ten years	Loans:	<b>531,440</b>	<b>420,466</b>
	Floating interest rates	<b>10,934</b>	<b>8,117</b>
	Fixed interest rates	<b>520,506</b>	<b>412,349</b>
No designated term	Loans:	—	—
	Floating interest rates	—	—
	Fixed interest rates	—	—
<b>Total</b>		<b>¥5,297,424</b>	<b>¥6,145,537</b>

Notes: 1. Loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network 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	
		2019	2018
Securities		<b>¥ 25</b>	<b>¥ 27</b>
Receivables		<b>152,896</b>	<b>169,640</b>
Merchandise		—	—
Real estate		—	—
Others		—	—
Subtotal		<b>152,921</b>	<b>169,668</b>
Guarantees		<b>31,795</b>	<b>20,590</b>
Credit		<b>5,112,707</b>	<b>5,955,278</b>
<b>Total</b>		<b>¥5,297,424</b>	<b>¥6,145,537</b>

## Acceptances and Guarantees by Type of Collateral

	Millions of yen	
	2019	2018
Securities	—	—
Receivables	—	—
Merchandise	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guarantees	—	—
Credit	—	—
Total	—	—

## Loans by Purpose

As of March 31

	Millions of yen			
	2019		2018	
	Amount	%	Amount	%
Funds for capital investment	¥ 9,605	0.18	¥ 12,475	0.20
Funds for working capital	5,287,819	99.81	6,133,062	99.79
Total	¥5,297,424	100.00	¥6,145,537	100.00

## Loans by Industry

As of March 31

	Millions of yen			
	2019		2018	
	Amount	%	Amount	%
Domestic (excluding Japan Offshore Market accounts)	¥5,292,424	100.00	¥6,140,537	100.00
Agriculture, forestry, fisheries, and mining	—	—	—	—
Manufacturing	15,519	0.29	15,524	0.25
Utilities, information/communications, and transportation	115,517	2.18	92,162	1.50
Wholesale and retail	37,289	0.70	25,094	0.40
Finance and insurance	930,873	17.58	1,121,062	18.25
Construction and real estate	2,000	0.03	24,013	0.39
Services and goods rental/leasing	37,695	0.71	22,837	0.37
Central and local governments	3,997,677	75.53	4,667,184	76.00
Others	155,851	2.94	172,658	2.81
Overseas and Japan Offshore Market accounts	5,000	100.00	5,000	100.00
Governments	—	—	—	—
Financial institutions	—	—	—	—
Others	5,000	100.00	5,000	100.00
Total	¥5,297,424		¥6,145,537	

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 Organization for Postal Savings, Postal Life Insurance and Post Office Network, were ¥640,676 million and ¥829,243 million as of March 31, 2019 and March 31, 2018, respectively.

## Loans to Individuals and Small and Medium-size Enterprises

As of March 31

	Millions of yen	
	2019	2018
Total loans (A)	¥5,297,424	¥6,145,537
Loans to individuals and small and medium-size enterprises (B)	158,351	172,658
(B)/(A)	2.98%	2.80%

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	
	2019	2018
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	
	2019	2018
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	¥5,381,637	6,237,528
Total (B)	¥5,381,637	¥6,237,528
Non-performing loan ratio (A)/(B)	—%	0.00%

## Reserve for Possible Loan Losses

Fiscal years ended March 31

	Millions of yen			
	2019			
	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	¥ 278	¥243	¥ 278	¥243
Specific reserve for possible loan losses	787	715	787	715
Total	¥1,066	¥958	¥1,066	¥958

	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

## SECURITIES

### Average Balance by Type of Trading Book Securities

Fiscal years ended March 31

	Millions of yen	
	2019	2018
Trading book Japanese government bonds	¥51	¥62
Trading book Japanese local government bonds	—	—
Trading book government guaranteed bonds	—	—
Other trading book securities	—	—
<b>Total</b>	<b>¥51</b>	<b>¥62</b>

### Securities by Time to Maturity

As of March 31

	Millions of yen							Total
	2019							
	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	
Japanese government bonds	¥ 8,100,666	¥16,284,203	¥20,457,747	¥1,411,953	¥ 5,915,561	¥ 6,186,436	¥ —	¥ 58,356,567
Japanese local government bonds	1,048,002	1,940,668	1,521,962	827,045	1,020,240	26,045	—	6,383,964
Japanese corporate bonds	1,948,135	2,315,399	2,129,737	851,165	1,339,112	1,212,306	—	9,795,855
Other securities:	3,282,518	6,329,515	4,599,530	2,493,606	2,694,217	3,865,597	39,333,889	62,598,876
Foreign bonds	3,282,518	6,329,334	4,597,940	2,488,926	2,236,743	3,100,064	—	22,035,528
Investment trusts	—	—	—	—	433,805	765,532	39,234,603	40,433,941
Foreign stocks	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥14,379,322</b>	<b>¥26,869,785</b>	<b>¥28,708,978</b>	<b>¥5,583,771</b>	<b>¥10,969,131</b>	<b>¥11,290,385</b>	<b>¥39,333,889</b>	<b>¥137,135,264</b>

	Millions of yen							Total
	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	
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>



## Balance by Type of Securities

As of March 31

### Ending Balances

	Millions of yen	
	2019	2018
<b>Domestic:</b>		
Japanese government bonds	¥ 58,356,567	¥ 62,749,725
Japanese local government bonds	6,383,964	6,405,190
Japanese corporate bonds	9,795,855	10,716,325
Other securities	880,544	338,787
Subtotal	75,416,933	80,210,028
<b>Overseas:</b>		
Other securities:	61,718,331	58,991,226
Foreign bonds	22,035,528	20,244,358
Investment trusts	39,681,051	38,746,868
Foreign stocks	—	—
Subtotal	61,718,331	58,991,226
<b>Total</b>	<b>¥137,135,264</b>	<b>¥139,201,254</b>

Fiscal years ended March 31

### Average Balances

	Millions of yen	
	2019	2018
<b>Domestic:</b>		
Japanese government bonds	¥ 60,310,753	¥ 64,930,658
Japanese local government bonds	6,488,893	6,294,175
Japanese corporate bonds	10,310,788	11,010,054
Other securities	593,239	167,167
Subtotal	77,703,674	82,402,056
<b>Overseas:</b>		
Other securities:	59,005,163	54,067,069
Foreign bonds	21,255,468	20,270,707
Investment trusts	37,749,672	33,785,742
Foreign stocks	—	—
Subtotal	59,005,163	54,067,069
<b>Total</b>	<b>¥136,708,838</b>	<b>¥136,469,126</b>

## Asset Management Status

As of March 31

	Millions of yen			
	2019		2018	
	Outstanding assets	%	Outstanding assets	%
Due from banks, etc.	¥ 50,674,248	24.60	¥ 49,314,634	23.73
Call loans	400,000	0.19	480,000	0.23
Receivables under resale agreements	8,368,139	4.06	—	—
Receivables under securities borrowing transactions	—	—	8,224,153	3.95
Money held in trust	3,990,780	1.93	4,241,524	2.04
Securities:	137,135,264	66.57	139,201,254	67.00
Japanese government bonds	58,356,567	28.33	62,749,725	30.20
Japanese local government bonds	6,383,964	3.09	6,405,190	3.08
Japanese corporate bonds	9,795,855	4.75	10,716,325	5.15
Other securities:	62,598,876	30.39	59,330,013	28.56
Foreign bonds	22,035,528	10.69	20,244,358	9.74
Investment trusts	40,433,941	19.63	39,042,659	18.79
Loans	5,297,424	2.57	6,145,537	2.95
Others	109,366	0.05	126,472	0.06
<b>Total</b>	<b>¥205,975,224</b>	<b>100.00</b>	<b>¥207,733,576</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			
	2019		2018	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥ 5,224,319	23.70	¥ 5,423,335	26.78
U.S. dollar	13,629,801	61.85	11,507,664	56.84
Euro	2,798,015	12.69	3,054,368	15.08
Others	383,391	1.73	258,990	1.27
<b>Total</b>	<b>¥22,035,528</b>	<b>100.00</b>	<b>¥20,244,358</b>	<b>100.00</b>

## Money Held in Trust

As of March 31

### Assets by Type

	Millions of yen			
	2019		2018	
	Outstanding assets	%	Outstanding assets	%
Domestic stocks	¥2,141,784	55.14	¥2,286,148	61.36
Domestic bonds	1,195,685	30.78	1,256,039	33.71
Others	546,152	14.06	183,484	4.92
<b>Total</b>	<b>¥3,883,622</b>	<b>100.00</b>	<b>¥3,725,672</b>	<b>100.00</b>

### Assets by Currency

	Millions of yen			
	2019		2018	
	Outstanding assets	%	Outstanding assets	%
Japanese yen	¥3,857,829	99.33	¥3,725,671	99.99
U.S. dollar	25,792	0.66	—	—
Euro	0	0.00	0	0.00
Others	—	—	—	—
<b>Total</b>	<b>¥3,883,622</b>	<b>100.00</b>	<b>¥3,725,672</b>	<b>100.00</b>

## Securitized Product Exposure

As of March 31, 2019 and March 31, 2018, the Bank held the following securitized products and other products.

The Bank's holdings of securitized products and others were limited to securitization exposure as a final investor. The Bank has never originated any securitized products and thus has no exposure as an originator and no exposure to special purpose entities (SPEs) that should be consolidated.

As of March 31

### 1. Securitized Products

Region		Millions of yen		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings
Domestic	Residential mortgage-backed securities (RMBs)	¥1,305,786	¥ 40,178	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	—	—	—
	Other securitized products	165,503	11	AAA
	Commercial mortgage-backed securities (CMBs)	—	—	—
	Collateralized debt obligations (CDO)	1,247	52	AAA
	Subtotal	1,472,537	40,241	
Overseas	Residential mortgage-backed securities (RMBs)	99,786	(11,624)	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	1,178,783	(6,083)	AAA
	Subtotal	1,278,569	(17,708)	
<b>Total</b>		<b>¥2,751,107</b>	<b>¥ 22,533</b>	

Region		Millions of yen		
		Acquisition cost	Net unrealized gains (losses)	Credit ratings
			2018	
Domestic	Residential mortgage-backed securities (RMBs)	¥1,277,411	¥ 36,127	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	49,208	183	A
	Other securitized products	131,805	(147)	AAA
	Commercial mortgage-backed securities (CMBs)	—	—	—
	Collateralized debt obligations (CDO)	1,533	64	AAA
	Subtotal	1,459,958	36,228	
Overseas	Residential mortgage-backed securities (RMBs)	171,138	(8,133)	AAA
	Subprime loan related	—	—	—
	Collateralized loan obligations (CLO)	495,854	(16,854)	AAA
	Subtotal	666,992	(24,987)	
<b>Total</b>	<b>¥2,126,951</b>	<b>¥ 11,240</b>		

- Notes: 1. The underlying assets provided are only those from multiple debtors comprising securitized products.  
2. No hedging activities against credit risks were made.  
3. The above table does not include securitized products that might be included in investment trusts. The same shall apply hereinafter.  
4. Other securitized products are securitized products of which major underlying assets are auto loan claims.  
5. Excludes U.S. GSE related items.  
6. The overseas collateralized loan obligations (CLO) are only those in the United States.

## 2. Structured Investment Vehicles (SIVs)

There were no investments in SIVs.

## 3. Leveraged Loans

There were no outstanding leveraged loans.

## 4. Monoline Insurer-related Products

There were no monoline insurer-related exposures. In addition, the Bank has not extended credit to or executed credit derivatives transactions with any monoline insurers.

# RATIOS

## Net Ordinary Income to Assets and Equity

Fiscal years ended March 31

	%	
	2019	2018
Net ordinary income to assets	0.17	0.23
Net ordinary income to equity	3.27	4.29

- 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

	%	
	2019	2018
Net income to assets (ROA)	0.12	0.16
Net income to equity (ROE)	2.32	3.02

- 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

	%	
	2019	2018
Overhead ratio (OHR)	<b>78.18</b>	71.46
Expense-to-deposit ratio	<b>0.57</b>	0.57

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

	%	
	2019	2018
<b>Domestic:</b>		
Yield on interest-earning assets	<b>0.38</b>	0.43
Interest rate on interest-bearing liabilities	<b>0.06</b>	0.09
Interest rate spread	<b>0.32</b>	0.33
<b>Overseas:</b>		
Yield on interest-earning assets	<b>1.18</b>	1.34
Interest rate on interest-bearing liabilities	<b>0.55</b>	0.41
Interest rate spread	<b>0.63</b>	0.93
<b>Total:</b>		
Yield on interest-earning assets	<b>0.67</b>	0.74
Interest rate on interest-bearing liabilities	<b>0.17</b>	0.17
Interest rate spread	<b>0.49</b>	0.57

## Loan-Deposit Ratio

As of March 31

	Millions of yen		
	2019		
	Domestic	Overseas	Total
Loans (A)	¥ 5,292,424	¥5,000	¥ 5,297,424
Deposits (B)	180,999,134	—	180,999,134
Loan-deposit ratio (A)/(B)	2.92%	—	2.92%
Loan-deposit ratio (average for the fiscal year)	3.36%	—	3.36%

	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%

## Security-Deposit Ratio

As of March 31

	Millions of yen		
	2019		
	Domestic	Overseas	Total
Securities (A)	¥ 75,416,933	¥61,718,331	¥137,135,264
Deposits (B)	180,999,134	—	180,999,134
Security-deposit ratio (A)/(B)	41.66%	—	75.76%
Security-deposit ratio (average for the fiscal year)	42.87%	—	75.43%

	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%

## OTHERS

### Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

	Millions of yen	
	2019	2018
Long-term bonds	¥ 3,135	¥ 3,282
Medium-term bonds	0	0
Bonds for individuals	57,935	51,894
Total	¥61,070	¥55,176

### Domestic Exchanges

Fiscal years ended March 31

#### Remittances

	Millions of yen			
	2019		2018	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	32,056	¥25,972,954	29,851	¥23,347,377
Received	104,762	25,026,847	96,546	22,664,581

Note: All remittances are transferred through the Interbank Data Telecommunication System ("Zengin Net").

### Foreign Exchanges

Fiscal years ended March 31

	Millions of U.S. dollars			
	2019		2018	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Foreign exchanges	275	\$1,054	302	\$1,267

Note: Foreign exchanges represent the total of international remittances.

## CAPITAL POSITION

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

As of March 31

		Millions of yen	
		2019	2018
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	¥8,879,358	¥8,800,862
	of which: Capital and capital surplus	7,796,285	7,796,285
	of which: Retained earnings	2,477,736	2,399,031
	of which: Treasury stock (deduction)	1,300,926	1,300,717
	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	243	278
	of which: General reserve for possible loan losses	243	278
	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>8,879,601</b>	<b>8,801,141</b>
Core Capital: regulatory adjustments	Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	35,383	29,066
	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)	35,383	29,066
	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)	4	3
	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	
		2019	2018
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>35,388</b>	29,070
Total capital	Total capital (A)–(B)=(C)	<b>¥ 8,844,213</b>	¥ 8,772,071
Risk-weighted assets	Credit risk-weighted assets	<b>¥53,334,010</b>	¥47,574,709
	of which: Total of items included in risk-weighted assets subject to transitional arrangements	—	(4,114)
	of which: Other Financial Institutions Exposures	—	(11,380)
	of which: Other than the above	—	7,266
	Market risk equivalent / 8%	—	—
	Operational risk equivalent / 8%	<b>2,699,551</b>	2,768,805
	Credit risk-weighted assets adjustments	—	—
	Operational risk equivalent adjustments	—	—
	Total amount of risk-weighted assets (D)	<b>¥56,033,562</b>	¥50,343,515
Capital adequacy ratio	Capital adequacy ratio (C)/(D) (%)	<b>15.78</b>	17.42

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) Business Practice Guideline 4465: "Business practices concerning agreed upon procedures for capital adequacy ratio assessments." Of note, a portion of the independent audit did not involve auditing of consolidated financial statements or internal control auditing of financial reports. The audit corporation reported to the Bank the results of its external audit based on procedures within the scope of its agreement with the Bank and did not issue an audit opinion or conclusion 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
	2019
(1) Capital requirement for credit risk:	¥ 448,283
Portfolios applying the standardized approach	432,611
Securitization exposures	12,622
CVA risk equivalent	3,014
Central Counterparty-related exposures	35
(2) Capital requirement for credit risk of exposures relating to funds	1,685,076
(3) Capital requirement for market risk:	—
(4) Capital requirement for operational risk:	107,982
The basic indicator approach	107,982
<b>Total capital requirements (1) + (2) + (3) + (4)</b>	<b>¥2,241,342</b>

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	
		2019	
1 Cash	0	¥	0
2 Japanese government and the Bank of Japan	0		0
3 Foreign central governments and central banks	0–100		7,387
4 Bank for International Settlements, etc.	0		—
5 Non-central government public sector entities	0		0
6 Foreign non-central government public sector entities	20–100		4,902
7 Multilateral Development Banks	0–100		0
8 Japan Finance Organization for Municipalities	10–20		3,027
9 Japanese government agencies	10–20		12,306
10 Three regional public corporations	20		492
11 Financial institutions and Type I Financial Instruments Business Operators	20–100		74,681
12 Corporates	20–100		234,412
13 Small and medium-size enterprises and individuals	75		—
14 Mortgage loans	35		—
15 Project finance (acquisition of real estate)	100		80
16 Past-due loans (three months or more)	50–150		768
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		3,765
Exposure to investments, etc.	100		3,765
Exposure to critical investments	1250		—
21 Other than above	100–250		51,397
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, other TLAC liabilities, etc.	250		30,950
Exposures to specific items that are not included in adjustment items	250		11,667
Exposures to other TLAC liabilities of banking and financial entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued share capital	250		—
Exposures to other TLAC liabilities of banking and financial entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued share capital (amount above 5% threshold)	150		—
Exposures other than those listed above	100		8,779
22 Securitization transactions	—		12,572
Compliant with STC criteria	—		—
Non-compliant with STC criteria	—		12,572
23 Re-securitization transactions	—		49
24 Exposures relating to funds	—		1,685,076
25 Amounts included in risk-weighted assets due to transitional arrangements	—		—
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	—		—
<b>Total</b>	—		<b>¥2,090,921</b>

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

As of March 31

Item	(Reference) CCF (%)	Millions of yen	
		2019	
1 Commitments cancelable automatically or unconditionally at any time	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		182
7 Contingent liabilities arising from directly substituted credit	100		16,848
(Secured with loan guarantees)	100		—
(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		13,508
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		—
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100		20,347
11 Derivative transactions and long-settlement transactions	—		2,009
Current exposure method	—		2,009
Derivative transactions	—		2,009
(1) Foreign exchange-related transactions	—		3,809
(2) Interest rate-related transactions	—		866
(3) Gold-related transactions	—		—
(4) Equity-related transactions	—		4
(5) Precious metal-related transactions (excluding gold)	—		—
(6) Other commodity-related transactions	—		—
(7) Credit derivative transactions (counterparty risk)	—		18
Write-off of credit equivalent amounts under master netting agreement (deduction)	—		2,690
Long-settlement transactions	—		0
12 Unsettled transactions	—		—
13 Unexecuted portion within eligible servicer cash advance credit facility related to securitization exposure	0-100		—
14 Off-balance sheet securitization exposure other than the above	—		—
Total	—		¥39,389

Notes: 1. Capital requirements are calculated using the following formula:

    Credit risk-weighted assets x 4%

2. CCFs are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## CREDIT RISK

### Outline of Credit Risk Management Policies and Procedures

See Pages 70–72 (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
		2019					
Region	Industry	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
Domestic	Agriculture, forestry, fisheries, and mining	—	—	—	—	—	—
	Manufacturing	¥ 61,519	¥ 1,184,565	—	¥ 11	¥ 1,246,096	—
	Utilities, information/communications, and transportation	925,919	3,547,498	—	9,315	4,482,732	—
	Wholesale and retail	163,402	277,831	—	3	441,237	—
	Finance and insurance	73,232,139 (689,612)	5,305,435	¥169,475	17,050	78,724,101 (689,612)	—
	Construction and real estate	41,000	237,237	—	15	278,253	—
	Services and goods rental/leasing	39,123	583,065	—	106,022	728,211	—
	Central and local governments	4,641,227	64,330,767	—	33,045	69,005,041	—
	Others	430,134	74,306	—	405,441	909,883	0
	Total		79,534,466 (689,612)	75,540,708	169,475	570,906	155,815,557 (689,612)
Foreign	Sovereigns	5,000	6,921,852	—	413	6,927,266	—
	Financial institutions	2,228,649	5,830,240	190,157	91	8,249,140	—
	Others	2,142,632	5,426,581	2,664	69	7,571,947	—
	Total	4,376,281	18,178,674	192,822	575	22,748,354	—
Investment trust, etc.		3,292,691	41,166,535	—	—	44,459,227	—
Grand total		¥87,203,440 (689,612)	¥134,885,918	¥362,298	¥571,481	¥223,023,139 (689,612)	0

		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	

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 Organization for Postal Savings, Postal Life Insurance and Post Office Network noted elsewhere.

2. Securities include government bonds, local government bonds, corporate bonds, etc.

3. Derivatives comprise such instruments as interest rate swaps and foreign exchange forward contracts, 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. Investment trusts and other funds are recorded in investment trust, etc.

As of March 31

## Exposure by Time to Maturity

		Millions of yen				
		2019				
Time to maturity	Loans, deposits, etc.	Securities	Derivatives	Others	Total	
One year or less	¥29,031,932 (689,612)	¥ 14,284,657	¥ 9,376	¥ 52,014	¥ 43,377,979 (689,612)	
> One and ≤ three years	721,304	26,478,058	30,161	—	27,229,524	
> Three and ≤ five years	872,048	28,302,943	200,406	40	29,375,438	
> Five and ≤ seven years	683,267	5,399,932	122,354	—	6,205,553	
> Seven and ≤ ten years	321,770	10,170,551	—	—	10,492,322	
Over ten years	532,170	8,989,077	—	—	9,521,248	
No designated term	51,748,254	94,161	—	519,427	52,361,843	
Investment trust, etc.	3,292,691	41,166,535	—	—	44,459,227	
Total	87,203,440 ¥ (689,612)	¥134,885,918	¥362,298	¥571,481	223,023,139 ¥ (689,612)	



Time to maturity	Millions of yen				
	2018				
	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
<b>Total</b>	<b>89,090,175</b> <b>¥ (1,345,950)</b>	<b>¥141,982,254</b>	<b>¥561,147</b>	<b>¥465,206</b>	<b>232,098,783</b> <b>¥ (1,345,950)</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 Organization for Postal Savings, Postal Life Insurance and Post Office Network noted elsewhere.
2. Securities include government bonds, local government bonds, corporate bonds, etc.
3. Derivatives comprise such instruments as interest rate swaps and foreign exchange forward contracts, 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. 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, 2019 and 2018.

## 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	
	2019	2018
General reserve for possible loan losses	¥124	¥138
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	
	2019	2018
General reserve for possible loan losses	¥(14)	¥11
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 139.

## By Industry

### Balance at the end of the fiscal year

As of March 31

	Millions of yen	
	2019	2018
General reserve for possible loan losses	¥124	¥138
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	
	2019	2018
General reserve for possible loan losses	¥(14)	¥11
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 139.

## Exposure by Risk Weight Classification

As of March 31

Risk weight	Millions of yen			
	2019		2018	
	Rated	Not rated	Rated	Not rated
0%	¥120,230,800	¥30,287,411	¥134,588,596	¥26,401,006
2%	—	43,817	—	11,728
4%	—	—	—	—
10%	575,247	3,833,456	169,340	4,171,067
20%	14,834,203	61,593	13,284,552	54,948
35%	—	—	—	—
50%	5,268,843	—	5,734,464	—
75%	—	—	—	—
100%	1,873,469	1,808,634	1,464,837	2,779,286
150%	10,669	—	—	—
250%	54,545	370,832	144,026	302,284
1250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	44,459,227	—	44,338,594
<b>Total</b>	<b>¥142,847,778</b>	<b>¥80,864,973</b>	<b>¥155,385,818</b>	<b>¥78,058,916</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 94.75% as of March 31, 2019 (compared with 80.48% as of March 31, 2018).

## 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			
	2019		2018	
	Exposure	%	Exposure	%
Eligible financial collateral	¥22,224,031	89.54	¥27,488,378	89.53
Guarantees and credit derivatives	2,595,329	10.45	3,213,299	10.46
<b>Total</b>	<b>¥24,819,360</b>	<b>100.00</b>	<b>¥30,701,677</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	
	2019	2018
Gross replacement costs	¥294,707	¥437,704
Gross add-on amounts	496,539	373,359
Gross credit equivalents	791,247	811,063
Currency-related transactions	533,654	588,851
Interest rate-related transactions	254,631	216,608
Equity-related transactions	554	1,596
Credit derivative transactions (counterparty risk)	2,359	3,958
Long-settlement transactions	46	48
Write-off of credit equivalent amount due to netting (deduction)	428,902	249,867
Net credit equivalents	362,344	561,195
Collateral held	150,084	397,026
Marketable securities	127,588	169,340
Cash	22,496	227,686
Net credit equivalent amounts (after considering credit risk mitigation benefits due to collateral)	362,344	561,195

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	
	2019	2018
Total return swap	¥116,293	¥108,007
Protection purchased	116,293	108,007
Used for credit risk mitigation	73,284	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 1-1 to 1-4, Article 248 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 External Rating-Based Approach and the Standardized Approach stipulated in the Capital Adequacy Notification to calculate credit risk-weighted asset amounts related to securitization exposure.

## 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 securitization exposure.

- 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
	2019
Mortgage loans	¥ 242,895
Auto loans	135,952
Leases	2,023
Accounts receivable	27,533
Corporate loans	1,188,309
Others	—
Total	¥1,596,713

Notes: 1. There are no 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	
	2019	
Mortgage loans	¥1,247	
Auto loans	—	
Leases	—	
Accounts receivable	—	
Corporate loans	—	
Others	—	
<b>Total</b>	<b>¥1,247</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	
	2019	
	Balance	Capital requirements
≥15% and ≤20%	¥1,596,713	¥12,572
>20% and ≤45%	—	—
>45% and ≤70%	—	—
>70% and ≤140%	—	—
>140% and ≤225%	—	—
>225% and ≤420%	—	—
>420% and <1250%	—	—
1250%	—	—
<b>Total</b>	<b>¥1,596,713</b>	<b>¥12,572</b>

Notes: 1. There are no 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%

## Balance by Risk Weight of Re-Securitization Exposure and Amount of Capital Requirements

As of March 31

Risk weight	Millions of yen	
	2019	
	Balance	Capital requirements
100%	¥1,247	¥49
>100% and <1250%	—	—
1250%	—	—
<b>Total</b>	<b>¥1,247</b>	<b>¥49</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 73 (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 68–69) and Credit Risk Management (Pages 70–72).

#### 1. Balance Sheet Amounts and Fair Values

As of March 31

	Millions of yen			
	2019		2018	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
Exposure to listed equities, etc. (Note 1)	¥96,904	¥96,904	¥28,785	¥28,785
Exposure to investments or equities, etc., other than above (Note 2)	1,932	/	1,932	/
Total	¥98,836	/	¥30,717	/

Notes: 1. The number represents stocks with fair value.

2. The number represents stocks 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	
	2019	2018
Gains (Losses):	¥(8,084)	¥195
Gains	177	195
Losses	1,527	—
Write-offs	6,734	—

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	
	2019	2018
Unrealized gains (losses) recognized on the balance sheets but not on the statements of income	¥5,124	¥396

Note: The number represents unrealized gains (losses) on stocks 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	
	2019	2018
Unrealized gains (losses) not recognized on the balance sheets or the statements of income	—	—

Note: The number represents unrealized gains (losses) on stocks of subsidiaries and affiliates with fair value.

## EXPOSURES RELATING TO FUNDS

As of March 31

Calculation method	Millions of yen	
	2019	
	Balance	Capital requirements
Exposures where fund components are identifiable (look-through approach) (note 3)	¥44,060,148	¥1,525,830
Exposures not included in any categories above where investment mandates of funds are known (mandate-based approach) (note 4)	—	—
Exposures not included in any categories above where there is a high probability of the weighted average risk weight applied to fund components being less than 250% (note 5)	94,185	9,418
Exposures not included in any categories above where there is a high probability of the weighted average risk weight applied to fund components being less than 400% (note 5)	7,704	1,232
Exposures not included in any categories above (Fall-back approach) (note 6)	297,190	148,595
Total	¥44,459,227	¥1,685,076

Notes: 1. The amount of required capital is the amount arrived at after multiplying credit risk assets by 4%.

2. Risk weight is specified in the Equity Ratio Notification.
3. As stipulated in Article 76 5-2 of the FSA Bank Capital Adequacy Ratio Notification.
4. As stipulated in Article 76 5-6 of the FSA Bank Capital Adequacy Ratio Notification.
5. As stipulated in Article 76 5-9 of the FSA Bank Capital Adequacy Ratio Notification.
6. As stipulated in Article 76 5-10 of the FSA Bank Capital Adequacy Ratio Notification.

## INTEREST RATE RISK

### Risk Management Policy and Procedure Overview

Interest rate risk in the banking book (IRRBB) refers to the risk of losses caused by interest rate fluctuations which affect the value of assets and liabilities (including off balance sheet items) and the earnings generated from assets and liabilities. As part of IRRBB monitoring, the Bank measures interest rate sensitivity (10BPV) on a daily basis and  $\Delta$ EVE (measuring amount of decreased economic value of equity, based on interest rate shocks listed in disclosed notifications) on a monthly basis. Both of them are used to evaluate the adequacy of equity capital. As to overall market risks including interest rate risks, the Bank measures market VaR (Value at Risk) on a daily basis. This monitoring verifies that market VaR is within the capital allocation amount range (refer to “Market Risk Management/Market Liquidity Risk Management” on Pages 68–69 for details).

### Overview of Interest Rate Risk Calculation Methods

IRRBB is measured by estimating future cash flows mainly from assets and liabilities.

### Interest Rate Risk Status

As of March 31

IRRBB1: Interest Rate Risk

		Millions of yen			
		$\Delta$ EVE		$\Delta$ NI	
Item No.		A	B	C	D
		2019	2018	2019	2018
1	Upward parallel shift	¥ 538,125			
2	Downward parallel shift	2,446,896			
3	Steeper				
4	Flatter				
5	Short-term interest rate up				
6	Short-term interest rate down				
7	Maximum	2,446,896			
		E		F	
		2019		2018	
8	Equity capital	¥8,844,213			

Notes: 1. Decreased economic value and interest income are shown as positive values.

2. Key assumptions for  $\Delta$ EVE calculations are as follows:

- 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”). The average repricing maturities of liquid deposits are 3.5 years. The longest repricing maturities are 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.
- The Bank aggregates  $\Delta$ EVE of JPY, USD, EUR, GBP, and AUD taking into account the correlation between each different currency. On the other hand, the Bank adds only positive  $\Delta$ EVE of the other currencies.
- Spread levels are included in discount rates and cash flows.

3. The Bank confirms that it has secured sufficient capital to counter interest rate risk measured with  $\Delta$ EVE.

4. According to the “Comprehensive Guidelines for Supervision of 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 JGBs 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 materiality test.”

## &lt;Reference Information&gt;

## ASSESSMENT OF CAPITAL ADEQUACY

## Total Required Capital (Non-Consolidated)

As of March 31

	Millions of yen
	2018
(1) Capital requirement for credit risk:	¥1,902,988
Portfolios applying the standardized approach	1,848,206
Securitization exposures	34,962
CVA risk equivalent	19,431
Central counterparty-related exposures	388
(2) Capital requirement for market risk:	—
(3) Capital requirement for operational risk:	110,752
The basic indicator approach	110,752
(4) Total capital requirements (1) + (2) + (3)	¥2,013,740

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	
1 Cash	0	¥	0
2 Japanese government and the Bank of Japan	0		0
3 Foreign central governments and central banks	0–100		13,689
4 Bank for International Settlements, etc.	0		—
5 Non-central government public sector entities	0		0
6 Foreign non-central government public sector entities	20–100		6,860
7 Multilateral Development Banks	0–100		0
8 Japan Finance Organization for Municipalities	10–20		3,194
9 Japanese government agencies	10–20		12,179
10 Three regional public corporations	20		439
11 Financial institutions and Type I Financial Instruments Business Operators	20–100		199,151
12 Corporates	20–100		952,157
13 Small and medium-size enterprises and individuals	75		—
14 Mortgage loans	35		—
15 Project finance (acquisition of real estate)	100		54,661
16 Past-due loans (three months or more)	50–150		137,627
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
Exposure to investments, etc.	100		65,675
Exposure to critical investments	1250		—
21 Other than above	100–250		142,332
Exposures to fund procurement methods by other financial institutions, etc., other than those corresponding to common shares, etc.	250		117,519
Exposures to specific items that are not included in adjustment items	250		12,202
Exposures other than those listed above	100		12,610
22 Securitization transactions (as originator)	20–1250		—
Re-securitization transactions	40–1250		—
23 Securitization transactions (as investor and other)	20–1250		18,486
Re-securitization transactions	40–1250		24
24 Assets comprised of asset pools (so-called funds) for which the individual underlying assets are difficult to identify	—		135,061
25 Amounts included in risk-weighted assets due to transitional arrangements	—		290
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)
<b>Total</b>	—		<b>¥1,741,353</b>

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. Risk weightings are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## Amount of Capital Required for Credit Risk (Off-Balance Sheet Items)

As of March 31

Item	(Reference) CCF (%)	Millions of yen
		2018
1 Commitments cancelable automatically or unconditionally at any time	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
7 Contingent liabilities arising from directly substituted credit	100	29,740
(Secured with loan guarantees)	100	—
(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
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
10 Securities lending, cash or securities collateral provision, or repo-style transactions	100	14,058
11 Derivative transactions and long-settlement transactions	—	12,956
Current exposure method	—	12,956
Derivative transactions	—	12,954
(1) Foreign exchange-related transactions	—	11,328
(2) Interest rate-related transactions	—	2,100
(3) Gold-related transactions	—	0
(4) Equity-related transactions	—	980
(5) Precious metal-related transactions (excluding gold)	—	0
(6) Other commodity-related transactions	—	259
(7) Credit derivative transactions (counterparty risk)	—	128
Write-off of credit equivalent amounts under master netting agreement (deduction)	—	1,845
Long-settlement transactions	—	2
12 Unsettled transactions	—	0
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

Notes: 1. Capital requirements are calculated using the following formula:

Credit risk-weighted assets x 4%

2. CCFs are stipulated in the FSA Bank Capital Adequacy Ratio Notification.

## 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	
Mortgage loans	¥	303,996
Auto loans		121,735
Leases		3,655
Accounts receivable		6,420
Corporate loans		571,627 (23,266)
Others		—
<b>Total</b>		<b>¥1,007,435 (23,266)</b>

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	
Mortgage loans	¥	1,533
Auto loans		—
Leases		—
Accounts receivable		—
Corporate loans		—
Others		—
<b>Total</b>		<b>¥1,533</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	
	Balance	Capital requirements
Less than 20%	¥ 49,477	¥ 197
20%	934,691	7,477
50%	—	—
100%	—	—
350%	—	—
1250%	23,266 (23,266)	11,633 (11,633)
<b>Total</b>	<b>¥1,007,435 (23,266)</b>	<b>¥ 19,308 (11,633)</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	
	Balance	Capital requirements
Less than 40%	—	—
40%	¥1,533	¥24
100%	—	—
225%	—	—
650%	—	—
1250%	—	—
<b>Total</b>	<b>¥1,533</b>	<b>¥24</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%

## 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
Amount of loss (A)	¥ 998.0
Total capital (B)	8,772.0
Loss-to-capital ratio (A)/(B) (%)	11.37

- 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 Supervision of 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 JGBs 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

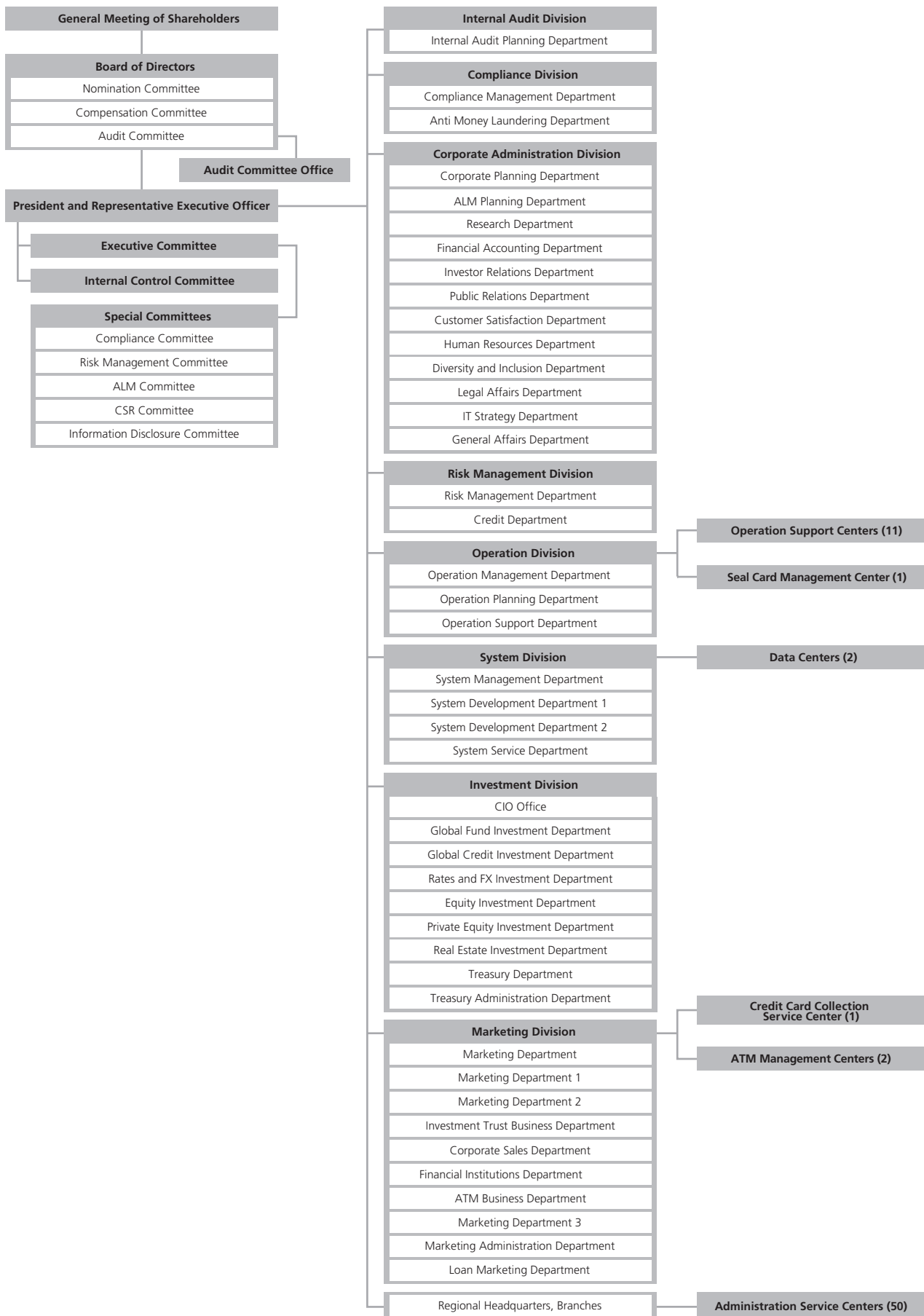
- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the JAPAN POST GROUP network.
- We will utilize teamwork and create corporate value for the JAPAN POST GROUP by 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, 2019)



# Corporate Information

(As of March 31, 2019)

## 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>	460,866

Note: The treasury stock does not include the Bank's shares held by the stock benefit trust (683 thousand shares).

## Major Shareholders

	Name of shareholder	Number of shares held (Thousands of Shares)	Shareholding ratio (%)
1	Japan Post Holdings Co., Ltd	3,337,032	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	28,077	0.74
3	Japan Trustee Services Bank, Ltd. (Trust Account)	22,968	0.61
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,968	0.29
5	STATE STREET BANK WEST CLIENT - TREATY 505234	10,084	0.26
6	Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,250	0.22
7	Japan Post Bank Employee Shareholding Association	8,102	0.21
8	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,258	0.19
9	Japan Trustee Services Bank, Ltd. (Trust Account 2)	6,790	0.18
10	JP MORGAN CHASE BANK 385151	6,495	0.17

Notes:

- The Bank holds 750,524 thousand shares (the ratio of the number of shares held against the total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders. The treasury stock does not include the Bank's shares held by the stock benefit trust (683 thousand shares).
- The shareholding ratio has been calculated excluding treasury stock (750,524 thousand shares) and 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> 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo	750	Investment management operations of securities	February 9, 2018	50.00 [25.00]
	Two other companies	–	–	–	–
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 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)





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